

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

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*FHOA - a Volunteer Organization Committed
to Addressing the Concerns of Individual
Owners of Freehold Minerals in Canada*

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AN OPEN LETTER TO ALBERTANS WHO OWN FREEHOLD MINERAL RIGHTS

YOU CAN MAKE A DIFFERENCE

My name is Else Pedersen and I own an interest in a half section of freehold mineral rights just north of the town of Ponoka. Like most of you, I inherited my mineral rights from my parents who farmed the land for many years. I now share my mineral rights with several other members of my family. Like many of you, I have no formal training or experience in oil and gas or legal matters.

For many years, I felt helpless and vulnerable in my attempts to negotiate fair lease terms with oil and gas industry landmen. In 2000, I joined the Freehold Owners Association or FHOA, a not-for-profit volunteer organization dedicated to promoting fairer treatment for individuals who own freehold mineral rights. FHOA provides education and information to freeholders, researches issues of concern to freeholders, and acts as their common voice. I became a director of FHOA in 2001 and was elected as President for a two-year term in 2002. FHOA's membership has re-elected me twice subsequently.

I am proud of what FHOA has accomplished to date. We have built and maintained a website containing information to help freehold owners, held 21 mineral rights information seminars throughout the Province, published 14 in-depth membership newsletters, provided technical information to more than four hundred freeholders and answered thousands of telephone and e-mail queries from freehold owners. We have also researched many complex issues impacting freeholders - the terms and conditions in freehold leases, taxation of freehold mineral rights, estate planning for freeholders, oil and gas well spacing, target areas, holdings and commingling, together with coal, oil and gas freehold ownership issues. One of our proudest accomplishments has been drafting a 'freeholder-friendly' freehold lease agreement and fostering the formation of a small energy company prepared to use this lease. We have also acted as a common voice for freehold owners on the Alberta Government's Multi-Stakeholder Advisory Committee on coal bed methane and intervened on behalf of freeholders before the Supreme Court of Canada in a natural gas/petroleum split title ownership dispute. We are currently representing freeholders at an Alberta Energy and Utilities Board (EUB) hearing into the entitlement to coal bed methane in split title ownership situations.

I have spoken to thousands of freehold owners in my years as President of FHOA. On a number of occasions, I have been told that the only thing wrong with FHOA is that it was not formed fifty years ago. In fact, there is something else seriously wrong with FHOA - the association is grossly under funded!

Over the years, production from freehold mineral rights has generated billions of dollars for the energy industry and the economy of Alberta. In addition, the Government of Alberta has directly or indirectly collected hundreds of millions of dollars in freehold mineral tax from us. What have we received from our Government in return for this tax on our non-renewable resources? NOTHING WHATSOEVER!

In the past, Government MLAs could perhaps be forgiven for not understanding the serious problems which freeholders face in dealing with the energy industry. These problems are complex and Government MLAs are constantly bombarded by energy industry lobbyists claiming that all is well. But over the last seven years, FHOA has made all levels of the Alberta Government aware of our problems. We have submitted three detailed proposals for modest funding support from the Alberta Government. All have been rejected. Our most recent proposals have been accompanied by personal letters or open letters to all Government MLAs summarizing freeholder problems and seeking support. Six of the eight candidates for leader of the Alberta Progressive Conservative party received these letters - NOT ONE RESPONDED!

WHAT CAN YOU AS AN INDIVIDUAL FREEHOLDER DO?

FHOA understands that the political views of our membership and freeholders in general are as diverse as those of the general population. Since its inception, FHOA has been non-political. Consequently, a number of our members questioned why Mr. Jim Dinning, a leading candidate to replace Mr. Klein as leader of the Progressive Conservative Party and Premier of Alberta, was invited to address our recent annual general meeting.

The reason is simple. I and the majority of the directors of the Freehold Owners Association believe that Mr. Dinning is not only the best candidate for Premier but the only candidate with an interest in, knowledge of and sympathy for our association and its funding problems. Without sustainable funding, FHOA will wither away and die.

The first time I met Jim Dinning at a policy development luncheon in Ponoka in early 2006 he expressed an interest in the problems of freeholders. Following his speech on his vision for Alberta at our AGM, Mr. Dinning stayed over lunch to answer questions, mingle and listen to member concerns. Subsequently, he took time from his busy schedule to meet with a delegation of FHOA directors in Calgary to discuss our funding concerns.

Will Mr. Jim Dinning solve all of the problems which freeholders face? Of course not and he hasn't promised to do so. Will he help address our sustainable funding concern? I believe he will. The point is that the other leading candidates have all had multiple opportunities to do so and have not.

I have attached a copy of an article which recently appeared in the Calgary Herald. The gist of this article is that any Canadian citizen over sixteen years of age and resident in Alberta for more than six months has the right and indeed the obligation to vote on November 25, 2006 for who will be the Premier of our Province. All you have to do is pay \$5 and join the Conservative Party. You don't have to subscribe to the principles of the Conservative Party - you can buy a membership, vote for the leader, and then resign your membership if you so choose.

I urge you to buy a membership in the Conservative Party of Alberta, vote for the next Premier of Alberta, and give serious consideration to supporting Mr. Jim Dinning.

Else Pedersen, FHOA President