



Royalty Review

Mannville CBM Considerations

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Trident Exploration Corp.
May 24, 2007



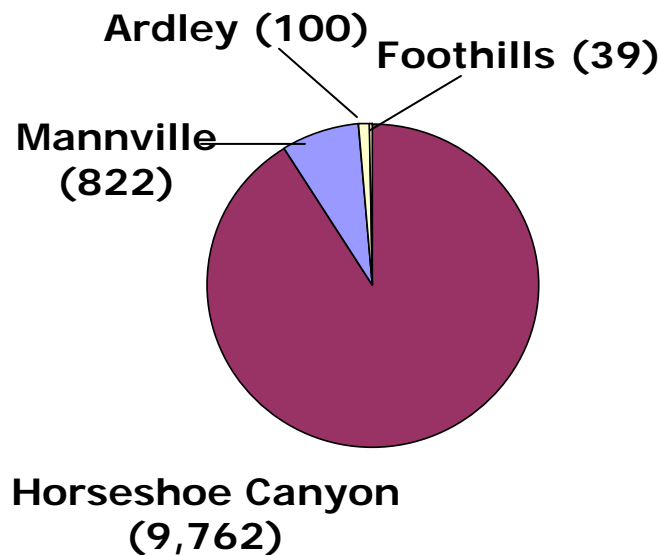
Company Overview

- Privately held: founded in 2000 with \$4 million
 - Raised privately and invested \$1.3 billion in Alberta coalbed methane development to date
 - Control over one million net acres of PNG rights
 - Operator for several CBM joint ventures with public companies
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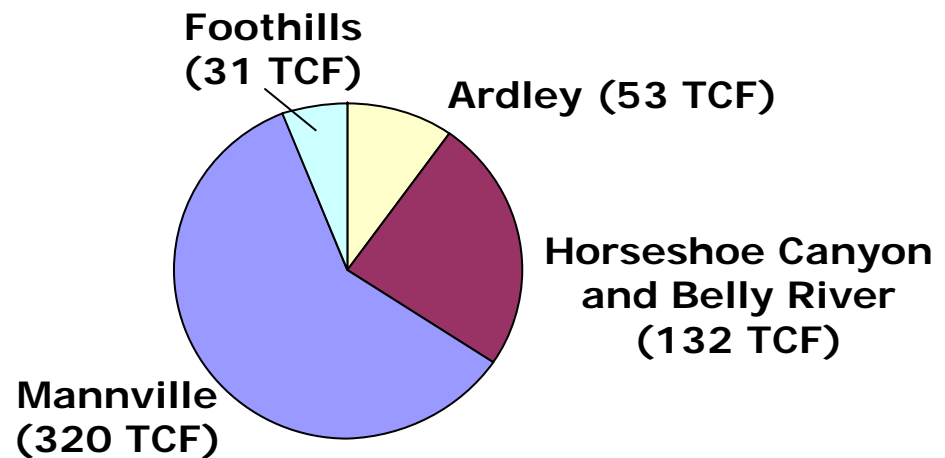


