



November 15th, 2007

Via Courier

The Honourable Ed Stelmach, Premier
420 Legislature Building
10800 - 97 Avenue
Edmonton, AB
T5K 2B6

Dear Premier Stelmach,

**RE: Proposed Implementation of Shallow Rights Reversion as proposed within Alberta's
New Royalty Framework**

The Canadian Association of Petroleum Landmen ("CAPL") represents over 1,600 members who play a leading role in the acquisition, maintenance and disposition of both mineral and surface rights in Alberta and throughout Canada. It was with obvious considerable interest then, while reading the New Royalty Framework document of October 25th, 2007, that we noted the government's plan to "implement 'shallow rights reversion' to maximize extraction of the resource". The implementation of this policy change could have profound impacts, both positive and negative, on the conventional oil and gas industry in this province and on the many stakeholders and regulatory bodies with whom our work is so inextricably linked.

As we understand that the regulatory framework and implementation details for this new policy initiative are still at a formative stage within the Department of Energy, we offer the following initial suggestions and comments for consideration in the policy development process:

- The principles of fairness, consistency and transparency, particularly with respect to existing tenure holders, must be maintained as paramount guideposts in the framing of the new policy. In that regard, we note that the B.C. Crown, in its recently implemented policy change in this regard, has made their zone-specific retention policy effective only on newly acquired tenures.
- The Department of Energy's requirements for a lessee to demonstrate "productive capability" and thus retain uphole zones past an initial lease term expiry date, will need to be carefully examined, particularly in light of other regulatory initiatives aimed at minimizing gas flaring, etc.
- As you are aware, there are a number of policy and regulatory initiatives currently underway in Alberta aimed at minimizing the surface footprint and impact of oil and gas field activities on surface landowners and stakeholders. Those CAPL members who work on the surface side of the business are reminded of this fact daily in their ongoing relationships with surface owners, occupants and stakeholder groups. By increasing the likelihood that the petroleum and natural gas rights underlying a particular piece of surface land will be owned and developed by multiple parties under separate mineral title


documents, the proposed shallow rights reversion policy could be viewed as working at cross-purposes to those initiatives. In order to minimize these impacts, a co-operative and co-ordinated effort involving industry organizations and stakeholder groups, the Alberta Energy and Utilities Board, the Alberta Department of Energy, Sustainable Resource Development & other provincial departments will clearly be required in both the development and implementation phases of this new policy.

Over the years the CAPL has worked closely with Alberta's Department of Energy to achieve mutually beneficial and workable outcomes on numerous petroleum and natural gas tenure initiatives, and with other departments and agencies on various surface rights/stakeholder matters. In that vein, I should point out that several CAPL members will be in Edmonton on November 28th to join with the many deserving members of the Department of Energy and others to receive the *Gold Premier's Award of Excellence* in recognition of the collaborative effort that saw the successful implementation of "e-Tenure" in the Province. Accordingly, and in this same spirit of co-operation, I am confident that the CAPL will be afforded the opportunity to take a leading role in the development and review of draft regulations and implementation plans for Alberta's new shallow rights reversion initiative. We look forward to working together with Department of Energy staff members.

I would be pleased to discuss this matter with you or your officials at your convenience. I can be contacted during office hours at (403) 539-1777.

Yours sincerely,

CANADIAN ASSOCIATION OF PETROLEUM LANDMEN



Cindy Rutherford, P. Land
President

KCG/NM

cc: Honourable Mel Knight, Alberta Minister of Energy
Honourable Ted Morton, Alberta Minister of Sustainable Resource Development
Pierre Alvarez, President, Canadian Association of Petroleum Producers
Gary Leach, Executive Director, Small Explorers and Producers Association of Canada
Kin Chow, Chairman Canadian Society for Unconventional Gas
Rob Telford, Vice-President, CAPL
Noel Millions, Director, CAPL
Ken Gummo, Director, CAPL
Terry O'Connor, Director, CAPL
Jim Kiss, Farmers' Advocate Office