
NEWSLETTER

The Freehold Owners Association (“FHOA”)

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THE SLIPPERY SLOPE OF EXPEDIENCY

The mandate of the Freehold Owners Association is, in part, to research issues of concern to owners of freehold mineral rights and to act as their common voice. Over the past six years, FHOA has researched many issues impacting freehold owners and has made a number of submissions to the oil and gas industry, industry regulators and governments in an attempt to have freeholders’ concerns addressed. To date, the common voice of freeholders has fallen on deaf ears.

In our October, 2005 newsletter we advised you that the Alberta Energy and Utilities Board (the EUB) had proposed changes in well drilling density and notification procedures which, if enacted, would have a profound negative effect on freeholders. We also advised that FHOA had made a submission opposing these changes. On February 1, 2006 the EUB’s proposed changes were enacted with the release of Bulletin 2006-05. This issue of your newsletter focusses on how this bulletin impacts your rights. We review the EUB’s statutory obligation to protect equity; the EUB’s proud past in carrying out this mandate; the EUB’s gradual replacement of equitable concerns with those of expediency; and why we believe it is time for freeholders to draw a collective ‘line in the sand’.

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The Role of Regulatory Authorities:

Quasi-judicial regulatory tribunals such as the EUB exercise their authority subject to the fundamental principles of administrative law - natural justice and procedural fairness. Generally, these principles require an administrative body which is intending to consider a matter which may affect a person’s rights to give that person notice and a reasonable opportunity to make oral or written submissions on the matter being considered.

In addition to procedural fairness and natural justice obligations, the oil and gas regulatory authorities in every producing jurisdiction in the civilized world are charged with the fundamental obligation of protecting correlative rights.

So what are these ‘correlative rights’?

Correlative Rights

There are many definitions of the term ‘correlative rights’ but all are based on the concept that an owner of oil or gas in a common source of supply has an inherent right to recover the owner’s fair share of the resource and to be protected from the wasteful practices of others within the common source. Historian Dr. David H. Breen wrote an EUB-authorized history of the pre-1960 EUB which was published in 1992. The definition of correlative rights in the glossary of Professor Breen’s book - ‘*Alberta’s Petroleum Industry and the Conservation Board*’ - was presumably vetted by the EUB’s legal department and is as good as any:

“The opportunity afforded, so far as it is possible to do so, to the owner of each property in a pool to produce without waste his just and equitable share of the oil or gas, or both, in a pool.”

The Oil and Gas Conservation Act applies to every well ever drilled in Alberta and to every substance obtained or obtainable from such wells. Parts 1(4)(a), 1(4)(b) and 3(7) of this act set forth the statutory obligation of the Energy and Resources Conservation Board (part of the EUB) to protect correlative rights by providing the EUB with broad general powers “to afford each

