Multibillion-dollar gas plant planned in B.C.

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VANCOUVER — EnCana Corp. has taken an early step toward building what could be a multibillion-dollar plant in northeastern British Columbia.

The plant would process natural gas from the Horn River Basin, a promising natural gas play that last year helped the province reap a record $2.7-billion from the sale of oil and natural gas exploration rights.

In a project description for the Cabin Gas Plant, submitted to the provincial government, EnCana outlines a plant that would be located about 60 kilometres northeast of Fort Nelson and have initial processing capacity of 400 million cubic feet a day.

The first phase of what could become a six-stage project is expected to be in production by 2011.

The estimated cost of the first phase is $400-million, EnCana spokeswoman Rhona DelFrari said Friday, with construction of subsequent phases hinging on future production.

“The magnitude of the project will depend on how much gas is produced in the area over the next few years,” Ms. DelFrari said. “Horn River is still such a new area for production, it will really depend on if companies deem if they are going to go bigger.”

EnCana submitted the project description in November under B.C.’s environmental assessment process. Typically, that step is followed by a formal application and public hearings to determine whether the project will get a green light to proceed.

EnCana is pursuing the plant on behalf of the Horn River Basin Shale Gas Producers Group, which consists of eight companies (including EnCana) that are spending millions in the hopes of unlocking the region’s massive natural gas reserves – trapped in rock formations once thought impossible to tap.

New technology, higher prices for natural gas and declining stores of conventional gas have made shale gas more appealing, and the past few years have seen producers swarm the northeastern part of the province to test new ways of fracturing rock and wresting gas out of the ground.

Initial wells were costing more than $10-million each to drill and bring into production, Ms. DelFrari said. By multi-pad drilling – jamming as many as 20 wells on to every pad – the company hopes to bring the costs down to about $7-million.

Calgary-based EnCana, the country’s largest gas producer, has, to date, drilled fewer than a dozen test wells in the Horn River Basin. But results were encouraging, and this year the company and its partner, Apache Corp. of Houston, plan to drill 40 wells in the area.

EnCana has estimated its production from the basin could eventually hit one billion cubic feet of gas a day – enough to heat five million Canadian homes for a year and the equivalent of about 170,000 barrels of oil, bigger than most oil sands mines.

EnCana is positioning the massive plant, which would serve all producers in the region, as a better environmental option than several smaller plants. The plant would process raw gas so that it could be transported to market in pipelines. According to the project description, the plant would pursue carbon capture and sequestration opportunities "assuming appropriate fiscal programs can be implemented."

If the project goes ahead, it could employ as many as 600 people during construction and about 25 once in operation, Ms. DelFrari said.

EnCana and Apache have the largest landholdings in Horn River.

Last October, EnCana facilities near Dawson Creek were targeted in three separate attacks. Two pipelines and a wellhead were bombed. No one was injured in the attacks, which occurred after a letter was sent to EnCana and to local newspapers demanding that EnCana leave the area.

Last month, after determining the letters had been mailed from a Dawson Creek post office, RCMP posted surveillance photos on-line of eight people who had been at that location the day the threatening letter was sent and whom police had not been able to contact.

All but one of those people has now been eliminated from the investigation.