CBM in Alberta

CBM Wells



CBM Gas in Place

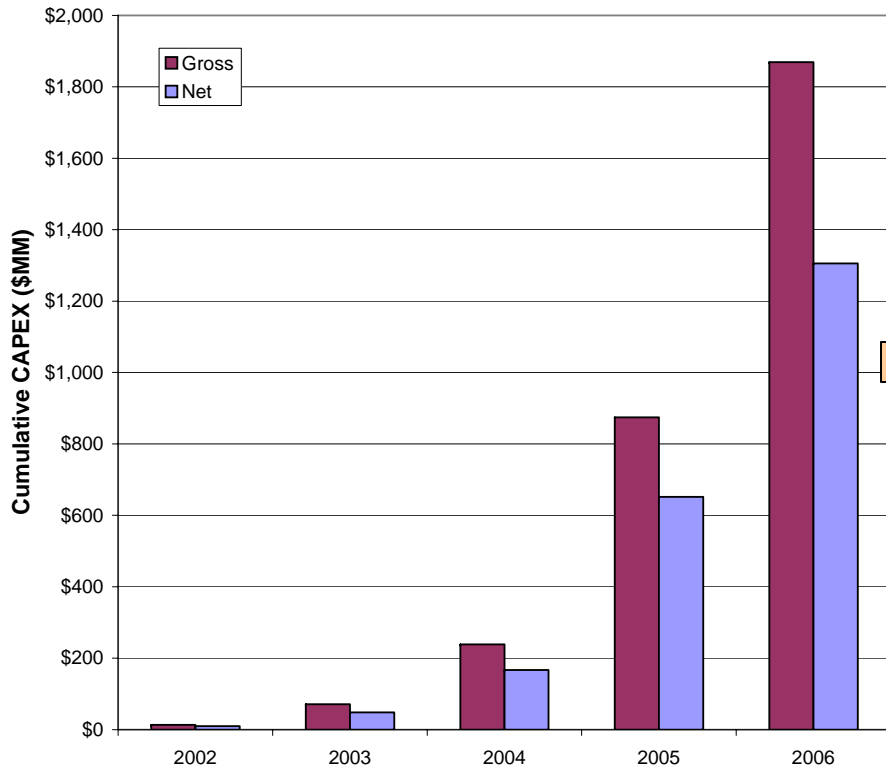


- Horseshoe Canyon CBM is predominantly dry
 - Least expensive to develop, short lead time, least technical challenges
- All other CBM resources are predominantly wet, very different from conventional
 - Huge complex resource
- Development is necessary to mitigate declining conventional supply

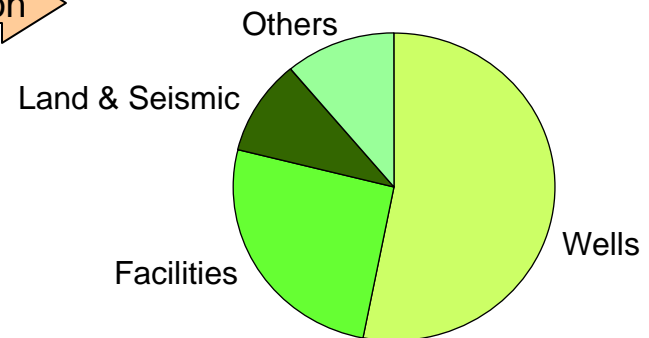
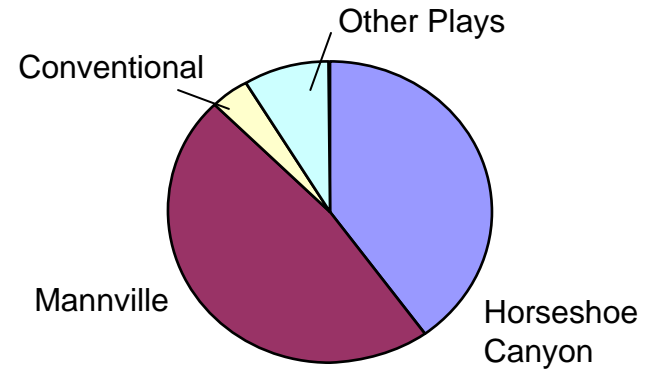


Total Trident Capital Expenditures

Trident Capital Expenditures
(cumulative)



