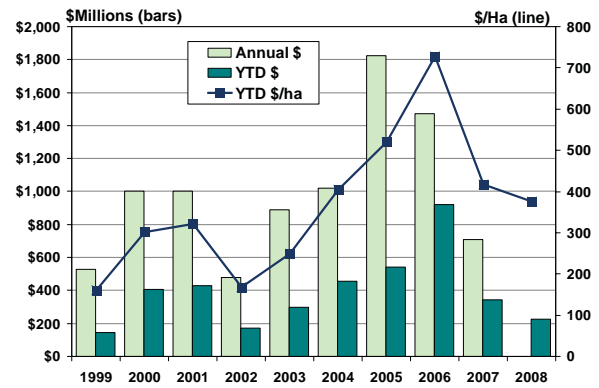


B.C.'s Bonanza

May 22, 2008

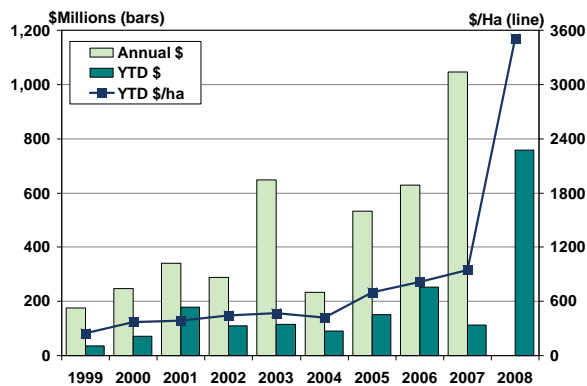
The first five months of 2008 have seen a continuation of the trend towards significant interest and prices paid for land in B.C., with the recent May land sale greatly exceeding all previous ones. Specifically, the May B.C. land sale generated a bonus of \$441.4 million, the largest single bonus generated in B.C. history, bringing the year-to-date total to \$758.5 million, well above the \$101.1 million for the same period in 2007. The majority of the spending has been focused on large parcels in both the Montney Fairway and in the Horn River Basin. As the accompanying B.C. land sale chart shows, the year-to-date total for 2008 already exceeds the full year totals for the past 10 years, except for 2007. This is in stark contrast to Alberta, which continues to see land sales languish at levels not experienced since 2003.

Alberta P&NG Land Sale Bonus Paid in \$Millions



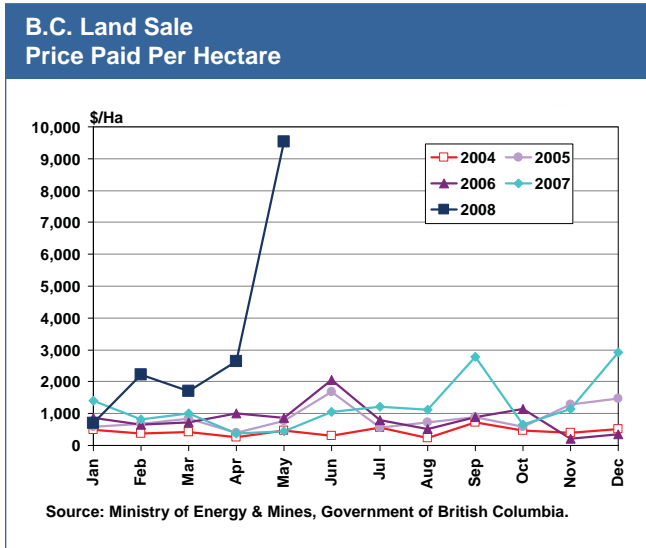
Source: Alberta Department of Energy.

B.C. Land Sale Bonus Paid in \$Millions



Source: Ministry of Energy & Mines, Government of British Columbia.

The average price paid at the May land sale was \$9,538/ha (\$3,815/acre), which is more than triple the previous high of \$2,915/ha (\$1,166/acre) paid in the December 2007 land sale, which also included several sections prospective for the Montney in N.E. B.C. The year-to-date average price paid is now \$3,511/ha (\$1,404/acre), well above the average price paid of \$947/ha (\$379/acre) for the same period in 2007. This compares to an average price paid of \$375/ha (\$150/acre) year-to-date in Alberta. The accompanying chart highlights the rising per hectare prices that B.C. land has commanded.



