



Oil and Gas Commission
2009/10-2011/12 Service Plan



Message from the Chair to the Minister of Energy, Mines and Petroleum Resources



Dear Honourable Minister Lekstrom:

I am pleased to introduce the British Columbia Oil and Gas Commission Service Plan for fiscal 2009/10 to 2011/12. This document provides the targets the Commission will utilize in the three-year period to outline performance accountability and measurement.

Fiscal 2008/09 marked the 10th anniversary of the Commission complimented by record breaking land tenure sales for the Province of British Columbia. The Commission continues to support the Province's Energy Plan and objectives by implementing flaring reduction guidelines and investing in measures to reduce its operational carbon footprint to achieve carbon neutrality by government.

The Oil and Gas Activities Act (OGAA) was passed in May 2008. During the year the Commission worked with Provincial Ministries and stakeholders in the development of the OGAA related regulations. The Commission continues to strengthen planning through coordinated stewardship initiatives, further develop service to local stakeholders through improved community relations, and enhance surface and subsurface engineering functions. This year also saw regulatory renewal with partner agencies such as the signing of the Memorandum of Understanding with the Ministry of Environment to achieve a coordinated approach to site reclamation.

To maintain core process service levels and foster a positive working environment the Commission placed focus on leadership development, supervisory training, health and wellness programs, and an increase in staff support systems in the Human Resources, Communications and Finance departments.

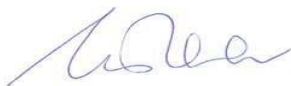
In BC the oil and gas sector remains a key economic driver for the province thus creating new opportunities for employment in key geographic areas. The Commission expects a number of new gas processing plant and facility applications or major expansion of existing plants in the upcoming year. To address the sizeable opportunity of unconventional gas development the Commission is committed to assessing regulatory practice to remain on the forefront of environmental consideration and resource conservation in North America.

The Commission is poised to complete OGAA related regulations, update a number of business processes linked to the implementation of the new legislation and evaluate opportunities to have a more coordinated approach to development related to water, wildlife, access and First Nations values. To address the uncertainty related to the recent economic down turn the Commission has taken a conservative fiscal planning approach. Building on a solid foundation of accomplishments and guided by a team of professionals and dedicated staff, I am confident that the Commission will continue with its aggressive short and long term plans to achieve ever higher oil and gas sector standards in the interest of British Columbians.

The Service Plan goals and performance measurements are inter-reliant and reflect the cooperative nature of intergovernmental, First Nations, community and industry consultation and support. These goals guide the Commission and provide set criteria for the regulation of oil and gas activity while giving applicable measurement tools for the Commission's future planning.

The 2009/10 - 2011/12 Oil and Gas Commission's Service Plan was prepared under my direction in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The plan is consistent with government's strategic priorities and Fiscal Plan. I am accountable for the contents of the plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions, and identified risks, as of February 17, 2009 have been considered in preparing the plan. The performance measures presented are consistent with the Oil and Gas Commission's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of Oil and Gas Commission's operating environment, forecast conditions, risk assessment and past performance.



Greg Reimer
Board Chair

February 17, 2009

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Overview of the Organization

The Oil and Gas Commission (Commission) is a service delivery Crown Corporation that regulates oil and gas activity in British Columbia. Regulatory authority of the Commission is derived from the:

- *Oil and Gas Commission Act*
- *Pipeline Act*
- *Petroleum and Natural Gas Act*
- *Land Act*
- *Forest Act*
- *Forest Practices Code of British Columbia Act*
- *Heritage Conservation Act*
- *Environmental Management Act*
- *Water Act*

To view the legislation listed above, visit the Commission website at: www.ogc.gov.bc.ca

Strategic direction and performance expectations from the Government of British Columbia are outlined in a Shareholders' Letter of Expectations. This clarification of roles is provided to ensure alignment of Commission activities with overarching provincial direction. It outlines the Commission's role in delivering commitments to the following items:

- Support successful implementation of the BC Energy Plan;
- Ensure industry will reduce flaring at oil and gas producing wells and production facilities by 50 percent by 2011; and
- Engage staff in development of solutions to meet government climate change expectations, including development of a Commission specific climate change plan.

To view the Letter of Expectations, please visit: www.ogc.gov.bc.ca

Mandate

The purposes of the Commission, outlined in Section 3 of the *Oil and Gas Commission Act*, are briefly summarized as follows:

- **Regulate** the oil and gas activities and pipelines in British Columbia;
- **Provide** for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;
- **Encourage** the participation of First Nations and aboriginal peoples in processes affecting them;
- **Participate** in planning processes; and
- **Undertake** programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

Mission Statement

“Regulating oil and gas activity”

- through fair, consistent, responsible, and transparent stakeholder engagement;
- for the benefit of British Columbians; and
- by balancing environmental, economic, and social outcomes.