EUB BULLETIN 2006-05

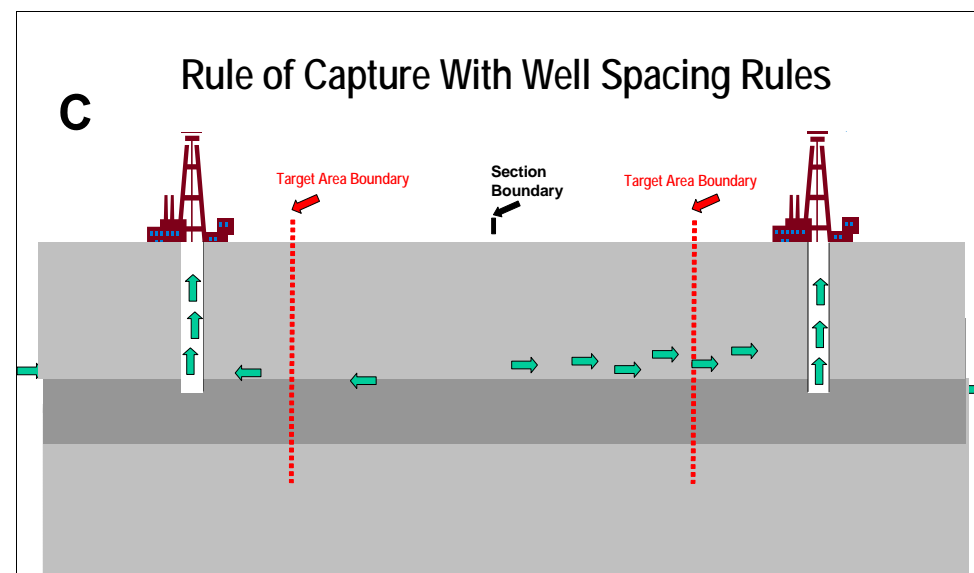
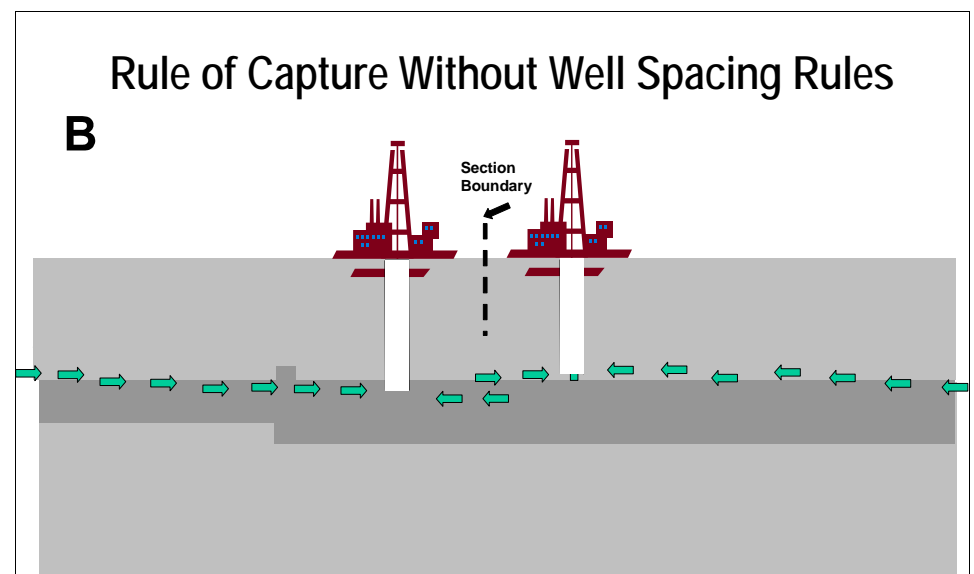
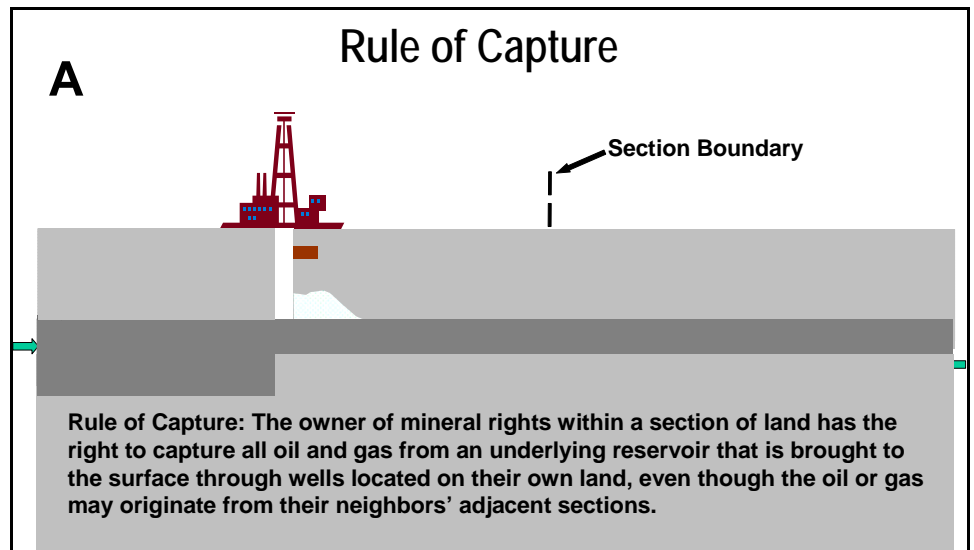
owner the opportunity of obtaining the owner's share of the production of oil or gas from any pool;" and "to effect the conservation of, and to prevent the waste of, the oil and gas resources of Alberta;"

Protecting Correlative Rights - The EUB's Proud Past:

Those of you who attended the mineral rights information seminars sponsored by FHOA last year in Wetaskiwin, Stettler and Claresholm were treated to an excellent slide presentation by a senior EUB staff member describing how the EUB has historically protected correlative rights in the face of the rule of capture. This rule, which has been recognized in Canadian law for more than sixty years, provides that: "those who make the recovery become owners of the material which they withdraw from any well which is situated on their property or from which they have authority to draw" (*Borys v. CPR Co. et al*, 2 D.L.R. 65 [1953] J.C.P.C. @ 68)

Seminar attendees were shown the slides to the right demonstrating:

- A. Oil from both sides of a fence line being recovered in a well on one side of the fence and becoming the property of the well owner pursuant to the rule of capture;
- B. The consequences of the unrestrained application of the rule of capture - neighbouring owners each drill wells as close as possible to their fence lines to capture their neighbour's oil before the neighbour captures theirs;
- C. How EUB-enforced spacing and target area regulations protect correlative rights by restricting the number of wells which may produce from a subsurface oil or gas pool and keeping these wells back from fence lines.



The EUB representative defined spacing units and target areas by paraphrasing sections 4.101(1) and 4.102(1) of the Oil and Gas Conservation Regulations with the following slide.

Well Spacing – Definitions

- ◆ **Drilling Spacing Unit (DSU):**
 - ◆ Predetermined area that is assigned to the well for the purposes of production – O&GCR, Section 4.010(1)
- ◆ **Target Area**
 - ◆ the part of a DSU within which a well may be completed without restriction on production rates – O&GCR, Section 1.020(1)
- ◆ **Holding**
 - ◆ an area where DSU and target areas have been suspended and replaced by a defined buffer zone, interwell distance and/or well density

been based on the EUB’s estimate of the area which can be efficiently and economically drained by a single well.

Allowing only one well per spacing unit per pool prevents wasteful over-drilling and promotes conservation. Central target areas prevent drainage across fence lines and protect equity - the further a well is outside its target area (ie. the closer it is to a fence line) the more its allowable production is reduced.

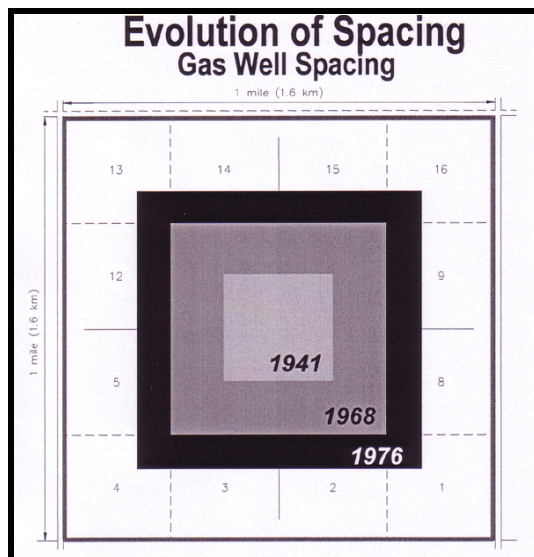
The historical evolution of target areas within normal gas and oil spacing units was demonstrated with the slides below.

