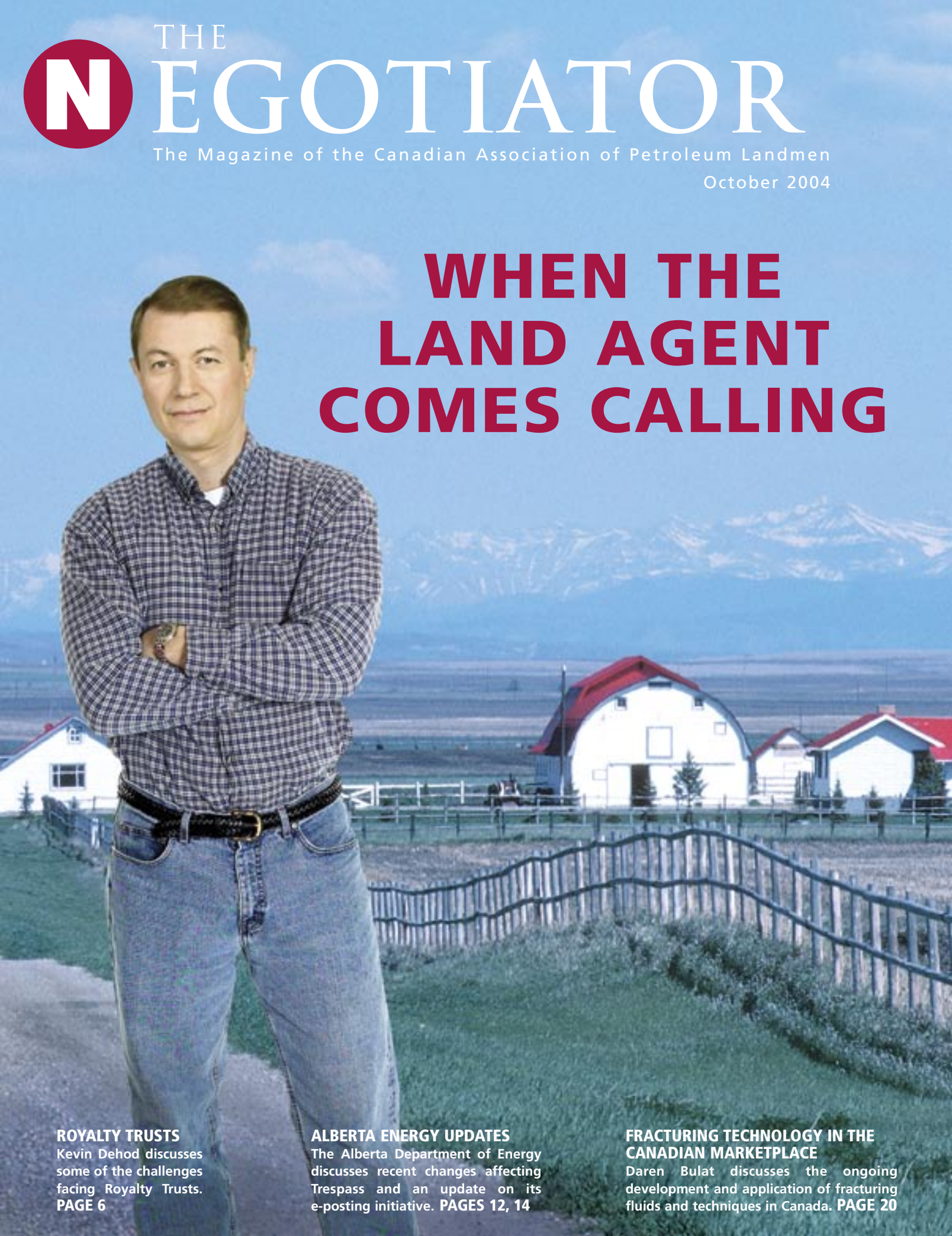
THE NEGOTIATOR
The Magazine of the Canadian Association of Petroleum Landmen
October 2004

WHEN THE LAND AGENT COMES CALLING



ROYALTY TRUSTS
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Canadian Association of Petroleum Landmen

Annual CAPL Christmas Party
Thursday, December 9, 2004

Featuring a Silent Auction to benefit the Canadian Petroleum Landmen's Scholarship Trust Fund

The CAPL Meetings Committee is actively seeking prize donations for this event from CAPL members and member companies. For further information or to donate a Silent Auction item please contact:

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Canadian Association of Petroleum Landmen

The Negotiator

The Magazine of the Canadian Association of Petroleum Landmen

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THE NEGOTIATOR
October 2004

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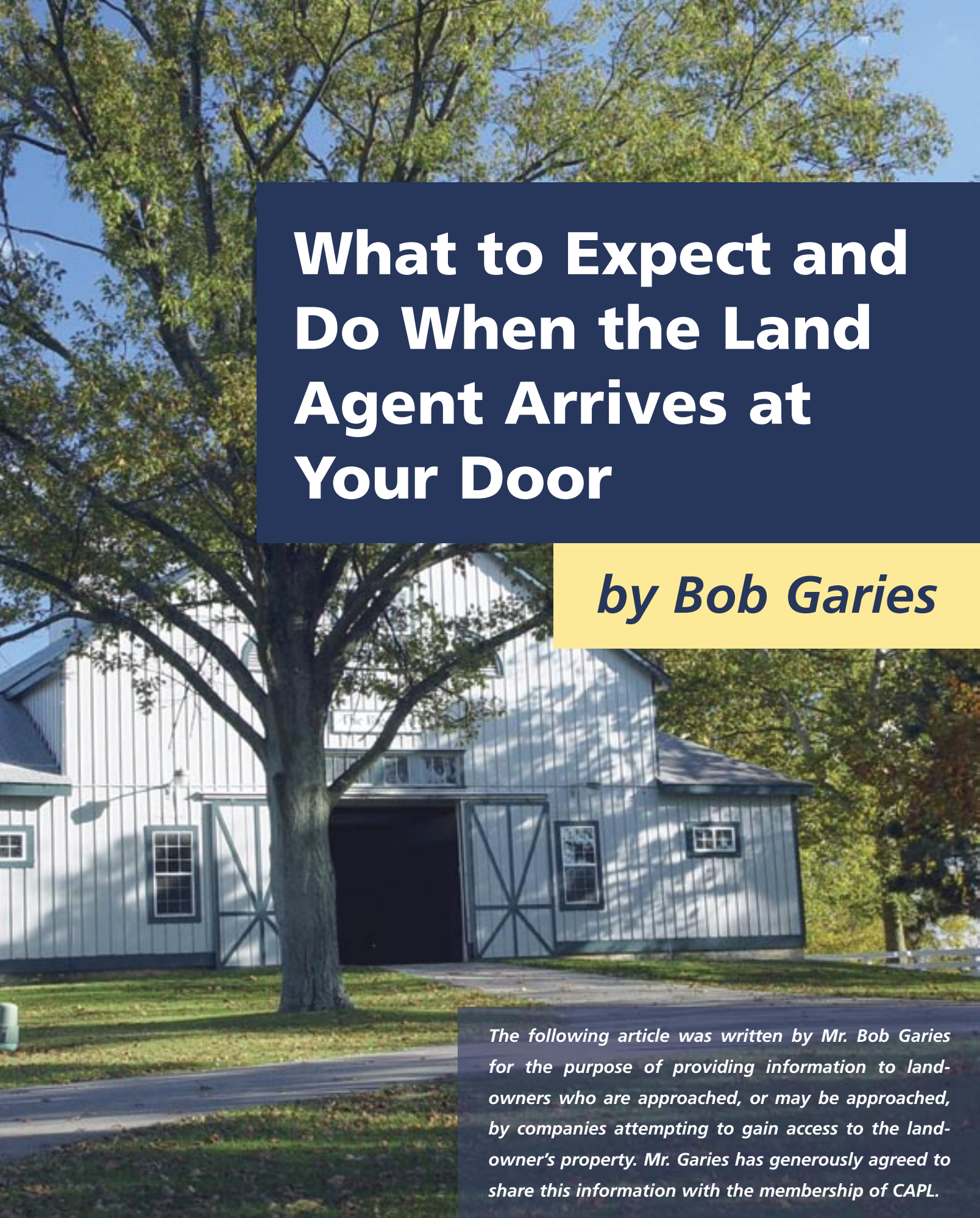

What to Expect and Do When the Land Agent Arrives at Your Door

by Bob Garies

The following article was written by Mr. Bob Garies for the purpose of providing information to landowners who are approached, or may be approached, by companies attempting to gain access to the landowner's property. Mr. Garies has generously agreed to share this information with the membership of CAPL.

In 2003, the Alberta Energy and Utilities Board (AEUB) processed a little over forty thousand applications for well sites, pipelines and facilities in the Province of Alberta.

The number of applications received in 2003 was up from twenty six thousand applications in 2002 and the expectation for 2004 is that there will be over forty thousand applications filed with the AEUB again. What does this all mean for the rural landowner, occupant or leaseholder (surface landholder) and what should they expect when the land agent arrives at the doorstep?

The first item to understand about surface land holders and the energy industry is that there are two sets of legal rights that are associated with land ownership: mineral ownership and surface ownership. In Alberta, approximately eighty-five per cent of the oil and gas is owned by the Crown who is also the caretaker of the resource for the benefit of all Albertans.

To protect surface land holders rights, the Province of Alberta created the Surface Rights Act which establishes rules and principles for the payment of fair and equitable compensation to surface land holders that are affected by energy developments. The AEUB also provides assistance to surface landholders that may be directly and adversely affected by an energy development in areas such as location of the well site, the facility site or routing of pipelines on or across the surface landholder's lands. The AEUB monitors ongoing operations of energy developers to ensure that they comply with rigid standards and regulations that protect the health, safety and environment of Albertans.

The energy development contact usually begins with the land agent requesting permission to survey the energy development that is being proposed. This contact is generally conducted over the telephone and it is appropriate for the surface landholder to request information regarding the proposed energy development, such as where the activity will occur and contact information about the company proposing the energy development. It is important to note that energy companies do have the right to survey for energy developments under the Surface Rights Act and Surveys Act, providing that they pay compensation for any damages that occur during the survey process and that a diligent and reasonable attempt is made to contact the surface landholder in advance of the survey being conducted.

Once the survey has been conducted, contact is then made by the land agent to set up an appointment with the surface landholder in order to provide further information regarding the energy development and to negotiate a surface access agreement, depending upon the type of the energy development that has been proposed.

The land agent that arrives at your door must be licenced under the provisions of the Land Agents Licencing Act and the Land Agents Licencing Regulations. They must present themselves according to the standards of conduct that are contained within the Regulations. This standard of conduct is as follows:

1. A land agent shall not charge a fee for service that is contingent in any way on the amount of compensation paid for the interest in land.
2. A land agent in the conduct of negotiations shall not knowingly or intentionally make any misrepresentations and shall carry out all duties with honesty and integrity.
3. A land agent shall act in good faith on behalf of clients and shall not act or continue to act on behalf of another person if in so acting, there exists or will likely exist a situation in which the interests of that other person conflict or will likely conflict with the interests of a client to the extent that the land agent's judgment in properly representing the client's interests may be adversely affected.
4. A land agent shall hold all information respecting the business and affairs of a client that has been acquired while acting on the client's behalf in strict confidence unless expressly or impliedly authorized by the client or required by law to disclose the information.