Vision Statement

“To be the innovative regulatory leader, respected by stakeholders, First Nations and clients”

As set out in section 3 of the *Oil and Gas Commission Act*, the purposes of the Commission are to:

Section of Commission Mandate	Specific Activities to Deliver Mandate
3. (a) regulate oil and gas activities and pipelines in British Columbia in a manner that:	
(i) provides for the sound development of the oil and gas sector by fostering a healthy environment, a sound economy and social well being;	<ul style="list-style-type: none">• Work with Ministry of Energy, Mines and Petroleum Resources to develop Regulations• Assess Drilling Deposit• Regulate Drilling Waste• Regulate Air Discharge• Manage Orphan Site Fund• Estimate Reclamation Costs• Process Certificates of Restoration• Reclamation Estimation

Section of Commission Mandate	Specific Activities to Deliver Mandate
(ii) conserves oil and gas resources in British Columbia;	<ul style="list-style-type: none"> • Well Evaluation • Depletion Analysis • Inventory Hydrocarbons • Map Resources
(iii) ensures safe and efficient practices; and,	<ul style="list-style-type: none"> • Conduct Inspections • Ensure Appropriate Complaint Responses • Ensure Appropriate Incident Responses • Respond to Emergencies • Review Industry Safety Plans
(iv) assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.	<ul style="list-style-type: none"> • Conduct Correlative Rights Review
(b) provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;	<ul style="list-style-type: none"> • Review Applications for Activity • Review Sour Wells Classifications • Transfer Assets • Enable Public Engagement • Provide oil and gas related expertise • Undertake continual improvement reviews
(c) encourage the participation of First Nations and aboriginal peoples in processes affecting them;	<ul style="list-style-type: none"> • Consult with First Nations • Develop Agreements with First Nations
(d) participate in planning processes; and,	<ul style="list-style-type: none"> • Participate in Inter-Agency planning activities
(e) undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the commission.	<ul style="list-style-type: none"> • Conduct Landowner Liaison Activities • Community Awareness Initiatives • Advisory Committees • Respond to Requests for Information

Activities undertaken by the Commission within this mandate enable the safe operation of oil and gas related activities in the Province while encouraging a balance between economic, social and environmental benefits.

Over the next three years OGAA implementation will refine and change processes within the Commission. This includes compliance and enforcement as well as interactions with other government agencies.

Service Delivery

The services provided by the Commission under the legislated mandate as described above fall into four broad categories, outlined below.

1. Review and assessment of applications for oil and gas activities, and issuance of approvals when appropriate, including, but not limited to:

- Wells
- Pipelines and Facilities
- Geophysical Activities
- Roads
- Engineering and Geology
- Transfer of Assets

More information about the application review process is available on the Commission website: www.ogc.gov.bc.ca

2. Ensuring industry compliance with legislative, regulatory and permit-specific requirements, in part through inspections and other monitoring and enforcement activities. Qualified Commission inspectors make physical visits to oil and gas activity sites to ensure that operations are proceeding in accordance with applicable regulations. For more information on compliance and enforcement activities, please visit: www.ogc.gov.bc.ca

3. Completion of First Nations consultation on applications for activity. Consultation relationships with First Nations in Northeast British Columbia, the main area of oil and gas activity, are guided by negotiated Consultation Process Agreements (CPAs) in place with First Nation communities. For more information on these agreements and the consultation process, please visit the Commission website at: www.ogc.gov.bc.ca

4. Cooperating with the Ministry of Energy, Mines and Petroleum Resources, Ministry of Environment, Ministry of Agriculture and Lands, Ministry of Forests and other government agencies to ensure effective delivery of government policy, including goals in the BC Energy Plan.

Continued Changes to Commission Service Delivery

The Commission continues to make adjustments to enhance service delivery based on changes in the operating environment. A summary of the changes is provided below.

Enhanced Planning Process

The Commission is often required to respond to time-critical events. In order to provide greater consistency in the way the Commission responds to events, the Commission has increased its focus on planning for both the near and longer term, through enhanced business planning and performance management processes.

First Nations Consultation Process Agreements

The Commission continues to work with First Nations in the development of CPA implementation strategies. CPAs encourage industry engagement of First Nations prior to applications being submitted to the Commission. Through early engagement, industry can improve participation with First Nations and consultation timelines. For more information on these agreements, visit: www.ogc.gov.bc.ca

Enhanced Emergency Management Planning (EMP)

To mitigate the potential consequences of oil and gas related incidents, the Commission requires operators in British Columbia to establish emergency preparedness plans for facilities, pipelines and wells. In the case of an incident, the Commission's responsibility is to ensure that companies activate these plans effectively, thereby contributing to public confidence in the Government's requirements for public health and safety.

The profile of the Commission's role in EMP has been raised over the last year, through extensive training and increased interagency cooperation. These efforts have improved awareness of the role of the Commission while maintaining a state of readiness. More information on the Commission EMP program is available at the following website:

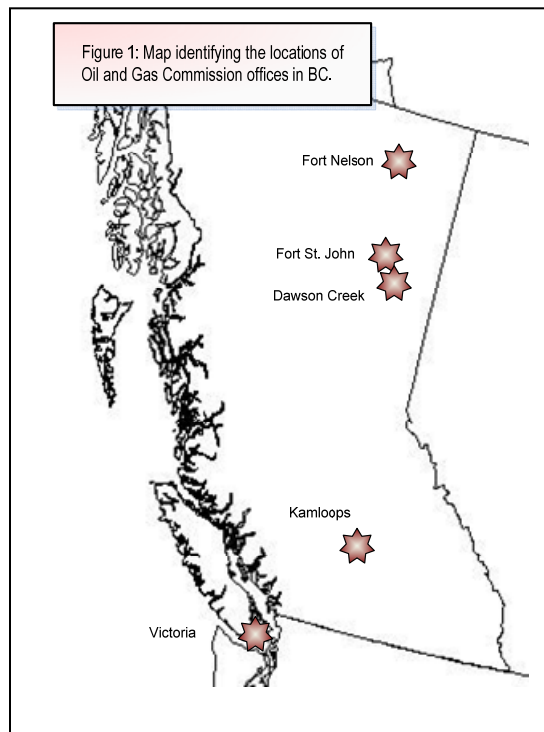
www.ogc.gov.bc.ca

Location of Operations

The Commission has four offices in British Columbia. The operations centre of the Commission is located in Fort St. John, the heart of oil and gas activity for the Province. The majority of the Commission's employees operate from this location. The Commission is also reviewing options to lease office space in Dawson Creek to better service the Montney gas play. The map in Figure 1 (right) indicates distribution of Commission locations across the Province.

