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FOR IMMEDIATE RELEASE

**Western Canada Gas Pricing
 now *Disconnected* from Oil Prices**

Calgary, September 24, 2007

The timing for an Alberta royalty hike for the gas industry is very challenging, says Paul Ziff, CEO of Ziff Energy Group, based in Calgary and Houston, Texas. “In contrast to the headlines about crude oil, where international issues are leading to new high prices almost weekly, *natural gas prices are very low, and remain in serious doldrums.*” The price discount of natural gas from its heating equivalent value to crude oil has steadily eroded gas value and has become worse over the past 5 years. The gas price is *not* following the oil price up; consequently, new western Canada gas directed activity has dropped sharply, which will lead to a larger drop in gas production next year, due to the high decline rate for Western Canada gas production.

Figure 1 illustrates the discount of gas versus its energy value. From near parity in 2003, the discount grew to a third (33%) in 2005. However, by the end of the 1st 8 months of 2007, the *gas versus oil discount ballooned to 78%.*

**Figure 1
 Alberta Natural Gas Price Discount vs. Crude Oil**

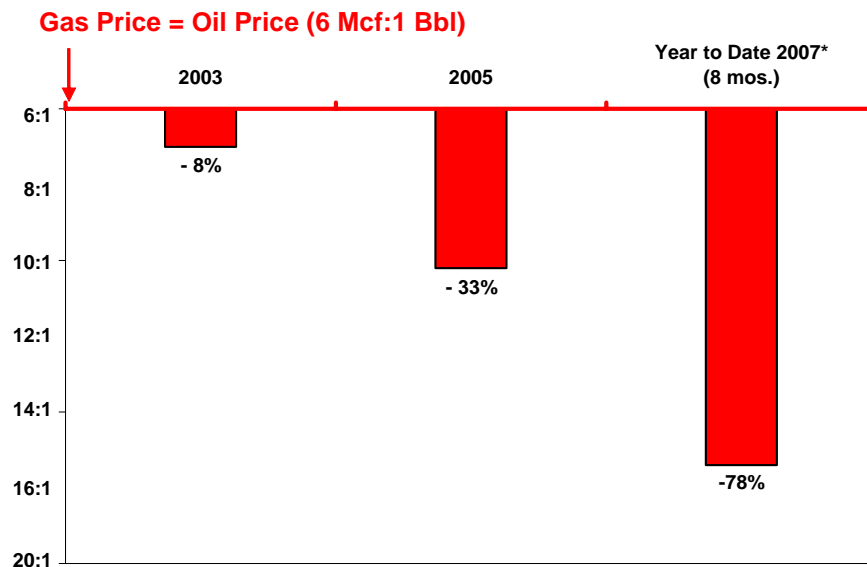
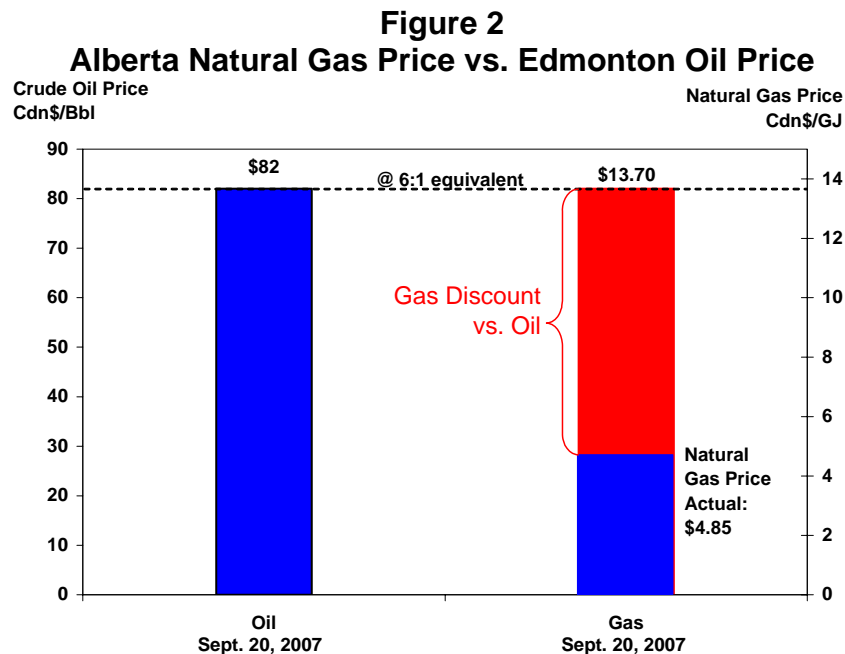


Figure 2 shows the price on September 20, typically a low price month for gas. The discount is enormous – \$82/Bbl; the price of a barrel of oil would buy 14 Mcf of gas, vs. the energy parity of 6 Mcf.



“Although the Western Canada public perception is of an ‘oil and gas industry’”, Mr. Ziff cautions, “the reality today is a predominantly *natural gas conventional industry*, alongside the burgeoning *unconventional oil sands industry*. In the last several years, gas drilling has accounted for three quarters of conventional drilling activity in Western Canada (i.e. excluding the deeper oil sands, which requires many fewer wells for SAGD projects (Steam Assisted Gravity Drainage), and *no wells for oil sands mining*.”

The natural gas industry in Western Canada is facing significant escalation in service costs over the past 30 months, as reported in a Ziff Energy press release October 2006, and on September 14, 2007. Contrary to the external report (IHS/CERA) utilised in the Alberta Royalty review, Ziff Energy Group’s research clearly indicates that *Alberta gas economics for new gas activity are at a significant disadvantage compared to most US gas basins*. As a result, gas drillers have sharply reduced their once robust activity levels, resulting in many thousands of layoffs in the service industry across Alberta.

Gas currently provides the majority of Alberta gas royalty revenue, and land bonuses; however, the proven gas reserve life in Canada is under 9 years, so considerable drilling activity is needed annually to slow the rapid decline. Maintaining the existing level of production is unlikely, according to Bill Gwozd, P. Eng., VP of Gas Consulting at Ziff Energy Group. He says that if gas prices become re-linked to oil prices, there would be an opportunity for increased gas royalties; however, the timing of increased royalties for the gas sector now would have a very unfortunate effect on the industry should the recommendations be accepted and implemented.

For more information contact:

Bill Gwozd, P. Eng., VP, Gas Services
403-234-4299
bill.gwozd@ziffenergy.com

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