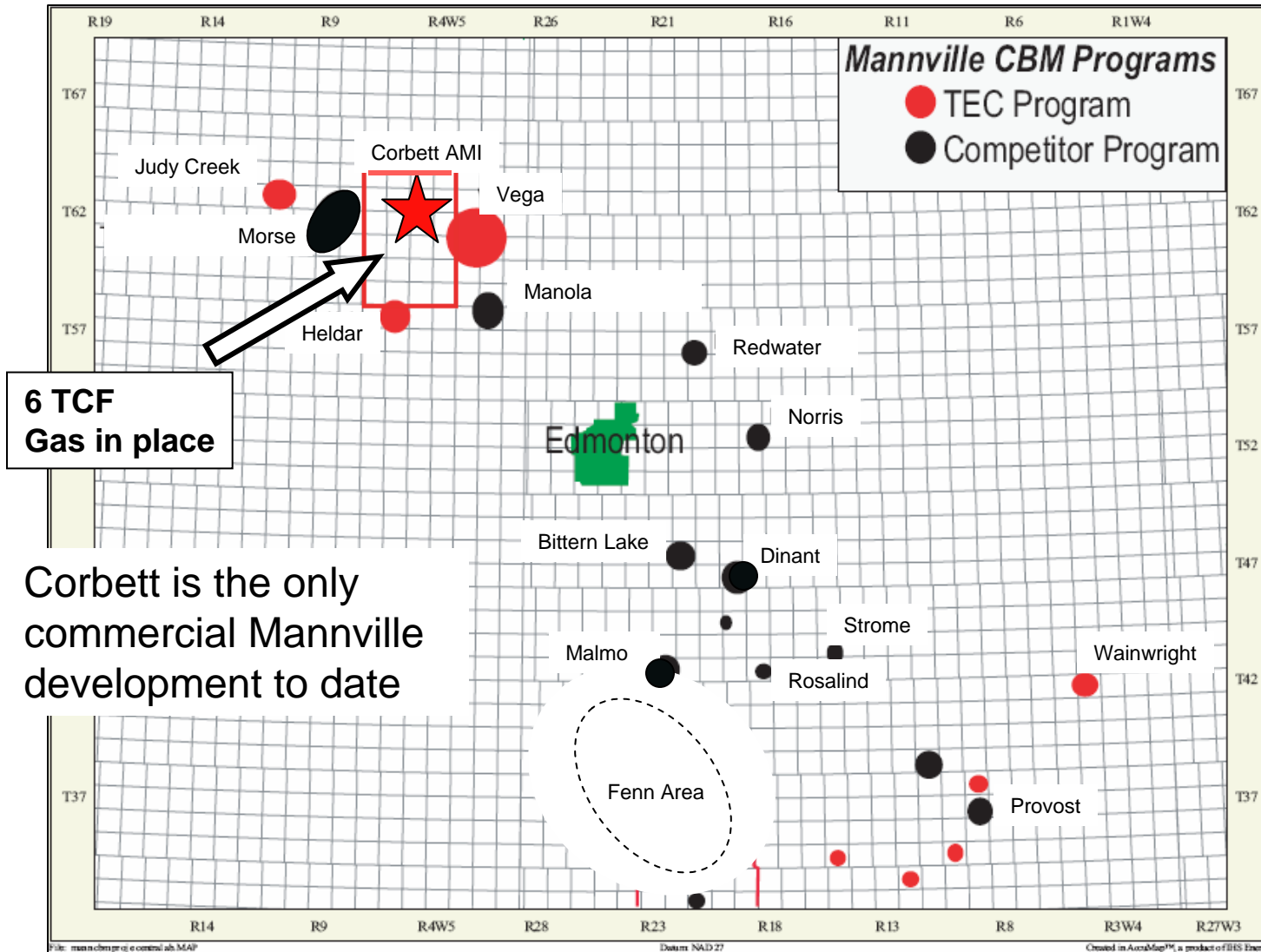
~\$1.3 Billion



- Trident is responsible for at least one third of all CBM investment in the province to date.