Principal Partners, Clients and Stakeholders

The Commission is the regulator of oil and gas activity in British Columbia, providing value throughout the Province. Commission employees ensure the resource is recovered in the safest and most effective possible manner, and that any liabilities incurred through these activities are borne by the operators. In this capacity, the Commission regularly interfaces with industry, First Nations, landowners, other government agencies, and regulatory peers in other jurisdictions.



Corporate Governance

The Commission reports to a board of directors, as legislated through the *Oil and Gas Commission Act* (the Act). The board of directors are responsible for directing and overseeing the affairs and operations of the Commission; and:

- Ensuring that the Commission exercises its powers in accordance with governing legislation;
- Ensuring that the Commission establishes appropriate internal controls and practices; and
- Approve the Commission's budget, Service Plans, Annual Reports and regulatory initiatives.

In accordance with the Act, the Commission is governed by three directors consisting of the Deputy Minister, Ministry of Energy, Mines and Petroleum Resources (MEMPR) and two directors appointed by the Lieutenant Governor in Council; the Commissioner and an independent member. The Commissioner and Executive team remain responsible for the operations of the Commission.

As outlined in the chart below, the board has two established standing committees; the Audit Committee and the Governance and Human Resources Committee. The independent member serves as chair for the two sub-committees of the board. Terms of Reference for the board and sub-committees are online: www.ogc.gov.bc.ca

Board of Directors “The Board”

Mission

To ensure the Commission exercises its powers and performs its duties in accordance with the Act and other applicable laws.

Directors

Greg Reimer, Deputy Minister of the Ministry of Energy, Mines and Petroleum Resources (Chair)
Alex Ferguson, Commissioner, Oil and Gas Commission
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council

Audit Committee

Mission

To provide oversight and direction on matters relating to the financial position of the Commission.

Members

John Jacobsen, appointed by the Lieutenant Governor in Council (Chair)
Greg Reimer, Deputy Minister of the Ministry of Energy, Mines and Petroleum Resources
Randall Smith, Corporate Services (ex-Officio)

Executive Team

Mission

To lead the management of business affairs of the Commission, and to implement policy direction received from the Board.

Members

Alex Ferguson, Commissioner
Paul Jeakins, Deputy Commissioner, Regulatory Affairs and Stewardship
James O’Hanley, Deputy Commissioner, Project Assessment and Compliance Assurance
Greg Lever, Deputy Commissioner, Chief Engineer
Steve Simons, Leader, Corporate Affairs
Randall Smith, Leader, Corporate Services

Governance and Human Resources Committee

Mission

To provide oversight and direction in regard to human resource and compensation matters and to ensure the good governance of the Commission

Members

John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council (Chair)
Greg Reimer, Deputy Minister, Energy Mines and Petroleum Resources
Randall Smith, Leader Corporate Services (ex-Officio)

The Governance policies and practices of the Commission are compliant with the [Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations \(Best Practice Guidelines\) February 2005](#) issued by the Board Resourcing and Development Office (BRDO), Office of the Premier of British Columbia.

Strategic Context

As the regulator of oil and gas activity in British Columbia, the Oil and Gas Commission continually strives to progressively regulate a dynamic and rapidly growing oil and gas industry. This includes taking bold, proactive steps and providing innovative solutions to ensure safe and sustainable development while considering the needs of a competitive and thriving industry, community interactions and First Nation rights.

The following section provides an overview of the anticipated operating environment and key strategic issues faced by the Commission for 2009/10 through 2011/12. This section highlights key internal and external factors that may shape the business of the Commission, and outlines the Commission's proactive responses to these trends.

Factor	Description of Trend	Commission Response
EXTERNAL		
Regulatory Trends	The Oil and Gas Activities Act (OGAA) was passed in May 2008. It is anticipated that the Act and associated regulations will come into force in the fall of 2009.	<p>The Commission is working with the Ministry of Energy, Mines and Petroleum Resources, the Ministry of Environment, the Ministry of Agriculture and Lands, in the development of the OGAA related regulations.</p> <p>The priorities and areas of focus of the Commission's response to this are outlined in Goal 4 of this Service Plan "The Commission continually improves the regulatory environment".</p> <p>In addition to the development of regulations, the Commission will be updating a number of processes linked to the implementation of the new legislation.</p> <p>As well, the Memoranda of Understanding that the Commission has signed with other government agencies will be updated to reflect the changing legislative environment for the oil and gas sector.</p>

