

ANATOMY OF AN ABORIGINAL OIL & GAS PLAY

EL PASO ACQUIRES VELVET
EXPLORATION FOR \$440
MILLION

ONCE UPON A TIME...

- December, 1996: Velvet granted exploration permit by Samson Cree Nation
- In addition to permit bonus, 3D seismic & well commitment, Nation negotiated for a working interest (WI) on its Lands.
- Velvet recruits management team to conduct full cycle exploration

1997: START UP

- VLV shares start year trading in \$2 range
- Samson 3D program shot in winter
- Shares trade in \$5 range
- Velvet raises \$5.4 million via equity
- Velvet drills 1st well in July
- Ermineskin grants permit (with WI option)
- Year end: 5 wells and NO PRODUCTION

1998: ACCELERATION

- JV's allow for accelerated Hobbema development
- In Spring, Samson Elders OK initial tie-ins
- In July, VLV acquires Louis Bull leases
- In Sept., Stoney Nakoda grant VLV permit (100 sections)
- Most active driller on Reserve Lands
- VLV drills "Top 50" well, exits @ 1850 boe/d
- ROI = 4% (shares trading under \$2)

1999: VLV HITS ITS STRIDE

- Velvet doubles production to 4000 boe/d with \$43.7 million purchase of assets from Reserve Royalty (deal negotiated when oil < \$12)
- Shares go to \$4.95
- JV's enhance Stoney development
- Exit rate of 5300 boe/d
- ROI = 17%
- ROB names Velvet Top Performing Stock for 1999

2000: MANAGING GROWTH

- Piikani First Nation grants Velvet permit (144 sec's)
- Drilling commences on Stoney Nakoda First Nation
- Velvet acquires PanAtlas for \$76 million (3400 boe/d)
- JV adds Copton as new core area
- Record cash flow & production challenges
- Exited at 7437 boe/d with ROI of 21%

2001: EVOLUTION

- Velvet added to the TSE 300 Index
- In July, ROB again names VLV one of the Top Performing Stocks in Canada for 2000
- Natural gas prices set record highs
- Oil patch sees heated M&A activity
- In June, Velvet enters agreement to merge with El Paso Oil & Gas Canada, Inc. for \$440 million (\$8.15 per share)

EL PASO CORPORATION

- El Paso is one of North America's leading providers of natural gas services (from the well head to the light bulb)
- El Paso is one of the world's largest natural gas producers with over 6 trillion cubic feet of gas reserves
- Positive history of working with First Nation communities

ABORIGINAL RELATIONS IN BC & ALBERTA

- Samson Cree Nation
- Ermineskin Cree Nation
- Louis Bull Cree Nation
- Stoney Nakoda First Nation
 - Bearspaw, Chiniki & Morley
- Blueberry River First Nation
- Prophet River First Nation
- Kelly Lake First Nation
- Piikani First Nation
- Aseniwuche Winewak Nation of Canada
- Montana Cree Nation
- Halfway River First Nation
- Doig First Nation
- Saulteau First Nation
- West Moberly First Nation
- Kelly Lake Cree First Nation

EXPERIENCE IS A GREAT TEACHER

- Respect
- Fairness
- Communication
- Community
- Outlook