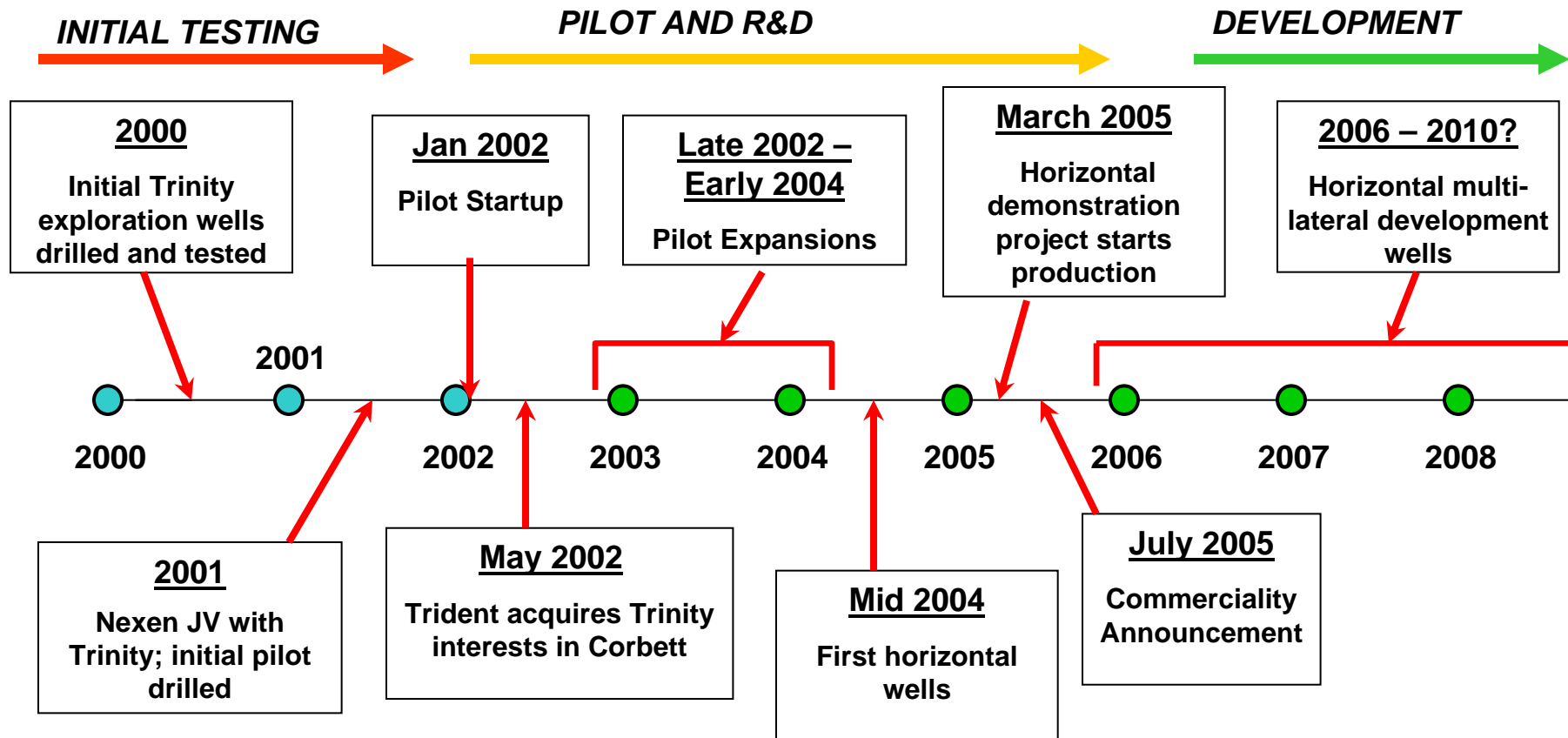
Mannville CBM is in early stages





The Cycle of Innovation

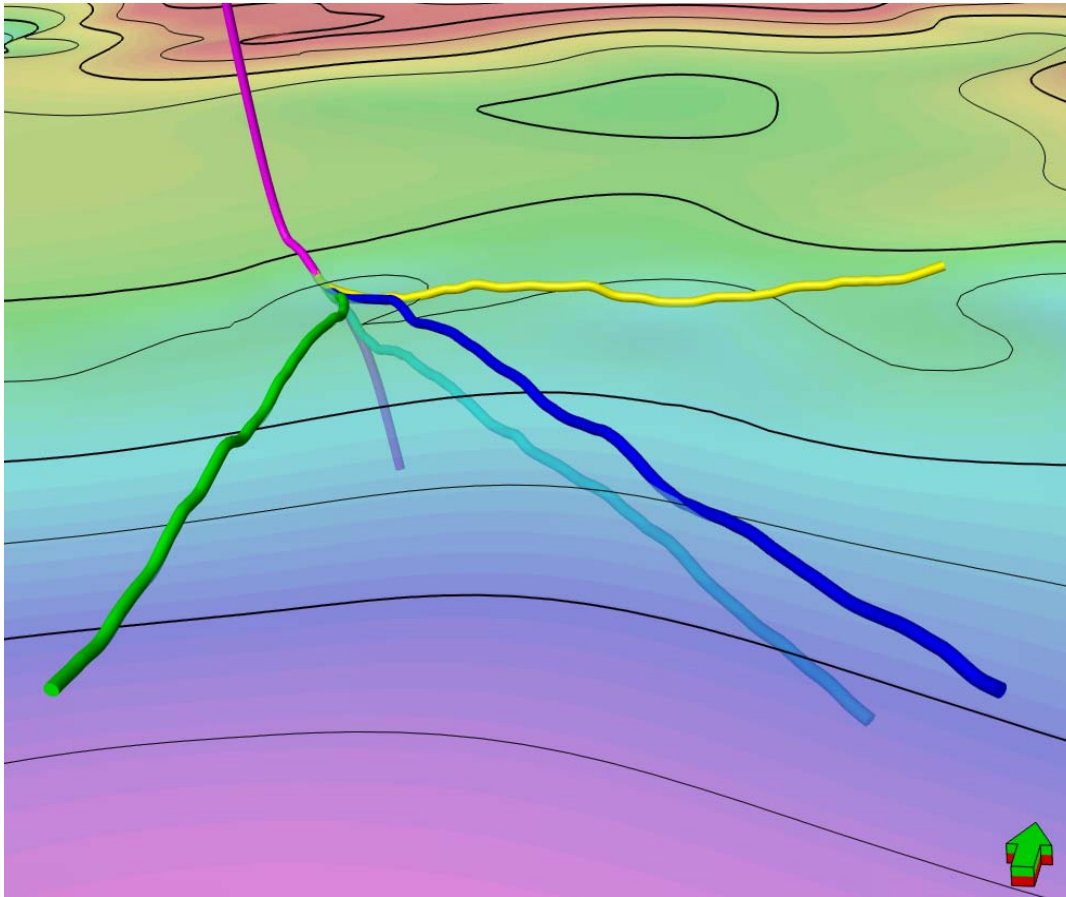
Long Timelines



- Production operations for 20 – 35 years
- Comparable pre-development in other areas



Innovation Impacts



- Some impacts unexpected