Factor	Description of Trend	Commission Response
EXTERNAL		
First Nations	<p>The provincial government has been negotiating economic benefit agreements and associated resource management agreements with the Treaty 8 First Nations. Each of these will have an effect on the operating environment for the oil and gas sector.</p> <p>The Consultation Process Agreement Implementation Committee and other Consultation Agreements continue to evolve the processes for oil and gas related consultations.</p> <p>The provincial government is implementing a new First Nations Consultation Coordination and Strategic Engagement Model at a sub-regional level throughout the province</p>	<p>The Commission has been a key participant in the negotiation of the oil and gas related agreements.</p> <p>Goal 3 in this Service Plan “The Commission is recognized as a service-oriented organization” outlines the Commission’s commitment to maintain a strong service focus, which includes working with First Nations communities.</p> <p>The Commission continues to work through the Peace Managers Committee to coordinate First Nation initiatives with other government agencies. The Commission will continue to participate in and provide advice to the First Nations Consultation and Coordination Team to identify First Nations’ and agencies’ collective priorities on consultation and strategic engagement including economic benefit and resource management agreement implementation.</p>
Stewardship	<p>Oil and Gas rights Landsales have increased in two large shale gas plays – the Horn River Basin (HRB) and the Montney gas play. The HRB has relatively small amounts of oil and gas activity currently underway. The opportunity exists to develop a more coordinated approach to development related to water, wildlife, access and First Nations values.</p>	<p>The Commission has brought together our surface land specialists and analysts under our Stewardship Director.</p> <p>The Commission has assisted in bringing together the Horn River Producers Group, the government’s Horn River Basin Regulatory and First Nations Working Groups. The goal of these groups is to coordinate activity and to contribute toward sustainable management.</p> <p>This supports Goal 1 of the Service Plan, which states that the Commission will continually improve protection of the environment.</p>

Factor	Description of Trend	Commission Response
EXTERNAL		
Major Projects	<p>As a direct result of the recent drilling success and Petroleum and Natural Gas Rights sales in the province, most notably in the Montney and Horn River Basin gas plays, there is an emerging need for more gas processing capacity in the province and /or Western Canada.</p> <p>The Commission expects a number of new gas processing plant and facility applications or major expansion of existing plants will be forthcoming.</p> <p>The Commission has three major pipeline projects which are imminent Kitimat to Summit Lake (KSL) Pipeline, Apache CO2 Horn River to Zama Pipeline and SEMCAMS Pipeline from BC Bullmoose/Ojay fields to Alberta (Fox Creek) Gas Plant.</p> <p>As new regions of the Province are identified for oil and gas activity, consultation requirements with First Nations, landowners and the public will be increased.</p>	<p>Internally, the Commission is prepared to manage these shifts through the existing application procedures and increasing technical capacity to review and manage new and complex applications.</p> <p>The Commission is also working with external agencies toward a provincial major oil and gas projects team for projects outside of Northeast British Columbia.</p> <p>Objectives and strategies related to ensuring that quality decisions are made in a timely manner and that technical expertise is in place are presented in Goals 2 and 5 of this Service Plan.</p>

Factor	Description of Trend	Commission Response
EXTERNAL		
Industry Activity Trends	<p>The global economy in fiscal 2008 has been less than predictable. While many economists predicted an overall slowdown, the global financial crisis that came to a head in the fall has been coupled with turbulent natural resource prices.</p> <p>The precipitous fall in oil prices, from a record high of over \$147/US a barrel in the summer, to less than \$50/US 12 weeks later was not foreseeable.</p> <p>Production of conventional oil and gas (and related activity) in British Columbia is reaching maturity, however an increase in unconventional oil and gas plays will likely offset this depletion. Looking forward, the use of incentives to promote oil and gas exploration is in the developmental stage, and improved technologies will create emphasis on enhanced recovery from existing mature pools.</p> <p>The decline in oil prices has contributed to moderate expectations for natural gas prices. Even with the decline in natural gas prices, British Columbia saw record spending on oil and gas rights sales in 2008 with a final tally of 2.6 billion dollars. Industry capital spending for 2008 is up 45% due to these sales.</p> <p>Although industry forecasts that capital investment may decrease by 15% in 2009, drilling activity for the province will increase by 15% as companies will be looking to develop the rights acquired in 2008.</p> <p>British Columbia natural gas reserves continue to increase in size. With conventional western Canadian gas production in decline, the emergence of unconventional gas sources could be vital in maintaining Canada's position as a major producer of natural gas.</p>	<p>The Commission expects industry activity levels to be maintained due to the increase of unconventional gas exploration and development. While continued exploration is expected, the Commission is choosing a conservative approach to spending in the coming years while continuing to monitor industry forecasts and expenditures. Allocating resources carefully will allow the Commission to navigate the current economic climate without seeing an impact in the ability to guide resource development and management throughout British Columbia. Further identification of discretionary expenditures and opportunities to further reduce the Commissions carbon footprint are under consideration.</p>

