



THE NEGOTIATOR

The Magazine of the Canadian Association of Petroleum Landmen
April 2004



LANDMAN'S BEEF BENEFIT

Telus Convention Centre
April 29, 2004



EMERGING NEW FRONTIERS

Exploration opportunities
await you in Onshore
Nova Scotia. **PAGE 6**

ADR CONFERENCE

The Appropriate Dispute
Resolution Conference is
almost here. Check out all it
has to offer you. **PAGE 13**

OIL AND GAS PROPERTY TRANSACTIONS, PART 3

Craig Spurn is back with Part 3
of his examination of oil and gas
property transactions. **PAGE 16**



CAPLA/CAPL/IRWA

Family Day at the Zoo

Sunday, May 2, 2004

2:30 pm — 6:30 pm

Calgary Zoo, Safari Lodge

Includes: Entrance, Lunch

(hamburgers, hotdogs, drinks, salads, dessert).

Craft Table contains crafts a child can do and
take home when finished.

CAPLA 

Canadian Association of Petroleum Land Administration

capl 

Canadian Association of
Petroleum Landmen

IRWA

Registration Deadline: April 16, 2004. Please see registration form included in this month's Negotiator.

*Zoo Passes will not be accepted by the Zoo for this event.

The Negotiator

The Magazine of the Canadian Association of Petroleum Landmen

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Disclaimer

All articles printed under an author's name represent the views of the author; publication neither implies approval of the opinions expressed, nor accuracy of the facts stated.

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BEEF IT UP!

Landman's Beef Benefit Gala and Fundraiser

What's It All About?

The industry is buzzing with excitement surrounding the upcoming Landman's Beef Benefit, and for good reason...

On April 29, 2004, the CAPL will proudly host and sponsor, in cooperation with the Alberta Beef Producers, an event that intends to provide a spirit-lifter and financial boost to our cattle producers and those directly and indirectly affected by the tidal wave that has swept our beef industry off its feet.

This first-of-its-kind event is shaping up to be one of the biggest and best endeavours by the CAPL in recent history. A posse of enthusiastic volunteers has been working overtime to create a first-class evening of entertainment and fun, and is busy soliciting participation, sponsorship and donations from our members, member companies, industry associations, industry service providers, and the community at large, to support this worthy cause.

Besides great food (beef, of course!) and great company, the evening will feature a performance by Michelle Wright, Canadian award-winning BMG recording artist, who will entertain us along with a line-up of local celebrities and VIPs.

Where Will the Money Go?

About the Alberta Beef Producers

The Alberta Beef Producers (ABP) is an organization representing the collective interests of more than 35,000 beef cattle producers in this province. Run by producers for producers, it is dedicated to maintaining a sustainable, competitive industry for the benefit of all Albertans. ABP operations are presently funded through cattle "check-off", where \$2 is collected at the point-of-sale on all cattle sold in Alberta, and then remitted to the ABP.



By supporting a cross-section of programs and providing assistance for the creation and maintenance of high industry standards and policy-formulation and enforcement, the ABP's mandate is to ensure that Canada's beef industry remains globally competitive.

They work in sync with the Canadian Cattlemen's Association, the Beef Information Centre, and the Canada Beef Export Federation to provide a cohesive backbone for the various groups they represent: the Canada All Breeds Association, the Alberta Milk Producers, the Feeder Associations of Alberta, and the Western Stock Growers Association.

While the bulk of ABP revenues go directly to market development and promotion (approximately 70%), funds are also spent on environmental and animal welfare, animal health and research, producer communications, federal and provincial government affairs, and operation and administration.

With cattle sales down drastically, the ABP traditional funding sources have suffered in turn. The immediate obvious challenge for the ABP and the related affected industries is to get the borders re-opened, especially to the U.S. markets. That's where we, as Albertans and Canadians come in to lend our support by helping where and when we can, and continuing to buy and eat beef.

About The Alberta Beef Help Bank

Established through the Interfaith Food Bank, monetary donations are used to buy and donate ground beef for distribution in Alberta communities feeling the impact of the economic depression caused by the beef crisis. Moving beef in this manner serves two important purposes – providing food and protein to those in need, and creating need for production of more cattle, which helps the producers and industry in general.

How Can We Make A Difference?

While the oil and gas industry is currently experiencing a relatively healthy period, our agriculture industry is hurting, especially those families and businesses which rely on beef production for their livelihoods. These folks represent the heart of Western Canadian history and culture, and I'm sure there is no one out there who isn't from, or doesn't know someone from, a farming or ranching background. Everyday we read, hear and see the ripple effect that the border closures have had on our rural economies. There isn't one single solution that is going to alleviate the devastation that the BSE discovery has had on the economy of Western Canada and particularly Alberta, but we can all do our part to show we are behind the farming and ranching community, either by lending financial or moral support. Through the Landman's Beef Benefit, the CAPL and its membership have chosen to do both.

Participate!

Rustle up your co-workers and friends and get your tickets early. The CAPL is sponsoring the venue, the Telus Convention Centre, and your ticket price covers a Grade AAA beef dinner and stellar entertainment line-up, with the remainder of the proceeds going directly to the cause. Tickets are still available so don't procrastinate – contact the CAPL office at 237-6635, or fill in the ticket order form insert available here or on the website, www.landman.ca.

Sponsor and Donate!

Cash proceeds will go directly to the Alberta Beef Producers and the Alberta Beef Help Bank to provide a direct benefit to all Albertans and Western Canadians. The Alberta Beef Help Bank is a collaborative effort between the ABP and the Interfaith Food Bank. Monies directed to the Beef Help Bank are used to purchase beef for the recipients of Interfaith Food Bank donations.

Contribute to the Silent Auction!

A material gift, no matter how large or how small, will be auctioned off at the event, with all proceeds going into the collection pot for presentation to the ABP and the Alberta Beef Food Bank.

What Else Are We Doing To Help?

Alberta Student Poster Campaign

We are involving our children and students by encouraging them to submit their own hand-drawn art depicting a positive image of Alberta's beef industry. As of February 20, contest entry forms (1,964 of them!) were delivered to every school in Alberta encompassing Grades 1 through 12. The CAPL is sponsoring prize money for the 1st, 2nd and 3rd place winners in two categories, Grades 1-6, and Grades 7-12. We are sure to get some fantastic works and judging is going to prove challenging! Winners will be announced at the Landman's Beef Benefit and a sampling of the best works will be displayed at the Convention Centre that evening.

So round-up your ladies, lasso your guys, dust off your Western boots and hats, and join together for an evening of light-hearted fun and entertainment, and be a part of a worthwhile cause.

For more information, contact the Landman's Beef Benefit through the CAPL office (403-237-6635), visit the CAPL website, www.landman.ca, or contact any one of the organizing committee chairmen:

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Program Chairman

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Administration Chairman

Donna Phillips	Direct Energy	290-6709
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Janice Elago	CNRL	514-7734
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Kevin Burke-Gaffney	El Paso	538-7474
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Poster Contest Chairman

Denise Grieve	CAPL	237-6635 
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Suzanne Stahl

Co-Chairman, CAPL Public Relations Committee

Marketing Chairman, Landman's Beef Benefit

The CAPL Support of the Beef Industry at the Alberta Beef Industry Conference

As we all know, there are more than enough bad news stories out there and the plight of the beef industry is about as bad as it gets. The Canadian beef industry has been dealt a couple of tough blows the last year or two and as a result, a lot of the stakeholders that we deal with are suffering. Landmen, and the oil and gas industry as a whole, get their fair share of bad press so we figured that it was about time we started to change that.

The PR committee has undertaken a number of initiatives to foster a little goodwill between the Landmen and our stakeholders. One such effort was to attend the first ever Alberta Beef Industry Conference in Red Deer on Feb 19-21. In conjunction with the International Right of Way Association, we tried to show a little support for the cattle producers in this province. The theme of the conference was "Turning Crisis into Opportunity" and I'm pretty confident the cattle farmers will do just that.

Our presence at the Conference may have surprised a few people who generally think of us as adversaries rather than partners. However, they were happy to learn that we were willing to offer up our support.

We hope that our efforts will translate into a bit of good press for a change in some of the rural communities.

In conjunction with our presence at the Beef Industry Conference, there are a number of other great initiatives being undertaken by the CAPL such as the poster contest and Beef Benefit fundraiser. There is a lot of great work going on out there by our field landmen and it's about time that some of the good news stories get told rather than just the negative press, which is so often foisted upon our industry and profession.

Technically, we are all members of the PR committee and any time we are dealing with each other or other stakeholders we should keep that in mind. **N**

Tom Emerson
Director, Field Management



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Opportunities Await in Nova Scotia's Onshore

Onshore petroleum exploration in Nova Scotia has steadily increased over the last five years. The establishment of petroleum based infrastructure as a result of offshore production; construction of an inter-provincial pipeline transporting gas to the northeastern United States; and the success in Corridor Resources' McCully gas field in New Brunswick; have caught the attention of a number of companies that see the potential for new exploration opportunities in Atlantic Canada. All four Atlantic provinces have recently awarded onshore rights and all four expect to see wells being drilled this summer. While the activity level is quite modest by any comparison to western Canada, this frontier region is gaining considerable interest.