In 1974, the EUB took the first step down the slippery slope of replacing equity with expediency. As shown in the evolution of oil spacing slide at the bottom of the page, it was in that year that the EUB mandated corner target areas for normal quarter section oil spacing in those parts of the Province where freehold mineral rights are located. Since 1974, the target for normal oil spacing has been all of legal subdivisions 6, 8, 14 and 16. This allows, and in some instances encourages, industry operators to drill oil wells along the northerly and easterly fence lines of quarter sections.

He went on to explain with the slide below that well spacing was based on rock, fluid and pool producing properties and was used by the EUB to effect the conservation of Alberta’s oil and gas resources and

Well Spacing is ...

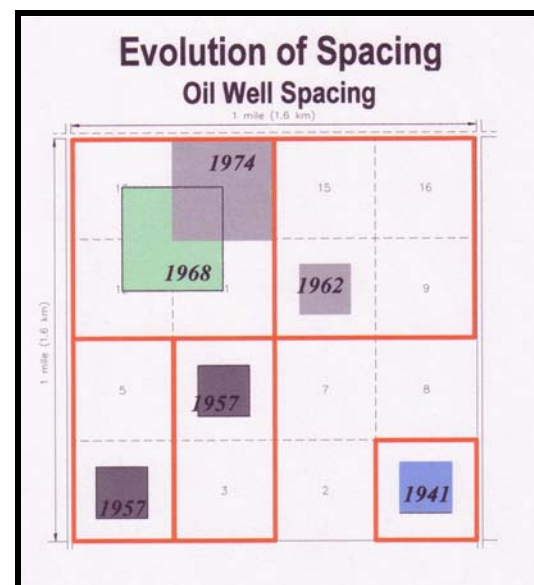
- ◆ A reservoir engineering tool that uses rock, fluid and producing properties to determine the appropriate number of drainage points to maximize pool recovery (conservation)
- ◆ Regulatory tool to maintain a balance between competitive mineral rights owners (equity)



protect equity.

Seminar attendees were advised that the normal spacing unit for gas production in Alberta was one section and the normal spacing unit for oil was one quarter section.

Spacing units and central target areas have always been the principal tools used by the EUB in fulfilling its mandate to prevent waste, encourage conservation and protect equity. The size of a spacing unit has historically



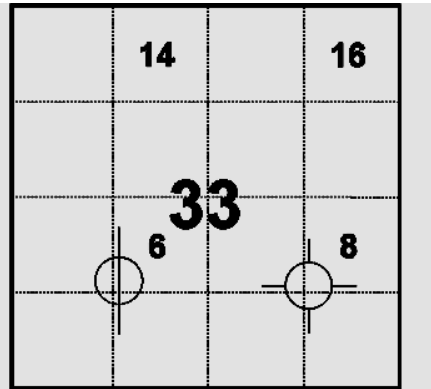
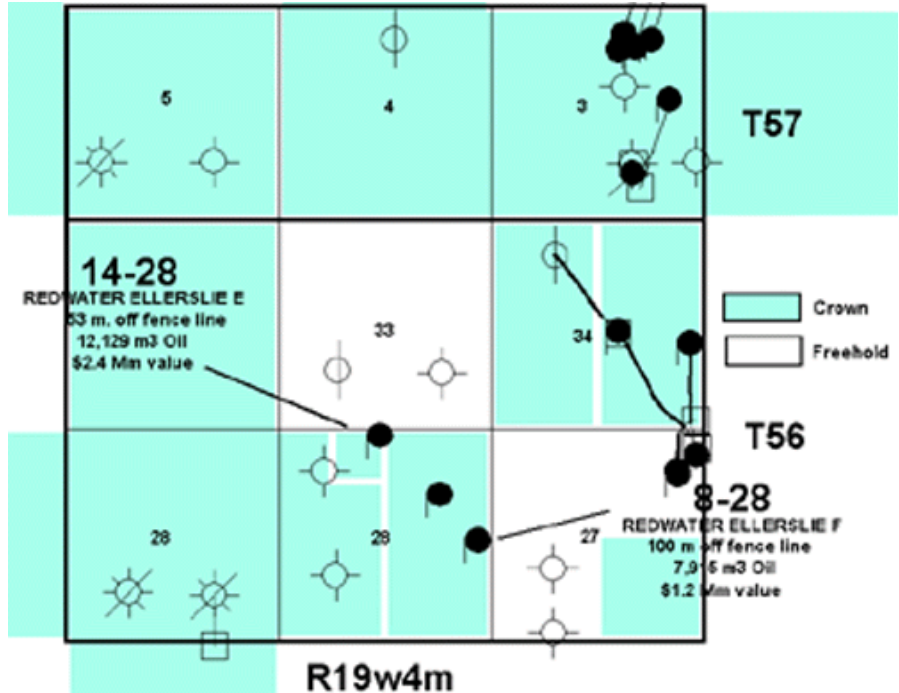
Protecting Correlative Rights - The Slippery Slope of Expediency:

The impact of corner target areas on the correlative rights of individual freeholders may be seen from the diagram to the right. Both the 14-28 and 8-28 wells were drilled on Crown lands; both wells were drilled after 1974; both were drilled near fence lines; both were ‘on target’ pursuant to the EUB’s corner target areas; and both have produced substantial volumes of oil.