The surface landholder is entitled to ask the land agent if they are licenced and also to provide proof of being licenced by showing their licence at the negotiation meeting. If a land agent does not behave in the manner as noted within the regulations a complaint may be filed with the Deputy Registrar of Land Agents whose office is administrated through Alberta Human Resources and Employment. As further evidence of their professional conduct the land agent should also be asked if they are a member of the Canadian Association of Petroleum Landmen (CAPL) which also has a code of ethics associated with membership in its organization.

The land agent must provide the surface landholder with two information packages; the first being the regulatory information package which consists of

- A letter from the Chairman of the AEUB, which outlines the regulatory requirements for Energy Developments and lists the AEUB's field centres throughout the Province.
- AEUB Brochure: Understanding Oil and Gas Development in Alberta.
- EnerFAQs #8; Proposed Oil and Gas Development: A Landowner's Guide.

The majority of land agent's also provide pamphlets from the Farmers Advocates Office on "Negotiating Surface Rights" and Alberta Environment's Information Letter 97-1 on "Conservation and Reclamation Guidelines for Alberta" to further assist surface landholders in understanding their rights and responsibilities.

The second information package that is presented is the Project Specific Information Package that is prepared by the proponent of the Energy Development and according to AEUB requirements; it must contain project specific information such as:

- The proponent's name, address and contact numbers for further information
- Emergency contact number of the proponent
- Location of the proposed development
- A description of the proposed development
- The need for the proposed development and an explanation on how it fits in with existing or future plans
- The type of substance that will be drilled for, transported or processed
- The discussion of the presence of Hydrogen Sulfide if any
- The discussion of any setbacks regarding future development on the lands and potential restrictions as a result of the setbacks.
- A description of proposed on site equipment
- A description of potential flaring operations such as need, timing, duration and alternative methods if any.
- A description of potential sources of odours or emissions during normal operating conditions and mitigative measures to control or eliminate them
- The proposed project schedule for construction, start up and clean up
- Any anticipated noise levels and proposed mitigative measures if required
- Traffic impacts (types of vehicular traffic to be expected, duration, frequency and dust control measures)
- If an Emergency Response Plan is required, the surface landholders location relative to the plan area
- Other AEUB documents available on Critical Sour Wells, Setbacks, Flaring, Animal Health, and Coal Bed Methane

Land agents are expected to be knowledgeable, possess a sound understanding of regulatory requirements and the public engagement process and be able to convey details of the project to surface landholders and other members of the public so that they can clearly understand the proposed development and the impact that it may have upon them.

Once the regulatory and project specific information packages are reviewed and any questions have been answered, the next step is to present the terms and conditions of the surface access agreement. There are many different types of Surface Access agreements that have been used over the years; the most common being the CAPL Surface Lease (for well sites and access roads) and Right of Way Agreement (for pipelines). Both agreements carry generic terms and conditions that are common to most types of energy development. If there are site specific conditions that are not covered by the Surface Access Agreement then those site specific conditions should be attached to the Surface Access Agreement by an addendum. Site specific conditions could mean a specific type of fence or gate that may be required, construction techniques used to build the site, type or size of culvert that might be required, electrical power requirements, type of road to be built, specific weed control measures, etc.

The last piece of business to be conducted is the amount of compensation that is to be determined for the Surface Access Agreement for the energy development. Land Agents determine compensation based upon the guiding principles contained within Section 25 of the Surface Rights Act. The "Four Heads of Compensation" that are used to determine value for well sites on freehold or private land are:

1. **Value of the Interest Taken.** this is generally determined by the value one would expect to realize if the land was sold on the open market between a willing buyer and a willing seller based upon the highest approved use of the land at the time of the acquisition of the surface interest.
2. **Nuisance, Inconvenience and Noise (General Disturbance).** This heading is usually used for the intangible nuisances and inconveniences that are experienced during the first year of the well site. These may include the time taken to negotiate the agreement, dealing with the proponent's contractors and agents, phone calls, additional noise, dust and traffic etc.
3. **Adverse Effect.** This heading forms part of the annual compensation and is an intangible amount that compensates for the impact on the remaining land by virtue of the energy development. This may mean the extra wear and tear on machinery by adding extra turns to field operations depending on where the well site is located, extra surveillance due to additional access to pasture or cultivated fields etc.
4. **Loss of Use.** This heading provides compensation for the loss of production on the area taken by the energy development and includes crop or pasture loss on an average yearly basis.

The Adverse Effect and Loss of Use components form the annual compensation payment that the energy developer pays on a yearly basis to the Surface Landholder.

In addition to the "Four Heads of Compensation" payment is also made for the "Entry Fee" provisions of Section 19(2) of the Surface Rights Act which is payment in the amount of $500.00 per acre to a maximum of $5000.00 per titled unit (a quarter section) or a minimum of $250.00 if less that .5 of an acre is taken. This payment is made for the right that a mineral owner has to access the surface of the land to develop its minerals and is in addition to the compensation negotiated for the surface access agreement.

Entry fee is not payable on Crown owned land; however occupants of Crown owned land (leaseholders) receive compensation for losses and damages that are incurred.

Compensation for pipeline agreements on private land is typically paid on a land value per acre basis which includes inconvenience payments, with damages payments usually made after construction has been completed and the land restored to its previous capability.

Compensation payments for energy developments are not meant to enrich surface land holders, but rather to make payment for that which is lost or foregone or to make the surface landholder whole again.

In some parts of the Province of Alberta, area compensation agreements have become the norm and surface landholders within these areas should be aware of certain "Patterns of Dealings" and amounts of compensation that have been paid by energy developers within these specific areas.

Under Section 17 (2) of the Land Agents Licencing Act, the land agent must advise the surface landholder that he/she has forty eight hours to review the compensation offer and documents that are presented, to seek legal advice, or input from neighbours, friends or local synergy or advocacy groups. The surface landholder may also waive the forty eight hour period if they are satisfied with the compensation offer and documents that have been presented. The land agent must leave a copy of the documents and a business card or address and telephone number where they can be reached regardless of whether the offer was accepted or whether the forty eight hours period was taken.

It should be noted that this process applies only to the Province of Alberta. Different regulations and requirements exist for other provincial jurisdictions based upon the various Surface Rights legislations that govern energy developments within those jurisdictions.

A number of different agencies exist to assist surface landholders in their dealings with proponents of energy development. The AEUB and Alberta Environment are available to assist on matters of regulatory compliance. The Surface Rights Board may be utilized for assistance in the settlement of disputes over compensation and the Farmers Advocate's office is available to provide advice to both surface landholders and proponents of energy development as well as assisting in resolving disputes that may occur. Their office also administers the Water Well Restoration Program for Alberta. All of these agencies have excellent sources of information with either written material or with websites available over the internet

Hopefully this overview will provide some assistance to the reader on what to expect when the land agent arrives at your doorstep. The final word of wisdom for surface landholders is that all land agents like home made pie, and this land agent particularly likes Mrs. Bertagnolli's lemon meringue pie, made fresh near Rocky Mountain House, Alberta.

Oil and Gas Trusts

Getting back to their Roots!

The oil and gas trust sector has become a permanent and growing component of the Canadian equity landscape. Recent changes in Alberta corporate law have eliminated limited liability issues that could have impacted trust shareholders and have, in effect, put trust shareholders and common stock shareholders on an equal footing with respect to corporate liability issues. Currently there are 28 different oil and gas trusts in Canada, with this number changing by the week. The sector currently has a market capitalization of $28 billion dollars, – this number five years ago was $2.5 billion. The historical performance of the sector including share price appreciation and distributions is even more significant, as Figure 1 shows. The 5-year total rate of return ending December 31, 2003 for a basket of oil and gas trusts was **358%** vs. 172% for the TSX Energy Index, and 37% for the TSX Composite Index (figure 1).

Figure 1

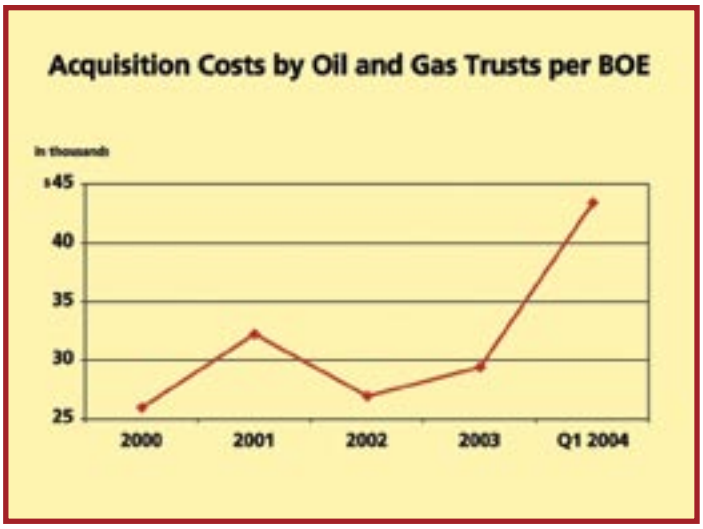

Figure 2

Figure 3

With relative historical performance that is off the charts, all time highs in commodity prices, escalating acquisition costs, high valuations in the sector and the benefit of falling interest rates behind us, what is the future of the trust market and what variables should investors be paying attention to?

We believe, going forward the winners in the trust universe are those that will be able to get back to their roots and complement acquisitions with a strategy of internal development, exploration and exploitation. The following comment by a well known trust executive indicates the kind of thinking that is necessary for a sustainable model in the sector – "*In essence, we are an operating oil & gas company that is structured as a trust*". The competition for attractive assets is intense and acquisition prices are making it extremely difficult if not impossible for trusts to maintain a current pay out ratio of 80% in the form of distributions to unit holders and hold production constant. Unless commodity prices continue to climb from current levels it will become increasingly difficult to add value given recent acquisition metrics. Figure 2 shows the trend in acquisition costs specifically by the trust sector. So far, above average commodity price gains have shielded investors from the impact of high acquisition prices, but this trend is unlikely to continue. As a rule, our research department does not rely on

rising commodity prices, or other unpredictable variables outside the control of company management, to make an investment attractive. We prefer to be conservative with our forecast and in that way build in a margin of safety.

In our view, for trusts that want to be sustainable and add value for shareholders, they must start to focus on internal prospects and add value through the drill bit. The execution of this strategy is critical and entails certain economic realities. A combination of high cash payouts and production declines has resulted in most trusts issuing equity and raising debt to make acquisitions and meet distribution payments. With the number of new trusts now in the market, the potential for lower commodity prices, higher interest rates, and the fact that most retail investors are overweight in trusts within their portfolio, as evidenced by mutual fund flows into income funds, my guess is that we are past the sweet spot for raising equity for oil and gas trusts.

"With the number of new trusts now in the market, the potential for lower commodity prices, higher interest rates, and the fact that most retail investors are overweight in trusts within their portfolio, as evidenced by mutual fund flows into income funds, my guess is that we are past the sweet spot for raising equity for oil and gas trusts."