Based upon exploration commitments and announced plans, the Nova Scotia Department of Energy is forecasting 2 wells and 4 seismic programs to be completed onshore by year end 2004. Add this to the 9 wells which have been drilled since 1999 and over 1000 kms of new seismic which have been acquired, it is clear that there is a resurgence in onshore activity. Contrast this with the previous activity peaks of 3 wells drilled in 1983, 2 in 1988 and 7 coalbed methane wells drilled in the period 1994-96. (See Figures 1 and 2)

Currently 8 conventional exploration agreements and a coal gas agreement are held by industry. These agreements cover 1.6 million hectares of land, with work commitments in excess of \$10 million over the next 2-3 years. There were three land offerings last year and early in 2004 there were 2 more blocks made available for competitive bids. (See Figure 3)



Land Tenure

The Nova Scotia Department of Energy (DOE) is responsible for the administration of petroleum resources in the onshore area. The *Petroleum Resources Act* and the *Petroleum Resources Regu-*

lations provide for the allocation and maintenance of petroleum rights which are issued either as exploration or production agreements, each with different periods of tenure. Petroleum located in or under Nova Scotia lands is deemed to be vested to the Crown. There are no freehold petroleum rights in Nova Scotia. In addition, coal gas (coalbed methane) is issued as a separate right with a different tenure period and applicable royalty.

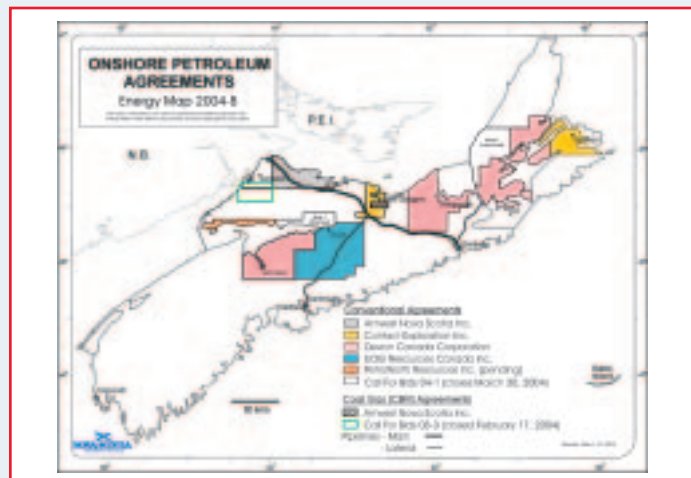
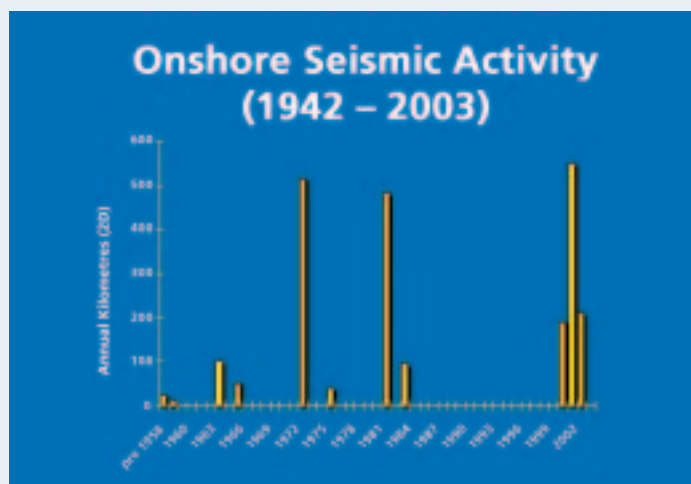
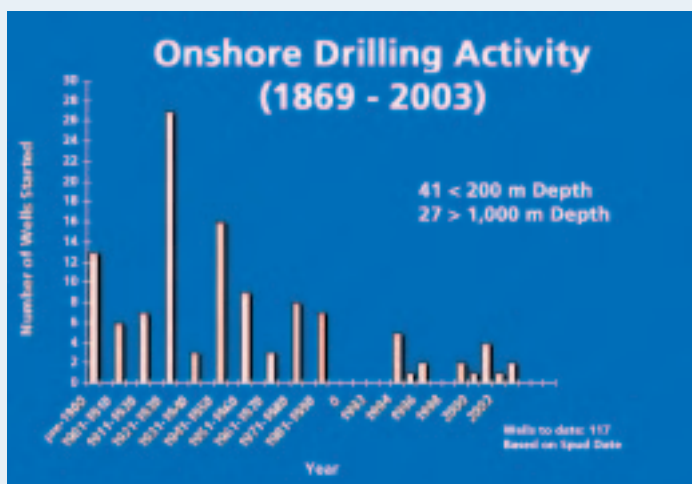


Figure 3: Onshore Rights Map



Figures 1 and 2: Histograms of Well and Seismic Activity

Lands can be nominated by industry at any time which may result in a competitive Call for Exploration Proposals. The Department of Energy reviews the requested parcel(s) and may modify the original parcel size and configuration through consultation with the company who has made the nomination. Lands being made available are advertised and public notice is given for a Call for Exploration Proposals. The Call remains open for a minimum period of 60 days during which proposals must be submitted. Applicants must submit bids which contain information sufficient to judge their technical and financial capability, a commitment to meet or exceed minimum work expenditures, and the ability to post a performance bond to guarantee the work shall be done. Petroleum rights may be granted to the applicant submitting the best proposal of work. Applicants must also provide evidence of past experience in petroleum exploration and/or production. The exclusive right to explore is conveyed by an *Exploration Agreement* which is a contractual agreement between the applicant and the Minister of Energy.

For a conventional petroleum right, at least one well must be drilled in the initial 3-year period. Two renewals of three years each are available for lands which continue to be explored. Coal gas rights are issued for an initial period of 5 years with a single, work-based renewal of an additional 5 years.

A *Production Agreement* (Lease) for either hydrocarbon type may be issued by the Minister in response to the filing of an acceptable development program. The lease is for a term of 10 years with further renewals upon such terms and conditions as may be prescribed from time to time.

Royalties

Royalties are set to encourage activity and be competitive with neighbouring jurisdictions. For conventional oil and gas, there is a 2-year royalty holiday after which royalty is paid at a rate of 10% of the petroleum that is produced in each month. Coal gas royalty is set at 5% of the gas produced in each month and is based on the fair market value of the gas.

Historical Background

Nova Scotia has drilling records dating back to 1869 during which time a number of wells were drilled near Lake Ainslie in Cape Breton, Nova Scotia. Oil seeps along the shores of the lake and numerous shows and flows in wellbores have resulted in some 120 wells being drilled over the last 130 years. Small quantities of oil were recovered for analysis and testing but no commercial production was ever established. The discovery of the Stoney Creek oil and gas field in New Brunswick in 1909 spurred more activity in Nova Scotia where the rock units are the same. Of the approximately 120 wells drilled specifically for oil and gas and another

66 mineral boreholes; there have been shows in one third of them. In 1987 there was an uncontrolled flow of gas that lasted for a period of 3 weeks in a shallow well in central Nova Scotia near Truro. (See Figure 4)

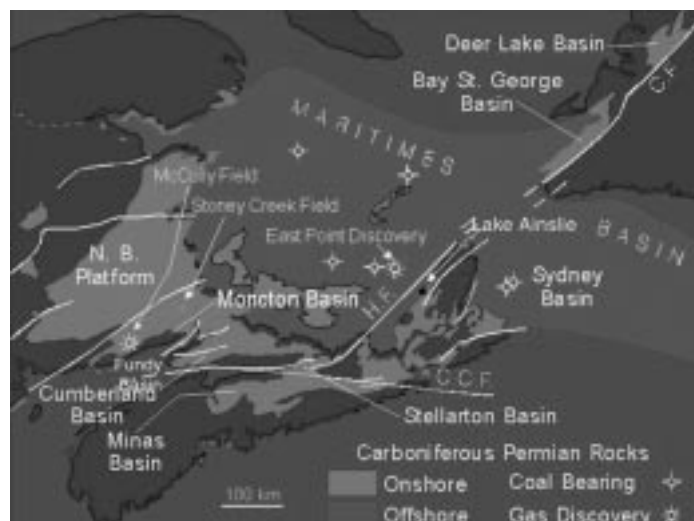


Figure 4: Map of Maritimes Basin and Sub-basins

Geological Setting

Northern Nova Scotia along with eastern New Brunswick, Prince Edward Island, the Gulf of St. Lawrence and parts of southwestern Newfoundland comprise the Upper Paleozoic (Carboniferous) Maritimes Basin which has a surface area of 60,000 square miles.

The Carboniferous rocks were formed from sediments first deposited in narrow elongate basins bordered in the northwest by uplands in New Brunswick and to the south by an uplifted region of pre-Carboniferous rocks in Nova Scotia. The first sediments were deposited in the Fundy Depositional Basin and came from both bordering areas.

Geologically, the prospective onshore area in Nova Scotia is underlain by Carboniferous aged sediments. These rocks cover approx 1/3 of the province. The onshore region is comprised of the actual land mass of the province together with certain submarine areas not subject to the Canada-Nova Scotia Offshore Petroleum Resources Accord, such as the Minas Basin, St. Georges Bay and Chedabucto Bay. This amounts to 14,500,000 acres, one-third of which contains Carboniferous age sediments primarily in the northern/central part of the province and contains a number of sedimentary basins which have the geological potential to produce hydrocarbons.

