FACT SHEET

Livingstone Landowner's Group
July 25/05

Media: The Compton/Husky Fact Sheet #1

1.) The province is running out of conventional natural gas and is now pursuing "tight gas," dirty gas (sour) and coal bed methane (CBM). Tight gas is low flowing gas in deep formations while CBM is low flowing gas in shallow and deep coal seams. Both types of low-grade gas are often developed together.

Unconventional deposits mean greater well density than average; more surface disturbance; more compressor stations and lower volumes of gas produced over longer periods of time. Reduced volumes also mean lower royalties for Albertans. John King, Vice President of Precision Drilling, simply calls such high density drilling "carpet bombing." Others call it "statistical drilling." For example, the Horseshoe Canyon play in Central Alberta will plant more than 50,000 coal bed methane wells on 11, 000 sections of land over a 20-30 year period.

2.) Compton Petroleum is a controversial 9-year-old Calgary-based company. The Calgary Health Region (CHR)is currently fighting EUB approval of Compton's plans to drill four sour gas wells on the edge of the city. The CHR does not believe the development is safe or " in the public interest."

The company's Callum field is an unconventional "tight gas" play that, according to company officials, may also include coalbed methane. Compton's mineral leases (Husky Energy, a Chinese owned firm, owns a 40% share in this play) extend over 100 sections of land along Highway 22 that begins just north of the Claresholm Pass and extends to the south end of the Porcupine Hills. BP-Amoco used to own these leases and abandoned them as uneconomic.

3.) Compton has focused on a "technically challenging" thick sandstone formation (Belly River/Edmonton Sands) that looks like a blanket folded over itself many times over. The gas is so tightly enclosed in this formation that Compton will have to "frac" each well several times. In similar US formations companies frac every well eight to 20 times. CBM also requires lots of fracing and Compton's website says it is using CBM technology in the Callum field.

Hydraulic fracing consists of shooting diesel fuel, other hydrocarbons, water and/or nitrogen at high speeds into the formation to break it up so the gas flows more freely. Fracing for unconventional wells is poorly regulated, destabilizes the local geology and has destroyed drinking water and aquifers throughout Colorado, Wyoming, New

Mexico and Alberta.

4.)To date Compton wants to drill and test 21 to 24 exploratory wells from six pads in the Waldron Flats and along the Skyline Trail. At two public meetings it has refused to discuss future well densities. But Compton engineer, Murray Studalka, has publicly admitted that similar plays in the US have reached one well per 10 acres.

5.) Compton says that the Callum play can't be compared to "carpet bombing" in the United States. But its own web site declares that "Callum appears to exhibit many similarities to deep tight gas pools in the Rocky Mountain region of the United States, including the Jonah and Pinedale pools of the Greater River Basin in Wyoming." The Jonah field started with 500 wells (one every 40 acres) a decade ago; today it has more than 3,000 wells. EnCana has drilled as many as 64 wells per section in the Jonah field; Ultra Petroleum is now applying for 5 acre spacing or 128 wells per section.

The US Bureau of Land Management recently summed up the impact such high density drilling: "Basically, you'd have disturbance everywhere with little green spaces in between."

6.) Compton says it will minimize its footprint by directional drilling as many as 8 wells from one large pad. (It says it might need one pad per quarter section.) EnCana made similar promises about directional drilling in Wyoming. But it found that the Jonah formation so difficult, dangerous and expensive to drill directionally, that it quickly returned to vertical wells. Local residents now call the industrialized region " a national sacrifice zone."

7.) According to a study by Colorado's La Plata County, unconventional gas plays devalue land by an average of 21% due to their industrial character including noise, traffic and air pollution from compressor stations. A 2003 Alberta study showed that oil and gas facilities just four kilometres away devalued $300,000 rural properties outside of Calgary anywhere between 5% and 15%. The Alberta government refuses to address this fact. Compton did not answer questions on this issue.

8.) Compton and other companies say our regulations are better than US ones. That's not true. Most oil and gas commissions in the US are modeled after the Energy and Utility Board, Alberta's oil and gas regulator. The US Bureau of Land Management takes its orders from Washington just as the EUB takes it orders from Edmonton. Both have been given orders to "drill, drill and drill."

Alberta does not have regulations; it only has guidelines loosely enforced by the EUB. According to EUB officials the board only approves one well at a time; approves wells to companies that actively violate

EUB guidelines; and okays 98% of all applications. The EUB does not require cumulative or environmental impact assessments on unconventional plays.

The EUB and Ministry of Energy does not do priority land use planning and constantly permits higher well densities where ever industry asks for them. Many parts of eastern Alberta now support oil well densities of 100 wells per section and gas well densities of 32 wells per section. More than 33,000 wells and 9,322 facilities remain unreclaimed in the province--a $9.4 billion deficit and a North American record. The EUB has only a $20-million security deposit to cover this outstanding deficit.

9.) The LLG represents more than 50 conservative landowners with a combined land base of 32,000 acres. We are opposed to heavy density drilling in the eastern slopes.

A.) We propose a priority land use zoning system that recognizes that it is not in Alberta's longterm best interests to drill signature landscapes, fescue grasslands and watersheds.

B.) We propose a "time-out" on drilling in the eastern slopes to establish some proper rules and to assess the biological and economic value of grasslands as working carbon sinks and watersheds in the eastern slopes. President George Bush declared such moratorium on drilling in Montana's famed Rocky Mountain front last year. Why can't we ask Ralph Klein for the same?

C.) We propose a comprehensive environmental assessment of all oil and gas projects in the region so that the local community can be involved in land use planning with the eventual goal of limiting well densities to specific landscapes inorder to protect watersheds and fescue heritage.

D.) We propose a tough new reclamation program; bonding for every well and fair compensation for property devaluation.

Sources

1.) "Defying Convention" in Alberta Venture Magazine, June 2005, p.75
2.) http://www.ogap.org/resources/20020205_fracingfacts.htm
3.) Murray Studalka at a public meeting at Chain Lakes on June 10, 2005.
4.) http://www.comptonpetroleum.com/02Core/s_alberta.html. See also Upper Green Valley Coalition: http://www.uppergreen.org
5.) "All Fired Up" in National Geographic Magazine, July 2005, p.100

6.) “Critics Question Use of Vertical Wells” in Casper Star Tribune, April 25, 2005
7.) “Measuring The Impact of Coalbed Methane Wells On Property Values,” BBC Research and Consulting (co.laplata.co.us/pdf/plan_doc/final_impactrpt/final_ir_appb.pdf). See also “Impact of Oil and Gas Developments On Rural Residential Values, EUB, December 2003
8.) LLR Program Performance Summary, EUB, June 2005, http://www.eub.gov.ab.ca/BBS/requirements/lmp/LLR_Program.htm

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