Factor	Description of Trend	Commission Response
INTERNAL		
Technology	New technologies are providing opportunities to increase linkages between working groups, reduce timelines for service delivery, increase data integrity and improve quality of decision making.	<p>The Commission recognizes that technology is an important part of delivering all of the Commission's goals. Improving technologies and data integrity for operational activities (such as compliance, emergency planning and reservoir management) help the Commission achieve Goal 1, to protect the public interest.</p> <p>Technology is an important tool for the Commission to streamline the application process, to ensure consistency of information used in decision making, and improve accessibility of services.</p>
Organizational Capacity	As the oil and gas industry matures, the Commission is handling more complex development applications each year, resulting in more complex consultation and compliance activities.	In order to keep pace with changing needs, the Commission streamlines regulatory processes, aggressively pursues skilled workers and conducts ongoing skills training and development for Commission staff.
BC Energy Plan	<p>The BC Energy Plan puts British Columbia at the forefront of environmental and economic leadership. This plan looks to all forms of clean, alternative energy in meeting British Columbians' needs in the provincial economy.</p> <p>New technologies and new solutions will be encouraged to "green the grid" and provide clean remote energy and reduce energy losses.</p> <p>The plan's policy actions will mean more jobs, new investment and ultimately greater prosperity for British Columbia.</p>	The Commission will continue to implement plans and pursue actions to minimize its carbon footprint. This will include measuring GHG emissions using the Climate Action Secretariat's SMARTTOOL. The Commission will also be submitting a Carbon Neutral Action Report.

Achieving Goals of this Service Plan

The Commission has developed strategies with regard to operating environment drivers in order to achieve the goals, objectives, strategies and performance targets of this Service Plan, outlined below.

1. Implementation of Updated Legislation and Regulations

Driver: A key step to reaching the goals and targets of this Service Plan is the introduction of updated legislation and regulations that are being developed through OGAA.

Response: The Commission is implementing process improvements while preparing internal systems and resources to align with new legislation, ensuring a seamless transition. The Commission is also an active participant in the development of updated regulations and legislation.

2. BC Energy Plan

Driver: The introduction of the BC Energy Plan has accelerated project development requiring reallocation of resources to priority areas.

Response: The Commission continues to move forward with implementing priority aspects of the BC Energy Plan, including flaring reduction, commingling policy and community-level engagements.

3. Capacity Requirements

Driver: The Commission faces specific industry and location pressures that affect recruitment and retention efforts. The Commission competes with industry for experienced and qualified employees; in addition, the Commission operates in remote locations.

Response: The Commission continues to monitor labour market conditions and develop strategies to target specific areas of concern. Greater focus has been on enhancing recruiting processes to increase awareness of our employment brand, tap into new markets, and look for internal opportunities to support the development and professional growth of our employees.

In order to meet technical and capacity requirements, the Commission continues to focus on building a positive and healthy work environment to attract new employees and support retention of current staff through the development of our supervisors; enhancements to both the Occupational Health and Safety Program and Health and Wellness Program; and focus on training and development.

4. Financial Strategy

Driver: The financial structure of the Commission relies upon unpredictable and often fluctuating revenues to fund costs, which are generally fixed in nature. This can cause cash-flow problems or stakeholder issues.

Response: The Commission is implementing a new revenue model which will greatly stabilize revenue flows and improve predictability.

Goals, Objectives, Strategies and Performance Measures

The goals, strategies and measures are critical to the organization:

- The goals, strategies and measures that have been selected for the Commission's 2009/10 - 11/12 Service Plan are an integral part of the business planning cycle for the organization as they form the basis for prioritization of activities. Projects are undertaken by the Commission based on their ability to help the Commission achieve its goals.

Goals

The Commission goals are as follows:

1. The Commission protects the interests of the people of British Columbia.
2. The Commission makes quality decisions in a timely manner.
3. The Commission is recognized as a service oriented organization.
4. The Commission works with Government to continually improve the regulatory environment.
5. The Commission is a great place to work.

These goals represent the foundation for the direction of the Commission based on existing legislation and a dynamic and evolving operating environment. The goals are inter-dependent and reflect the multi-faceted nature of the Commission's regulatory mandate. These goals also clearly capture the intended purpose of the Commission and provide a set of criteria for government, First Nations, landowners, stakeholders, industry and the general public to assess the success of the organization going forward.

The first Goal, to protecting the interests of the people of British Columbia, is the result of many activities undertaken by the Commission in the public interest, these include: public engagement, application review, compliance and enforcement, engineering reviews and emergency management functions. This also includes the resource conservation activities, which ensure that the oil and gas resource is extracted in the most efficient way possible, and environmental management activities which ensure that environmental standards are achieved. This goal provides clarity about the public purpose served by the Commission and combines the intent behind the mandate for public safety, environmental protection and resource conservation.

Quality decisions as described in Goal 2 relate to the statutory decision making authority that is delegated to the Commission through legislation. The Commission endeavors to adjudicate activity applications in a timely manner based on available information. Activities included under this Goal are: application processing, transfer of assets, general management of internal operations, and capturing and documenting corporate knowledge.

Goal 3 reflects the Commission's aim to proactively set a standard of excellence in service for clients. Clients are considered to be all people in British Columbia, including communities, First Nations and stakeholders. Activities included under this Goal are FrontCounter BC, landowner liaison services and alternative dispute resolution, among others.

Goal 4 speaks to the efforts of the Commission to work with Government Ministries to improve the regulatory environment for oil and gas activities in the Province. There are many activities that the

Commission undertakes to achieve this goal, including the development of Memorandums of Understanding (MOUs) with partner agencies, establishing and implementing agreements with First Nations, leading the development of regulations within the Commission's authority and implementing government policy.

Goal 5 represents the Commission's commitment to improve the quality of work experience for employees by instilling a culture of "the Commission is a great place to work". Activities under this Goal include the development of organizational training and performance management plans, implementing a robust health and safety program, and engaging staff across the organization in the development of these goals, objectives and strategies.