There are 2 key rock units which form the focus of conventional petroleum exploration activity (Horton and Windsor Groups) and a younger unit that is of interest to coalbed methane explorers (Cumberland). (See Figure 5)

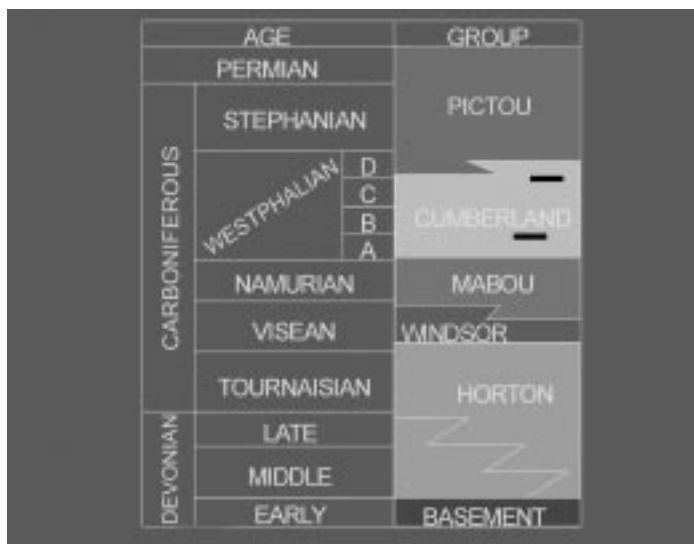


Figure 5: Stratigraphic Column

Fluvial and lacustrine sediments of the Horton Group consist of red to grey sandstone, conglomerate, siltstone and shale. Historical seeps and shows and drilling have demonstrated the presence of both oil and gas in the thick clean sandstones of this unit. High organic lacustrine shales within this group are the probable source rocks.

Overlying the Horton Group strata are younger Carboniferous rocks of the Windsor Group which represent the only marine incursion in the central Maritimes Basin during the Carboniferous Period. The unit, which can be variable in thickness from a few meters to greater than 1500 m, consists of massive to poorly bedded red and greenish-grey mottled siltstone, shale and sandstone. They are interbedded with thick deposits of gypsum, anhydrite, and tabular sequences of limestone and dolomite. Thick salt deposits occur at a number of localities and have had a noticeable effect on deformation in some areas. Salt movement in some basins accounts for salt diapirs, domes and ridges. Carbonate banks and reefal build-ups have been the focus of successful base metal mining and production and in most instances the reefal facies are known to exhibit hydrocarbon shows and seeps. These have been the focus of recent exploration. (See Figure 6)

The Cumberland Group of the Late Carboniferous contains appreciable amounts of mineable coal seams and non-marine red and grey conglomerate, sandstone and shale. During the deposition of the upper part of the Cumberland Group, non-marine fluvial and fluvio-lacustrine red and grey sandstones, shales and minor conglomerates of the Pictou Group were deposited in other areas. These Pictou sediments unconformably overlie older Paleozoic rocks and onlap the older metamorphic basement rocks.

Although commercial discoveries have yet to be made onshore Nova Scotia, several geological factors bode well for continued exploration here. New Brunswick boasts two discoveries; the Stoney Creek Field

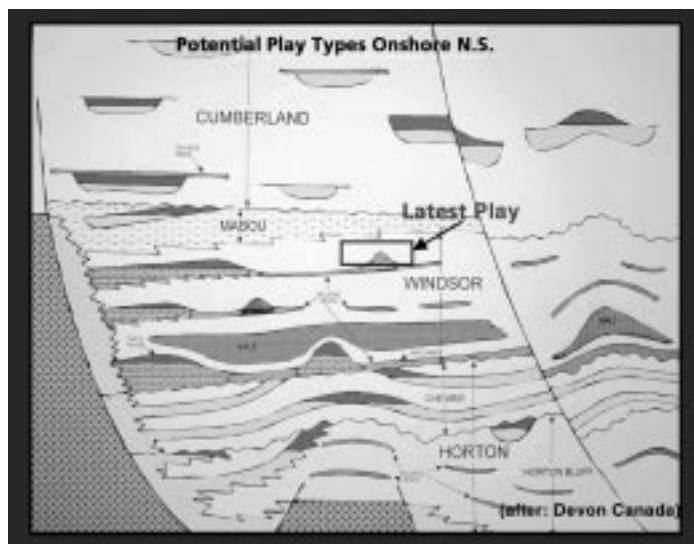


Figure 6: Cartoon of Recent Plays

which produced oil and gas from 1909 until 1991 and the McCully Field discovered in 2000 which is currently producing 2 – 3 MMcf/d from two wells. Both discoveries are in equivalent Horton Group rocks in one of the many Carboniferous sub-basins which extend throughout northern and central Nova Scotia.

New seismic coverage in various sub-basins in Nova Scotia shows more clearly the effect and control provided by faulting in these play areas. Deeper basin targets for both the Horton and Windsor units have been identified and mapped and need only to be drilled to verify their potential.

New Initiatives

In recognition of industry's desire to test the potential of onshore Nova Scotia, the Department of Energy (DOE) has created an Energy Strategy which strives to encourage and facilitate industry's exploration activities. A number of initiatives have been implemented.

On the technical side, there is a strong commitment to improve management and access of technical data. Government sees it as vital to have resident expertise in matters related to petroleum. Working relationships have also been established and utilized with the geoscientific staff of the Department of Natural Resources who have decades of experience in mapping the geology of the many sub-basins, primarily for mineral exploration which is also of interest to oil and gas explorers. We are currently cooperating in a program with the Geological Survey of Canada to re-map and interpret the petroleum possibilities of several areas in the Carboniferous basins in the onshore. This effort will produce new insights to the potential of these areas. We have sponsored and contracted experts to evaluate the petroleum potential of selected areas by examining the source rock potential on the Carboniferous of the mainland and Cape Breton areas of Nova

Scotia and the petroleum systems of basins in Cape Breton. This most recent study involves funding from several levels of municipal, federal and provincial government agencies. In all cases the outputs will be freely available to explorers to use as a starting point to help direct their search for oil and natural gas.

On the regulatory and operational side, the Department has committed to improving overall regulatory efficiency and transparency through a number of important initiatives. Details are as follows;

- a) the Department of Energy chairs the One Window Standing Committee, for approvals of seismic and drilling activities, which brings together all government departments and agencies that may be involved in some manner with the ultimate approval of each program. The DOE provides this forum to review applications and ask questions of the operators to ensure that all regulatory requirements are identified prior to the commencement of any activity. While it appears onerous, the goal is to ensure that industry will be permitted to conduct their exploration activities without unnecessary delays.
- b) Public consultation is a pre-condition of the activity authorization. This may involve meetings, open houses, or simply notice of activity. As oil and gas activity is a fairly new and unknown activity in many areas, it is important for the public to be able to air their concerns and have their questions answered. Staff from DOE are generally present to provide assurance that industry is in compliance with the regulations.
- c) The Department is currently engaged in working with neighbouring jurisdictions (New Brunswick, Prince Edward Island, Newfoundland & Labrador) to examine ways in which we may provide more effective and efficient operations in the Atlantic region. Topics of discussions are; common inspection and approval for various oilfield equipment, a single registry for seismic and drilling contractors which would allow them to move from one jurisdiction to another, and standardization of approvals and timelines. Consistency in these areas would benefit companies and contractors operating in one or more of the Atlantic provinces.
- d) The Department is revamping the Petroleum Resources Act and regulations. While the new act will cover electricity, renewable energy, energy efficiency; pipelines, etc; administration and regulation of petroleum is a key component. The new legislation which will reflect our commitment to encourage oil and gas activity. We will continue to engage consultants and seek industry input on proposed changes that will enhance exploration and development of our onshore resources. We have adopted a less prescriptive approach to regulating

activity and use “good oilfield practice” and “equipment fit for purpose” as our chief criteria for operations. The land tenure system is also being examined. We are considering the introduction of an initial term of 5 years to accommodate the increased time it takes to drill in frontier areas such as Nova Scotia. We are moving to establishing our own Registry (currently being handled by the Department of Natural Resources) that will reduce time for processing applications and dealing with notices and refunds.

Conclusion

We have the right mix of flexibility and commitment to growing an oil and gas industry in our onshore. Given recent efforts by industry, new generation seismic, creative drilling technology, new exploration strategies and government’s commitment to facilitating industry’s efforts, we believe it is simply a matter of time until we become the next onshore producing province.

Invitation

To learn more, please join us for a Nova Scotia Onshore Opportunity Prospect Review to be held in the Strand/Tivoli room at the Metropolitan Centre, 333 – 4th Avenue, Calgary on April 28th. We will have a luncheon meeting (registration beginning at 11:30 am) with a series of presentations by the Dept. of Energy and current onshore explorers to address opportunities in Nova Scotia. Staff and industry representatives will be present to address questions and to review individual prospects.


Should you be unable to attend the lunch and afternoon session, we will have senior government officials to provide a welcome at a cocktail hour from 5:00 to 7:00 and the prospect forum will be open until 10:00 pm. Department of Energy staff will be available, through appointment, on the following day (April 29th) for more detailed discussions.

There will be no charge for this event, but we will require pre-registration to ensure seating for the luncheon. To indicate your intention to attend please contact: macdondj@gov.ns.ca.

