

RESOURCE DEVELOPMENT BACK ON STREAM IN *Saskatchewan*

North Battleford to see 'enormous' investment in coming years

By Tim Banman



49 North Resources Inc. CEO Tom MacNeill is proud of his company's strong record of financing early-stage ventures in Saskatchewan.

49 North Resources Inc. CEO Tom MacNeill is proud of his company's strong record of financing early-stage ventures in Saskatchewan, and expects oil and gas development to flourish in the province for at least a generation.

"We're the first and only ones doing this, supporting Saskatchewan's capital market this way, with real dollars for early-stage ventures," says MacNeill. The company takes equity positions, builds management teams, helps raise

external capital, and connects with institutional investment bankers.

Through its subsidiary company Allstar Energy Ltd., 49 North completes its own drilling and farms into other operations. MacNeill says while the high price of oil is fuelling the boom in Saskatchewan, "ridiculously unfavourable royalty structures" had impeded exploration when the Province entered the oil and gas business with SaskOil in 1973.

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"The agenda was, OK, government owns an oil company, raise the rates so nobody else can afford to produce oil in Saskatchewan, and that scared everyone else away." The royalty rates stranded the assets in the ground, he says. MacNeill praised the Province's decision in 2004-2005 to level the playing field to make it fair again.

"There's a tidal wave of money that's rolled into the province to start where it left off in the 1960s," he notes. "Politics finally got out of the way of proper resource development and I'm just thrilled about that."

MacNeill expects a strong recovery for natural gas. A split between oil and gas will not last because the same rigs and technology are used to drill both, he says. "We will see higher gas prices and in fact, at 49 North, we're putting projects on our books right now in anticipation of that."

The heavy oil and gas frontiers have expanded east from the traditional area around Lloydminster and North Battleford and moved north from Kindersley. MacNeill estimates a generation's worth of work remains in the ground and that within 10 years there will be 10 times the amount of activity in the area.

North Battleford's place in the oil boom is "enormous," says MacNeill, because it is on the right road in the right place, just north of light oil and in the heart of heavy oil. North Battleford will be the heart of the energy production area for the foreseeable future, he says.

49 North is a large equity investor in Rallyemont Energy Inc., which is working on a heavy oil project 20 miles north of the

city on 65 sections of land and on the site of historical wells drilled in the 1950s. MacNeill expects a production decision this year that could put a SAGD field into production.

To the south, 49 North's subsidiary Allstar Energy Ltd. is drilling on the Red Pheasant Reserve. Allstar secured rights to explore and drill on over 32 sections to develop the heavy oil prospect on the reserve. MacNeil expects production to come on stream later this year and sees potentially hundreds of cold heavy oil wells.

Allstar reported success from its first 90 days in production at its Phase 1 Viking horizontal wells in February, with 300 BOE/day from five wells pumping at optimal capacity. Allstar also finished completion operations on five Phase 2 wells at Kindersley. Allstar plans to drill another 20 wells in the Kindersley area this year.

49 North owns a large shareholder stake in a Coal-To-Liquid prospect with Westcore Energy. "Probably the biggest energy story on our books right now is actually coal, not oil and gas," notes MacNeill. "It will have a very positive impact for Saskatchewan and Manitoba," he says.

Westcore has one of the most extraordinary thermal coal fields in the world, MacNeill says, adding that winter drilling found intersections nearing 100-metres thick of coal, or potentially hundreds of millions of tonnes of coal. Around a tonne of coal can produce three barrels heavy crude, and two units of other products like diluents for oil production and pipelines, or synthetic coke for the steel industry. A Westcore press release from March indicates discussions are proceeding well with Quantex Energy for an exclusive licence to use the Coal-to-Liquid process in Manitoba and Saskatchewan.

NuCoal Energy Corporation in southern Saskatchewan also has huge land masses with lignite coal for coal to liquid process, a company 49 North has financed. 49 North has shares with Petro One Energy, which is exploring land in southeast Saskatchewan into western Manitoba, and invested in Torquay Oil Corp, currently exploring 60,000 acres near Lake Alma. 49 North helped seed local talent with Admiralty Oil Limited's operation southeast of Weyburn, currently conducting exploration on 20,000 acres. ■

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