After adjusting for the higher commodity prices this year, the sector as a whole has a debt-to-cash flow ratio of 1.2x for 2004, while not stretched, doesn't leave much room to maneuver (keeping in mind some trusts are well above the 1.2x average). There is only one way out of this squeeze – reduce payout ratios, and utilize internal cash flow for value added production additions. For example, a trust with a 15% corporate decline rate (the average is around 16%), and assuming US$35.00 for WTI, US $6.00/mcf for gas and $25,000 per boe for production addition costs, a trust can easily maintain constant production by spending 50% of cash flow. However, remember that in Figure 2, acquisition costs averaged $43,447 in Q1 2004, significantly higher than the $25,000 that was assumed in our example! Using this current acquisition cost results in a trust having to spend 80% of cash flow to hold production constant. Historical pay out ratios (figure 3) are shown for the sector on average. The good news is that the ratio is coming down, and we expect payout ratios to average 78-80% in 2004.

For a margin of safety and sustainability with your investments, focus on those trusts with low payout ratios in the 50-70% range. Although this will likely entail a lower current cash yield, it will help ensure less volatility, increased opportunity to replace reserves and a much lower risk of distribution cuts. The stock market rewards distribution sustainability, and punishes those that have to cut.

As the dynamics of the trust market unfold the following would be a good check-list of variables that, while not exhaustive, will have more of an influence going forward on trust performance than historically the case in the last few years, as most of the extremely favourable macro factors like falling interest rates, rising commodity prices, positive fund flows, and easy access to capital markets have lost momentum.

1) Focus on low payout ratios, allowing at a very minimum, management the chance to be potentially self sufficient utilizing internal cash flow.

2) A solid land base and internal prospect inventory is key.

3) Avoid reliance on the equity market for financing; rather focus on a below average debt to cash flow ratio (a ratio of 1 or lower) such that financial flexibility can be maintained.

4) Management, Management, Management! The cornerstone of being able to add production at $25,000 per boe or less and exploit opportunities within your acquisitions and prospect inventory hinges on the quality of the team you assemble.

What is the number one variable astute and successful oil and gas investors say they focus on when they invest in junior oil and gas companies be it private or public? That 's right, the management team! Going forward strong management teams will have a greater impact on share price returns as the current operating environment leaves little room for error.

5) Ensure management is properly aligned, meaning they actually own stock and have to put their own capital up beside investors and that capital is a meaningful portion of their net worth and the outstanding shares of the trust.

6) Always assess historical performance variables (i.e. cash flow, production reserves) on a per share basis. As trusts issue equity and convertible debentures they are diluting current shareholders to add perceived value.

The true value creation will show up when performance is looked at on a per share basis. As a matter of interest, proved reserves per unit and production per unit dropped 40% from 1997 to 2002 for the trust sector in general.

The future of the trust market is changing before our eyes and those trusts that adapt to the economic realities ahead of time by moving into an operating mode, versus an acquisition machine will be more sustainable, and less volatile in the long run. Cash distributions have become like economic heroin for individual investors. It brings to mind the tech boom when investors that had massive capital gains on paper did not want to sell or diversify because they would have to pay capital gains tax. Oil and gas trusts definitely have a place in an investment portfolio, it's a question of which management team of the 28 do you want to own and how much of your portfolio should be in this asset class? N

Kevin Dehod

Kevin Dehod is Vice-President and Associate Portfolio Manager at McLean & Partners Wealth Management in Calgary and specializes in working with oil and gas entrepreneurs and executives.

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Message from the Executive

Over the past half-century it has been my privilege to associate with some truly outstanding people. Some have achieved recognition for their own inventiveness, others for promoting the inventions of others. Some are known for generating unique thought, while some have created uplifting concepts by combining ideas generated by others.

It is striking to me that most of these influential people have shown by their own example a commitment to lifelong education. One wonderful gentleman told me he was ecstatic to turn 65 because Mount Royal College had a free tuition program for senior citizens. He actually negotiated early enrollment on his first course because he was going to turn 65 before the semester was over.

Heroes are being made today in the Education Committee, and in the Mentoring Committee, and I'd be willing to bet that less than 10% of us can name more than 10% of the committee members.

In the CAPL Education Committees we have benefited from the efforts of some of the brightest and best landmen over the years. Some have gone on to become Directors and Presidents of the Association. Others have quietly done great work and just as quietly moved on to other contributions. Heroes are being made today in the Education Committee, and in the Mentoring Committee, and I'd be willing to bet that less than 10% of us can name more than 10% of the committee members. That means we have 50 unsung heroes hiding in the open among us.

So, if we don't know who they are, do we know what they are doing?

The Mentoring Committee has quietly created the most successful mentoring program ever at the University of Calgary. It is possible this is the pre-eminent mentoring program among secondary education institutions in Canada. Every single PLM student has access to a mentor. This year the program was further extended to cover the students' first year following graduation. You'd be amazed at how far these heroes are extending their influence.

The Education Committee has quietly become one of the leading providers of inservice education in the oil industry. They provide more courses, on more topics, to a smaller membership than any professional association in the Canadian, and possibly in the world oil industry. Here at home, in 2003 they were instrumental in helping CAPL turn a deficit budget into a financial surplus by increasing the number and variety of course offerings. Among other initiatives, they have completely re-tooled the new course development portfolio. They are investigating totally novel concepts in education for CAPL. Look for more exciting news as the year progresses.

Thought for the day;

"Human history becomes more and more a race between education and catastrophe."

– H.G. Wells
The Outline of History, Ch. 15

Scott Nalder
Director, Education

Board Briefs

2004–2005 CAPL Executive

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The key issues discussed and resolved at the CAPL Board of Directors Meeting held August 30, 2004 at the CAPL Office:

- Ian Clark submitted a Treasurer's Report as at August 30, 2004 showing CAPL investments totalling $1,039,162.11 Canadian and $26,938.33 U.S. with a cash balance of $158,182.68 Canadian and $1,193.91U.S. No transfers were made since the last report. The above cash balance does not include the payment to the Telus Convention Centre for the Beef Benefit, which will be paid this week.
- Ian Clark distributed the CAPL financial statements as at June 30, 2004 and provided a six-month review for each portfolio. He also requested Directors to provide him with their 2005 budget numbers by the end of October 2004.
- Guest Ken Young, Chairman of the 2004 Conference, provided an update on the Conference in Lake Louise:
  - The Committee is on target with a projected attendance of 350 delegates plus guests.
  - The Marketing Committee has sold eight exhibitor booths and has raised approximately $125,000.
  - Rooms at the Chateau Lake Louise are sold out with rooms also booked at alternate hotels in Lake Louise.
  - Meals and functions are on target with the hotel contract and there are no attrition concerns.
- Sue Kuethe advised the Professionalism Committee is currently looking at establishing a formal Ethics Committee. Further information will follow at the next Board of Directors' Meeting.
- Clark Drader, Director of Communications, provided the following information:
  - Each CAPL Board of Director is requested to provide an article for *The Negotiator* discussing the role their portfolio plays in the running of the Association. Each Director was provided with the month their article will appear.
  - In addition, each Director is also requested to provide another article for the "Committees in Action" feature highlighting one or more of their committees, their volunteers and accomplishments. The articles will be featured in *The Negotiator* throughout the year.
- Cindy Rutherford, Director of Technology, provided the following update:
  - The Committee is currently reviewing the technology requirements for the office including software, hardware, printers and other equipment. The Committee will present their recommendations to the Executive Office Committee, which will be followed by a presentation to the Board of Directors.
- Neil Cusworth reminded Directors of the following:
  - The next General Meeting will be held Thursday, September 16, 2004 at the Hyatt Regency. The guest speaker is Ryan Purita, an IT Senior Security Specialist.
  - The following General Meeting will be held Monday, October 4, 2004 at the Conference in Lake Louise.
  - A Networking General Meeting will be held Wednesday, November 17, 2004 at the Calgary Petroleum Club.
  - The next Board of Directors' Meeting will be held Monday, October 4, 2004 at the Conference in Lake Louise.

Terry O'Connor
Secretary/Director, Social

PLUS Update

The University of Calgary Petroleum Landman Undergraduate Society (PLUS) is once again gearing up for another successful year dedicated to the academic enhancement of Petroleum Land Management students. PLUS is a student-run organization with a mandate to represent PLM students within the Faculty of Management and sponsor events that encourage learning, provide support and an opportunity to network with Energy Sector professionals. Our primary goal is to develop and strengthen the relationship between the oil & gas industry and the students in the PLM program. The newly elected Executives for the 2004/2005 year are:

Candace Kendrick	**Jon Yeo**	**Marah Graham**
President	**Vice President, Operations**	**Vice President, Finance**

The work of the Executive is getting underway with our annual fund-raising drive. We are planning another exciting year for PLUS with a variety of events including the ever popular Exploration Game. Along with periodic *Negotiator* articles, the PLUS Newsletter, merchandise sales and Mentorship Program the PLUS Executive has a demanding year ahead.

I would like to take this opportunity to thank and congratulate the outgoing PLUS executive, Allison Martin, Craig Tyler and Adam Skulsky for an outstanding year. I would also like to thank the numerous people who have offered support to me, my fellow PLM students and PLUS as a whole. The donation of resources such as time, money, energy and advice continue to be overwhelming. Special thanks must go out to Mr. Wayne Lannan for his constant support of the PLM program and his tremendous personal efforts in furthering the interests of PLM students. We at PLUS owe many individuals our gratitude, please accept our invitation to join us at as many of our events as possible so we may have the chance to thank you personally. It is this atmosphere and fellowship that make the land profession one that we will all be proud and privileged to join.

Candace Kendrick, President, PLUS

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Frequently Asked Questions About Recent Regulation Changes

A few weeks have now passed since the Trespass Information Letter was published and the amended Petroleum and Natural Gas Tenure Regulation, Mines and Minerals Administration Regulation and the Crown Minerals Registration Regulation became effective. These changes were discussed and negotiated with industry, including representatives of your organization, prior to implementation.

This article will share with you a few of the questions the Department of Energy has received since the September 1, 2004 implementation date.

What does the word "may" actually mean in the sentence "A pecuniary penalty of $50,000 dollars may be levied pursuant to section 22.1 of the Mines and Minerals Administration Regulation..."?

The word "may" was used to ensure that the department did not have to charge the penalty in those few cases where it would be unfair to charge. This would occur, for example, if our technical staff agreed that the complex geology in the area you are drilling made it almost impossible to accurately locate stratigraphic horizons to identify the base of your rights. It is not anticipated that this would occur very often.

If I report a trespass situation, can I avoid paying the penalty?

The trespass penalty will be applied in either situation, where the Crown finds the trespass and where a company reports the trespass.

What happens if I only include $500 as the lease issuance fee in our bid letter?

The department will take the full $625 lease issuance fee; thus, your bonus amount would be reduced by $125.

What happens if our offset notice expires after September 1, 2004? Am I subject to the new regulation rules?

Any notice that was issued prior to September 1, 2004, regardless of when it expires, will be subject to the old offset rules: a three month offset notice period and 50% compensation in the first year. The new rules apply to all notices issued on or after September 1, 2004.

I have an offset notice that states I have three months to respond. Can I get a three-month extension to the notice period so that I will have six months to satisfy the notice?

The department would not grant you an extension for this reason.

If you should have any further questions regarding the amended regulations you can contact Brenda Ponde at Brenda.ponde@gov.ab.ca (780-422-9394) regarding offsets and trespass and Retha Purkis at Retha.purkis@gov.ab.ca (780-422-9426) regarding bidding questions or for general questions you can contact myself (Brenda.Allbright@gov.ab.ca 780-422-9393).

