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ANNUAL REPORT 2000

Oil, Gas & Salt Resources Trust



# Annual Report 2000

# trust purposes

The funding of information management relating to oil, gas and salt resources;

The funding of research, surveys and laboratory facilities and operations relating to:

- oil or gas exploration, drilling or production;
- storage of oil, gas and other hydrocarbons in geological formations;
- disposal of oil field fluids in geological formations; and,
- solution mining of salt.

Such other matters as may be specified by the Minister.



The Oil, Gas and Salt Resources Trust was formed by the Ontario Ministry of Natural Resources (MNR), pursuant to the Oil, Gas and Salt Resources Act RSO 1990.

A Trust Agreement, dated February 16, 1998, was signed with the Original Trustee, the Ontario Oil, Gas and Salt Resources Corporation (OOGSRC). The Ontario Petroleum Institute (OPI) is the sole shareholder in the OOGSRC.

# industry input

Requirements for a Trust Advisory Committee (TAC) exist within the Oil, Gas and Salt Resources Act and the Trust Agreement. Members of the TAC are industry representatives who are appointed by the Trustee for a two year term. The TAC meets on a quarterly basis to advise the Trustee on the setting of operating budgets and directing policy with respect to expenditures. A representative from the Ontario Ministry of Natural Resources meets with the TAC in an advisory capacity.



## OOGSRC Board of Directors

### President

Bob Simpson  
*Enbridge Consumers Gas*

### First Vice President

Peter Rowe  
*Rubicon Petroleum Inc.*

### Second Vice President

Jack Norman  
*Elexco Limited*

### Treasurer

Ray Neal  
*Chartered Accountant*

### Secretary

Steve Fletcher  
*Ontario Petroleum Institute*

## Trust Advisory Committee

### Oil and Gas

Dale Norman (chair)  
*Elexco Limited*

Claudia Cochrane  
*Cairnlines Resources Limited*

Michael Barnes  
*Rubicon Petroleum Inc.*

Ron Stinson  
*Talisman Energy Inc.*

### Natural Gas Storage

Jim Egden  
*Union Gas Limited*

### Hydrocarbon Cavern Storage

Neil MacDougall  
*Bayer Inc*

### Solution Mining

Mike Soave  
*The Canadian Salt Company*

Notes to the Financial Statements

December 31, 2000

1. Summary of significant accounting policies

(a) Organization

Pursuant to the Oil, Gas and Salt Resources Act, RSO 1990, the Trust was formed by the Ontario Ministry of Natural Resources. A Trust Agreement, dated February 16, 1999, was signed with the Original Trustee, the Ontario Oil, Gas and Salt Resources Corporation. The purpose of the Trust is to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. As indicated in the Trust Agreement, the net assets of the Trust accrue to the benefit of the Province of Ontario.

(b) Amortization

It is the Trust's policy to provide for amortization of capital assets on the following basis:

Furniture and fixtures	20% declining balance
Computer equipment	3 years, straight-line

(c) Use of estimates

In preparing the Trust's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(d) Inventories

Inventories are valued at the lower of cost and current replacement value.

2. Capital assets

	Cost	Accumulated Amortization	2000 Net Book Value	1999 Net Book Value
Furniture and fixtures	\$ 27,216	\$ 6,973	\$ 20,243	\$ 25,304
Computer equipment	7,699	3,521	4,178	3,239
	<u>\$ 34,915</u>	<u>\$ 10,494</u>	<u>\$ 24,421</u>	<u>\$ 28,543</u>

The Honourable John C. Snobelen  
Minister of Natural Resources  
90 Wellesley Street West  
6th Floor, Whitney Block, Room 6630  
Toronto, ON M7A 1W3

Dear Mr. Snobelen:

I am pleased to submit the 2000 Annual Report of the Oil, Gas and Salt Resources Trust, pursuant to section 16(6) of the Oil, Gas & Salt Resources Act 1990 (as amended) and Article 8.05 of the Trust Indenture between the Ministry of Natural Resources and the Oil, Gas and Salt Resources Corporation.

This Annual Report includes the audited financial statements for the Trust, along with profiles of the Oil, Gas and Salt Resources Library facilities and the people who have helped make the Trust a success.

We are pleased to report that the relationship with MNR, established in 1997, continues to thrive and grow.

Sincerely,



Steve Fletcher, Managing Director  
Oil, Gas & Salt Resources Corporation

# Highlights in 2000

## Digital Database Development

In 2000 the Trust initiated a multi-year data infrastructure project in partnership with the Ontario MNR. Under the partnership, the Trust funds the entry and editing of petroleum well data into the Ontario Petroleum Data System (OPDS), maintains the public well records at the Oil, Gas and Salt Resources Library, provides public access to the records at the Library and over the Internet, develops data products from the public well records, and distributes and markets value-added data and data products.

The Ministry is the owner of the data and is responsible for database design and maintenance, data entry standards, supervision of data entry, collection of data from industry, and network and system administration.

Four university students were employed in the summer and fall of 2000 compiling geological formation top data and entering this data into an Access databases for migration into the Oracle data tables of OPDS.