In both cases, wells have been drilled on offsetting freehold owner lands in sections 27 and 33 in an attempt to mitigate drainage. But the EUB’s off-target penalties effectively prevented these wells from being drilled an equal distance from the producing wells on the freeholders’ side of the fence. To avoid off-target penalties which would reduce the wells’ production to uneconomic levels the wells had to be drilled on target - in legal subdivisions 6, 8, 14 or 16. As shown in the blow-up of section 33 to the right, the 6-33 well was drilled on target as close as possible to the existing producer in 14-28 but failed to encounter the productive pool. Similarly, the well on the freehold land in section 27 was drilled on target as close as possible to the 8-28 well but did not encounter the pool.

Does this mean that both the Redwater Ellerslie E and F oil pools come to an abrupt end in the subsurface along the fence lines separating the Crown’s mineral rights from the offsetting freehold owners’? Not likely! The location of the two wells and the volume of oil produced from each makes it highly probable that both wells are draining the offsetting freehold mineral rights.

What it really means is that in both instances the EUB’s corner target area regulations have denied individual freehold owners “the opportunity of



obtaining the owner’s share of the production of oil ...”. Part 1 4(d) of the Oil and Gas Conservation Act obligates the EUB to do exactly the opposite.

But, say certain EUB senior staff, for every freeholder adversely impacted by corner target areas for oil, there is another who is positively impacted. This may be statistically true, but it is not the point.

The Crown owns 81% of the mineral rights in Alberta. For every instance where the Crown is being unfairly drained by an oil well on an offsetting fence line, there may be another instance where the Crown is doing the draining. Even if this were

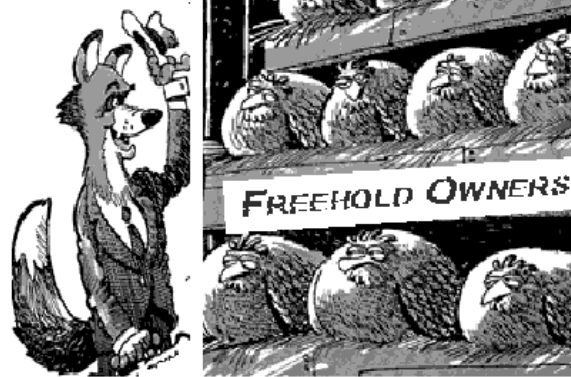
not the case, the Crown expects to collect \$14.4 billion in non-renewable resource revenue in the year ending March 31, 2006, and being deprived of its rightful share of royalties on any one particular oil well is not material to the Government of Alberta.

Individual freeholders typically own a single tract of freehold minerals and a royalty share of the \$2,400,000 of oil produced to date from the 14-28 well may have not only been material to the offsetting freehold owner, it may have altered the freeholder’s life style.

The point is that the EUB has a statutory obligation “to afford *each owner* the opportunity of obtaining the owner’s share of the production of oil or gas from any pool”, not some mythical average or statistical owner.

The EUB took the second step down the slippery slope of expediency in 1994 when, in response to submissions from energy industry associations and Alberta Energy, it eliminated off-target penalties for the first oil or gas well

in a pool. At the same time, the EUB stopped automatically applying off-target penalties and made the industry responsible for monitoring off-target wells and bringing equity concerns to the attention of the EUB. From the standpoint of freehold owners, this change was akin to putting the fox in charge of the hen house. Since 1994, there has been a proliferation of gas wells drilled in the extreme corners of sections.

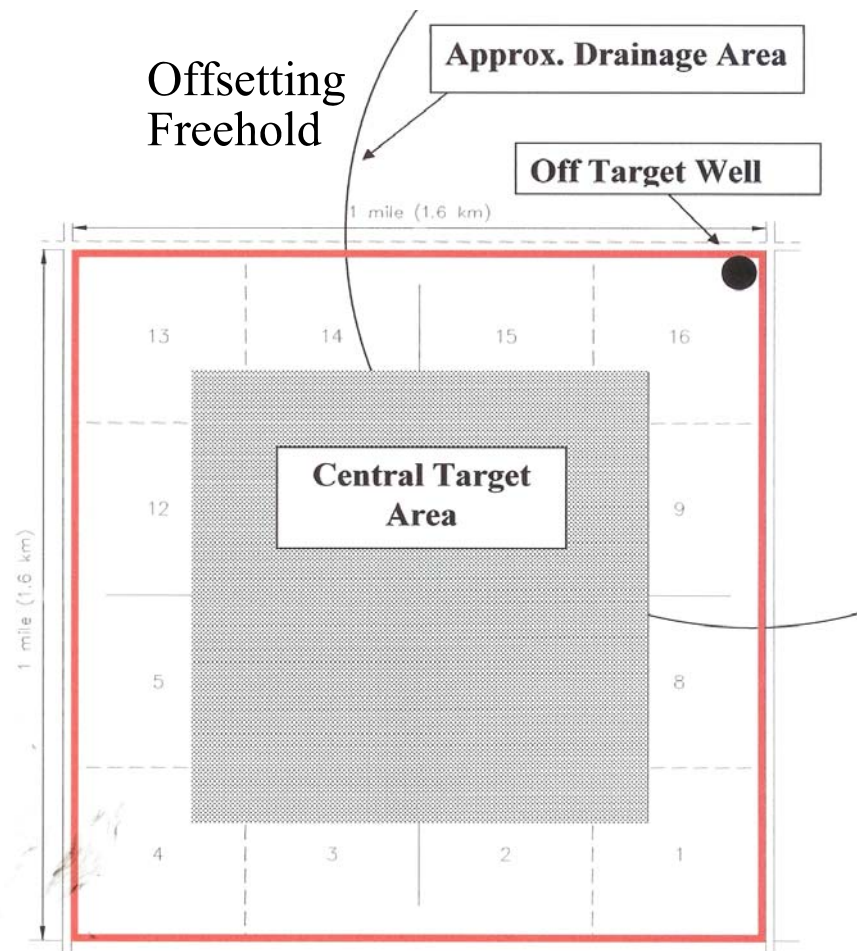


Gas wells in the extreme corners of sections clearly drain the mineral rights of offsetting owners. The diagram to the right shows the drainage area for such a well assuming one section radial drainage.