Brenda Allbright

Meeting Announcement

November General Meeting

Wednesday, November 17, 2004
Networking Evening

Reception: 5:00 p.m. to 9:00 p.m.
Location: The Calgary Petroleum Club
319 – 5 Avenue S.W.

Cost: No Charge for Members
Guests $37.45 includes GST

All members are required to confirm their attendance by return email or fax. 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 Monday, November 15, 2004.

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Update on e-Postings

We are now in countdown mode for the launch of the new e-postings system. As you read this article we are only five short months from launch. A lot of work has to be done in that time frame, but things are well in hand. Recent information includes:

- Department staff has been busy designing the system and preparing to test it, which will start in October. The e-Postings Working Group (working group) will also be involved in testing the business needs of the system.

- The working group met in September to catch up on the activity done over the summer, determine next steps, discuss training and ensure any changes made during the summer are approved by industry.

- There will be e-Postings Information Exchange on November 25 at the Metropolitan Centre sponsored by the Department, CAPLA and CAPL. Registration will be handled by CAPLA.

- A Pilot Project will likely occur in January with volunteer companies drawn from our e-Postings Working Group.

- The department is working hard at getting the word out regarding e-Postings with articles in various industry publications as well as regular e-Tenure Times Newsletters on our internet site at: www.energy.gov.ab.ca/com/Tenure/eTenure/Newsletters/default.htm.

- Companies should be looking at their current posting practices and determining how things might change with e-Posting. Reading the e-Tenure Times articles will help your company see how they will be impacted.

Alberta ENERGY

- Current priority rules will remain the same.

- Training will begin in late January and there will likely be two types: high level and detailed.

- e-Postings will *go live for the March 30, 2005 to April 12* posting acceptance period.

- e-Postings *will be mandatory* and any paper submissions received on or after March 30, 2005 will be returned to the company, which could affect your priority in a sale.

If you have any questions on the above information or the process you can contact someone on the working group directly (www.energy.gov.ab.ca/com/Tenure/eTenure/Contacts/eTenureContactshtm# Postings) or you can contact Brenda Allbright (780-422-9393 or email Brenda.Allbright@gov.ab.ca) or Retha Purkis (780-422-9426) at the Department of Energy. N

Brenda Allbright

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Get Smart

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

CAPL Operating Procedure: Operations Issues
October 14, 2004 8:30a.m. – 4:30p.m.

An in-depth analysis of specific provisions in the 1990 CAPL Operating Procedure with a focus on the day to day rights and duties of all working interest parties.

Selected Developments in Oil & Gas Law
October 15, 22 and 29, 2004 8:30a.m. – 4:30p.m.

This seminar will review how the Courts have dealt with various issues in oil and gas law, explain the rationale behind such decisions and illustrate the effect of these decisions on the everyday practices and procedures within the industry.

***NEW* Rights, Privileges, Responsibilities and Obligations of Seismic Data Ownership**
October 18, 2004 8:30a.m. – 4:30p.m.

This seminar identifies and clarifies unwritten industry rules as it pertains to seismic data ownership. Sample topics include, but are not limited to: data room practices, partner obligations and responsibilities, seismic data licensing agreements as well as policies on copying data and maps.

Property Trades, Acquisitions and Divestments
October 19, 2004 8:30a.m. – 4:30p.m.

This course provides an overview of the transaction process from the initial offer through to closing. It will be of most benefit to those individuals responsible for land functions related to the A&D process.

CAPL Property Transfer Procedure
October 20, 2004 8:30a.m. – 4:30p.m.

This seminar will review the new annotated 2000 CAPL Property Procedure as well as several case studies. Participants will benefit by learning this procedure first-hand from its principal draftsman. It would be advantageous to those who have previously attended the Property Trades, Acquisitions and Divestment course.

Alberta P&NG Regulations
October 21, 2004 8:30a.m. – 4:30p.m.

This course is intended for land personnel who require an understanding and working knowledge of the Alberta Mines and Minerals Act and associated Regulations, including such topics as continuations, groupings, offsets, registration of liens and transfers.

British Columbia P&NG Regulations
October 26, 2004 8:30a.m. – 4:30p.m.

This course is intended for land personnel who require an understanding and working knowledge of the British Columbia Petroleum and Natural Gas Act and associated Regulations. Topics include the land tenure system, Crown Sales and surface rights.

Well Spacings and Holdings
October 28, 2004 8:30a.m. – 4:30p.m.

Emphasis will be placed on reviewing existing regulations and the consequences of variation from normal spacing units. In addition, the implications of the Lahee Well Classification, surface stakeholder considerations and dispute resolution mechanisms will also be addressed.

Northern Issues
November 1, 2004 8:30a.m. – 4:30p.m.

Emphasis will be placed on providing a framework for understanding the current regulatory regimes in the North, including the effects of settled (and unsettled) land claims and devolution. Land and water use permitting will be covered along with aboriginal and community issues including consultation, benefits and participation agreements. Northern joint operating agreements will also be discussed.

Saskatchewan P&NG Regulations
November 2, 2004 8:30a.m. – 4:30p.m.

This course is intended for land personnel who require an understanding and working knowledge of the Saskatchewan Petroleum and Natural Gas Regulations. The land tenure system, continuations, posting and bidding on Crown Land will be discussed. 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.

Simplifying Seismic – Chapter 5

This is the fifth chapter in a series which will explain the seismic business 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 seismic developments in reef exploration in the wake of the Leduc discoveries.

1. Introduction – Leduc revisited

The discovery of Devonian oil at Leduc in 1947 had significant consequences; not only in terms of its economic impact but also in that it changed the role of seismic forever. The theme of this chapter will be the seismic method as it was used at the time of the Leduc discovery and how it changed in the late 1950s and contributed significantly to subsequent plays at Strachan, Rainbow, Zama and West Pembina. These seismic discoveries established western Canadian geophysicists as the authorities on reef exploration.

2. The basic seismic acquisition design

From the early 1920s the seismic acquisition system had been relatively simple. A single shothole had a few geophones (channels) on either side, usually symmetrically distributed. In the earliest days a total of six geophones had been used, three on either side and in the same line as the shothole. This was called the "split-spread". With time the number of geophones (channels) increased and the symmetry was maintained (Figure 1). A second shot would be fired at some distance along the line and this would involve picking up and re-laying the geophones in the symmetrical manner described above. Each time the shot was fired the attendant geophones would record the generated information and a "shot record" would be generated.

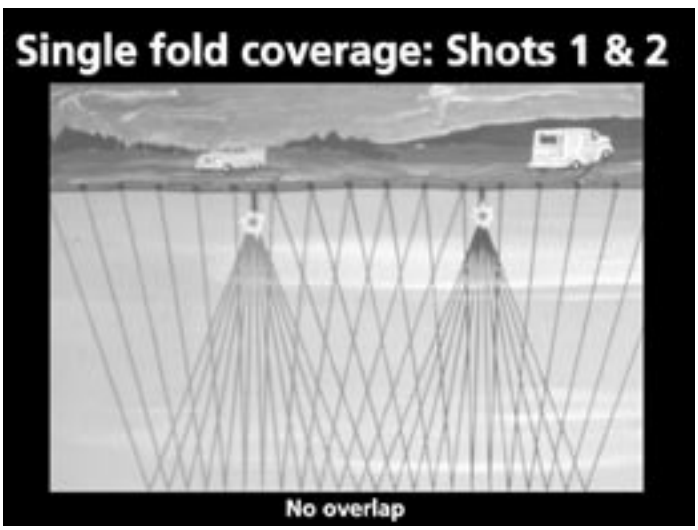


Figure 1

This gradually evolved into a system of laying the phones initially and firing the shot: then picking up the rear ("tail") part of the spread and placing it ahead of the front part of the spread and shooting in between the two halves. This distribution of geophones and shotholes along a line is referred to as "in-line" and is the essence of what we now refer to as 2-D seismic. The whole approach was labelled "seismic profiling" since the recorded information was assumed to be along a line of traverse.

A key element here is that the sampling of the subsurface geology is limited to a series of reflection signals, distributed vertically and horizontally. These individual signals constitute what we now call "single fold" or 100%. This is a statistical reference, suggesting that one signal is recorded at each sample point and there is no statistical re-sampling to establish the validity of the sample value.

In the early 1950s the industry switched to magnetic tape recording in the field. This allowed for "playback" whereby some filtering of noise was accomplished. However, the transition to digital recording was still ten years away.

In 1956 an eminent geophysicist (Harry Mayne) suggested that there was not enough statistical sampling in seismic acquisition techniques and demonstrated that re-sampling (redundancy) would provide significant benefit in establishing the signal quality and reducing the major problem in acquisition … shot generated noise.

(We should note here that the 1950s are perhaps "memorable" for the widespread use of statistics in numerous scientific disciplines. It was not appropriate for a Masters or Doctoral thesis to ignore statistical analysis of research data. The second point, and the more important one, is that up to this stage geophysics had only been used to identify geological structures (reefs, anticlines, faults etc.) which might contain oil and gas. The idea of interpreting the stratigraphy (rock type, porosity, fluid content etc.) had not yet evolved.

Thus beginning in 1956, and continuing till the mid-1990s, the industry made the major progressive switch from single fold (100%) to multi-fold (600% as illustrated in Figure 2), then twelve-fold (1200%), then twenty-four fold (2400%), forty-eight fold (4800%) and so on, culminating in the largest number (in the author's experience) of four hundred and forty fold (44000%). The arrival of routine 3D seismic in the 1970s compounded this escalation of statistical fold. The growth was so rapid that new generations of geophysicists expected that fold increase was always just around the corner, waiting for new developments in technology, and that it was essential to maintain this growth.

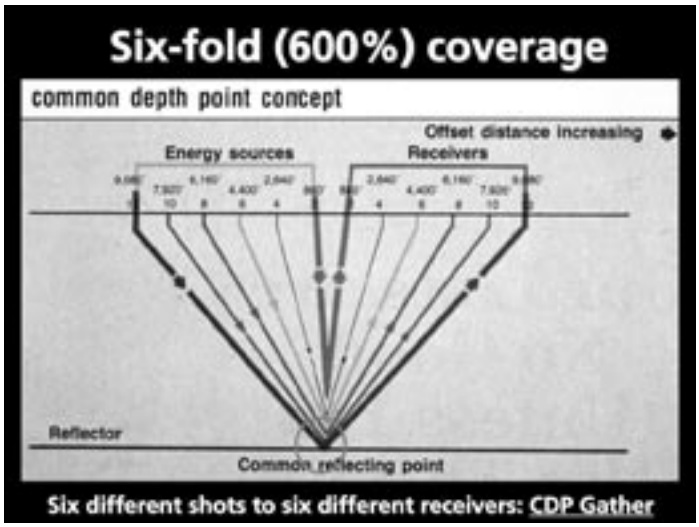


Figure 2

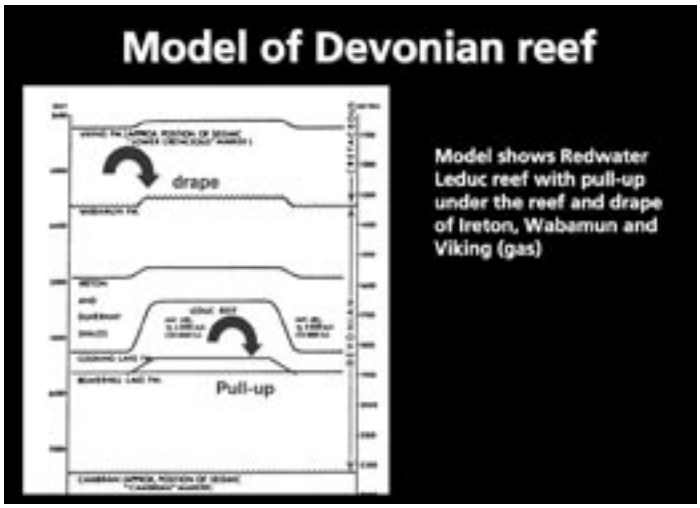


Figure 3

This statistical approach to acquisition was questioned by numerous geophysicists along the way. Granted that the statistical methods helped to attenuate the noise but historically there was no expressed concern about the effect on the signal (geology). With time (later chapters) it became apparent that this standard multi-fold method of seismic acquisition and data processing (later) resulted in enhanced structural images (both 2D and 3D) but compromised the signal fidelity representing the stratigraphic nature of the geology.