For additional information, feel free to contact appropriate staff;

Kim Doane, Petroleum Geologist and Environmental Coordinator
(902) 424-7146

Paul Harvey, Senior Petroleum Geophysicist
(902) 424-8121

Jack MacDonald, Senior Petroleum Geologist and Rights Administrator
(902) 424-8125 

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The key issues discussed and resolved at the CAPL Executive Meeting held March 2, 2004 at the CAPL Office:

- R.K. Howard submitted a Treasurer's Report as at March 2, 2004 showing CAPL investments totalling \$989,162.11 Canadian and \$26,938.33 U.S. with a cash balance of \$55,503.20 Canadian and \$5,865.70 U.S. Since the last report, \$50,000.00 was transferred to the T.Bill account from the current account.
- Cindy Rutherford provided four Active and two Student membership applications to the Board, all of which were approved.
- Cindy Rutherford provided a list of recommended recipients from the Merit Awards Committee to the Board, all of which were approved. The recipients of the 2003 Merit Awards will be announced at the General Meeting on Wednesday, April 21, 2004.
- Guest Suzanne Stahl, Co-Chairman of the Public Relations Committee, provided the following update on the Landman's Beef Benefit:
 - An article will appear in the April *Negotiator* on the April 29, 2004 event and will include information on:
 - What's It All About?
 - Where Will The Money Go?
 - How Can We Make A Difference?
 - The Alberta Student Poster Campaign is under way with contest entry forms being distributed to 1,964 schools throughout the province. Winners will be announced at the Landman's Beef Benefit and a sampling of posters will be displayed at the event.
 - Committees are now in place, with the following Chairmen:

Event Chairman	Neil Cusworth	Independent
Program Chairman	John Lawson	Fairborne Energy
Chairman	Donna Phillips	Direct Energy
Marketing Chairman	Suzanne Stahl	Independent
Media Chairman	Janice Elago	CNRL
Silent Auction Chairman	Kevin Burke-Gaffney	El Paso
Poster Contest Chairman	Denise Grieve	CAPL Office
- In Bob Mosoronchon's absence, Neil Cusworth reminded Directors to submit their information for the 2003 Annual Report by April 15, 2004.
- Carolyn Murphy advised that, as of today's date, the 2004 Nominating Committee has six individuals that have put their name forward for the upcoming election.
- Ian Clark, Director of Professionalism, advised that out of 372 P.Lands, 264 P.Lands have fulfilled the requirements for re-certification as at December 31, 2003. In addition, the Committee is currently working on revising the P.Land Manual.
- Brad Goodfellow reminded Directors of the following:
 - The next General Meeting is a networking event March 25, 2004 at the Ranchmen's Club.
 - The following General Meeting is Merit Awards and Elections and will be held April 21, 2004 at The Westin Calgary.
 - The next Executive Meeting will be held April 6, 2004 at the CAPL office. **N**

Clark Drader

Secretary/Director, Social

Message From the Executive



The Director of Finance is responsible for the financial affairs of the CAPL and is involved in the business affairs of every portfolio as well as major events such as CAPL's annual Conference. Other responsibilities include monitoring the very conservative investment strategy with our bank, the Canadian Imperial Bank of Commerce.

The ongoing budgetary process is as important as any other responsibility. In March 2003, the CAPL had a projected deficit of \$69,552, over 10% of the total cash and investment portfolio of the CAPL and a second consecutive projected loss.

This resulted in a challenge put to every Director; to try to minimize expenses without adversely affecting services to the membership. This ongoing re-evaluation of every portfolio, with an eye to the bottom line, became a mantra for your Board in 2003.

The unaudited financial statements for 2003 reveal that these efforts paid off, resulting in a surplus of \$83,233. Two other factors also played a significant role in this turnaround.

The Edmonton conference came in well under budget on expenses, while only slightly under budget on revenue. The Education portfolio enjoyed anomalously higher revenues, due primarily to the attendance of many re-certifying holders of P.Land certificates in the Ethics and Fiduciary Duties courses.

While our balance sheet remains healthy at \$744,457, this represents less than one half of the \$1,498,982 in projected expenses in 2004. The 2004 budget was presented to and approved by the Board in December 2003. It projects a surplus of \$34,795 dollars on revenues of \$1,533,777. Your Board will continue in its efforts to protect the balance sheet while striving to improve member services. ^N

R.K. Howard
Director, Finance

2004

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April Update

7th Annual Charity Golf Classic

Help support the Boys and Girls Club "Avenue 15" Program by taking part in this fun and worthwhile event.

"In 2003, Avenue 15 assisted 743 youth in crisis by providing them with a safe place to sleep and support in resolving their issues."

Where: Woodside Golf Course
525 Woodside Dr.
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When: Thursday June 17, 2004
1:00 pm shotgun start

Format: Texas Scramble

Cost: \$125.00/golfer

Hole sponsorships and prize donations are also welcome.

Information: 571-5263

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CAPL Elections

Well, it's election time again and this will be my last duty as Past President. It is amazing how quickly the year goes by. The Nominations Committee and I have been enlisting another group of energetic people as Candidates to lead our amazing organization, The Canadian Association of Petroleum Landmen, in an ever changing environment. I would like to thank my committee of Sandy Drinnan, Dennis Eisner and Dave Horn. They came together with ideas and approaches to put forward a list of nominees that will meld the young with the "old" and keep the organization moving forward. They have done a great job and I thank them for their hard work.

I would like to take this opportunity to identify my view of a Director's role and the benefits of sitting on the CAPL Board. I hope that the following information will help each of you better understand the CAPL Board of Directors and encourage you to volunteer for this role in the future.

The Role of a Director

1. The ability to Delegate

- the Director's role is not to chair each committee under their portfolio but to help the committee "do their thing"

2. Liaison between the Board and the Committees

- ensure both groups are moving forward to the same ultimate goals

3. Communicate to the Board the undertakings and goals of the committees and any concerns or problems they are encountering

4. Formulate the direction for the Association

- bring your experiences and knowledge to help set the goals for the Association in an ever changing environment

5. Assist in the overseeing of the CAPL Office and the Association's finances

6. Ensure the membership is receiving value for its money

The time requirements to fulfill the above-noted role as a board member are as follows: 1) attend monthly Board Meetings, approximately 3 hours in length; 2) attend the monthly General Meetings; and 3) attend the Committee Meetings related to your portfolio. Each

Director volunteers for a two-year term. This allows him/her to get up to speed on the workings of the Association and accomplish his/her goals.

The Benefits

There are many benefits gained from volunteering for the CAPL Board and I would identify them as follows:

1. Access to Information

- related to the Association
- related to industry
- related to government

2. Access to People

- information source
- ideas
- specialists
- energy & enthusiasm

3. Access to new ideas

4. Access to other Associations, their people, their goals, their ideas

5. Access to the issues

6. Ability to impact the Association, the industry and the people

7. Exposure within the profession and the industry

- career opportunities
- opportunities for your corporation (i.e. better understanding of changes and issues that may impact industry, in a timely manner)

My time on the Board has been a wonderful experience and has exposed me to many amazing people. It has given me a greater understanding of both our Association and our industry. I hope that this information will encourage each of you to consider volunteering for the CAPL Board at some time during your career. The benefits are immeasurable.

Thank you for your support during my time on the Board and good luck to an amazing Association. ^N

Carolyn Murphy, Past President



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Spring Conference Replaces Prospect Exchange in 2004

On April 28, 2004 at the Calgary Convention Centre, CAPL will join six other oil industry associations, two government bodies and two dispute resolution industry associations and the Calgary Chamber of Commerce in sponsoring an educational conference on the processes of Appropriate Dispute Resolution ("ADR"). This conference will showcase the new handbook on ADR that has been developed by the Company to Company ADR Task Force, a text that has been called "unique in the

world". All participants in the conference will receive a handbook as well as detailed instruction on their choice of diverse ADR topics in concurrent workshop sessions such as: The CAPL Operating Procedure, the JP-95/JP-04 Formula, EUB ADR processes, NEB processes, Arbitration Rules, Mediation Skills, and more.

CAPL has participated in the C2C ADR Council for the last two years and is a major sponsor of the conference having contributed its space at the Convention Centre which it had previously arranged for the Prospect Exchange.

The real and associated costs of dealing with disputes in the oil industry are rising exponentially across Canada. Companies do not have to be paying this price. During this conference, you will see, experience and understand ways to bring your issues to satisfaction more rapidly, more certainly and more cost-effectively.

This conference will deliver to you:

- **Processes** that will help you learn what your opponent is thinking
- **Tactics** to show your opponent what you want
- **Multiple approaches** to reaching agreement
- **Key points** to predict when disputes require outside assistance
- **Tools** that will help you avoid the costs and delays of expensive litigation
- **Understanding** of the new style of dispute resolution that is changing the old ways of practice in the oil industry
- **Insight and understanding** of the new clauses on dispute resolution in the forthcoming CAPL Operating Procedure and the PJVA Jumping Pound Formula, direct from the mouths of the people who drafted the clauses

"During this conference, you will see, experience and understand ways to bring your issues to satisfaction more rapidly, more certainly and more cost-effectively."

The conference will start with a Plenary Session, then concurrent workshops on topics including;

- EUB ADR Program
- EUB Application Requirements
- NEB Regulatory Process and ADR
- CAPL Operating Procedure 2004
- Jumping Pound Formula (JP-95, JP-04)
- Arbitration Rules
- Pooling, Drainage and Ownership
- ADR Skills
- The Situation Assessment Meeting (SAM) and other tools of ADR
- Snow White and the Seven Oil Workers
- Audit Processes
- Landowner and Company Disputes
- Strategic Management of Organizational Conflict.
- Aboriginal Issues
- International Negotiations
- Mediation

Look for registration details on the websites of the following sponsoring organizations:

CAPP	Canadian Association of Petroleum Producers
SEPAC	Small Explorers and Producers Association of Canada
CAPL	Canadian Association of Petroleum Landmen
CAPLA	Canadian Association of Petroleum Land Administration
CGPA	Canadian Gas Processors' Association
PASC	Petroleum Accountants' Society of Canada
PJVA	Petroleum Joint Venture Association

Other sponsoring bodies include;

Alberta EUB	Energy and Utilities Board
Canada NEB	National Energy Board
AAMS	Alberta Arbitration and Mediation Society
Canada ADRI	Appropriate Dispute Resolution Institute
Calgary Chamber of Commerce Dispute Resolution Subcommittee	N

Scott Nalder
Director, Education

Meeting Announcements

April General Meeting

Merit Awards and Elections

Wednesday, April 21, 2004

Cocktails: 5:00 p.m.

