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The Believer

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REPORT ON [SMALL] BUSINESS

The man who would be Quebec's first oil baron is short, with a full head of salt-and-pepper hair. He favours chinos and button-down shirts, open at the throat, and is rarely without a battered leather portfolio, stuffed with rock samples. He can barely contain his energy, but when he must do so—say, during one of his frequent flights from his home in Quebec City to Gaspé—he fidgets in his seat.

A day into our tour of his properties outside the city of Gaspé, in eastern Quebec, Jean-Yves Lavoie hands me a juice bottle full of what looks like maple syrup. He watches as I admire this sample of Quebec crude that only days before was trapped 1,500 metres below the ground we're standing on, in a part of Canada that few people connect with oil. He takes the bottle from me, holds it up to the light, uncaps it and breathes it in. "It's beautiful, isn't it," he says. "You see this, and all you want to do is get more."

Lavoie's mission: to recover the hundreds of millions of barrels of oil he believes are buried below the surface of the Gaspé, in the same Ordovician-era rock formations that put Texas on the map. If Lavoie has his way, his trademark blue-and-white pumpjacks, with the company name Junex emblazoned on the side, will continue to proliferate on the plains and hills of this beautiful, but economically stagnant, corner of the earth. He calls this particular daydream his "blue sky," and he's spent much of his life trying to realize it.

Finding and extracting oil is a complicated business, particularly in Quebec, where the industry doesn't have much of a track record. But that's not the biggest problem facing Lavoie. After all, he has coaxed oil out of the ground throughout North America for three de-cades. No, his challenge has been convincing the skeptics—governments, oil companies, investors, even his own family—that Quebec has the potential to be a viable oil producer. To date, he's spent \$4 million of his own money, and staked Junex's future, on the premise that there's enough oil in the Gaspé to bring prosperity to the region.

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Lavoie began life in Chicoutimi, Quebec, in 1950, the seventh of 12 children born to Louis-Joseph and Antoinette Lavoie. His parents, both farmers, didn't care what their kids did for a living, as long as they went to university. From an early age, Lavoie's interests were pedestrian—quite literally: While walking around, he'd often wondered what lay deep beneath his feet.

In 1973, he was among the first crop of geological engineers to graduate from Université de Québec à Chicoutimi. His parents' generation worked the land; Lavoie's generation tended to work for the fledgling Quebec state. He took a job with SOQUIP, the Quebec government's now-defunct petroleum exploration arm, and was stationed in the Gaspé region—one of the few areas in the province not covered by the notably oil-free rocks of the Canadian Shield.

In the history of Gaspé, there has been no shortage of attempts to exploit the surface oil that has long seeped into the confluence of the York and St. Jean Rivers, around which the city is built. SOQUIP's goal was in part an exploratory endeavour, and in part a desire to be maître chez nous ("masters of our own house"). "The idea was to say definitively yes or no, whether there was oil down there," Lavoie says.

The answer, SOQUIP decided, was yes and no. In a 1984 report, the agency acknowledged that there was indeed oil in the Gaspé, but concluded the reserves would be too expensive and too risky to exploit—a decision that may have been influenced by the Quebec government's insistence that SOQUIP be financially solvent. So, instead of using up what was left of its \$100-million advance from the province on further exploration of the Gaspé's oil deposits, the agency chose the safer route: It invested in proven oil projects in Alberta. (Shortly afterwards, SOQUIP was shut down.)

At the time, Lavoie was working as a consultant for several independent oil companies in South Dakota and Wyoming. His return to Quebec coincided with the release of SOQUIP's report, although he didn't immediately return to the Gaspé. Instead, he became involved in developing underground natural gas storage facilities in Pointe-Du-Lac, near Trois-Rivières. There, he struck up a friendship with multimillionaire Bernard Lemaire, considered Quebec's éminent grise among the local business elite. Soon enough, the pair were talking about Gaspé oil. "He sold his projects well, he's competent, he's an entrepreneur and he knows oil," says Lemaire, who would later invest in Lavoie's efforts. "There are not many people like him in Quebec."

In 1988, Lavoie and his wife, Agathe Fortin, founded Foragaz—a two-person oil exploration and extraction company, with a minimum of backing. He went back to the slopes of the Gaspé area, to the ex-ploratory wells he'd helped drill more than a decade ago. This time, he brought in newer core-sample evaluation technology that he'd used in the U.S., which made it possible to pinpoint with greater accuracy where the larger oil basins might be. All of the indicators pointed to the top of Galt Mountain, 20 kilometres east of the city Gaspé.

At 1,500 feet, Galt is not much to behold, but Lavoie surmised that its limestone cap constituted a perfect oil trap. In July, 1993, oil gushed from the first of three wells that Foragaz would ultimate-ly drill on the mountain. "I pumped 40,000 litres that year and sold it to Ultramar," Lavoie says. The only thing that spoiled his fun was the paltry \$14 (U.S.) a barrel that oil was selling for at the time.

In 2004, Lavoie folded Foragaz into Junex—short for "junior explorer"—and took his new company public, to gen-erate much-needed capital for exploration. "Today, we have three drill spots on Galt, covering an area of about 3,500 acres," Lavoie says. He figures he can recoup about 15% of the basin, which translates into a potential 200 million barrels, or roughly \$12 billion (U.S.) worth of crude. "It's worth checking out," he says, with deliberate understatement. Junex has developed a total of four wells around the Gaspé region and has exploration rights to some four million acres.

Numbers like these have attracted the attention of some of the big U.S. oil giants: Talisman Energy, for example, recently bought the rights to 900,000 acres in Quebec, and is exploring for natural gas as well as oil. And Lavoie recently entered into a \$12-million (U.S.) partnership with AMQUE Energy, an Illinois- based consortium of independent energy companies, to explore the Lower St. Lawrence area.

Meanwhile, Junex is pumping 40 bar-rels of oil a day on a shoestring budget—a tiny amount of oil, to be sure, but further proof that the reserves are down there. The company's market cap has hit \$47 million, and shares are hovering around \$1.15. Things seem to be flying along. And yet, Lavoie is uncharacteristically restrained when he talks about the headaches and frustrations of getting investors to sit up and take notice of Quebec's oil reserves. "If I was in Western Canada, I'd already have \$50 million on the table," he says, adding that an Alberta-sized chunk of money and entrepreneurialism would have allowed him to get the pumpjacks working years ago.

It's ironic: Lavoie, a product of the Quiet Revolution, would like nothing better than to airlift a bit of Alberta's oil mindset into his beloved Quebec. To make this happen, he says he will need to provide investors with more proof. A total of 500 exploratory holes have been drilled in Quebec over the past 100 years; in one year alone, Alberta drills 20,000. Marc Fournier, Junex's on-site technician, regularly piles serious and just-plain-curious investors into his truck for the drive out to see Junex's four pumpjacks—hopeful symbols of the riches underlying the Gaspé Peninsula.

"It's a credibility problem," Lavoie says, shrugging. "But it's a problem because we found oil in the Gaspé, which is a very nice problem to have."

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