

NXT ENERGY SOLUTIONS

Wins Big in Bolivia

By Jennifer Campbell

Pinpointing where to search for oil and gas deposits can be a very costly and time consuming process, but Calgary's NXT Energy Solutions (NXT) Inc. has developed a proprietary technology to greatly reduce both.

In a nut shell, NXT conducts aerial surveys to detect areas which are prospective for oil and gas deposits. In truth, it's a little more complicated than that. The company's unique technology uses quantum physics to detect subtle variations in the gravitational field, allowing it to identify places with potential stores of oil and gas. Because it merely involves flying over a designated location, it can be used for all terrain, from jungles to deserts, and offshore as well. Any environmental concerns about drilling vanish as the process's only carbon footprint is the fuel used to propel the plane.


In short, NXT's unique technology helps companies pinpoint where they should use seismic tools. Given that seismic testing can be very expensive, upwards of \$70,000 a kilometre in some areas, by identifying exactly where this testing should be conducted, NXT can help save its customers a lot of money. "We basically help companies high-grade where they should be spending their seismic dollars," says Greg Leavens, CFO of NXT.

"Furthermore, we can give a company a huge amount of information within a few months after we gather the data whereas with seismic testing, they can wait months or a year just to get permits," he says.

The company recently won a contract to conduct surveys for Yacimientos Petroliferos Fiscales Bolivianos (YPFB), the national oil company of Bolivia. This is also one of the largest contracts, to the tune of USD 13.4 million, that any Canadian company has secured in Bolivia, which is an emerging market in the oil industry.

"We started talking with YPF over a year ago," says Leavens. "What they liked was the work we did with PEMEX, Mexico's national oil company. Bolivia is an early stage market for oil and gas exploration and what's attractive about our technology is that it's a tool that can help them assess where to concentrate their exploration efforts, and can cover very large areas in a rapid time frame."

NXT began its "Stress Field Detection" (SFD) surveying in June for YPF and completed the field work by August. Now, the company is busy working on analyzing the data it gathered, and expects to deliver its results to YPF next month.

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NXT OVERCOMES THE RISKS

Working in a new country is always a risky prospect, so Leavens and his colleagues turned to Export Development Canada (EDC). "There are often risks related to importation, taxation and of course financial. We hadn't done business in Bolivia before, and we can't afford to have financial challenges on a project," Leavens says.

The company had previously used EDC for insurance on its receivable billings. But this contract in Bolivia presented new challenges. Typical for a project of this magnitude, YPF required performance guarantee bonds. In this case, to issue bank letters of credit, NXT would be required to restrict more than \$4 million in cash security, no small sum for a company of this size, not to mention the risk of the cash being called on by the buyer at any time during the contract. So they turned to EDC.

EDC provided a Performance Security Guarantee, freeing up NXT's cash security so they could undertake the project, as well as Performance Security Insurance to protect against the risk of a wrongful call on the guarantee.

"We would have a lot of working capital tied up with our bank, without EDC being involved to backstop the guarantee," Leavens says. "EDC helped free up working capital that otherwise would have been restricted."

"NXT has very interesting technology that is used in some of the most challenging terrains around the world, which has led to great interest," said Domenico Pecora, EDC's senior account manager for small business in Alberta.

"We did our homework, and realized that NXT was a smart, sophisticated company with incredibly strong technical expertise, so EDC was happy to help them free up some working capital and pursue this business in Bolivia."

NXT has now worked in several countries such as the USA, Mexico, Colombia, Argentina, Guatemala, Pakistan, and Syria. It is now developing opportunities in frontier areas throughout Latin and Central America, Africa and Asia. ■

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