

Members of the Review Panel:

## **A proposal to compensate the communities around Port au Port Bay**

The communities that would be most affected by development of the Green Point Oil play are those that directly border Port au Port Bay. The larger of these small communities include Lourdes, Piccadilly, Boswarlos, Port au Port and Fox Island River. Oil field development would have both positive and negative impacts on these communities. Trucks will go back and forth on the roads, drilling and completion operations will make noise which residents may hear on a calm day, the local population will increase and there will be surface impacts where drilling pads are set up.

On the positive side, highly paid jobs will be created locally, real estate values will increase and local businesses will see increased revenues. Local gas stations, grocery stores, restaurants, hotels, bed and breakfasts, rental car agencies, port facilities, trucking companies, oil field services, legal services, accounting services, surveyors, airports, and construction services will all benefit.

One of the unique aspects of this project will be the opportunity to hire local people who are highly qualified. Many local people have moved away to find employment in the oil and gas sector. We expect a large proportion of people moving into the area for jobs will actually be experienced oil and gas workers coming home.

In Stephenville, the airport and port facilities will become active. Population will increase because of employment opportunities and real estate prices will go higher. Stephenville will become more vibrant as new businesses open, some that cater to workers with money to spend and others that provide services to oil companies.

Corner Brook and the smaller communities up to Deer Lake will benefit from the “ripple effects” of increased economic activity nearby.

At the provincial level, increased royalty and tax revenue will help to decrease the deficit and to fund social and infrastructure programs.

The entire province will enjoy the benefits of field development in Port au Port Bay through royalties and taxes, as well as economic activity. However, only the people who live around the bay will have to live with the increased traffic and noise.

That doesn't seem fair.

## **Our proposal**

We propose to compensate the land owners and communities around Port au Port Bay by sharing a royalty taken from our 100% working interest. Our desire is to provide a direct economic benefit to those directly affected by our activities.

How large would the royalty be and on what basis would it be divided? We will work that out with the local land owners and communities. We hereby publicly commit to negotiate those details in good faith.

How much money would be involved? Bear in mind that we have never had an opportunity to properly complete a well, so there is no guarantee we will be successful. If we are unsuccessful there will be very little money involved, but also very little disturbance.

However, if we are successful, we will recover a lot of oil over the life of the project. According to an independent NI 51-101 compliant engineering report, the best (middle case) estimate is that there is a potential recoverable resource of more than 428 million barrels of oil. This is an estimate, so to be conservative, let's cut that in half and say we recover 200 million barrels over the life of the project.

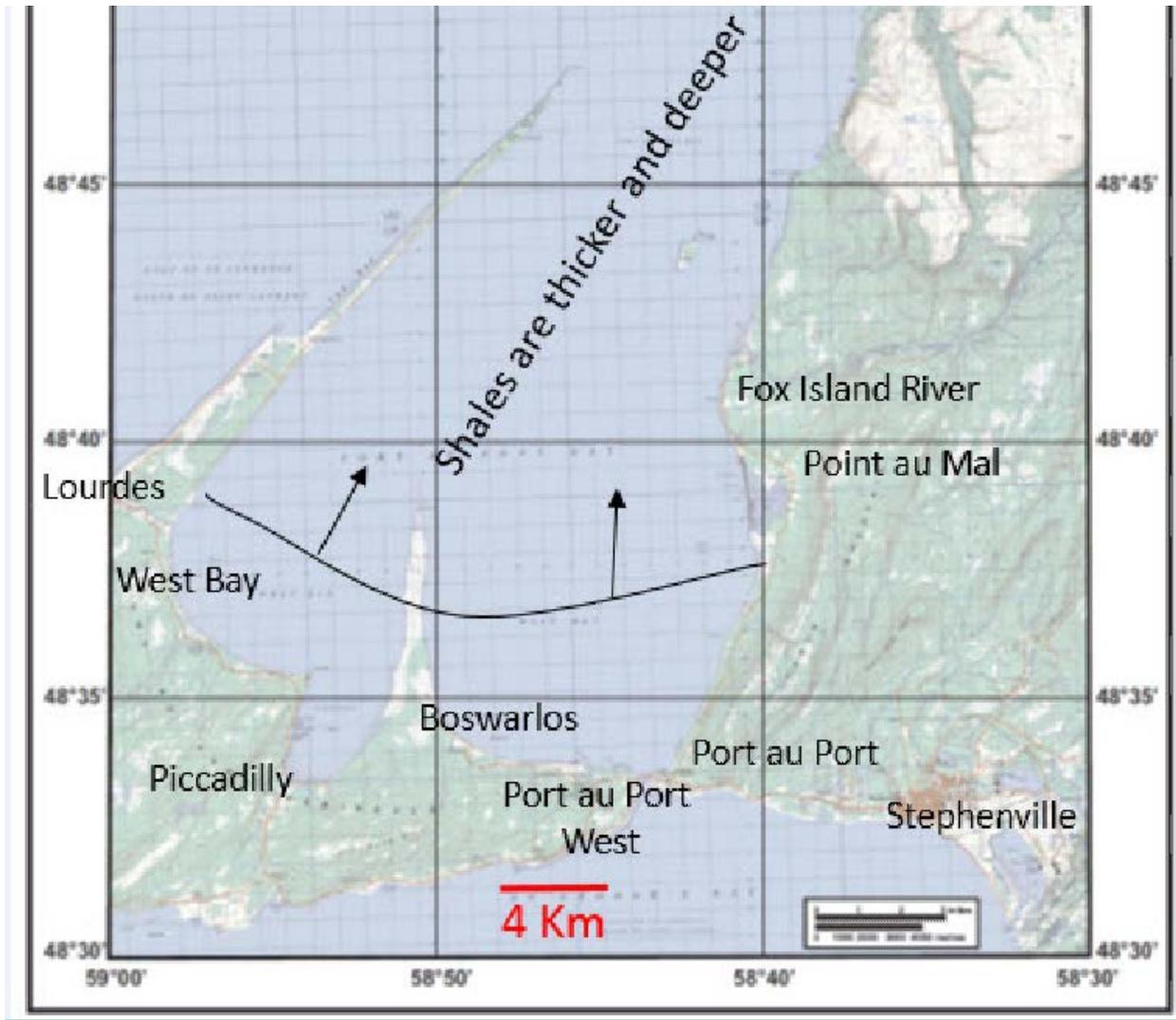
We will get the international price, also known as Brent pricing, which is at a premium to U.S. pricing and at a large premium to Alberta pricing.

If we average U.S. \$65 a barrel over the life of the project, every 0.1% royalty will be worth U.S. \$13 million in total.

If we average U.S. \$100 per barrel, each 0.1% royalty will be worth U.S. \$20 million over the life of the project.

## **Location of operations**

On the map below, the line marks the edge of what we think are the thickest and most prospective shales, according to well data and seismic imaging. South of the line the shales thin out and are probably of no interest. The richest shales are north of the line, so that is where we would concentrate our exploration and development efforts. We would never operate near to the communities at the south end of the Bay.



The community of Fox Island River is different, because we think that is a highly prospective area. However, we don't plan to do any evaluation drilling near that community, and in the longer term we wouldn't do any drilling near there without first coming to an agreement with the local residents. We make a similar commitment to those few residents in the parts of Long Point that are of geological interest.

We will be submitting a number of articles and peer reviewed papers on the socio-economic impacts of oil and gas development in general and on unconventional resources in particular.

Respectfully yours,

M. Jarvis  
 CEO  
 Shoal Point Energy

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