

# NEWSLETTER

## The Freehold Owners Association (“FHOA”)

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## UNITED WE STAND, DIVIDED WE FALL

The Greek slave Aesop coined the phrase ‘*united we stand, divided we fall*’ more than 2,600 years ago. Since then the phrase has been used in attempts to unite individuals with a common cause by such diverse notables as American Revolution leader Benjamin Franklin, English rock band Pink Floyd, and Iranian religious leader Ayatollah Khomeini.

Most individuals who now own freehold mineral rights are the beneficiaries of their forefathers and share the common goal of protecting their family’s heritage. The Freehold Owners Association was organized in 1999 to further this common goal. For the past decade, the volunteer officers and directors of FHOA have strived to advance this goal by providing education and information to freeholders, researching issues of concern to freehold owners and acting as the common voice of the freehold owner community. It was for the purpose of furthering this common goal that FHOA announced three separate initiatives in our most recent newsletter.

Firstly, we sought lease information from members who had already leased their mineral rights in order to assist other freeholders who were approached to lease in the future. Secondly, we sought donations from members which could be used by FHOA to apply for a donation-matching grant under the Community Spirit Program of the Alberta Government. Thirdly, we asked members who had internet access to advise us if they were willing to receive newsletters by e-mail in order to save FHOA postage

costs.

This issue of your newsletter provides an update on each of these initiatives.

### Freehold Lease Initiative

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In our November 10, 2009 newsletter, we advised that the most common question FHOA was asked by freeholders who had been approached to lease was: “*What’s the going rate?*” We explained that FHOA had never had the financial resources to assemble a database of freehold lease information which would allow us to answer this question on more than an anecdotal basis. We also explained that we had secured funding through the Office of the Farmers’ Advocate under the Growing Forward Program to gather the information from our members necessary to properly answer this question and to publish this information on our website.

Attached to our November 10, 2009 newsletter was a ‘consent form’ which provided FHOA with information on member’s leases including the effective date of the lease, the royalty rate, the cap on deductions and the bonus consideration. We also asked members to send in copies of their leases so that

FHOA would be in a better position to answer any questions a member might have about his or her lease.

Our November 10, 2009 newsletter was mailed or e-mailed to more than 3,000 freehold owners. To date, we have received consent forms from 127 members. We are surprised by the lack of response from our membership to this initiative.

Perhaps the consent form we provided was confusing. It may have caused members to think that their name and contact information together with all of the lease terms and conditions they had negotiated would be published on the internet. **This is not the case. Members names and contact information will not be published. All that will be published is the royalty rate and cap on deductions.** Members names and contact information are only needed for audit purposes - the Government simply wants the right to be able to contact a random sample of the FHOA members providing lease information in order to confirm the validity of the royalty rate and deduction cap data published by FHOA.

The consent form we provided closely resembled a consent form previously signed by many of our members which provided their name and contact information to geoLogic Systems Ltd. for inclusion in technical databases provided to the oil and gas industry by geoLogic. Perhaps many of our members assumed that they had already signed the consent form provided.

We have attached a revised consent

form which more clearly sets forth the information which is required to be provided and that which is optional.

The agreement which FHOA has negotiated with the Farmers' Advocate requires us to provide information on the lease agreements of at least 200 freeholders on or before February 28, 2010. If we fail to do so, the \$20,000 provided to FHOA under the Growing Forward Program will be forfeited. Most of the grant monies have already been spent or committed. Forfeiting this grant will severely impact FHOA's ability to function.

We urge you to complete the attached consent form and return it to our offices as soon as possible.

#### Community Spirit Program

In our November 10, 2009 newsletter we advised members of the Community Spirit Program - a program funded by the Alberta Government to encourage Albertans to support not for profit or charitable organizations. Under this program, donations from Albertans to organizations like FHOA are matched up to \$25,000. FHOA received more than \$5,200 in donations in response to our newsletter. In result, at year end we applied for a grant based on total 2009 donations from individual Albertans of approximately \$14,900.

Overall in 2009, members donated approximately \$19,000 to FHOA. A number of these donations were very generous. We extend a **big thank you to all who donated!**

Presumably, the Community Spirit Program will be continued in 2010. So far this year we have received \$1,200 in member donations. Please keep us in mind when you consider what worthwhile organizations your donations will support in 2010. Perhaps this year we can get closer to the \$25,000 maximum matching figure for donations under the Program.

#### Saving Dollars with E-Mails

FHOA's commitment to publishing

shorter newsletters on a bi-monthly basis will significantly increase our printing and postage costs. In response to our November 10, 2009 newsletter request, slightly more than 200 members advised that they were prepared to receive newsletters by e-mail. We already had 130 members who had requested e-mail delivery. Avoiding the cost of printing and mailing to 330 members will save the association at least \$3,000 annually. Our thanks to those members who responded to our request.

#### United We Stand, Divided We Fall

To date, 4,342 freeholders have joined the Freehold Owners Association and 1,553 of these freehold owners have provided us with their e-mail addresses. We assume that many more members have e-mail but have not provided their addresses to us. The 330 members willing to accept e-mail newsletters represent 21% of those members who we know have e-mails. In other words, at least 80% of those FHOA members who have e-mail apparently aren't prepared to help the association save money by accepting e-mailed newsletters.

The 127 consent forms we have received in response to our freehold lease information initiative represent less than 5% of the members contacted. In other words, it seems that more than 95% of members contacted were not prepared to share their lease information with other freeholders.

FHOA has more than 2,000 Alberta members and if each of them had donated \$20 to the association we would have qualified for a \$25,000 matching grant from the Government. In fact, the entire \$19,000 in donations that the Freehold Owners Association received in 2009 came from 104 members. In other words less than 3% of our membership saw fit to make a donation which could be matched by the Government.

In 2009, 1,421 of the 4,342 freeholders who have joined FHOA paid their membership dues. That's down about 25% from the 1,864 paying members the association had in 2008. Presumably the

decline relates to the fact that FHOA's annual membership fee was increased from \$35 to \$50 in 2009. In other words, at least 25% of those members who were paying their dues in 2008 apparently didn't think that membership in FHOA was worth \$50 per year.

We find this particularly ironic in a year in which FHOA's intervention in an Energy Resources Conservation Board hearing dealing with the meaning of 'capable of production' lead to a ruling which, according to an article published in the magazine of the Canadian Association of Petroleum Landmen, may result in the termination of "*thousands, (if not tens of thousands) of leases*" which are currently being continued with shut-in wells which are not capable of meaningful or material production.

The volunteers who dedicate their expertise, time and effort to the Freehold Owners Association do not expect monetary rewards. They do however expect the full support of the association's membership. To the extent that FHOA's volunteers perceive that their efforts are not appreciated by the very people they are trying to help, the existence of the Freehold Owners Association, at least in its current form, is threatened.

We have attached a membership renewal form for completion by those members who have not yet paid their 2010 dues. We urge you to renew your membership and help us to help you.

On behalf of the board of directors,  
Else Pedersen, President

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