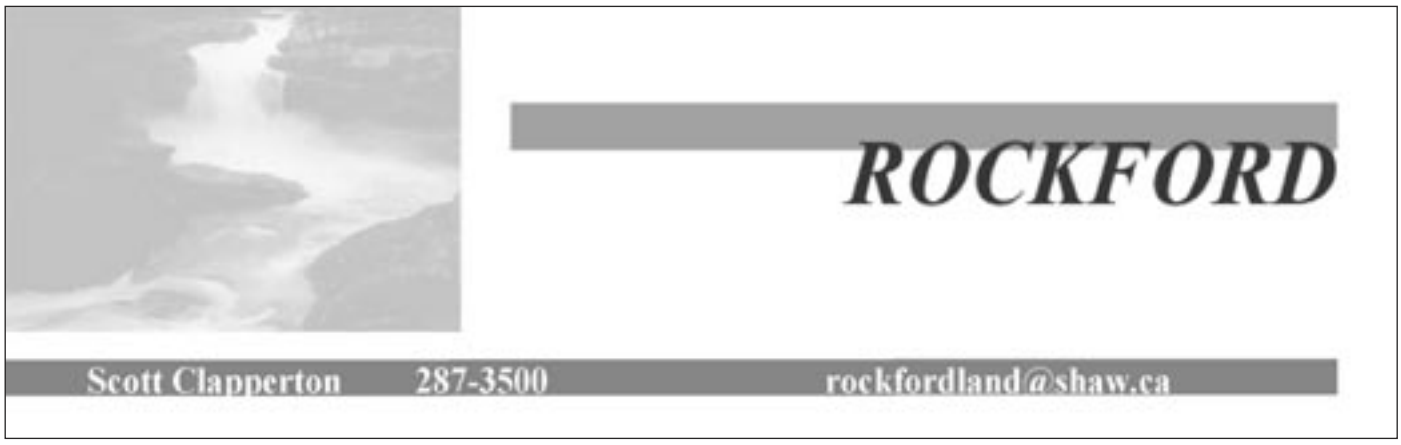
In 1995 Amoco and others suggested that the statistical approach had gone too far. Since then the industry has cut back on the levels of fold and 30-fold (3000%) might be the accepted practice today.

3. Reef Exploration with Seismic

Success in reef exploration was predicated on seismic. Early seismic was certainly useful in identifying the two main characteristics that suggested reef presence. These criteria, "drape" and "velocity pull-up" (Figure 3) became the thumbprints for drilling the exploratory well. Success at Leduc was followed by discoveries at Golden Spike (1949), New Norway (1951) as shown in Figure 4, and Redwater (1953), all on single fold (100%) pre-digital, pre-magnetic tape recording.

There was a long hiatus before the next key play, once again driven by seismic. In the mid 1960s a Mobil geologist, Mike Hriskevich, had a play concept that there might be Keg River pinnacle reefs in the Rainbow Lake area of north-western Alberta. Seismic data, now 600% and recorded on magnetic tape, identified the reef character and the play was dramatic (Figure 5); it was followed in 1966 by a similar approach in Zama Lake and in 1969 in Shekilie. By this time the industry had converted to digital recording.

It was to be yet another long hiatus before the next important seismic driven play. In the interim much happened, not only in terms of seismic technology but also in the world of oil at large. OPEC took charge in 1973 and began to escalate the price; the world was nervous at the prospect of US$100 per barrel; Alberta and Ottawa had a standoff that crippled



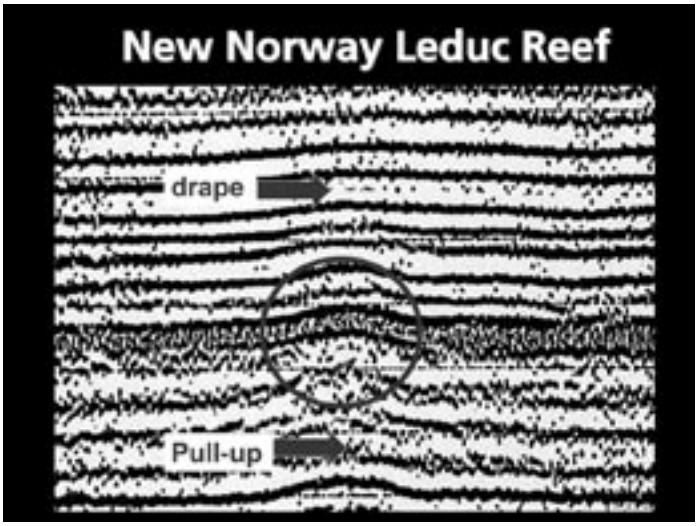


Figure 4

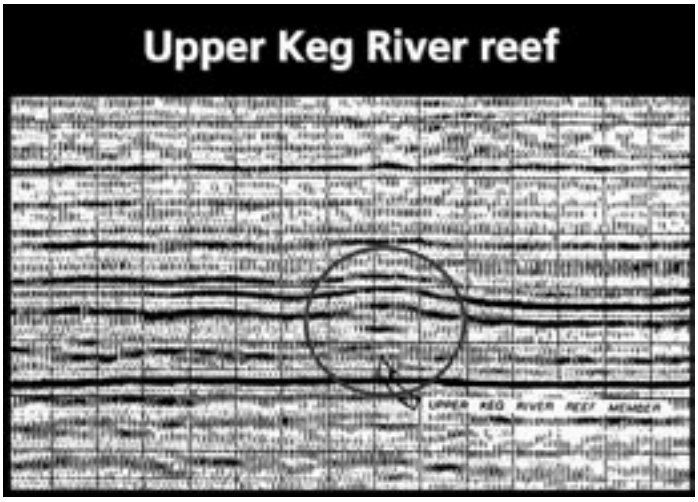


Figure 5

industry activity between 1973 and 1975. In 1975 Alberta introduced drilling and seismic incentives to encourage activity while the oil price continued to escalate and in 1977 a dramatic new reef play emerged at

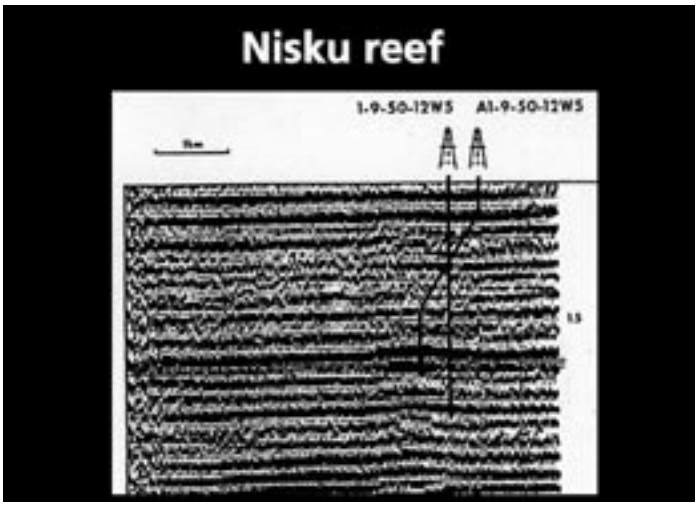


Figure 6

West Pembina. Once again it was driven by seismic, a consequence of the seismic incentive program successfully implemented by Chevron. For the first time in the basin's history Chevron set out to record regional seismic lines extending from Saskatchewan to British Columbia and one immediate pay-off was the identification of reef anomalies in a part of the basin that was not known to contain Devonian reefs. These reefs turned out to be Nisku (D-2) in age and provided the next exciting play (West Pembina) in Western Canada (Figure 6). Texaco Canada established a bonus record at a land sale paying $23,500/acre for a quarter section in the middle of the play fairway.

There will be later discussion on other important plays in the Western Canada Sedimentary Basin. This is just a taste of the seismic contribution to play and prospect generation.

Dr. Easton Wren

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

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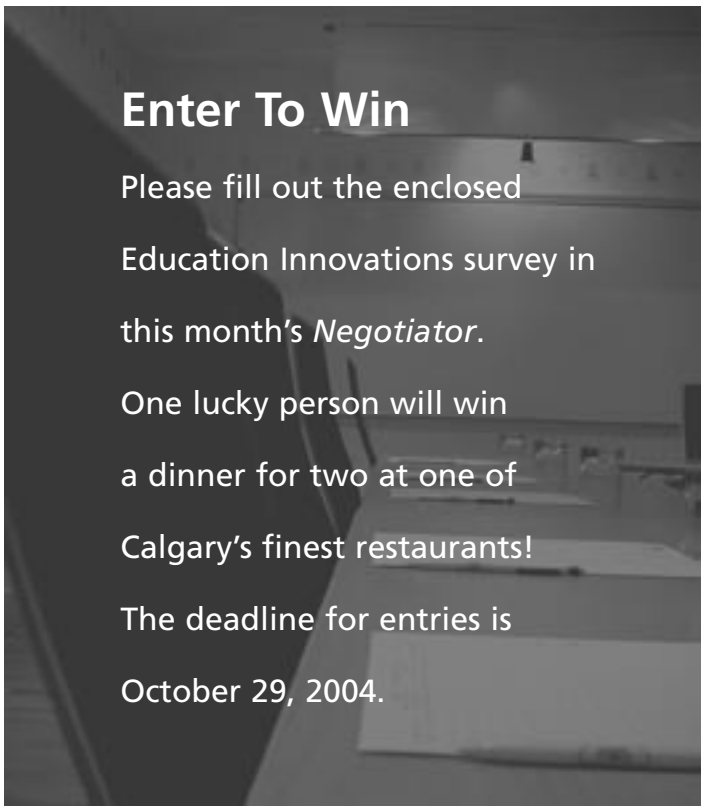
Continuing Education Committee

The CAPL is proud to present its newest offering, a special Seismic Data Ownership course on October 18, 2004.