- Multilateral drilling:
 - Reduces footprint 80%
 - Reduces capital cost
 - Increases royalties by \$100 million over project life
- Expect similar impacts on other unconventional resource projects

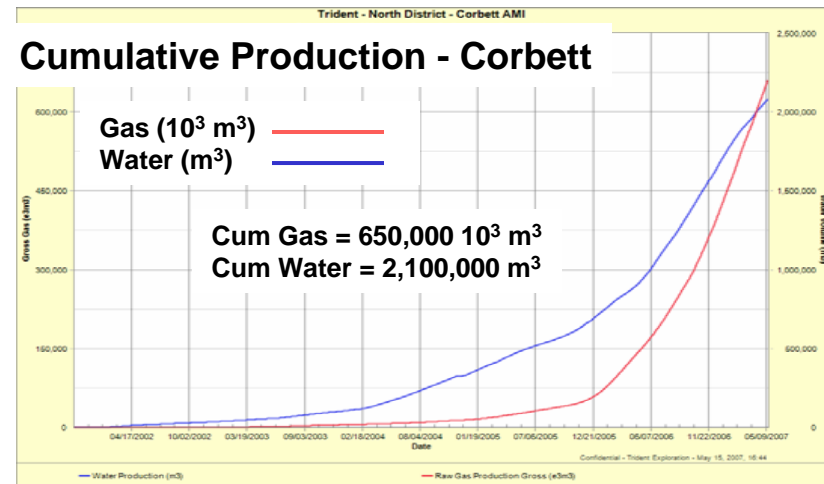
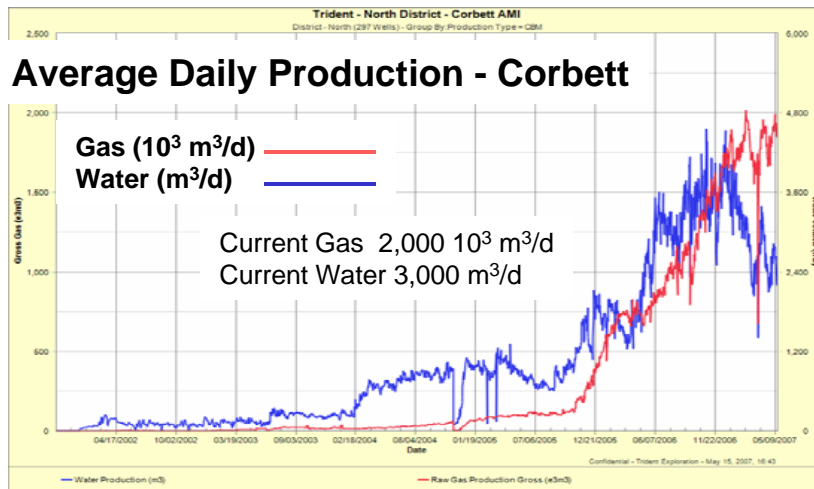