Of particular interest in the May land sale were several parcels posted for the Montney at West Groundbirch in N.E. B.C., with four parcels accounting for approximately \$374 million (~85% of the total) at an average price of ~\$5.6 million per section or ~\$21,800/ha (~\$8,700/acre). The map on the following page highlights the recently purchased Montney sections, the prices paid, and the existing land owners in the immediate area. It is also noteworthy that there have been very few Montney penetrations in the immediate area, with approximately one penetration per township. In addition, as we noted in our Montney report, this area is extremely underdeveloped from an infrastructure standpoint. However, the Upper Montney does thicken considerably to the west, with further potential in the Lower Montney remaining.

Montney Economics

As we highlighted as part of our detailed Montney Report, unlike many unconventional natural gas plays before it, most horizontal Montney development in N.E. B.C. will not require high commodity prices, remaining economic under reasonable pricing scenarios of C\$6.50 per Mcf. We estimate that these horizontal Montney developments could generate top decile finding and development costs amongst all natural gas play types in the Western Canadian Sedimentary Basin. We have briefly summarized the economics of this play including and excluding today's land sale prices. Although the economic differences may not appear that large, two of the key factors we identified in our report were the variability in the reservoir and access

to infrastructure. In the majority of the large land sale today, there is minimal well control and access to existing infrastructure is limited, therefore the actual risked net present value of this project could be substantially lower than others with defined pools and current access to infrastructure.

Horizontal Well Economics

To-date, approximately 65 horizontal Montney wells have been drilled in the greater Montney Fairway, with the most active operators having been EnCana (40 wells), ARC Energy Trust (8 wells), Murphy (6 wells), Storm (5 wells), and Duvernay (4 wells).

The attached tables show the range in rates of return for horizontal Montney wells, in N.E. B.C., with varying commodity prices and initial production rates. We have used all-in well costs of C\$5.5 MM, an 80% chance of success, initial production rates of 3.7 MMcf/d, total recoverable gas of 4.9 BCF per well, and operating and transportation costs of C\$1.35 per Mcf. We have also separated the fairway into four pressure regimes, based on depth, which lead to a range of OGIP values.

As shown in the table, excluding land costs, this type of program generates an approximate 30% rate of return at a C\$7.00 per Mcf AECO natural gas price, increasing to 81% at strip. As a result, risked F&D costs would be approximately \$8.50/BOE (excluding land and facilities) and the NPV per Mcf would be approximately \$1.15 if one assumes the project was completed and placed on-stream today.

N.E. B.C. Horizontal Montney ROR Sensitivities (Excluding Land)

IP Rates	AECO-C		
	C\$5.00 Mcf	C\$7.00 Mcf	C\$9.00 Mcf
2.7 MMcf/d	n/a	n/a	32%
3.7 MMcf/d	n/a	30%	81%
4.7 MMcf/d	1%	66%	130%

Note: RORs are calculated based on B.C.'s royalty framework (measured dep and are risked at an 80% chance of success.