Rights, Privileges, Responsibilities and Obligations of Seismic Data Ownership

This one day seminar identifies and clarifies the unwritten rules practiced in industry as it pertains to seismic data ownership. The seminar will also identify and address subtle nuances where current standard industry practice is not uniform. A sampling of the topics discussed in this seminar includes:

- The Do's and Don'ts of Data Quality Inspections
- Releasing Data for Sale
- Data Room Practices
- Seismic Data Licensing Agreements
- Partner Obligations and Responsibilities
- Data Archival Obligations for Frontier Datasets
- Third Party Data Licensing Agreements
- Speculative Survey Transfer Fees
- Copying Data and Maps



See Get Smart (page 15) for October courses.

Also, Don't Miss These Upcoming Courses:

Saskatchewan P&NG Regulations
November 2, 2004

CAPL Operating Procedure: An Overview
November 9, 2004

Principles of Contract Drafting And Interpretation
November 16, 2004

Introduction to Petroleum Land Administration
November 17 and 18, 2004

The Law of Pooling and Unitization
November 19 and 26, 2004

Ethics
November 23, 2004

Fiduciary Duties
November 23, 2004

Geophysics for Non-Geophysicists
November 30, 2004 N

The Continuing Education Committee is mandated with enhancing the overall professional development of CAPL members through education. With this mandate, the Committee is charged with providing useful information and services through which members can acquire new knowledge and skills that are important to their career development.

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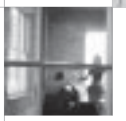

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Fracturing Technology in the Canadian Marketplace

The ongoing development and application of new technologies, such as the use of unique fracturing fluids and techniques, in Canadian fields brings the promise of higher productivity and, consequently, higher profitability for the operator. Improvements in fracturing technologies and methodologies have always coincided with changing industry motivations, and are key to optimizing production. Today's fracturing fluids are designed to leave "clean" fractures without damaging the formation. In specific areas and applications, a strategic combination of coiled tubing and fracturing technology can let operators go back into old well bores to economically produce reserves that have been left behind.

Splitting rock has its advantages

Fracturing, or splitting formation rock, creates a highly conductive flow path to facilitate the flow of hydrocarbons from the reservoir into the wellbore. The creation of such a path is key to maximizing production. In an unstimulated well, reservoir fluids converge from all sides (radially) onto the wellbore, whereas in a fractured well the fluid becomes linear toward the conductive fracture that intersects the wellbore. Hydraulic fracturing and matrix acidizing are the two most common methods for creating an ideal path between the formation and wellbore through which hydrocarbon can flow.

When hydraulic fracturing (creating cracks in a pay zone) is undertaken, well productivity is increased by pumping fluids into the formation at sufficient rates and pressures to hydraulically break the rock open and extend a fracture deep into the reservoir. If pumping were stopped after the fracture was created, the fluids would gradually leak off into the formation. Pressure would fall and the fracture would close, generating no additional conductivity. To preserve a fracture once it has been opened, either acid is used to etch the faces of the fracture and prevent them from fitting closely together, or the fracture is packed with proppant (often sand) to hold it open. Special fluids carry the proppant or acid to the desired zone to be either isolated or treated.

Acidizing and matrix acidizing treatments dissolve formation damage or create new pathways within tens of centimeters to less than a meter around the borehole. This is accomplished by pumping treatment fluid at relatively low pressure to avoid literally fracturing, or splitting, the formation.

Whichever technique is used, the success of well stimulation is dependent upon the creation of an optimum communication conduit between the formation and the wellbore—the ability to increase zonal coverage with the stimulation fluid without residual damage. The goal is to connect as many producing zones as possible with single or multiple treatments.

New unconventional fluids are critical success component

Since the first experimental fracture job in 1947, fluid science has advanced significantly. Treatment fluids have been developed to handle a variety of temperature, chemistry, and permeability conditions, and additives are used to control a range of fluid properties, such as viscosity, pH, stability, and loss of fluid to the formation (leakoff).

Polymer-free and self-diverting fluids that have been delivering significant productivity increases in challenging regions are now demonstrating the same potential in Canadian fields. Viscoelastic surfactant technology is enabling bypassed reserves to be produced through properties that allow the fluid to maintain an ideal, thin consistency while being pumped into the well. Upon acid spending (release of the acid) the fluid rapidly develops viscosity in place and takes on self-diverting characteristics. The viscosity buildup (thickening of the fluid) serves as a barrier to reduce the development of wormholes and allows movement of the fluid to stimulate other untreated zones (Figure 1). Because these fluids contain no solids, they are ideal for pumping in horizontal and extended reach wells and in reservoirs having either multiple layers or long production intervals.

Figure 1. Viscoelastic fluid in 20% hydrochloric acid has a viscosity of less than 3 cp. Upon reaction of hydrochloric acid with formation carbonate rocks, the fluid develops viscosity rapidly.

A milestone in the effort to minimize damage in the fracture to maximize conductivity of hydrocarbons to the wellbore has been the development of encapsulated breakers and fluid systems with lower polymer loadings through viscoelastic technology. Viscoelastic technology eliminates the damage associated with solids and polymers in matrix treatments.

Outside Canada, VDA* Viscoelastic Diverting Acid has been in use for more than a year with excellent results and industry acceptance for carbonate reservoirs. Having received environmental certification for use in Canada just last year, this technology is being introduced to meet heightened demand in carbonate stimulation. The patented system can be used alone or with other treating acids for total zonal coverage in carbonate reservoirs with temperatures to 150°C. Recovery and well cleanup are easy after treatment because the system is broken down by production or dilution with formation fluids. Only low pressures are required, enabling a smoother cleanup process. In Canada year-to-date, VDA technology has been applied to acid fracturing and coiled tubing matrix operations with excellent results.

Another viscoelastic fracturing fluid system, ClearFRAC* surfactant, in use in Canada since 1996, is unique in that it takes the final step in eliminating the polymer altogether. In fact, a special version of this surfactant was developed for conditions facing operators in the Canadian Shallow Gas play, where economics required finding alternatives to conventional completion methodology.

This fluid's ability to efficiently transport proppant even at low viscosity results in better control of fracture geometry, allowing fracturing treatments to be executed in producing zones close to water tables and with minimum stress differential. The fluid's good drag-reducing properties also result in significantly lower friction pressure while pumping. Because hydraulic horsepower requirements are reduced, less equipment is required.

A comprehensive study of 629 wells in Alberta, has resulted in a comparative analysis of wells fracture-stimulated with viscoelastic fluid and those stimulated with conventional polymer-based or gelled oil fluid systems. All of the wells were fracture-stimulated with viscoelastic fluid for 61 different operators and then analyzed. Only conventional treatments pumped down tubing, casing, or annulus (i.e., no coiled tubing treatments) were included in this study.

The wells fracture-stimulated with a viscoelastic-based fracturing fluid consistently produced at higher rates than offset wells treated with aqueous polymer-based and gelled oil fluid systems. The improved production performance was consistent for treatments with straight fluid and treatments foamed with nitrogen or carbon dioxide. The wells stimulated with viscoelastic-based fluids showed faster post-treatment fracture cleanup and higher fracture conductivity.

In one regional study, six wells (Figure 2) were selected. Three of the wells were stimulated using conventional fluid systems (Figure 3). Well A, fracture-stimulated with a carbon dioxide-foamed viscoelastic-based fluid system, was compared to the two offset wells, B and C, which were fracture-stimulated with nitrogen-foamed, polymer-based fluid systems. Production history data presented in Figure 4 over a period of 36 months after fracture-stimulation indicated that the best producing well was the one fracture-stimulated with the viscoelastic system. After 36 months of production this well produced 63.8 Mscm more than Well B and 54.2 Mscm more than Well C. Wells A, B, and C were the best producers in this area of study. Because of faster cleanup, the initial production with the viscoelastic fluid system is over 1.5 Mscm/month higher than that of the other wells. The well stimulated with the recently introduced fluid system produced at higher gas rates for nearly the entire producing period, after 36 months matching the gas production rate of the other wells.

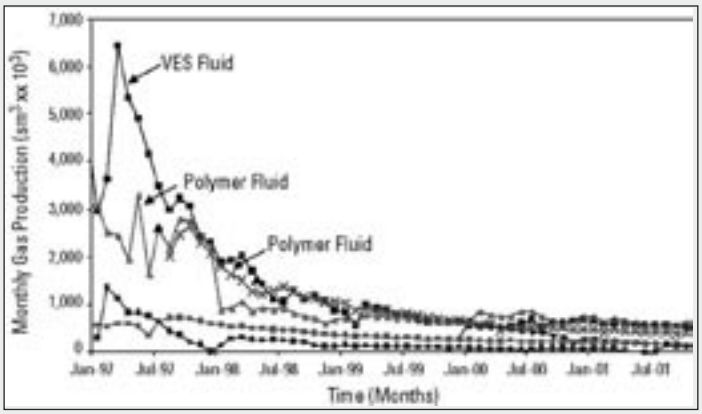

Figure 2. Offset production for six wells in Alberta, Canada

Well	A	B	C
Depth (m)	1,152	1,163	1,145
Reservoir Pressure (kPa)	9,500	8,200	8,200
Fluid System	VES	Polymer	Polymer
Designed Prop Volume (ton)	15	32	16
Proppant Placed (ton)	4	16.4	7
Max Prop Conc. (kg/m³)	800	1,200	1,000
Total Fluid Injected (m³)	15	72.6	44.1
Total N_2 Injected (sm³)		6,100	2,500
Total CO_2 Injected (m³)	28.7		

Figure 3. Well properties and post-treatment data for six wells in Alberta, Canada. Well A was fracture-stimulated with a carbon-dioxide foamed viscoelastic-based fluid system.

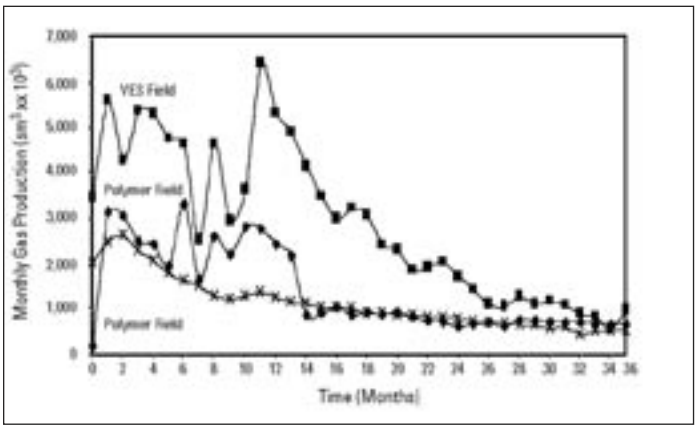

Figure 4. Production comparison for a well treated with viscoelastic fluid and two offsets stimulated using polymer-based fluid systems. After 36 months of treatment, the best producing well was the one stimulated with viscoelastic surfactant.

Selective treatment method helps recover bypassed pay

Up-to-the-minute selective fracturing technology and methodology is improving fractured pay coverage and net present value for operators by allowing economical re-entry with selective stimulation of previously bypassed pay and lowering the time to recompletion. Wells that are already producing but are demonstrating a decline in production or that show opportunities for improved production, are now benefiting from a hybrid technique known as coiled tubing stimulation. Large production gains have been documented from restimulation of certain intervals that were not effectively stimulated using other methods. The service is also used for performing stimulation treatments in new wells.