Dinner: 6:15 p.m.

Location: The Westin Calgary
320 – 4 Avenue SW

Cost: No Charge for Members
Guests \$53.50 includes GST

All members are required to confirm their attendance by return fax or email. Only guests are required to purchase a ticket. Please confirm your attendance by faxing your response to the CAPL office at 263-1620 before noon on Friday April 16, 2004.

May General Meeting


Breakfast Meeting, Thursday, May 20, 2004

Speaker: Keith Macleod, Executive Vice President,
Sproule & Associates Limited

Breakfast: 7:30 a.m.

Location: The Westin Calgary
320 – 4 Avenue SW

Cost: No Charge for Members
Guests \$37.45 includes GST

Any person with special dietary needs or food allergies should contact Karin Steers. All members are required to confirm their attendance by return fax or email. Only guests are required to purchase a ticket. Please fax or email request and guest tickets will be sent to your office with an invoice. Please confirm your attendance by faxing your response to the CAPL off at 263-1620 before noon on Friday May 14, 2004. 



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The CAPL Education Committee is pleased to present the following courses:

CAPL Operating Procedure

April 7 & 8, 2004 8:30a.m. – 4:30p.m.

This two day seminar is intended for senior land personnel who are involved with joint interest agreements on a day to day basis and therefore require a thorough understanding of the CAPL Operating Procedure. The CAPL Operating Procedure will be discussed in detail with particular emphasis on its day-to-day application with particular discussion of the most current version of the CAPL Operating Procedure. Comparisons will be made to previous CAPL Operating Procedures in certain key areas.

Management of Offshore Oil & Gas Resources on Canada's East Coast

April 28, 2004 8:30a.m. – 4:30p.m.

This seminar will provide a valuable introduction to the East Coast regulatory regime and Atlantic Accord Acts including such topics as the land tenure system, rights issuance process, regulatory requirements and procedures and related regulations.

Negotiating: The Essential Skill for Landmen

May 5 & 6, 2004 8:30a.m. – 4:30p.m.

This will provide the participants with an understanding of the process of negotiating and will introduce them to the skills required to achieve outstanding agreements. Topics include: hard, soft and creative negotiating, when to negotiate and when not to, principles of creative negotiating, clarifying interests, issues and positions, probing for the interests of the other person, negotiating the process, creating options, implementing agreements, measuring the outcomes of the negotiation, constituents, stakeholders and bystanders, alternative to negotiating, power in the negotiating relationship, your best and worst alternatives to negotiating, communications skills in negotiating, and pure bargaining strategies.

Effective Public Involvement

May 11, 2004 8:30a.m. – 4:30p.m.

This is an interactive seminar which will cover the following topics: understanding current stakeholder's relations environment, defining the public, what is public involvement, cost/benefit analysis of a public involvement strategy, levels of public involvement, expectations of clients, the commu-

nity and regulators, and challenges and strategies for success.

Acquisitions And Divestments – The Paper Chase

May 13, 2004 8:30a.m. – 4:30p.m.

Procedures, processes and tips necessary to properly time, evaluate, create and disseminate the flow of paper, from beginning to end of an acquisition, divestment or trade will be covered. This will include scheduling, due diligence, closing and post-closing responsibilities. Documentation such as Land Schedules to the Purchase and Sale Agreement and Right of First Refusal Notices, as well as numerous specific conveyances, post-closing and tracking documents will be reviewed.

CAPL Farmout and Royalty Procedure

May 17 & 18, 2004

Seminar: May 17, 2004, 8:30a.m. – 4:30p.m.

Workshop: May 18, 2004, 8:30a.m. – 12:00p.m. or 1:00p.m. – 4:30p.m.

Jim MacLean will take participants through the document providing explanation around certain clauses and issues that may arise out of using the document.

Business Strategies for the Oil and Gas Industry

May 19 & 20, 2004 8:30a.m. – 4:30p.m.

This course will prepare participants to contribute effectively to the decision-making process for investment opportunities in oil and gas exploration, development, and acquisitions. Economic evaluation and strategy formulation techniques are presented from the project-specific to the corporate-wide perspective. The instructor will discuss probability and risk analysis, property valuation for acquisition and drilling, land sale economics and strategy, and portfolio analysis and corporate strategy. **N**

For further information or to register, please contact the CAPL office either by phone at 237-6635, email dgrieve@landman.ca, or complete and return a registration form by fax to 263-1620. Registration forms and full course descriptions can be found in the 2004 CAPL Course Calendar which is available online at www.landman.ca.



Anatomy of an Oil and Gas Property Transaction

Part 3: The Bidding Process

This is Part 3 of a four-part article the author has written on the anatomy of an oil and gas deal which will appear in consecutive editions of *The Negotiator*. Part 1, which appeared in February's edition of *The Negotiator*, introduced the due diligence process; Part 2, which appeared in last month's edition of *The Negotiator*, addressed the types of due diligence which can be conducted; Part 3 addresses confidentiality agreements, letters of intent and the marketing, data room and bidding process; and Part 4 will address purchase and sale agreements and pre-closing, closing and post-closing considerations.

"It is important that both the vendor and the prospective purchaser understand the rules of the bidding process and the terms of the form of bid letter or letter of intent"

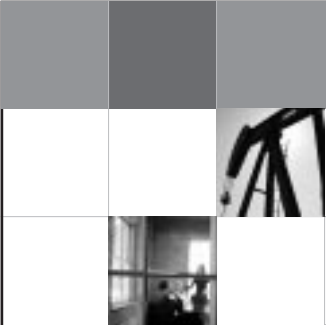
Data Room Marketing Process

In some cases, a vendor and purchaser may complete a transaction without the vendor having committed the assets to a broader marketing process. Often this will happen in circumstances where vendor and purchaser own joint interests in the subject properties and there is corresponding motivations to sell or buy as the case may be (i.e. the property is non-core to the vendor and the purchaser is interested in consolidating interests in it). In such

circumstances the purchaser will already have a great deal of knowledge respecting the assets and may not require any additional information disclosure in order to make its initial bid. There are obvious advantages to both the vendor and the purchaser in such an

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arrangement. From the vendor's perspective, these include minimizing the transaction costs and eliminating the challenges of dealing with purchasers unfamiliar with the assets while at the same time achieving a reasonable premium to its retention value. The purchaser will benefit from reduced or lack of competition for the asset, a high degree of confidence in its knowledge of the assets and its plans for them and reduced transaction costs.

In many cases when a vendor has committed itself to disposing assets, it will wish to proceed with the marketing of such assets through a formal process and to a broader spectrum of potential purchasers. By doing so, the vendor can dictate the rules of the process, the manner in which bids may be made and ultimately obtain some comfort that it is obtaining the highest bids available at that time under current market conditions. One key trade-off will be the higher transaction costs involved, however, this can be offset by obtaining a higher purchase price than vendor otherwise would.

In connection with the marketing process, the vendor will work with marketing professionals to prepare an actual and/or virtual data room containing information, documentation and evaluations relevant to the assets and the valuation of the assets and a confidential information memorandum and/or a data book summarizing such information. The vendor will control access to the data room, the form of bid letter or letter of intent and the process by which a purchaser is selected. It is important that both the vendor and the prospective purchaser understand the rules of the bidding process and the terms of the form of bid letter or letter of intent to ensure they understand what obli-

gations, if any, derive from the offering of the assets, bidding on the assets and the execution and delivery of a letter of intent.

On the basis of the information provided in the confidential information memorandum and the data room, the bidders will be requested to make bids on the assets on or before a specified date. Typically, the vendor will specify that it is under no obligation to accept the highest bidder's offer or any offer in respect of the assets.

It is common for the vendor to request non-binding bids, indications of interest or letters of intent wherein the purchaser is asked to provide the basic terms of its proposed purchase such as purchase price, effective date (if not already set by the vendor) and specifically required conditions. In some cases the vendor may have provided a copy of the form of sale agreement that shall be entered into and may require comments in respect of

it be submitted with purchaser's bid. Once the vendor has received such bids, it will then narrow down the bids and meet with the leading prospective purchasers with a view to finalizing the terms of each bid and ultimately selecting the winning bid.

***"The vendor and the bidder
will have different goals in
identifying what is confidential
information and what
exceptions there are to it."***

Confidentiality Agreements

Prior to providing a copy of the confidential information memorandum, data book and access to the data room, the vendor will typically require a prospective purchaser (herein, a "bidder") to execute a confidentiality agreement. Some of the key points to be negotiated in a confidentiality agreement include:

- **Definition of confidential information.** The vendor and the bidder will have different goals in identifying what is confidential information

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and what exceptions there are to it. Obviously the vendor will want as broad a definition as possible and the bidder will want it as narrow as possible. Typically the following are exceptions to what is to be treated as confidential:

- (a) information already in the public domain or which subsequently becomes part of the public domain through no fault of the bidder;
- (b) information that was in the possession of the bidder at the time the information was disclosed and not directly or indirectly acquired under an obligation of confidence; or
- (c) information that was received by the bidder from a third party who had not acquired it directly or indirectly from the vendor under an obligation of confidence.

• **Use and disclosure of confidential information.** Typically the use of confidential information is limited to use in evaluating a possible transaction and there will be a prohibition against its use for any other purpose. In some cases a vendor may attempt to include a provision whereby the bidder will hold such confidential information, and any benefits arising from the improper use of it, in trust for the vendor. Such an inclusion may raise the bidder's obligations to a fiduciary standard and, accordingly, a bidder may require that such provision is excluded from the confidentiality agreement. In addition, the confidentiality agreement will likely specify what representatives of the bidder are permitted to obtain such information and provide for an indemnification from the bidder against improper use or disclosure by such representatives. The agreement should provide that the bidder may disclose confidential information if required to by law.