If the mineral rights offsetting a gas well drilled in the extreme corner of a section are owned by an individual freeholder; if that freeholder has leased his or her mineral rights to an energy company; if that energy company has previously drilled a gas well into the same pool on the section including the freeholder's mineral rights; and if the energy company that has leased the freeholder's mineral rights makes an application to the EUB, the EUB may decide to apply off-target penalties to the well in the extreme corner of the spacing unit. Otherwise, 'too bad, so sad'.

In some instances, the energy company that has leased the offsetting freehold owner's mineral rights has an ownership interest in the off-target well. In such instances, the energy company has a clear conflict of interest and cannot be expected to apply to have a well which it owns declared off-target and subject to restricted production.

Just as in the case of corner target areas for oil, a freeholder who owns mineral rights offsetting a well drilled in the extreme corner of a spacing unit does not have the right to drill, or cause to be drilled, an equally off-



target well on his own mineral rights to mitigate drainage. Just as in the case of corner target areas for oil, the Crown and the corporate owners of large tracts of freehold land are not statistically impacted by the EUB's

'first well in a pool' policies. It is individual freehold owners who are deprived of their correlative rights by the EUB's 'first well in a pool' off-target policies.

There may be legitimate geological or geophysical reasons for drilling wells outside central target areas. Surface owners concerned with the impact of surface facilities on their farming operations may also favour wells on fence lines. But does that mean that the correlative rights of freehold owners should be sacrificed?

There are alternatives!

At one time, energy companies wishing to drill gas wells in the extreme corners of sections were encouraged to avoid EUB off-target penalties by pooling across section lines to form a special one section spacing unit comprised of the four contiguous quarter sections which would be drained by a successful gas well. This policy protected correlative rights and was fair. It was not however expedient as it slowed down energy industry operations and required EUB staff to administer.

Protecting Correlative Rights - "You're on your own":

FHOA's October, 2005 newsletter focussed on the unprecedented increase in energy industry applications for, and EUB approvals of, 'holdings' in southern Alberta. A holding is an area in which the EUB suspends the normal spacing unit order for a pool and the target areas relating to that spacing unit. Holdings approvals typically provide the energy company applicant with the right to drill two, four or eight wells in spacing units where previously only one well had been allowed. An EUB holding order typically places restrictions on inter-well distances and includes a 'buffer zone' which limits how close wells within the holding may be drilled to offsetting mineral rights.

One of the EUB's few requirements for approval of a holding is that there be common ownership within the area

of the holding. In result of this requirement, the vast majority of holding approvals granted by the EUB to date have been on Crown lands.

In our October newsletter, FHOA used a 'one straw vs. four straws in the milk shake' example to illustrate the obvious inequity which arises when one mineral owner (the Crown) is granted the right to produce from multiple wells in a section of land offsetting a section in which the owner(s) of freehold mineral rights can only produce from a single well. A number of FHOA's members have raised this issue in objections to applications by energy companies for holdings or other spacing changes which will increase the number of gas wells per pool in sections offsetting their mineral rights. The response of the EUB's legal department to these objections is a sad example of expediency trumping procedural fairness.

The EUB's legal department has advised objecting freeholders that, if their mineral rights are leased, they have no right to object and any objection must be raised by the freeholders' oil company-lessee. Freeholders whose mineral rights are not leased have been advised that they have no right to object unless a gas well exists on the section including their mineral rights because, according to the EUB, such a well is necessary to establish the potential for direct and adverse impact to the freeholder.

In most instances the freeholders were objecting to applications by energy companies to drill up to four wells in offsetting sections for the production of gas from coals and associated sands. These same geological formations exist beneath the freeholders' lands and for the EUB's legal department to assert that there is no "potential" for "direct and adverse impact" can most politely be

described as silly. Perhaps if the freeholder's rights were un-leased and a gas well existed on the section including the freeholder's mineral rights, the freeholder might have the right to object. As this factual circumstance almost never occurs, the effective position of the EUB's legal department is to deny freehold owners the right to object to energy company applications that clearly impact their property rights whether the freeholder's mineral rights are leased or not.

What makes the position of the EUB's legal department particularly galling is that it is settled law in Canada that a lessee of freehold



mineral rights does not acquire ownership of the freeholder's oil and gas in the ground. The "owner" whose correlative rights the EUB is mandated to protect is the freeholder, not the oil company-lessee.

Sadly, the views of the EUB's legal department with respect to the EUB's responsibilities to freehold owners appear to be shared by some of the EUB's most senior technical staff. These views were summarized by a senior EUB staff member at a recent Coal Bed Methane Multi-Stakeholder Committee meeting. In response to a query respecting the EUB's responsibilities to freehold owners, the senior staffer replied: "You're on your own."

EUB Bulletin 2006-05 puts the stamp of regulatory approval on these views.