A technique called CoilFRAC* is heightening the efficiency and effectiveness of stimulation treatments by helping operators deplete reserves uniformly across an entire hydrocarbon-bearing interval and facilitate reservoir management, particularly in multilayer zones. Recent advances in fluids design allow the selective treatment tools to be used as mechanical diversion during fracturing operations – an increasingly important capability in mature reservoirs when small zones within larger producing intervals require stimulation. This expanding technology also allows isolation of tubulars and wellhead from treating pressures.

A study was conducted in 15 Canadian vertical shallow gas wells in which coiled tubing fracturing was demonstrated to be 10% more cost effective than the snubbing fracturing technique or drilling, completing, and tying in a new well. All of the wells had been producing since the 1970s. The coiled tubing was run through the bottom-most zone to be stimulated. The individual fracturing treatments were performed, and then during reverse circulation the coiled tubing was pulled up until it straddled the next upper zone. The stimulation pumped in these treatments was a water-based fluid energized with liquid carbon dioxide. The use of a coiled tubing conduit for the hydraulic fracturing of these shallow gas wells in southern Alberta has increased each year since 1997 (Figure 5).

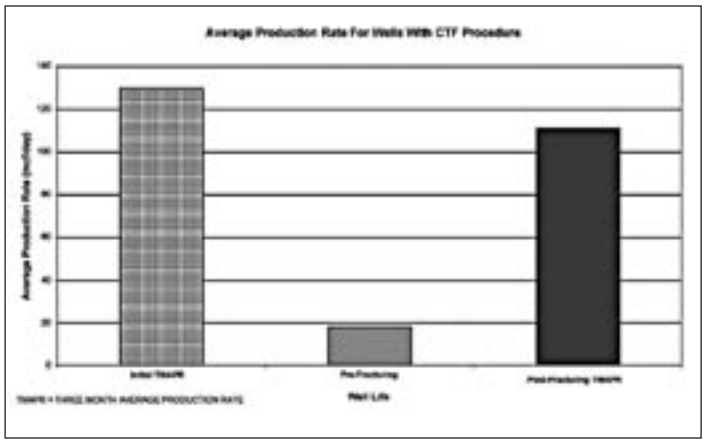

Figure 5. The average production rate for wells treated using the coiled-tubing fracturing procedure from a Canadian study.

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A pilot program using this specially developed surfactant was conducted in the large shallow gas plays of southern Alberta. More zones were fractured per day and total volumes of gas recovered increased (Figure 6). Benefits experienced during the tests included logistically simple operations, compatibility with the through-tubing fracturing service, and environmentally friendly fertilizer resulting from decomposition of fluid flowback.

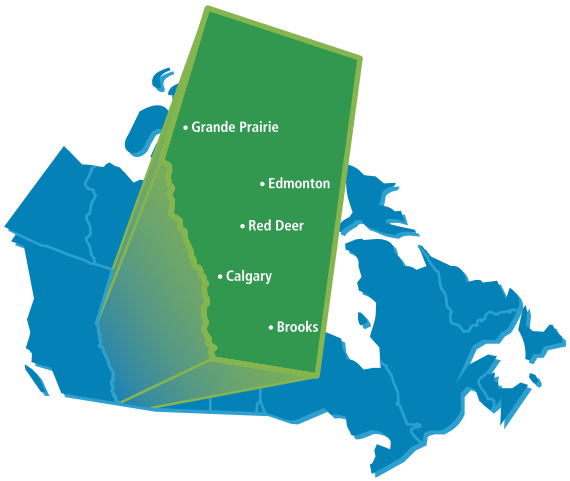


Figure 6. Large shallow gas plays in southern Alberta have benefited from viscoelastic fluid treatments. More zones were fractured per day and total volume of gas recovered increased.

Fracturing developments promise higher profits

As new technological developments in fracturing continue to be introduced in Canada, the success stories are adding up. The goal of increasing reservoir potential while reducing total completion time and lowering unit costs is becoming a reality. Damage to formations as a result of contact with treating fluids is being reduced. Acceptable surface treating pressures are being ensured without compromising stimulation results and thin formation layers are being efficiently fractured. All of these fracturing solutions developed during this decade are designed to increase the profits of Canadian operators. N

Daren Bulat, Schlumberger

*Mark of Schlumberger

Roster Updates

On the Move

Marni Alexander
Talisman Energy Inc.
To Paramount Resources Ltd.

James Anderson, P.Land
Anadarko Canada Corporation
To Retired

Rick Bell
Bell Surface Land Consulting Inc.
To Integrity Land Inc.

John Charuk
Veteran Energy Corporation
To Geocan Energy Inc.

Jessie Fletcher
Independent
To Divestco Inc.

Richard Grant, P.Land
Heenan Blaikie LLP
To Gowling Lafleur Henderson LLP

Jeremy Newton, P.Land
Rio Alto Resources International Inc.
To The Newtonian Corporation

Ward Nicholson
Hunt Oil Company of Canada, Inc.
To Pioneer Natural Resources Inc.

Don Robson
Energy North, Inc.
To Acclaim Energy Inc.

Steven Schneider
Calpine Canada Resources Ltd.
To Advantage Oil & Gas Ltd.

Jenna Scott
Find Energy Ltd.
To Glacier Energy Limited

Al Siemens
Siemens Energy Consulting Inc.
To MEG Energy Corp.

Brooke Tagg
ExxonMobil Canada Energy
To ConocoPhillips Canada Resources Corp.

Gerry Talbot
Ellis Land Inc.
To Ledge Resources Limited N

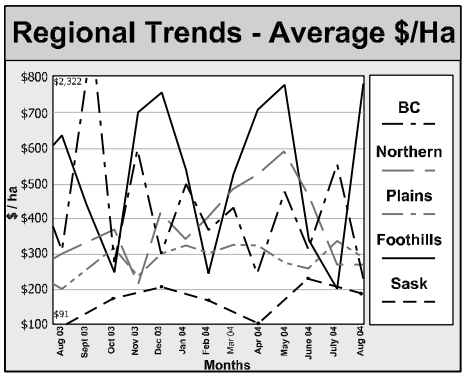
In Memoriam

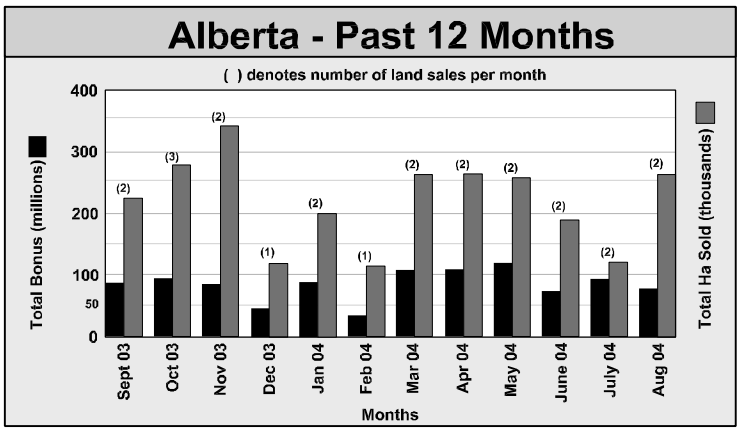
It is with deepest sadness that the CAPL announces the recent passing of a long time member.

Cecil (Cec) Denton passed away July 31, 2004 after a long battle with prostate cancer at the age of 78. Cec became a member of the CAPL in 1971 and spent his whole working life in the oil patch. All thirty-five years were spent with Mobil Oil, which started in an oil refinery outside of Regina in 1945. Cec enriched the lives of those who knew him and will be truly missed. N

Western Canada

Land Sale Review

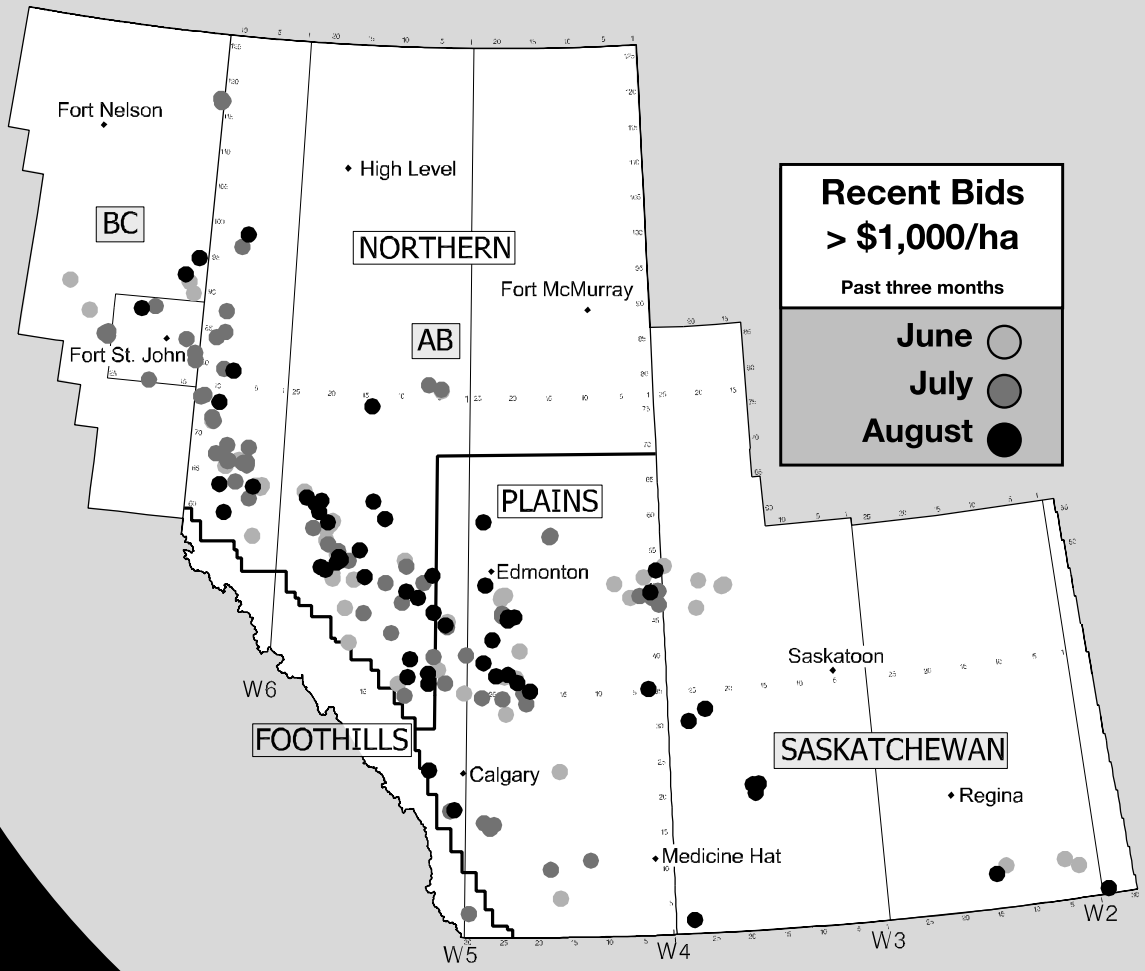




August 2004

AREA	Total Ha Sold (thousands)	Average $ / Ha
BC	38	$ 236
Northern	175	$ 267
Plains	78	$ 294
Foothills	3	$ 770
Sask (Aug)	49	$ 197

NOTE - All numbers are rounded off



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CAPL Presents Cheques at St. Mary's Awards Day Ceremony

On June 28, 2004, CAPL representatives Neil Cusworth and Bob Mosoronchon were proudly in attendance at the St. Mary's High School 2004 Awards Ceremony to present cheques to the 1st place winner in the CAPL Beef Poster Contest. The top award in the senior category (Grades 7-12) went to Jennifer Jung, a senior at St. Mary's in Calgary. Jennifer, unfortunately, was unable to attend, and the award was accepted by her brother. Jennifer received a cheque for $500.00, and St. Mary's was presented with a cheque for $1000.00.