• **Restricted transactions.** Where the vendor is publicly traded, the confidentiality agreement will likely prohibit any negotiations, solicitations or agreements acquiring the securities of the vendor or its

affiliates without the approval of the vendor's board of directors. This allows the directors to assume control over the ability of the bidder to use the information obtained by it to acquire shares or other securities in the vendor or its affiliates.

• **Survival of legal obligations.** The survival period of the confidentiality obligation is a critical component. Typically these are between twelve months and 24 months. One purpose of the clause is to protect the successful bidder who obviously does not want rival bidders to use and disclose the information obtained through the data room process particularly given that the vendor will not be concerned about disclosure of confidential information after closing.

• **Entire agreement/superseding clause.** An additional provision common to confidentiality agreements is that no contract or agreement between the bidder and the vendor providing for a transaction is deemed to exist unless and until a definitive agreement has been executed and delivered. It should be noted that this provision may have an impact on the enforceability of any letter of intent which the vendor and the purchaser execute and, accordingly, this may need to be addressed in the letter of intent.

Letters of Intent

Once the vendor has settled on the basic terms of a proposed transaction with a purchaser, the parties will likely execute some form of letter of intent which will form the basis of the formal purchase and sale agreement. Typically the letter of intent will express the basic terms of the transaction including:

- description of the assets and any specifically excluded assets;
- purchase price with an allocation;



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- effective date; and
- special conditions.

It is always a concern whether or not a letter of intent constitutes a binding agreement and is therefore enforceable. Generally speaking there are three possible scenarios:

- **Non-Enforceable.** Provided that a letter of intent is properly drafted with the inclusion of conditions which prevent the formation of a contract, it is possible to prevent an agreement from arising. The distinction between a condition which prevents the formation of a contract and a condition to an obligation arising under a contract is very important. If it is the intention of the vendor and purchaser to prevent an agreement of purchase and sale to arise, or to prevent any other contractual obligations flowing from the letter of intent, the parties may wish to include express language which states that the letter of intent is not intended to be binding and there is no agreement between the parties until a formal agreement is executed. There are other less obvious circumstances where it is possible that an agreement has not been formed such as where there is a condition requiring negotiation, execution and delivery of a mutually satisfactory agreement of purchase and sale (i.e. "an agreement to agree").
- **Fully Enforceable.** A binding agreement can come into effect if the essential terms of the contract have been agreed to and there are no conditions preventing the formation of the contract. As noted above, the simple existence of conditions will not necessarily prevent a contract from coming into effect as such conditions may simply suspend the obligation to perform under the contract until such condition is satisfied (this is illustrated by the numerous conditions found in binding formal agreements of purchase and sale). For example, vendor may have agreed to sell to purchaser subject to purchaser


obtaining all required regulatory approvals. This type of condition does not prevent the formation of a contract.


- **Partially Enforceable.** It may be that the letter of intent does not represent an agreement of purchase and sale (i.e. it is simply an agreement to agree) but does contain enforceable obligations. Short of a letter of intent actually forming a contract to sell and to buy between the vendor and the purchaser, there are a number of covenants which a purchaser may want a binding commitment from the vendor. For example, letters of intent almost always provide that the obligation to sell and to purchase is subject to the execution of a formal agreement and, therefore, will likely not be binding. However, the purchaser may want a binding obligation imposed on the parties to negotiate, execute and deliver the agreement of purchase and sale in good faith. In addition, the purchaser will likely wish to obtain an exclusivity or no shop provision whereby the vendor is prohibited from offering the assets to third parties until a reasonable negotiation period has passed. Accordingly, the purchaser may wish to take care that key provisions of the letter of intent are in fact enforceable even though no agreement respecting a transaction has been reached.

Once the letter of intent has been finalized the vendor and the purchaser will proceed to negotiate and execute the agreement of purchase and sale which, along with pre-closing, closing and post-closing considerations, will be discussed in Part 4 of this Article. ^N

Craig N. Spurn


Craig is a partner and head of the Oil and Gas Group at Blake, Cassels & Graydon LLP.





Scott Clapperton

287-3500



rockfordland@shaw.ca

Echoes of Yesteryear

Bryce Cameron's Move to Western Canada and the Arctic

The idea of participating in Western Canada was triggered by the Leduc oil well discovery of 1947. In 1954 a group composed of four companies decided to make the move to Alberta with Bryce Cameron in charge. This in turn resulted in the incorporation of Lobitos Oil Fields (Spanish for "wolf"). Bryce's first contact was Ted Trafford, who had worked for Shell in Europe and had come to Canada to run Home Oil. This latter venture resulted in dismissal by Major Lowery. By 1958 Western Canada seemed to be in a period of decline, thus a hard look was taken at the Arctic.

"When I had examined the literature about the Queen Elizabeth Islands in the Arctic, I wondered whether the idea of moving up there justified more detailed study. This concept was reinforced by my hearing Dr. Y.O. Fortier, head of the Geological Survey of Canada, commenting on the petroliferous nature of some formations. It was sometime later when I was enabled to acquire an acreage position. I therefore submitted a report to my principals in London at the end of 1958, 'a venture in the Arctic such as this might be highly profitable.'"



"At that time no one had applied for permits and Ottawa said that they would grant 'Tentative Prior Claims' to Lobitos. I was therefore pleased to have the London Board approve this pioneering move which would involve millions of acres of permits." **N**

Aubrey Kerr

Aubrey Kerr was Imperial Oil's Leduc District geologist from 1947-1949. He was at the Leduc discovery February 13, 1947 and helped plan the 50th Anniversary held February 13, 1997. He is the author of several oil industry history books, titled Atlantic No. 3 1948, Corridors of Time, Leduc, Redwater, Judy Creek and Beyond and Corridors of Time II. In September of 1998, Kerr was inducted into the Canadian Petroleum Hall of Fame. For further historical accounts, stay tuned to The Negotiator. All of Kerr's books are available at \$20 each, no GST, at 912 - 80th Avenue S.W. (253-8900).

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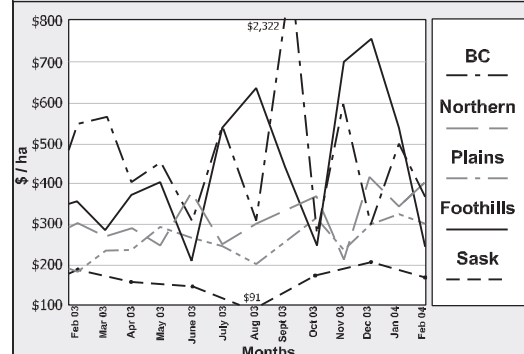
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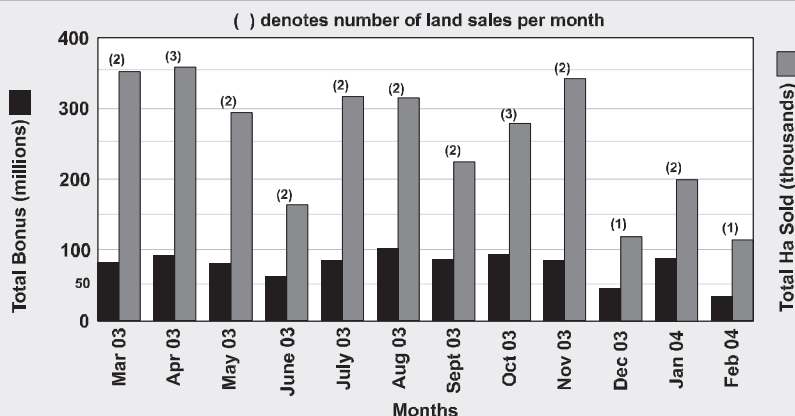
Western Canada

Land Sale Review

Regional Trends - Average \$/Ha



Alberta - Past 12 Months



February 2004

AREA	Total Ha Sold (thousands)	Average \$ / Ha
BC	48	\$ 367
Northern	52	\$ 402
Plains	63	\$ 203
Foothills	5	\$ 251
Sask	97	\$ 173

