

# The oil patch of the east — Gaspé



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QUEBEC VIEW

MONTREAL

Not so long ago, trumpeting Quebec's petroleum production potential might have earned you about as much respect as if you were Rodney Dangerfield. At best, most people would have thought you were joking; at worst, your attempts to tap the stock market might even have made your motives suspect.

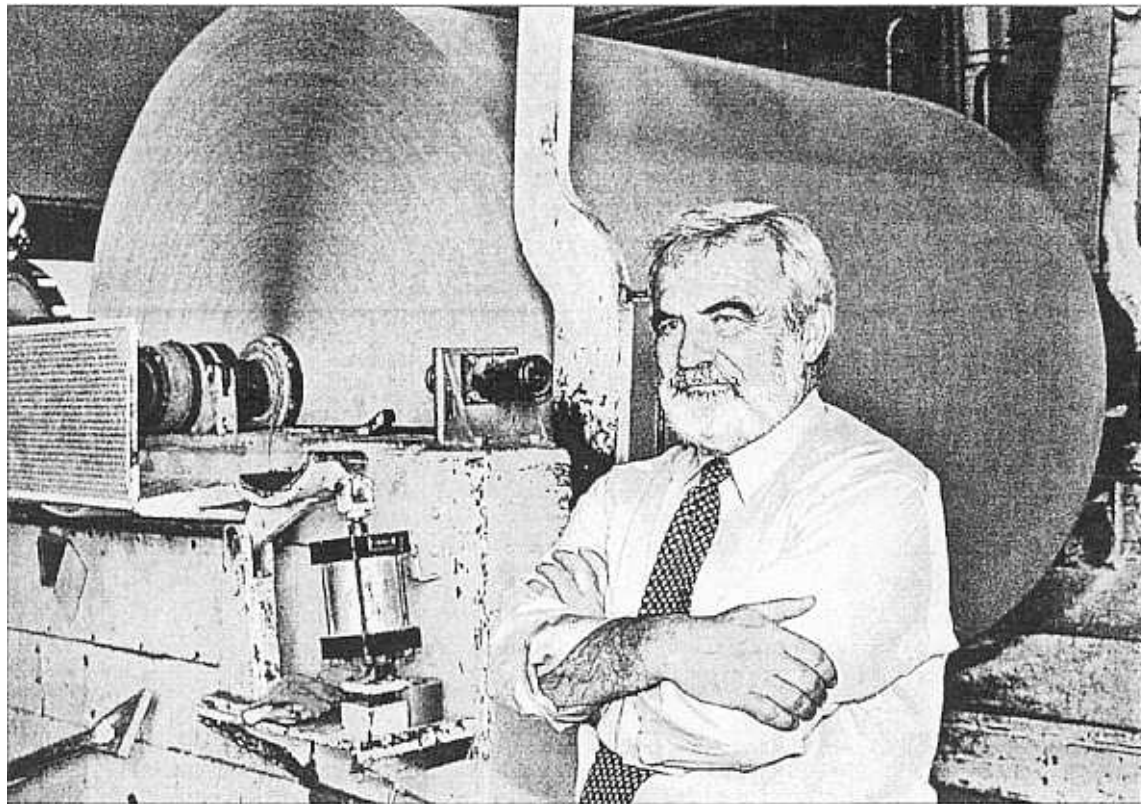
No one's laughing at Jean-Yves Lavoie, now. Since Mr. Lavoie's Junex Inc. began pumping black gold out of a single well in the Gaspé peninsula this summer, Canada's newest petroleum producing province is paying serious attention to the soft-spoken 55-year-old geological engineer.

So is the oil and gas industry. If Calgary-based independent Talisman Energy Inc. is the only well-known name to announce exploration plans in Quebec, with seismic tests under way in the St. Lawrence Lowlands, Junex's discovery has caught the eye of several out-of-province players.

Two weeks ago, Junex signed a letter of intent with privately held Team Energy LLC, which operates several fields in the Illinois-basin. If Team likes what it sees, it will invest \$24-million (U.S.) over the next three years to explore for oil and gas on properties Junex has staked in the Gaspé. Junex hopes to double the total exploration budget by raising another \$25-million from other investors.

"From some of the technical data we've reviewed, we believe there are a sufficient number of plays in the acreage [over which Junex has exploration rights] to reduce the [investment] risk," Team president Dennis Swager said yesterday in an interview from Denver, where he and Mr. Lavoie were meeting to hammer out the terms of their partnership.

In other words, Mr. Lavoie has pretty much dispelled doubts



RENE HOUDE/CANADIAN PRESS

Cascades chairman Bernard Lemaire has bought into the idea of exploring for oil and gas in Quebec, having taken a small stake in junior energy company Junex, which has a well in the Gaspé.

about the existence of oil in the Gaspé. The viability of future wells, however, will depend on how much oil there is and how deep Junex needs to drill to get at it.

Junex made headlines in Quebec a few weeks ago when it revealed that its Galt No. 3 well, located about 20 kilometres from the town of Gaspé, produced 680 barrels of oil over a 12-week period this summer. Since then, total production has risen to about 1,200 barrels, which Junex has sold the Ultramar refinery near Quebec City at \$60 a barrel. The result is that, for the first time, some Quebec drivers are actually buying gasoline with local content, however tiny.

While Quebec's claim to oil-producing status might provoke snickers from Albertans, it's important to point out that Junex is a junior mining company without the deep pockets needed to drill the thousands of wells that producers in Western Canada drill each year and where annual investment in the oil patch is calculated in the billions. Junex's main goal, helped along by

Team, is to locate the resource. To do that, it invested, along with partner Bernard Lemaire of forest giant Cascades Inc. fame, about \$3-million (Canadian) in Galt No. 3 alone. Big-time production in the Gaspé will only be possible if the major oil companies join the fray.

Junex, meanwhile, has also set its sights on finding natural gas at a property near Sainte-Hyacinthe, Que., where Shell Canada Ltd. first drilled in 1969. Low commodity prices and the absence of a gas pipeline nearby led Shell to abandon the so-called Saint-Simon project then, but Mr. Lavoie believes the time is ripe to revive it.

This is in the same neck of the woods — and within a few kilometres of the TransCanada Pipeline that usually brings gas from Western Canada to Quebec — where Talisman has announced plans to drill. To this end, it has struck separate agreements in recent weeks with Calgary-based Qwest Energy Corp. and Altai Resources Inc. of Toronto.

Mr. Lavoie would rather see the

development of the province's oil and gas resources remain in local hands. He spurned an offer from another U.S.-based oil company to invest in properties Junex has staked because the prospective exploration partner wanted control.

Luckily, Mr. Lemaire has been eager to help out. In addition to holding Junex shares (less than 10 per cent), his private holding company, Gestion Bernard Lemaire, is a 50-50 partner with Junex in four Gaspé wells, including Galt No. 3., and has invested several million dollars in the exploration endeavours.

Mr. Lemaire, who has a statue in his honour in his hometown of Kinsey Falls, is a born entrepreneur. He's not investing in Quebec's oil potential out of charity.

"I hope to make money at it," he said yesterday. "I founded Cascades from nothing 40 years ago and it's a \$3-billion company today. I'm an optimist. And I'm tenacious."

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