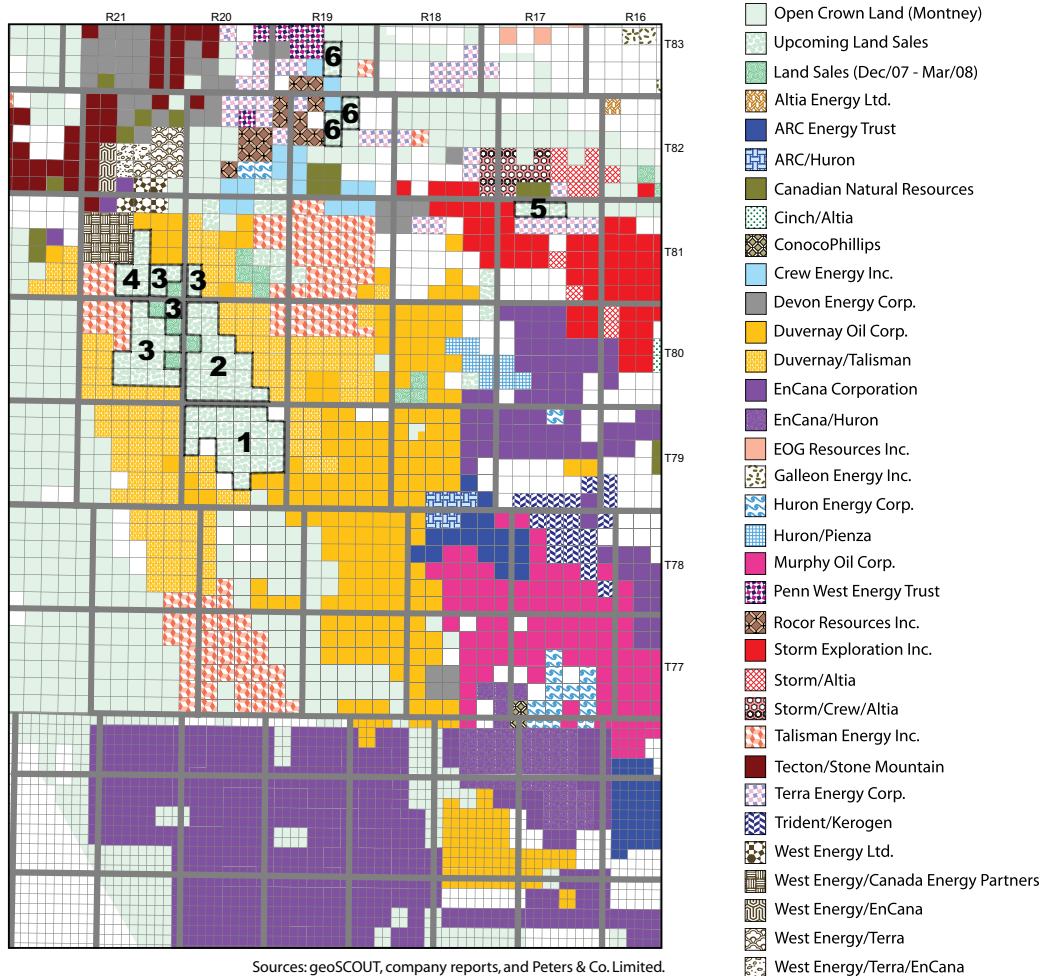
Source: Peters & Co Limited estimates.

The second table highlights the changes to the economic profile based on prices paid at today's land sale. The rate of return drops to 10% at C\$7.00 per Mcf (AECO) and 61% at strip. As a result, risked F&D costs would increase to approximately \$10.00 per BOE, assuming the land burden (\$5.6 MM per section) was split amongst a successful four well per section development. The NPV per Mcf is approximately \$0.87, if the natural gas could be brought on stream today, but as we highlighted above, this would be difficult given the current level of infrastructure in the area.

N.E. B.C. Horizontal Montney ROR Sensitivities (Including Land)

IP Rates	AECO-C		
	C\$5.00 Mcf	C\$7.00 Mcf	C\$9.00 Mcf
2.7 MMcf/d	n/a	n/a	12%
3.7 MMcf/d	n/a	10%	61%
4.7 MMcf/d	n/a	45%	110%

Note: RORs are calculated based on B.C.'s royalty framework (measured depth of 3,250 m) and are risked at an 80% chance of success.
Source: Peters & Co Limited estimates.



Parcel No.	\$MM/Section	Total Amount	Total Sections
1	\$6.5 MM	\$140.1 MM	21.6
2	\$5.2 MM	\$102.6 MM	19.6
3	\$5.2 MM	\$102.1 MM	19.6
4	\$4.7 MM	\$29.3 MM	6.2
5	\$1.2 MM	\$3.6 MM	3.0
6	\$0.5 MM	\$3.8 MM	7.2