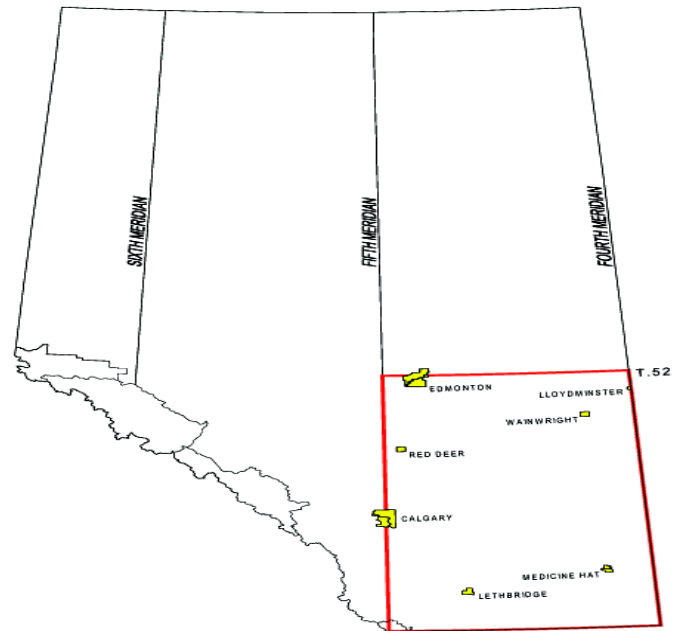
In the spring of last year, the EUB issued Bulletin 2005-08 which proposed significant changes to well spacing policies and notification procedures and sought comment from stakeholders. FHOA submitted a written brief objecting to the EUB's proposals. EUB Bulletin 2006-05 adopts most of the proposals contained in Bulletin 2005-08. Interested readers can review Bulletins 2005-08 and 2006-05 by logging on the EUB's web site at:

<http://www.eub.gov.ab.ca/bbs/default.htm> and clicking on "Well Spacing Initiative". FHOA's letter of objection to Bulletin 2005-08 is posted on our web site (www.fhoa.ca).

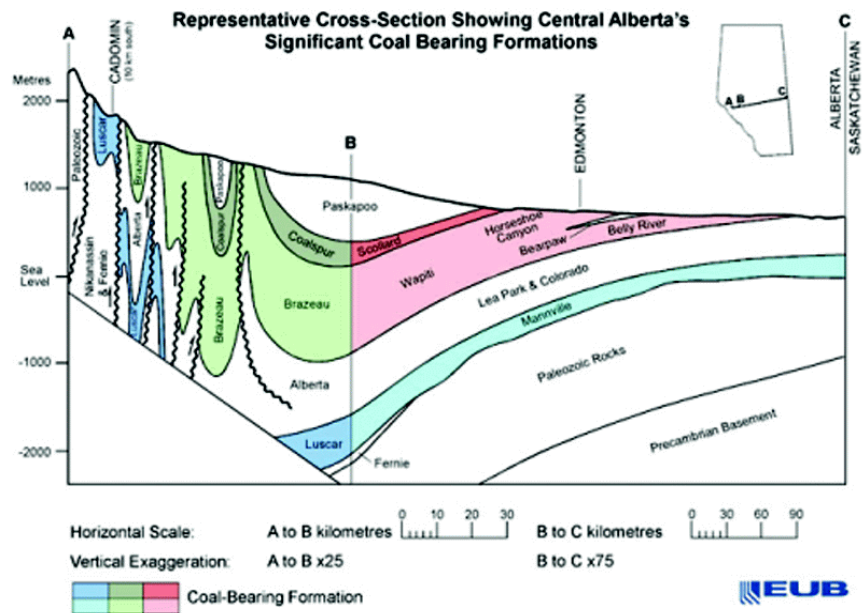
Pursuant to Bulletin 2006-05, within the area of southern Alberta outlined to the above right, the target area for gas wells has been changed from the centre of the section to the northeast corner; the number of allowable gas wells per section per pool has been increased from one to two for wells in the Mannville formation and from one to four in formations above the Mannville; and there is no restriction on inter-well distances. The schematic cross section to the right shows the position of the Mannville formation in relation to formations above and below it.

Within the area of down-spacing, the Mannville includes the Ellerslie, Sunburst, Ostracod, Glauconitic and Colony gas productive sand zones. Gas productive sands above the Mannville include those of the Viking, Bow Island and Belly River. Vast numbers of gas wells have been produced from these zones in an economic and efficient manner on normal one section gas spacing for more than half a century. In many cases the drainage area for gas wells producing from these zones within this

Attachment: Region of Alberta Subject to Increased Baseline Well Densities



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area significantly exceeds one section

Henceforth, within the area of Bulletin 2006-05, holding or down-spacing applications will only be necessary if the applicant seeks a greater drilling density than that set forth in the bulletin. In the event of such an application, freehold owners

who have leased their mineral rights will be notified, but will have no right to object. Perhaps freeholders are expected to harken back to the 'Juicy Lucy' album of the early 1970's and 'Lie Back and Enjoy It'.

