

**Presentation to Royalty Review Committee by Whitehall Energy Ltd.,
Tuesday, May 22, 2007 11:00 A.M.**

Good morning ladies and gentlemen. My name is Ben Van Sant and I manage a small private oil and gas exploration company called Whitehall Energy Ltd.

Whitehall operates only in Alberta with most of our activity occurring in the general Grande Prairie area. All of Whitehall's production has been developed from the drilling of Alberta crown P&NG leases over the last five years or so. Whitehall relies on its internal cashflow and prudent bank lending to finance its activity.

I would like to reiterate a message that I am sure you are hearing not only from oil and gas producers but also from service sector companies as well. We are in the midst of a serious downturn in activity directed toward conventional natural gas exploration that will likely affect future Alberta natural gas deliverability.

Signs of this downturn are evident every day to those in the oil patch; but may not be so obvious to the general public:

- Drop in new gas well licenses to less than half of the number in 2006¹.
- Very low drilling rig utilization 11%, lowest since 1999².
- Service companies moving equipment and operations to other areas of the world³.
- Public companies unable to raise capital with many juniors being forced to restructure.
- Competitive disadvantage with alternate energy investments at natural gas prices of \$7.00 per mcf. Various US basins and LNG appear to have a competitive advantage⁴ to the Alberta Basin.

The reason for this downturn is that the Alberta Basin is mature; the natural gas pools are smaller and harder to find and Alberta has become a relatively high cost basin.

High finding costs for producers are due to several factors:

- Rapidly escalating drilling and well service costs.
- Layers of rules and regulations that dramatically increase project planning horizons and costs. Many difficulties accessing surface lands.
- High cost for crown P&NG leases.

High operating costs for small producers are due to:

- Crown royalty rates as high as 30 – 35% depending on the vintage of natural gas production⁵ No ARTC.
- Third party processing, (most small companies do not own natural gas processing facilities).
- Escalating service costs.

Whitehall carries a relatively large amount of undeveloped crown P&NG leases for a company of our size, last count around 90,000 acres or 140 sections, and relies upon

general industry activity in the area to assist in developing production on these leases via farmouts. We had 7 wells drilled under farmout in 2006. So far we have one for 2007, and that was committed to in 2006. This leaves Whitehall, with a relatively small budget, to explore a large acreage position by ourselves – well, we can't. Just for your information the ARTC, which has been eliminated, constituted about 8% of our 2006 cash flow. Budget we don't have this year to explore.

With many forecasts of declining Alberta natural gas production⁴ the Alberta government may be faced with the issue of how the stimulate conventional gas exploration.

Thank you for your time and consideration of these issues this morning.

Footnotes

1. Daily Oil Bulletin (DOB) Friday May 11, 2007 Page One.
2. DOB Friday May 4, 2007 Page Two.
3. DOB Tuesday May 15, 2007 Page Eleven. Precision Drilling News Release May 18, 2007.
4. DOB Monday May 14, 2007 Page Three.
5. Royalty Information Briefing #3 – Alberta Royalty Review 2007.