Objectives

The Commission's objectives were developed to support these goals. Objectives are statements that define the broad areas under each of the goals in which the Commission will focus and invest its efforts. They are based on direction received from the annual review process. The objectives of the Commission associated with each Goal are:

Goal 1	Maintain public safety and safety of operations. Minimize potential for negative environmental effects from oil and gas activities. Ensure optimal recovery of oil and gas resources over time.
Goal 2	Decisions consistent with the complexity of the operating environment. Maintain consistency of information and processes used in decision making.
Goal 3	Build and sustain relationships of trust and confidence with communities First Nations and stakeholders. Enhance the culture of service excellence.
Goal 4	Contribute to the ongoing development of an innovative and efficient regulatory framework for oil and gas activities in British Columbia. Support an environment where innovative practices can be brought forward.
Goal 5	Support a healthy and safe work environment. Ensure appropriate infrastructure and support services are in place to allow for development and growth of Commission employees.

The objectives included under Goal 1 set out the mandate of the Commission as outlined in legislation. Objectives in Goal 2 highlight the priority to be both aware of the external environment, and to also ensure that internal capacity is present to support decisions. In much the same way, Goal 3 outlines internal and external components to build and sustain quality service delivery standards. Objectives of Goal 4 highlight the Commission's priority to build innovative activities into aspects of regulation, and objectives in Goal 5 outline the ways in which the Commission will ensure our working environment serves the needs of Commission employees.

Strategies and Performance Measures

Depending on resource capacity and management priorities, some strategies will receive greater focus than others in the coming years. This is the area of the Service Plan which changes most frequently in response to the operating environment and as objectives are often achieved and become a part of the ongoing business of the Commission.

Underlying the delivery of each of the strategies are ongoing operational priorities and key projects critical to achieving the Commission's mandate, addressing government priorities and accomplishing strategic shifts. To answer the questions, "are the actions having the desired effect?" and, "are the objectives and goals being met?", the Commission has adopted a portfolio of performance measures, which are outlined below.

For each of the goals, the strategies and performance measures are:

Goal	Strategies	Performance Measures
1	<ol style="list-style-type: none"> 1. Develop, implement and maintain internal systems and processes for managing risks to public interests. 2. Maintain emergency management and emergency response planning framework. 3. Develop innovative reservoir management techniques for efficient and effective extraction of petroleum resources for unconventional gas. 	<ol style="list-style-type: none"> 1. Major compliance – exploration and development 2. Major compliance – facility, operations
2	<ol style="list-style-type: none"> 1. Strengthen organizational and employee capacity for effective issue management and decision making. 2. Implement process improvement initiatives. 3. Communicate the role of the Commission to First Nations, industry, public, and landowners. 	<ol style="list-style-type: none"> 1. Calendar days to process new applications 2. Internal processes conforming to specified quality assurance criteria
3	<ol style="list-style-type: none"> 1. Apply previous learning when developing new partnerships with First Nations. 2. Ensure Commission services are readily and consistently available. 3. Increase the Commission's profile. 4. Ensure consistent and transparent reporting. 5. Integrate FrontCounter BC with Commission operations. 	<ol style="list-style-type: none"> 1. Percentage of applications responded to by First Nations 2. Client satisfaction among all surveyed 3. Number of community awareness meetings conducted in the Peace Region
4	<ol style="list-style-type: none"> 1. Develop and document relationships with partner ministries and agencies. 2. Communicate a broader level of understanding of the oil and gas regulatory system with stakeholders and partner agencies. 3. Utilize available academic, research and development funds in advancing best practices. 4. Lead the development of regulations within the Commission's mandate and responsibilities. 	<ol style="list-style-type: none"> 1. Number of updated MOUs or working agreements with partner agencies 2. Number of new MOUs or working agreements with partner agencies 3. Client Satisfaction (among partners with whom the Commission holds MOUs)
5	<ol style="list-style-type: none"> 1. Utilize employee survey results to foster a climate where employees are engaged in their work. 2. Maintain the Commission health and wellness program in support of ActNow BC. 3. Improve training, knowledge and education organization wide. 	<ol style="list-style-type: none"> 1. Percentage of employees with a development plan in place 2. Voluntary turnover rate of regular staff 3. Percentage of employees that respond to employee engagement survey

Measurement

The Commission tracks data for performance measures from a number of sources, including:

- Application and compliance statistics, which are benchmarked against comparable jurisdictions;
- Engineering information related to oil and gas operations in British Columbia;
- Human resource information, including tracking of employee development;
- Information from surveys, including employee engagement and client satisfaction.

Organizational performance is measured quarterly. Where possible, benchmark and baseline information is reviewed to provide context to the results seen at the Commission. Detailed information related to the methodology of Commission performance measures is maintained and updated as necessary.

The Commission continues to work to enhance and develop our business applications to refine and improve business processes and enable the electronic submission of oil and gas data as well as applications. We continue to develop and enhance our business applications system to meet our performance targets. In addition the Commission continues to have strong relationships with external agencies as well as other government ministries to improve the quality of data used to track and measure progress, including the Integrated Land Management Bureau and GeoBC among others.

The components of service planning, business planning, budgeting and performance management are closely integrated. As a result, when an objective is revised or replaced, so must the strategies and performance measures associated with it be revised or replaced. This is the cycle of continuous improvement that underpins both effective public service planning and meaningful, accountable public performance reporting.

The information below presents the objectives, strategies and performance measures for each of the Commission's goals.