NOTE - All numbers are rounded off

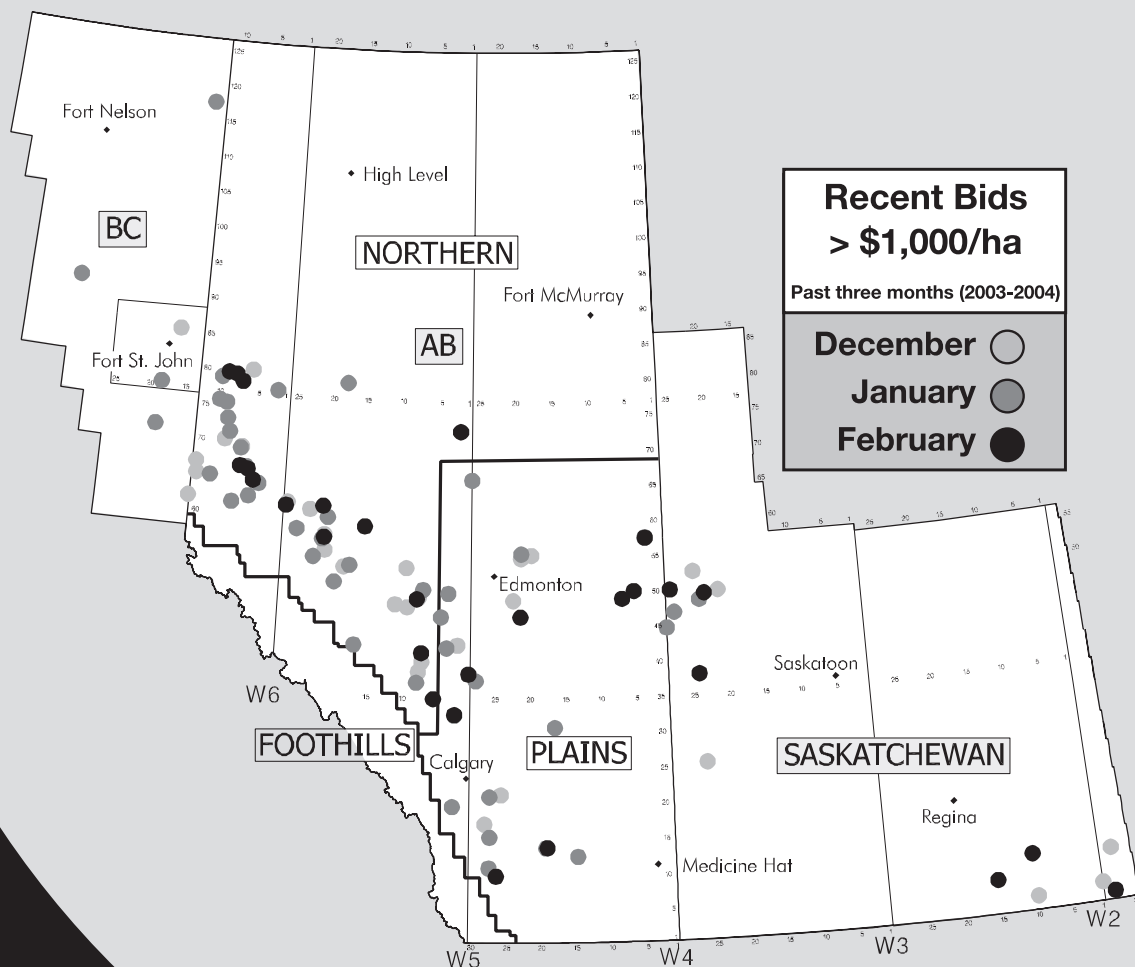
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Roster Updates

New Members

The following members were approved at the March 2, 2004 Executive Meeting:

<i>Applicant</i>	<i>Current Employer</i>	<i>Sponsors</i>
Active		
Brodie Allen	EnCana Corporation	Andy Fulford Jack McNeill Rob Telford, P.Land
Jocelyn Desmarais	Husky Oil Operations Limited	Calvin House David McGuinness Lorne Schaufert, P.Land
Karen Hertel	Burlington Resources Canada Ltd.	Dale Fox Roger MacKinnon, P.Land Linda Shields
Angus Watson	Burlington Resources Canada Ltd.	Rick Cheetham, P.Land Dale Fox Murray Wade, P.Land

Student Members

Clinton Erickson	Olds College	Doug Peters
Mark Horne	University of Calgary	Bob Schulz

Teresa Fabi
Promax Energy Inc.
To Independent

Richard Gibbs
Enterra Energy Group
To Titan Exploration Ltd.

Greg Glenn
Enerplus Group
To Evergreen Resources Canada, Ltd.

Ken Hollington
Independent
To Petro-Canada Oil and Gas

Stacey Hunchak
Provident Energy Ltd.
To Devon Canada Corporation

Marianne Lewis
EOG Resources Canada Inc.
To Independent

Rob Mardjetko
EnCana Corporation
To Navigo Energy Inc.

Patricia Nielsen
Advantage Oil & Gas Ltd.
To ConocoPhillips Canada Resources Corp.

Dave Savage, P.Land
TriQuest Energy Corp.
To Savage Management Ltd.

Marty Scase
Talisman Energy Inc.
To Petro-Canada Oil and Gas

Tom Staines
Chevron Canada Resources
To Shell Canada Limited

Bob Van Wielingen, P.Land
Quartus Energy Limited
To Peregrine Energy Ltd.

Byron Yip
Independent
To Apache Canada Ltd. **N**

On the Move

Don Austin, P.Land Capio Petroleum Corporation To Capex Exploration Ltd.	Neil Dixon Cougar Hydrocarbons Inc. To Timing Energy Inc.
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Laury Chapman Upton Resources Inc. To Independent	Michelle Dowdell Nexen Canada Ltd. To Baytex Energy Trust
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Simplifying Seismic: Chapter 4

This is the fourth chapter in a series which will explain the seismic process in simple terms. Designed specifically for non-technical personnel in the oil industry it should provide a forum for information and questions. This instalment will focus on signal theory intrinsic to the modern world of electronic communication and the importance of the seismic signal (or wavelet) in the seismic process.

1. Communication Theory

The modern world would be completely different without electronic communication systems such as satellite links for television, home stereo systems, mixing boards (Figure 5) and cellular phones, etc. This electronic universe is the result of the work of the French mathematician Joseph Fourier (1768-1830), see Figure 2, who developed the mathematical formulation of signals, signal attributes, analysis and synthesis. The Fourier Transform and the Inverse Fourier Transform are the mathematical contributions which shaped the world of communication (signal) theory. Fourier recognised the significance of signal amplitude, frequency and phase and we shall see how these attributes are intrinsic to seismic interpretation. He discovered that all signals are made up of bundles of frequencies, of different strengths (amplitude), misaligned (or out-of-sync) with each other (phase). Any signal could be distinguished on the basis of its attribute characteristics (Figure 1).

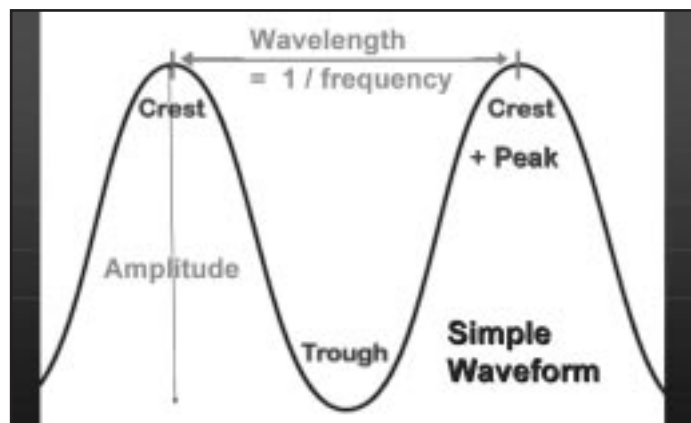


Figure 1

All signals carry information. The digital signal on a cable TV system carries information, as does the cellular phone. An electrocardiogram provides a doctor with detailed information about the condition of the patient's heart and therefore provides a painless monitor. Well logs contain a daisy chain of signals strung together to give a continuous record of the variations of rock parameters in the borehole. Seismic signals carry information with respect to the travel time (which allows the geophysicists to map the depth to the signal event); the amplitude

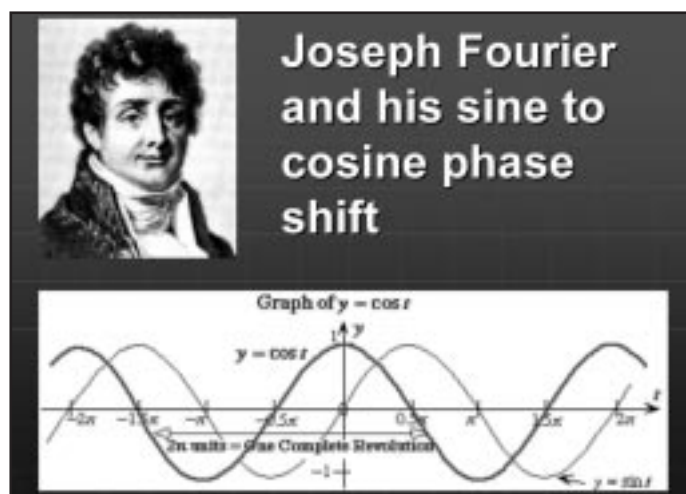


Figure 2

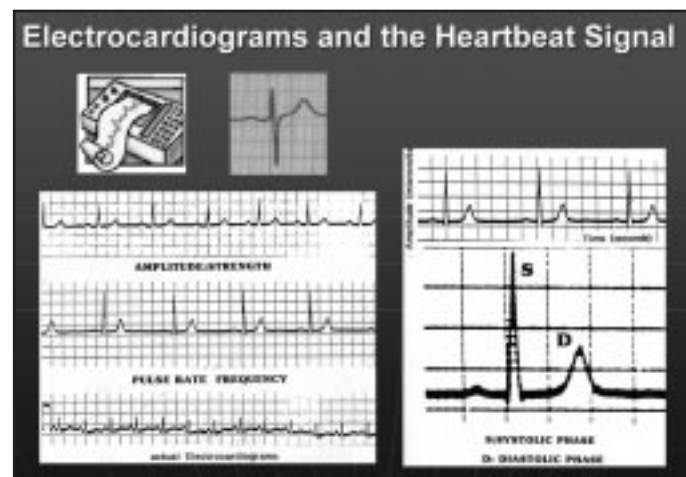


Figure 3

of the signal which contains discrete information about the rock type, the percentage of pore, the pore geometry and the fluid in the pore (oil, gas or water); the signal frequency defines our ability to resolve small or thin pay targets and the signal phase facilitates calibration of seismic data with well logs through the use of synthetic seismograms.

