DRILLING FOR GAS - LEADING OR CHASING THE MARKET?  KEY ISSUES

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The Canadian gas industry has undergone significant evolution since deregulation in late 1985. This process of evolution has included: a dramatic rundown in the reserve life index to near the U.S. level, a shift from long-term contracts to a short-term focus, "manufacturing type" exploitation, and new buyers called mega-aggregators, whose transportation capacity and sales span North America and whose services include a large variety of non-traditional financial products.

Other important changes include the growth in just three years of significant supply area storage and new technical developments, such as the application of horizontal drilling for gas. Lastly, the availability of transportation out of Alberta is a critical factor. Since deregulation, exports to the U.S. have more than tripled, facilitated by two large pipeline projects and numerous small ones. But the new world of U.S. gas, post Order 636 and electrical deregulation, changes the rules for future pipeline expansion.

Against the background of these changes, the paper will examine the "mega-boom" of gas drilling in 1994, relative to prior gas drilling and in the context of the above factors in the Canadian gas industry. The paper will examine the type of drilling, the magnitude of replacement in 1994, and deliverability issues.