Mannville CBM resource is different

- Need large land position to initiate the play
- Gas is not free flowing
 - Depressuring - salt water production is necessary and precedes significant gas production
 - Water challenges continue during operations
- Technical risks high, and technology development lengthy and expensive – takes four or more years
- Major front end investments in water gathering and disposal are unique



Mannville CBM resource is different



- Almost 300 wells producing
- Salt water production is essential to reduce reservoir pressure and allow gas production
 - Over time water production begins to decline
- No other gas resource development imposes this front end technical and cost challenge



Mannville CBM resource is different

*Wet CBM development is no more
like conventional gas than oil
sands development is like
conventional oil.*

“The royalty system for Alberta’s oil sands is different than the system for conventional oil and natural gas. The system was designed to specifically recognize that the oil sands are a different resource with different investment profiles. The revenue minus cost regime was selected to reflect the large initial investment, long lead time before any revenue is realized and, once production begins, a long steady stream of revenue. This is a regime chosen around the world for this kind of profile.”

Royalty Review Panel
Terms of Reference (2007)

Figure 1: Conventional Production Cash Flow

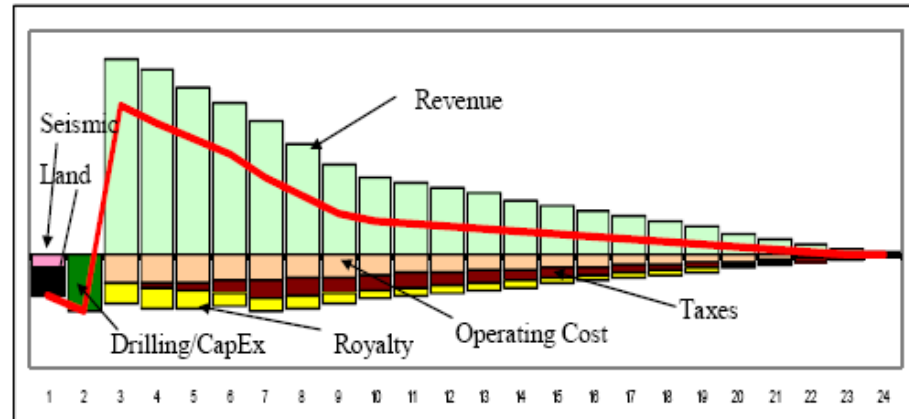
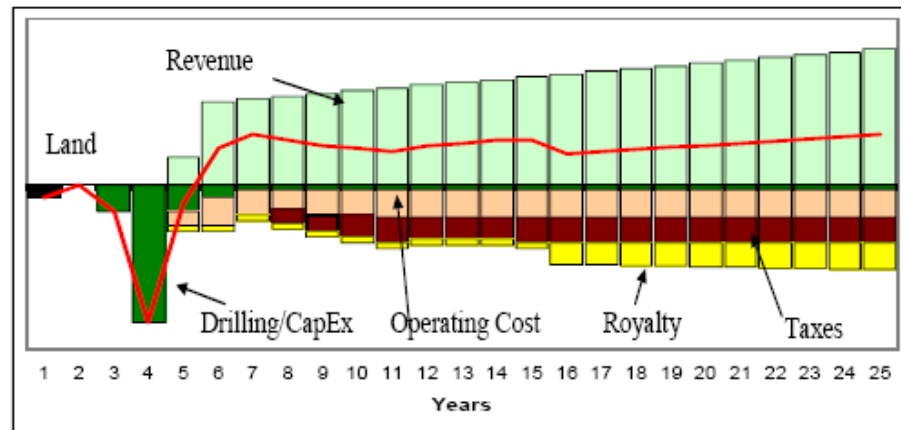
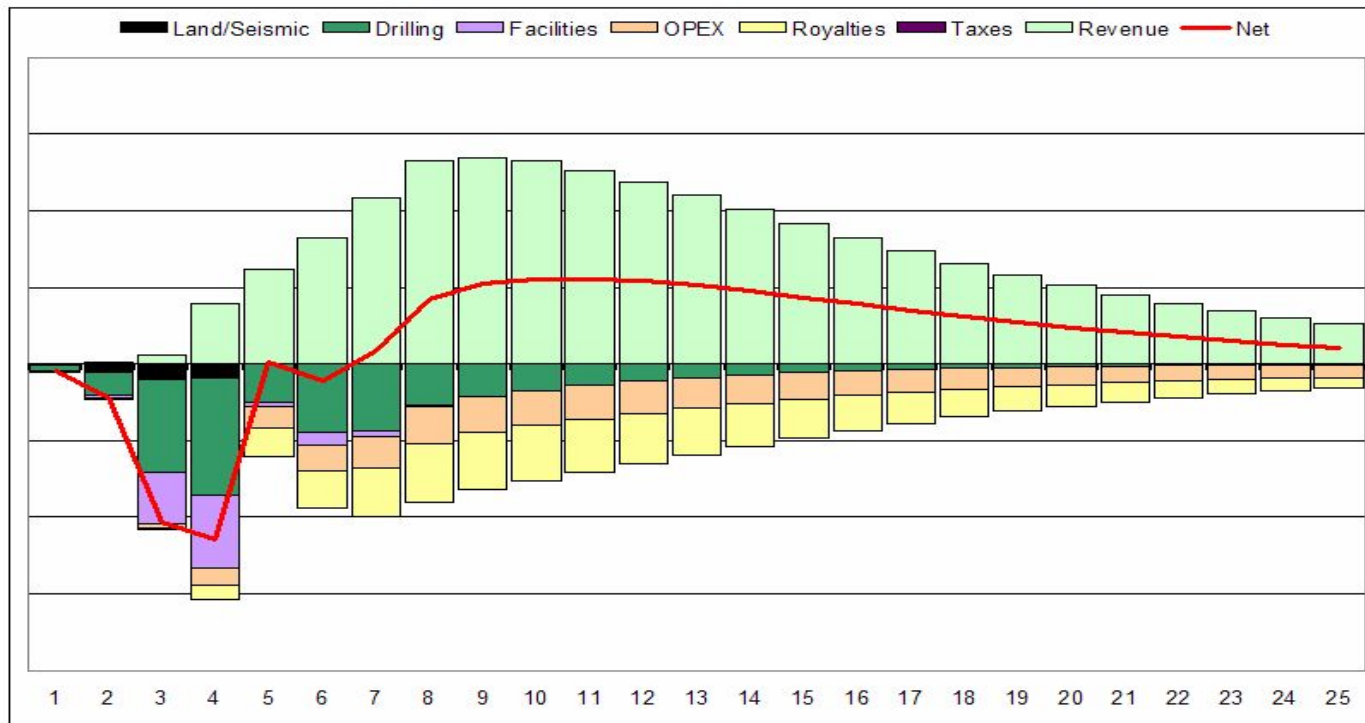


Figure 2: Oil Sands Production Cash Flow





Mannville CBM Investment Profile



- Many similarities to oil sands investment profile
- Key sensitivities include the production decline rate which, in the absence of operating history, is unknown



Summary

- Continued and broader development of Mannville CBM will require constant innovation, including:
 - multi-lateral and horizontal drilling, and
 - reservoir stimulation and pumping technology
- DOE/AENV Multi-stakeholder Advisory Committee recommendation (2006)
 - Almost all stakeholders recommended a royalty regime that would facilitate continued R&D and Mannville CBM development
- Industry's investment to date - one commercial success



Conclusion

- The current decline in conventional supply can be mitigated by Mannville CBM and other emerging resources.
- The right framework for development will improve the viability of a huge, currently stranded resource in Alberta.
- In 1997 the Province took a strong position and a long term view to encourage the establishment of oil sands as a viable resource. The same wisdom and long term view is needed for unconventional gas to ensure there is an Alberta gas resource for future generations to share.



Trident Exploration Corp.

THANK YOU!

QUESTIONS?