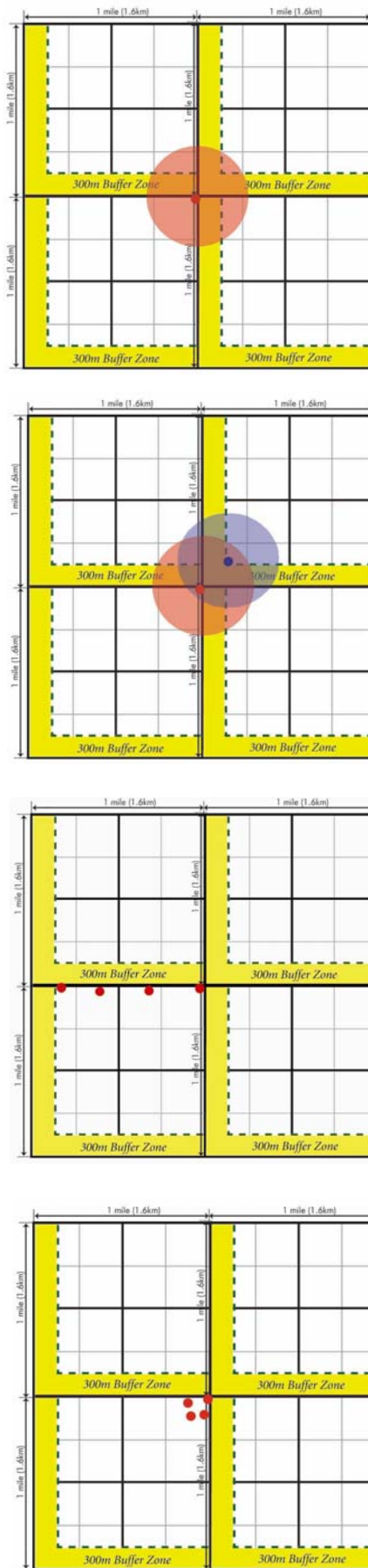
Declining conventional gas reserves and increasing gas prices in

recent years have focussed the Alberta energy industry's attention on southern Alberta geological formations which cannot be economically and efficiently drained on a one well per section basis. The coals of the Horseshoe Canyon play are the most obvious example. There can be no doubt that under the pre-existing regulatory system, the volume of energy industry applications for down-spacing or holding orders was overwhelming the EUB's limited manpower and resulting in delays deemed unacceptable by the energy industry. This is a good argument for increasing EUB staffing levels. It is not a good argument for the EUB to sacrifice the correlative rights of freeholders on the alter of expediency.

The impact of EUB Bulletin 2006-05 on the correlative rights of freeholders is illustrated in the diagrams to the right which show four adjoining sections each with 300 meter buffer zones on their southern and western sides. Pursuant to the corner target areas set forth in the bulletin wells may be drilled anywhere outside these buffer zones without being subject to off-target penalties on production.

In the upper diagram, a gas well (the small dark circle) has been drilled in the extreme northeast corner of the section to the southwest. The well is within the corner target area and is not subject to off-target production penalties. The large circle shows the approximate drainage area of a well in this location assuming quarter section radial drainage - the well produces from a zone above the Mannville and this drainage area is implicit in the EUB having allowed four wells per section. Due to its location, the well drains equally from each of the four adjoining sections.

The second diagram shows the drainage area for a well drilled by the owner of the offsetting north east section in an attempt to mitigate



drainage. The well is drilled as close as possible to the original well but, in order to avoid off-target penalties, it must remain outside the EUB buffer zones. In consequence, the drainage area of the second well includes very little of the offsetting southwest section. The effect of EUB's corner target areas and buffer zones is to allow preferential drainage of the northeast owner by the southwest owner. In other words, EUB Bulletin 2006-05 denies the owner of the northeast section the correlative rights the EUB is mandated to protect.

And it gets worse. Bulletin 2006-05 provides for up to four wells per section per pool in zones above the Mannville. There is nothing to prevent an energy company from drilling four wells on the east or north fence line of a section as shown in the third diagram. No matter what the drainage area of such wells may be, the owner of the offsetting section to the east or north will be subject to preferential drainage.

And that's not all. There is no restriction on inter-well distances in EUB Bulletin 2006-05. This means that an energy company focused on improving its short term financial performance and not concerned with long term reservoir damage could drill and produce four wells side by side as shown in diagram four. It was the overproduction associated with this type of industry thinking that destroyed Canada's first giant field at Turner Valley. The energy industry's wasteful practices at Turner Valley caused the Government of Alberta to create the EUB's predecessor and lead directly to the introduction of one well per section spacing units to prevent waste and encourage conservation and central target areas to protect correlative rights.

EUB Bulletin 2006-05 is the antithesis of good conservation legislation.

Just as in the case of the EUB's corner target areas for oil and 'first well in a pool' policies, it is individual freeholders who own a single tract of freehold mineral rights whose correlative rights are most at risk as a result of EUB Bulletin 2006-05. The inequities associated with this bulletin are exacerbated for those freehold owners who are bound by existing freehold lease agreements.

Under the rule of capture, a freeholder has no legal recourse against his neighbour if his neighbour produces gas from a well legally drilled on the neighbour's land which produces gas from beneath the freeholder's land. The freeholder's only recourse is to drill a well on his own lands to mitigate drainage. But under the granting clause in virtually all existing freehold lease agreements, the freeholder grants the sole and exclusive right to drill to his oil company-lessee. As a result, once a freehold owner executes a lease agreement, the freeholder can no longer protect himself from drainage and must look to his oil company-lessee for protection. Virtually all existing freehold leases contain an 'offset wells' clause which sets forth what the oil company-lessee must do to protect the freeholder from drainage. The problem is that all existing freehold lease agreements were negotiated before EUB Bulletin 2006-05 changed the rules.

The offset wells clause in existing freehold leases contemplates the drilling of one well on the spacing unit including a freeholder's mineral rights in the event of a gas well coming on production in an offsetting spacing unit. The clause does not require the oil company-lessee to drill four wells if four gas wells are drilled on the offsetting spacing unit. The reason is simple - the concept of more than one well per spacing unit flies in the face of good conservation legislation and was

not contemplated by either the oil company lawyers who drafted the leases nor the freehold owners who agreed to them.

