

Alberta In Situ Oil Sands Alliance

Press Release

October 11, 2007, Calgary, Alberta

Alberta's Oil Sands Companies Recommend Royalty Framework that Supports Resource Development

A concerned group of in situ oil sands development corporations submitted a letter today to the Government of Alberta in a joint response to the Report of the Alberta Royalty Review Panel (the "Panel"). The companies assert that the Report fails to account for the many ways in which Alberta's smaller, entrepreneurial firms contribute to our economy by taking on huge risks and driving the technologies that make the Alberta Advantage possible.

The group, called the Alberta In Situ Oil Sands Alliance (the "Alliance") says that the Panel appears to have overlooked the fact that Alberta's oil sands are costly to develop and produce. The economic terms must be fair and balanced for the province and the industry in order to attract the substantial financial resources needed to fund these world-scale projects. Alberta-based corporations, and the citizens of Alberta, will face significant and adverse consequences if the Panel's recommendations are implemented.

The Alliance's members and many other small Alberta companies play a very important role in driving technology forward and unlocking value for the benefit of Albertans. Their business models depend on finding economic and environmentally friendly solutions for developing Alberta's largest resource. The expertise that crafts these technologies resides in the Albertans that staff these companies.

For Alberta's homegrown expertise to be mobilized, the province must continue to be an attractive jurisdiction for investors.

Multi-billions of new investment dollars will be required in order to cultivate the untapped in situ resources of Alberta. These untapped resources represent approximately 80% of the estimated recoverable barrels of bitumen in the province with associated future royalties representing multi-billions of dollars for Albertans.

The Panel has grossly underestimated the costs associated with oil sands projects. In the Alliance's experience, the costs used in the Panel's calculations are only two-thirds of actual amounts currently being invested on oil sands projects - resulting in egregious errors and incorrect conclusions.

The province has created advantages for all Albertans through its existing royalty program which is based on a partnership with industry. The current regime enables reinvestment in technology, improvements in recovery techniques, emissions management and the development of frontier resources that will benefit Albertans now and in the future. The economic environment generated through this process is at risk.

A workable solution for all stakeholders that will deliver Albertans continued long-term prosperity is needed. To that end, the Alliance, which believes such a solution is achievable, has proposed the following five points for the Government of Alberta to consider:

Ability to pay: Retain a net profit structure which allows for risk-taking by companies and a balanced share of benefits for Albertans.

Share in the upside: Adopt a scaled royalty rate structure that increases based on oil and gas prices above the break-even price for new projects.

Current costs: Use credible, up-to-date project costs and projections to prepare a fair and balanced economic analysis.

Rates of return: Need to be acceptable and competitive to allow new projects to attract the necessary capital to develop Alberta's resources for the benefit of Albertans.

The Alliance's overall recommendation is for the province to consider all of the benefits to Albertans from the development of our oil sands resource. An inappropriate adjustment in the royalty regime may have substantial unintended negative consequences for employment, income tax revenue, and Crown bonus revenue for our province.

The parties involved in the Alliance include Athabasca Oil Sands Corp., Laricina Energy Ltd., MEG Energy Corp., and OSUM Oil Sands Corp.

A copy of the full letter sent to the Government of Alberta from the Alliance can be found at any of the following links:

www.megenergy.com

www.osumcorp.com

www.laricinaenergy.com

To date, the Alliance members have paid roughly \$300 million in bonus revenue to the province representing recoverable resources of approximately 13 billion barrels. Cumulative estimated capital expenditure thus far by the Alliance totals approximately \$2.5 billion in seismic, core hole drilling, plant construction and SAGD drilling activities. The Alliance intends to invest in the range of \$7 billion within Alberta over the next five years to advance its projects.

In terms of challenging and rewarding jobs, the development of our resources will generate significant direct and indirect employment throughout Alberta. It is anticipated that the Alliance will create over 20,000 jobs during peak drilling and construction times. These well paying jobs provide significant opportunity for people and organizations across Alberta and throughout Canada, including aboriginal and rural communities.

Information on each of the parties involved in the Alliance can be obtained as follows:

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The reader is cautioned not to place undue reliance on forward-looking statements.