Jennifer Jung's brother, St. Mary's principal Simone Gratton, Bob Mosoronchon, Neil Cusworth

Jennifer's artwork was among a staggering number of incredibly creative submissions to the Beef Poster Contest. The contenst raised awareness in students of all grades throughout both our rural and urban Alberta communities of the devastating effects of the BSE crisis on so many Western Canadian lives. With over 2400 posters competing for prizes, it was a difficult decision for the judges, RancHERS Lenore McLean and Erin Butters, who were amazed and overwhelmed by the sheer volume, creativity and sometimes touching depictions representing our province's students artistic thoughts of the cattle industry crisis.

On behalf of St. Mary's High School I express appreciation for the generous donation that your Association made to our school as a result of our student, Jennifer Jung's artwork being selected.

We have used this donation to support our newly established student film festival.

I am often overwhelmed with the talent and creativity that our students display in their endeavours. It gives me confidence that our world will be in good care with the next generation.

Thank your for your Association's support of the economic and social concerns that Alberta faces and for providing our students with a venue to learn and grow in their social awareness.

Sincerely,

Simone Gratton
Principal

CAPL members should be very proud of the Alberta Beef Poster Contest initiative lead by Denise Grieve, Nadine Campbell and Melissa Sadal with a great deal of help from other CAPL volunteers including Karin Steers and Irene Krickhan of the CAPL Office. In total, the CAPL donated $3,800.00 in prize money to the winners and their schools. As well, several additional Honourable Mentions received certificates and CAPL promotional items. The success of this project could not have been realized without the support of Alberta's teachers and principals whom encouraged their students to participate. As a CAPL member, I am honoured that our membership supports such worthwhile, community-spirited endeavours such as the Beef Poster Contest and that we have the resources and volunteer support to carry it out.

As a follow-up to the Alberta Beef Poster Contest, the Committee has met to discuss opportunities available on how to make good use of the posters. Several ideas were generated, however with over 2400 posters at the CAPL Office, the Committee is still looking for practical ideas. Please contact the CAPL Office if you would like to provide the Committee with your input.

Suzanne Stahl
Co-Chairman, CAPL Public Relations Committee

CAPL/CAPLA Family Christmas Skating Party

Date: Saturday December 4th, 2004
Time: 11:00 A.M. – 2:00 P.M.
Location: Olympic Skating Oval @ The University of Calgary

		Total Cost Includes GST
Admission:	Adults	$ 6.50
	Children/Grandchildren	$ 3.50
	Family Rate*	$ 20.00
	(*Applicable to immediate family only)	

CAPL GST No. R121989016

Special appearances by:
Harvey the Hound, Magicians, Santa & His Elves
Look for the "Red Shirts"

Registration form must be accompanied by a cheque made payable to: **CAPL Christmas Party** and returned to:
Pat McCreary
c/o Canadian Association of Petroleum Landmen
Suite 350, 500 – 5th Avenue S.W.
Calgary, T2P 3L5

Please register your children by December 1, 2004 at the latest in order to qualify for door prizes! **Share the Christmas spirit by bringing new unwrapped toys or by making a cash donation to the Children's Cottage at the event.** Admission includes oval skating, hot dogs and refreshments and shinny for adults and children. Children also receive gift bags, presents and photos with Santa. Please note it is mandatory that shinny players wear helmets and equipment.

Should you require further information please contact:

Terry O'Connor	Silverwing Energy	263-5555
Pat McCreary	Anadarko	231-0257
Doug Hilland	Apache Canada Ltd.	261-1383
Joanna Pelletier	Conoco Phillips	233-3407

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CAPL Calendar of Events

October

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1 November *Negotiator* Deadline N	2
3 2004 CAPL Conference N	4 General Meeting Executive Meeting N	5 Sask. Land Sale N	6 N	7 N	8	9
10	11 Thanksgiving CAPL Office Closed N	12	13 AB Land Sale N	14 CAPL Operating Procedure Operations Issues N	15 Selected Developments in Oil & Gas Law – Day 1 N	16
17	18 Seismic Data Ownership N	19 Property Trades, Acquisitions & Divestments N	20 BC Land Sale CAPL Property Transfer Procedure N	21 Alberta P&NG Regulations N	22 Selected Developments in Oil & Gas Law – Day 2 N	23
24	25	26 British Columbia P&NG Regulations N	27 AB Land Sale N	28 Well Spacings and Holdings N	29 Selected Developments in Oil & Gas Law – Day 3 N	30
31 Halloween N						

November

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 December *Negotiator* Deadline Northern Issues N	2 Saskatchewan P&NG Regulations Executive Meeting N	3 Manitoba Land Sale F/O & Royalty Procedure – Day 1 N	4	5	6
7	8 F/O & Royalty Procedure – Day 2 N	9 CAPL Operating Procedure: An Overview N	10	11 Remembrance Day CAPL Office Closed N	12	13

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Telephone: (250) 787-2722
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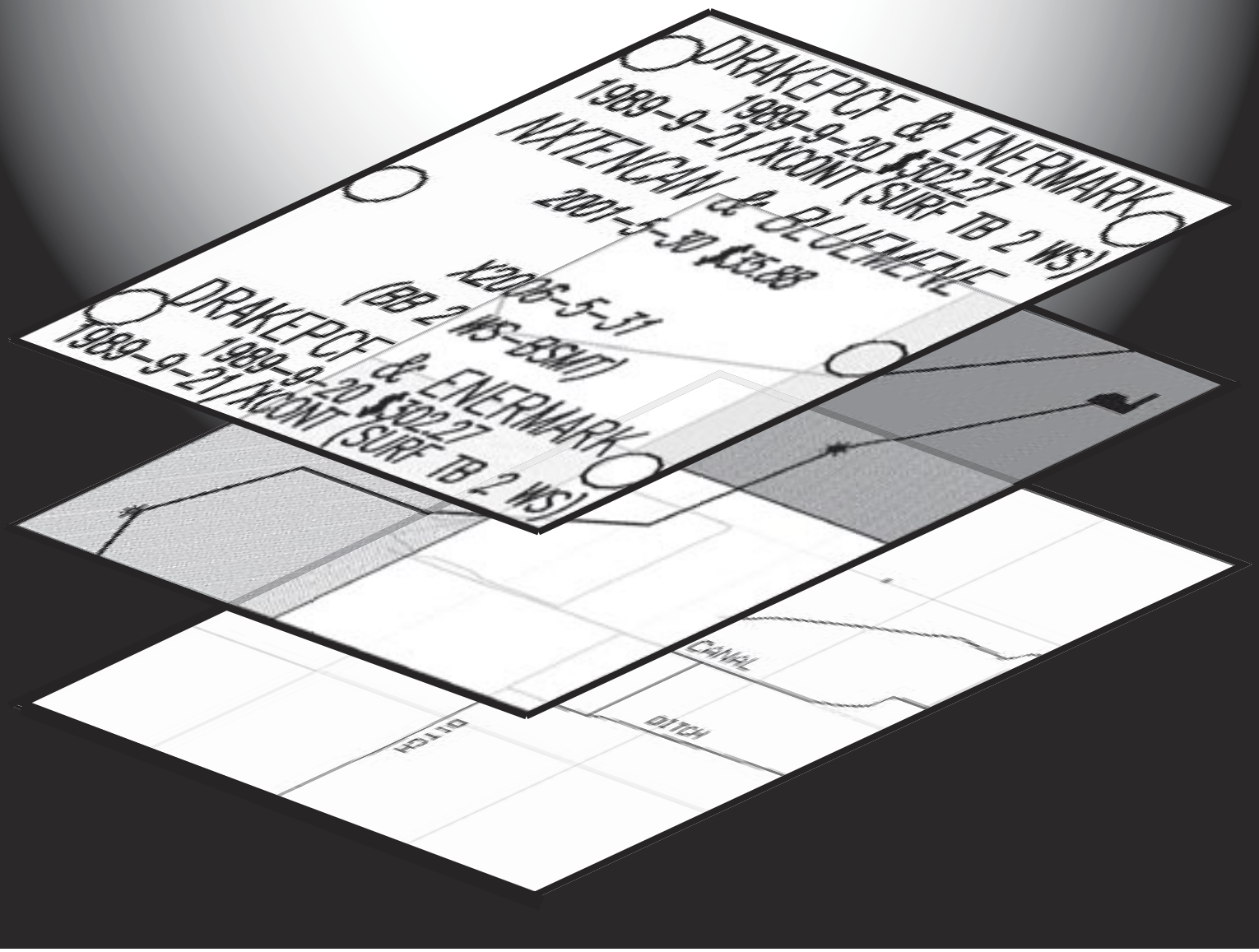

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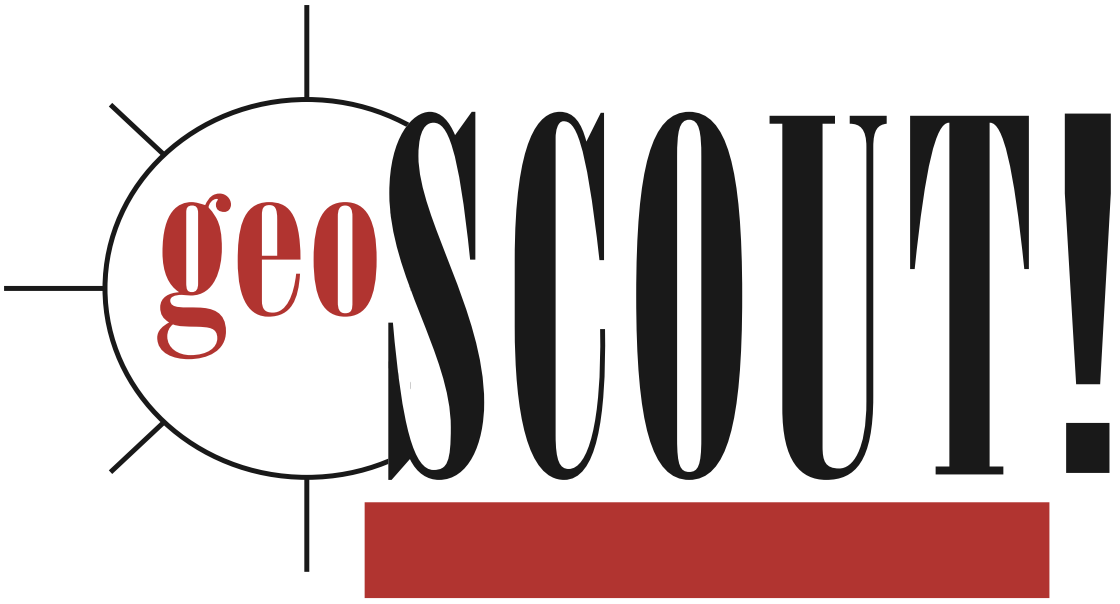

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