Goal 1					
The Commission protects the interests of the people of British Columbia.					
<u>Objectives</u>					
<ol style="list-style-type: none"> 1. Maintain public safety and safety of operations. 2. Minimize potential for negative environmental effects from oil and gas activities. 3. Ensure optimal recovery of oil and gas resources over time. 					
<u>Strategies</u>					
<ol style="list-style-type: none"> 1. Develop, implement and maintain internal systems and processes for managing risks to public interests. 2. Maintain emergency management and emergency response planning framework. 3. Develop innovative reservoir management techniques for efficient and effective extraction of petroleum resources for unconventional gas. 					
<u>Performance Measures</u>					
	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Major compliance – exploration and development Baseline: 79% (2001/02) Benchmark: 97.7% (Alberta 2004)	95%	89%	96%	97%	98%
Major compliance – facility, operations Baseline: 93% (2002/03) Benchmark: 97.7% (Alberta, 2004)	97%	97%	97%	98%	98%

Targets for the first two performance measures were set based on a continuation of previous year's trends. Regulatory compliance commences as soon as an application for industrial activity is submitted. Prior to any industrial activity taking place, applications are reviewed to ensure legislative requirements and stakeholders concerns have been accounted for. During project reviews, modifications to an application may be requested by the Commission based on First Nation consultation, landowner concern or technical assessment results

Goal 2					
The Commission makes quality decisions in a timely manner.					
<u>Objectives</u>					
1. Decisions consistent with the complexity of the operating environment. 2. Maintain consistency of information and processes used in decision making.					
<u>Strategies</u>					
1. Strengthen organizational and employee capacity for effective issue management and decision making. 2. Implement process improvement initiatives. 3. Communicate the role of the Commission to First Nations, industry, public and landowners.					
<u>Measures</u>					
	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Calendar days to process new applications Baseline: 33 calendar days (2001/02)	21	22	21	21	21
Internal processes conforming to specified quality assurance criteria	90%	90%	90%	90%	90%

The performance measure for this Goal applies to the majority of applications submitted for review. This measure does not include timelines for major project applications that may require enhanced review or prolonged review periods due to their complexity. Targets remain unchanged.

The quality assurance processes are designed to support our continual improvement initiatives through regular review and follow-up improvements. The internal quality audits allow the Commission to focus resources on necessary process design as well as continually adapt to a dynamic operating environment.

Goal 3					
The Commission is recognized as a service oriented organization.					
<u>Objectives</u>					
<ol style="list-style-type: none"> 1. Build and sustain relationships of trust and confidence with communities, First Nations and stakeholders. 2. Enhance the culture of service excellence. 					
<u>Strategies</u>					
<ol style="list-style-type: none"> 1. Apply previous learning when developing new partnerships with First Nations. 2. Ensure Commission services are readily and consistently available. 3. Increase the Commission's profile. 4. Ensure consistent and transparent reporting. 5. Integrate FrontCounter BC with Commission operations. 					
<u>Measures</u>					
	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Percentage of applications responded to by First Nations Baseline: 75.2% (2001/02) Benchmark: n/a	84%	75%	84%	85%	85%
Client satisfaction among all surveyed Baseline: 89% (2006/07) Benchmark: 76% (Alberta Energy Utilities Board - AEUB)	85%	87%	89%	91%	91%
Number of community awareness meetings conducted in the Peace Region Baseline: 10 (2006/07) Benchmark: N/A	10	4	11	12	12

The Commission continues to provide the opportunity for First Nations to comment on major changes to policy and procedures that may significantly affect them including OGAA regulations and information notes.

As a Crown Corporation, the Commission's accountabilities extend to affected communities, First Nations, client companies and their representative associations. All of these constituents form participants in the client survey.

Fiscal 07/08 saw the introduction of a rural outreach initiative aimed at conveying the various roles and services of the Commission to local landowners and other interested community members. This pilot was successfully conducted at 10 public meetings capturing 39 rural communities in the Peace region.

Goal 4					
The Commission continually improves the regulatory environment.					
<u>Objectives</u>					
<ol style="list-style-type: none"> 1. Contribute to the ongoing development of an innovative and efficient regulatory framework for oil and gas activities in British Columbia. 2. Support an environment where innovative practices can be brought forward. 					
<u>Strategies</u>					
<ol style="list-style-type: none"> 1. Develop and document relationships with partner ministries and agencies. 2. Communicate a broader level of understanding of the oil and gas regulatory system with stakeholders and partner agencies. 3. Utilize available academic, research and development funds in advancing best practices. 4. Lead the development of regulations within the Commission's mandate and responsibilities. 					
<u>Measures</u>					
	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Number of updated MOUs or working agreements with partner agencies Baseline: 18 (total number of MOUs at 2007/08) Benchmark: N/A	2	2	2	2	2
Number of new MOUs or working agreements with partner agencies Baseline: 18 (total number of MOUs at 2007/08) Benchmark: N/A	2	2	2	2	2
Client Satisfaction (among partners with whom the Commission holds MOUs)	To be Determine	To be Determined	To be Determined	To be Determined	To be Determined

In an effort to continually improve the regulatory environment the Commission maintains a number of working agreements and Memorandum of Understanding (MOU) that support and define the relationship and delegated authorities with partner agencies.

The agreements support Commission authority with respect to upholding the values associated with the partner agencies' mandates. They also ensure a continued dialogue with partner agencies as agreements require updates or enhancements.