The Trust also funded an upgrade to OPDS to accommodate direct entry of data from old well records in Imperial units. This will greatly facilitate future data entry and eliminate the need for expensive data migration routines.

## Economic Profile

The Trust, working in conjunction with the Ontario Petroleum Institute and Clayton Research, produced a report entitled “Economic Profile of the Ontario Oil, Gas and Salt Resource Industries.”

The 28 page document outlines the economic impact of the industry on the Ontario economy, and for the first time, established baseline numbers for industry activity, tax and royalty payments, and employment levels.



## Statement of Cash Flows

Years Ended December 31	2000	1999
Increase (decrease) in cash and term deposits		
Operating		
Cash received from customers	\$ 187,352	\$ 180,668
Cash payments to suppliers for goods and services	(75,930)	(65,647)
Cash payments to employees	(40,209)	(39,154)
Interest received	6,407	5,785
	<u>77,620</u>	<u>81,652</u>
Investing		
Purchase of capital assets	<u>(2,630)</u>	<u>26,784</u>
Change in cash	74,990	54,868
Cash, beginning of year	<u>183,529</u>	<u>128,661</u>
Cash, end of year	<u>\$ 258,519</u>	<u>\$ 183,529</u>

## Balance Sheet

As At December 31

2000

1999

## Assets

### Current Assets

Cash	\$ 258,519	\$ 183,529
Accounts receivable	13,759	4,100
Inventory of supplies	<u>12,903</u>	<u>8,706</u>
	285,181	196,335

### Capital Assets (Note 2)

24,421	28,543
<u>\$ 309,602</u>	<u>\$ 224,878</u>

## Liabilities

### Current Liabilities

Accounts payable and accrued liabilities	\$ 10,594	\$ 4,566
Due to Province of Ontario	<u>299,008</u>	<u>220,312</u>
Total liabilities	309,602	224,878

## Equity

## Retained Earnings

	-		-
\$	309,602	\$	224,878

## Future Directions

In addition to upgrades in service and facilities at the Oil, Gas and Salt Resources Library, the following projects and initiatives will be undertaken in 2001:

## 10 Year and Annual Summary

The Trust will compile and publish a 10-year summary of oil, gas, and salt resources exploration, drilling, production and storage in Ontario. In future years an Annual Summary of activity will be prepared and published.

## Updated Pools and Pipelines Map

The Trust will publish an updated version of the very popular Pools and Pipelines Map of Southwestern Ontario, in conjunction with the Ontario Petroleum Institute and the Ontario Ministry of Natural Resources. The map will provide a critical visual overview of the Ontario industry.

## Research

The Trust has established a research budget and will be working in conjunction with industry and academia to identify research projects relevant to the Trust Purposes.

## Digital Database

The Trust will continue working in partnership with the MNR to build, maintain and market a digital database of geological and engineering information on wells drilled in Ontario through the MNR's Ontario Petroleum Data System (OPDS). OPDS is expected to be populated with enough data to be launched externally in the second quarter of 2001, starting with Essex County, and moving on to Kent County by the end of 2001.

Access to digital data will help to encourage the sustainable development of Ontario's resources by existing industry participants, as well as attracting new investment to the province. Data entry and editing will continue through 2001 and 2002. Editing of well location data will commence in 2001 with the eventual goal of developing OPDS as a fully functional GIS application.



Grant Thornton LLP  
Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International



Auditor's Report

To the Members of  
Oil, Gas and Salt Resources Trust

We have audited the balance sheet of the Oil, Gas and Salt Resources Trust as at December 31, 2000 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the organization, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Oil, Gas and Salt Resources Trust as at December 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Chartered Accountants

London, Ontario  
March 21, 2001

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Statement of Earnings and Retained Earnings

Years Ended December 31	2000	1999
Revenue		
Well licence fees	\$ 128,830	\$ 124,305
Sample processing fees	45,703	32,472
Photocopying	7,416	15,558
Memberships	6,835	6,390
Lab user fees	1,857	3,393
Interest and employee exchange	12,777	7,096
	<u>203,418</u>	<u>189,214</u>
Expenses		
Wages and benefits	39,653	39,705
Contract services	17,886	9,773
Processing supplies	7,246	13,552
Waste removal	124	331
Sundry	7,054	5,858
Trustee management fee	5,000	5,000
Trust services fee	5,000	3,125
Professional fees	3,671	3,000
Research fees	7,992	-
Office expenses	5,529	4,057
Postage and telephone	3,310	3,797
Insurance	1,825	1,077
Travel	80	430
Amortization	6,751	3,552
Database management	13,600	10,575
	<u>124,721</u>	<u>103,832</u>
Earnings before allocation	<u>78,697</u>	<u>85,382</u>
Allocation of the Province of Ontario	<u>78,697</u>	<u>85,382</u>
Net earnings	\$ -	\$ -
Retained earnings, beginning of year	\$ -	\$ -
Net earnings	\$ -	\$ -
Retained earnings, end of year	<u>\$ -</u>	<u>\$ -</u>