The offset wells clause in most existing freehold leases only applies to offset wells drilled in laterally offsetting spacing units. The clause does not provide any protection whatsoever from gas wells drilled in the extreme northeast corners of sections as in the first diagram on the preceding page. One would have to be incredibly naive not to expect certain industry operators to take advantage of the EUB's new corner target area for gas regulations.

If a well exists on the section including the freeholder's mineral rights, the offset wells clause in CAPL 88 and CAPL 91 lease agreements provides no protection from drainage from offsetting gas wells producing from zones above the deepest zone penetrated in any well on the freeholder's section. The vast majority of freehold leases negotiated in the past decade are CAPL 91 leases. This is particularly critical in those areas of southern Alberta currently being developed for gas in the coals and sands of the Edmonton and Horseshoe Canyon zones. These zones were largely ignored before 2000 resulting in many 'dry holes' which are not really dry but have the effect of eliminating many freeholders' protection from drainage.

The Freehold Owners Association did not object when the EUB introduced corner target areas for oil in 1974 or it's 'first well in the pool' policy in 1994 because FHOA did not then exist. To some extent we as freeholders share the blame for these unfair policies by virtue of our failure to organize ourselves and protect our heritage.

FHOA now acts as the common voice of freeholders and freeholders

who are members of our association cannot be blamed for regulatory policies which are unfair to them.

The Freehold Owners Association recognizes that a healthy oil and gas industry is essential to the future of Alberta. We also recognize the difficulties faced by the EUB in balancing conflicting interests. FHOA would like to help in resolving these conflicts in the best interests of all stakeholders, but we are not prepared to sit idly by and see the rights of freeholders trampled by the regulatory agency charged with protecting these rights.

On February 28, 2006, FHOA met with EUB Chair Neil McCrank, EUB members Arden Berg, Jim Dilay, and Gordon Miller and senior members of the EUB's energy team to discuss our concerns with Bulletin 2006-05 and other EUB policies and procedures. FHOA proposed a number of alternative recommendations which would address the concerns of the energy industry and surface owners without sacrificing the correlative rights of freehold owners. EUB members appeared genuinely interested in the views of freehold owners and the EUB has committed to responding in writing to FHOA's proposals.

FHOA will post the EUB's response on our web site upon receipt.

TAX TIME

Members who own productive mineral rights are reminded that for the 2005 taxation year the 25% resource allowance has been reduced to 65% of 25% or 16.25%. You should be claiming 16.25% of the amount shown in Box 20 of the T-5 slip you receive from the energy company that pays you royalties. Many energy companies continue to fail to provide freeholders with proper T-5 information (they neglect to fill in Box 20). If your oil

company-lessee has not filled in Box 20 of your T-5 slip, we recommend you contact the company immediately and ask for a revised T-5. If you get no satisfaction, we recommend that you contact the Canada Revenue Agency. This year you can also deduct 35% of the mineral tax which you paid in 2005.

CONSENT FORMS

To date, the Freehold Owners Association has received approximately 400 forms from members and the families of members who have chosen to have their names and contact information remain available to the oil and gas industry. FHOA has now forwarded these consent forms to geoLOGIC Systems Ltd. for inclusion in the database which GeoLogic makes available to the oil and gas industry and to FHOA at a preferred rate. As described in our January, 2006 newsletter, the only way that a typical individual freeholder can realize value for his or her mineral rights is by interfacing with the oil and gas industry. It is in the interest of all freeholders to minimize the inconvenience and expense for oil companies seeking to do business with us. That is precisely what including your name and address in databases used by the industry does. It does not impact your privacy as anyone can find out your name and address simply by searching your title.

Our volunteers are dismayed by the relatively poor response which FHOA has received to date from our request that members complete consent forms. To those of you who have responded to our request, thank you. To those of you who have not responded because you wish to protect your privacy, we think your reasoning is flawed but we respect your decision. To those of you who have not responded because it is too much trouble, we remind you that this organization is run by volunteers who are motivated by good will. Good

will is a two-way street.

We have included another consent form and another pre-paid business reply envelope with this newsletter for those members who have not yet completed consent forms. We urge you to fill out this form and help us to help you.

FUNDING

Since its inception, FHOA has financed its activities primarily through annual membership fees and has constantly struggled with the issue of how to accomplish our goals while keeping annual dues affordable for members. At a recent meeting of FHOA's board of directors, the annual membership fee for 2006 was set at \$35. The board has also authorized a three-year membership fee of \$90. If you have not already paid your 2006 membership dues, we have included a membership renewal form with this newsletter which we ask you to complete and return to FHOA with your check.

FHOA's board of directors has also directed the association to develop a policy on advertising on FHOA's website and in our newsletters. Charging approved parties a fee to advertise the services they provide to freeholders represents both a source of funding for the association and a potential benefit to freehold owners. As a first step towards implementing this policy, this newsletter includes a letter from Just Freehold Energy Corp. (JFEC) - the corporation which has committed to using FHOA's freeholder-friendly lease in developing freehold mineral rights. JFEC has agreed to pay 50% of FHOA's newsletter mailing costs.

ANNUAL MEETING

The annual meeting of the Freehold Owners Association will be held on Saturday, May 13, 2006 in the Festival

Hall of the Memorial Centre, 4214 - 58 Street, Red Deer, Alberta from 10:00 to 12:00 a.m. Registrations will start at 9:00 a.m. The annual meeting will follow the successful format of last year with a mineral rights information seminar to be held in the afternoon.

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