2. Signal Attributes

We are concerned with three attributes of a seismic signal, namely amplitude, frequency and phase. Of these, amplitude is the most familiar since it represents signal strength such as in the use of the amplifier or volume control in a home stereo system; the amplification of sound as in decibel increase; the strength of a heartbeat on an electrocardiogram, measured in microvolts (Figure 3); the amplitude or height of a wave in an ocean storm or a gentle ripple in a pond. In each of these examples,

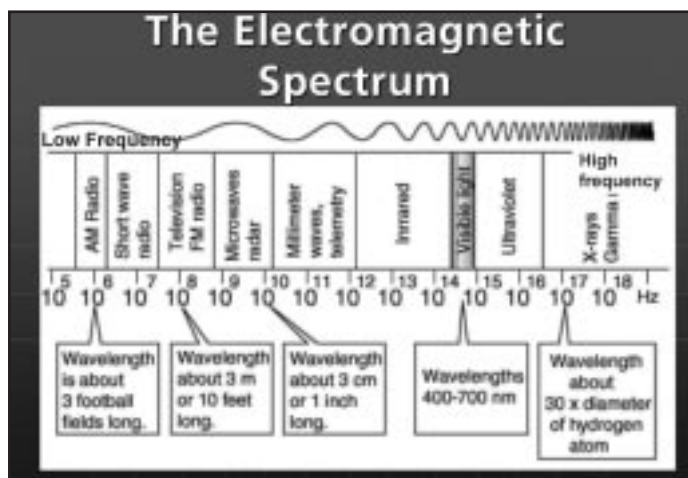


Figure 4

the stronger the amplitude the more energy there is in the signal. Seismic signal amplitude is carefully measured in the field by the geophone and must be preserved so that amplitude interpretation can be done properly.

Signal frequency is not so intuitively obvious. Frequency by definition is the number of times something repeats in one second, measured in hertz. It is inversely proportional to wavelength, such that long wavelengths have low frequency and vice-versa. An individual's pulse rate is usually about 60 times per minute or once per second, or equivalently one hertz. With exercise this may increase to 180 times per minute or three times per second, equivalently 3 hertz. In sound we are dealing with much higher frequencies, up to 17,000 hertz, for the human ear. Colours of the spectrum vibrate even faster, up to 6 million times per second (4,360,000 hertz) in the case of the primary colour red. For comparison well logs range up to 30,000 hertz while seismic, as described in Chapter 3, is severely band-limited to about 100 hertz. The electromagnetic spectrum gives the best illustration of frequency ranges and their corresponding wavelengths (Figure 4).

Phase is the most complex of the attributes in practice. It is interesting that the word "phase" has an anagram (using the same letters to make a different word) "shape". This mnemonic is most useful, and surprising, since it allows the concept of phase to be explained in simple terms. A signal which has vertical symmetry of shape is referred to as zero phase, more correctly zero degrees of phase. If it is inverted so that it is upside down it has been phase shifted, or distorted, or rotated by 180 degrees. If it is rotated by the same amount again it is now back to vertical upward, and back to zero degrees. Any incremental rotation or shift such as 90 degrees or 120 degrees etc. produces a different shape of the signal, hence the expression phase or harmonic distortion. Phase is therefore a measure of the deviation in shape of a signal away from symmetry, measured in degrees. The word "phase" is used in the English language to describe mutual agreement, such as "we are in phase with each other" or



Figure 5

disagreement, such as "we are 180 degrees out-of-phase", i.e. diametrically opposed. The zero phase signal corresponds to our definition of log-normal polarity while its inverse (180 degrees of phase rotation, or turned upside down) is our definition of reverse polarity. In other words when something is inverted it has a phase rotation of 180 degrees.

Phase is a most cumbersome concept and it is wise to let it sit and be absorbed by osmosis as examples of signal phase and their utilization are presented in due course. It is simply a measure of signal distortion, "harmonic distortion" to the sound engineer. It should be obvious that this is the language of the electrical engineer and since geophysicists are trying to extract geological information from the seismic signal (wavelet) they are in the signal business, using the same jargon and terminology.

The seismic signal is affected by its return journey through the earth to each geological boundary (Chapter 3). Thus the signal suffers progressive wear and tear and its condition at the geophone is severely damaged. This is referred to as convolution. The signal therefore must be repaired in data processing with the techniques known as deconvolution and migration. This is a critical step in the whole process since the signal attributes are vital in defining the rock type, pore geometry, pore filling fluid and pay thickness. If these attributes are not corrected the interpretation will be flawed.

In a later chapter we will revisit the signal attributes and illustrate how each one gives very detailed evidence of the stratigraphic nature of the rocks and, in particular, how we can use the attributes in reservoir characterization. ^N

Note: Questions on this and subsequent articles are invited. Please send any question by email to the author at: eastonw@telus.net.

Dr. Easton Wren

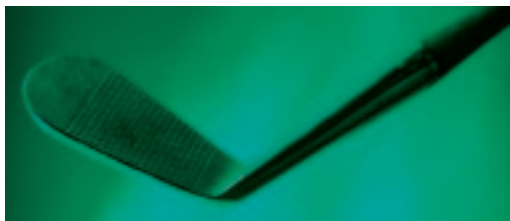
CAPL Golf

2004 CAPL Golf Tournament Thursday, June 24, 2004 Priddis Greens Golf & Country Club

In the never-ending quest to make the annual CAPL Golf Tournament the best Tournament of the summer, your 2004 Golf Committee has once again made changes to the 2004 edition of the CAPL Golf Tournament!

This year's tournament will be held on the morning of Thursday, June 24, 2004 at Priddis Greens Golf & Country Club. As many of you are aware, Priddis Greens is a 36 hole golf facility. This change in facility will allow all participants to play at the same location, and will negate the need to drive between courses for the dinner and presentation of prizes, as has happened the past two years.

The format will remain the same as always, a 4-person team Texas Scramble.




Entry forms will be included in the March, April and May issues of *The Negotiator*. As you all know, this event fills up quickly, so be sure to get your entry form in early! The tournament cost for this year is \$155.00 (including GST). The deadline for entry is May 28, 2004 and there will be no refunds after June 11, 2004.

We encourage golfers of all skill levels to come out and participate in this great event. Should you have any questions regarding this year's tournament, please contact Lorne Schaufert at either 290-8091, or e-mail at lorne.schaufert@cnrl.com.

Your 2004 Golf Committee is:

Lorne Schaufert
Joe Anderson
Peter Manchak
Lawrence Fisher

Michele Beitel
Jim Mak
Joe Iaquina
Debbie McLean

Donna Bowles
Jeff McManus
Debby Rowland 

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Seventh Annual CAPL 9-Ball Pool Tournament

The Seventh Annual CAPL 9-Ball Pool Tournament will be held at The Garage in Eau Claire Market on Thursday, May 13, 2004 starting at 4:45 pm. 9-Ball is a game of luck with little skill so if you feel lucky, come out and test it against your fellow CAPL members. All levels of players are welcome to participate, as talent is not a requirement. This event is great

for non-playing spectators as well because heckling is totally acceptable and encouraged. The format will again be 2 person mixed teams with a double knockout draw. The fee for this event is \$45.00 + GST for CAPL members.

We are setting up the tournament in anticipation of 64 pool players and given the success of this event in previous years, we suggest that you submit your entry form and fee as soon as possible. The deadline

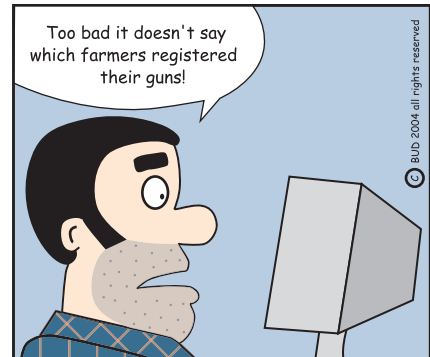
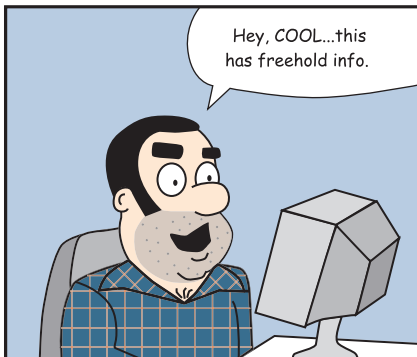


for entries is May 1, 2004 with registration forms being available to CAPL members electronically on the CAPL web page or in this issue of *The Negotiator*. Should you have any questions, please contact any member of the Pool Committee.

Murray Wade	232-7021	murray.wade@devoncanada.com
Rob Weston	237-8407	
Brad Purdy	770-0430	bpurdy@tigerenergy.net
Bill Macdonald	261-8945	bilmac@westsprings.ca
Colin McKinnon	699-7305	colinm@primwestenergy.com ^N

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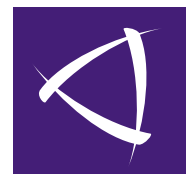


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CAPL Calendar of Events

April

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Negotiator Deadline Conventional Exploration Agreements (Junior Level) <small>N</small>	2	3
4	5	6 Executive Meeting <small>N</small>	7 Alberta Land Sale CAPL Operating Procedure <small>N</small>	8	9 Good Friday CAPL Office Closed <small>N</small>	10
11 Easter Sunday <small>N</small>	12	13 Saskatchewan Land Sale <small>N</small>	14	15	16	17
18	19	20	21 Alberta Land Sale General Meeting - Merit Awards and Election <small>N</small>	22	23	24
25	26	27	28 BC Land Sale Mgmt. of Offshore Resources ADR Conference <small>N</small>	29 Alberta Tenure Exchange Landman's Beef Benefit <small>N</small>	30	

May

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1 Negotiator Deadline <small>N</small>
2	3	4 Executive Meeting Saskatchewan P&NG Regulations <small>N</small>	5 Alberta Land Sale Negotiating: The Essential Skill for Landmen <small>N</small>	6	7	8

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