Client satisfaction provides a measure of the quality of interaction perceived by partner agencies through the implementing of the oil and gas legislative and regulatory framework. In 2009/10 the Commission will investigate benchmarks and work with partners with whom the Commission holds MOUs to set targets for future reports.

Goal 5					
The Commission is a great place to work.					
<u>Objectives</u>					
1. Support a healthy and safe work environment. 2. Ensure appropriate infrastructure and support services are in place to allow for development and growth of Commission employees.					
<u>Strategies</u>					
1. Utilize employee survey results to foster a climate where employees are engaged in their work. 2. Maintain the Commission health and wellness program in support of ActNow BC. 3. Improve training, knowledge and education organization wide.					
<u>Measures</u>					
	2008/09 Target	2008/09 Actual	2009/10 Target	2010/11 Target	2011/12 Target
Percentage of employees with a development plan in place	100%	100%	100%	100%	100%
Voluntary turnover rate of regular staff Baseline: 11.3% (2000/01) Benchmark: 5.4% (AEUB 2004/05)	15%	15%	10%	10%	10%
Percentage of employees that respond to an employee engagement survey Baseline: 94% (2007/08) Benchmark: 70% (Public Service Agency 2007/08)	85%	NEW	85%	85%	85%

The first measure has been adjusted from previous years to reflect changes to the performance management system in place for the Commission. Targets have been set based on current organizational capacity. The second measure is unchanged from previous years, although the targets have been adjusted based on the reality of a dynamic and competitive operating environment.

To maintain efficient process and capacity growth within the Commission focus was placed on supervisory training, Health and Wellness programs, and an increase in staff support systems in the Human Resources, Communications and Finance departments. Key initiatives were implemented in support of the Workplace Environment Surveys. Increasing capacity in these employee driven initiatives help the Commission foster a positive working environment thus increasing employee satisfaction and retention.

SUMMARY FINANCIAL OUTLOOK (CONSOLIDATED 2008/09 Onward)							
	2007/08	2007/08	2008/09	2008/09	2009/10	2010/11	2011/12
(\$000)	BUDGET	ACTUAL	BUDGET	ESTIMATE	FORECAST	FORECAST	FORECAST
Revenue							
Fees	13,900	11,568	13,900	12,712	24,035	24,998	26,004
Levies	13,969	13,727	14,167	13,600	8,866	9,222	9,593
Misc.	1,065	1,057	780	501	650	700	750
Total Revenues	28,934	26,352	28,847	26,813	33,551	34,920	36,347
Expenses							
First Nations	8,700	7,103	7,830	7,830	8,720	9,000	9,280
Salaries/Benefits	14,424	13,165	14,496	15,641	16,348	17,182	18,068
Operating Expenses (incl Amort)	9,543	6,329	9,584	7,848	8,483	8,738	8,999
Total Expenses	32,667	26,597	31,910	31,319	33,551	34,920	36,347
Operating Income (Loss)	-3,733	-245	-3,063	-4,506	0	0	0
Orphan Sites Reclamation Fund	964	841	104	104	0	0	0
Amortization of Contributed Assets	95	105	48	48	0	0	0
Net Income (Loss)	-2,674	701	-2,911	-4,354	0	0	0
Deficit/Surplus Management Allowance			2,911	0	0	0	0
Adjusted Net Income	-2,674	701	0	-4,354	0	0	0
Full Time Equivalents	154	154	162	179	182	187	190
Capital Expenditures	1,382	1,074	1,990	2,321	3,297	2,619	2,674
Total Required Resources Total Expenses less First Nations payments, not including Capital Expenditures	23,967	19,494	24,080	23,489	24,828	25,896	27,017

Consolidated Revenues do not include OSRF of approximately \$900,000 per year

Key Assumptions	Forecast Risks and Sensitivities
<ul style="list-style-type: none"> • New well applications are 1400, 1450, 1500 annually starting in 2009/10 • Gas volumes are 27.2x10⁹m³, 27.3 x10⁹m³ and 27.3 x10⁹m³ starting in 2009/10 • Oil Volumes are 1.278x10⁶m³, 1.118x10⁶m³ and 1.097 x10⁶m³ starting in 2009/10 • Gas prices remain in excess of \$5/MCF • Workforce FTE's per table previous reflect cost containment measures; wage and benefit increases are based on the current collective agreements and are subject to future labour negotiations however are otherwise calculated at 2.5% per annum • Inflation estimated at 3% per annum • Reclamation activities projected at 5, 4, 4 and 4 well sites per annum @ \$200K each starting in 2009/10 for the Orphan Sites Fund • Premises costs do not reflect future possible consolidation of Fort St. John facilities • Funding for the new Oil and Gas Activities Act is limited to internal regulatory development – costs of training, implementation, and external stakeholder processes have not been addressed • Information Technology Migration Project capital spending is subject to an external review of OGC systems requirements 	<ul style="list-style-type: none"> • Commercial price and production fluctuations • Exploration activity levels and well applications, are affected by adverse weather conditions, commodity price fluctuations, and economic conditions • A revised Fee/levy structure is to be implemented to offset variances from forecasted revenues and expenditures • The Commission has access to a three million dollar line of credit, however it is not anticipated that it will be used

Major Capital Projects

Not Applicable to the Commission.

Subsidiaries and Operating Segments

Not Applicable to the Commission.

Confidentiality

No information in this Service Plan is deemed to be confidential.

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