

**Q** What progress have you made on the Montney Formation JV Project?

**A** CSRI and its joint venture partner [Canbriam Energy Inc.](#) brought their Montney JV into production in February 2011. The three wells were tied-in to the Montney JV gas facility included two horizontal wells (c-A48-I/94-B-1 and b-17-I/94-B-1) from the lower portion of the Montney Formation followed by a horizontal well (c-18-I/94-B-1) from the upper portion of the Montney Formation. CSRI is planning to follow these three wells with the completion and tie-in of the upper Montney c-45-I/94-B-1 horizontal well in Q1 2011. In order to achieve operating efficiencies, the c-45-I well is expected to be followed by the drilling of up to three more horizontal wells after spring break-up (June-July) and fracture stimulation and tie-in of the remaining c-A18-I/94-B-1 upper Montney horizontal well.

Production is of benefit to shareholders for a number of reasons. The expandable sweet gas facility has a capacity of 10 mmcf/d and CSRI will retain a 35% working interest in the gas produced (~500 boe/d). The facility also allows the joint venture to perform long-term production testing of its Montney wells while reducing the need to flare gases into the atmosphere. Through the testing, the joint venture will be able to create a production profile of the Montney wells in order to better estimate ultimate recoveries per well. In addition, the operating revenue will be able to largely fund CSRI's projected overhead expenses.

CSRI now joins Canbriam and Talisman as a natural gas producer from the Montney Formation at Farrell Creek/Altares.

**Q** What is the significance of Sasol Limited acquiring a 50% WI in the Talisman Energy Montney play in Farrell Creek for \$1.05 billion?

[Talisman/Sasol December 2010 News Release](#)

**A** In December 2010, Talisman announced that Sasol had agreed to acquire a working interest in 50% of Talisman's 120 mmcf/d processing facility and the 25,600 net acres of land (50% of 80 sections) for \$1.05 billion. At the time of the agreement Talisman expected to produce between 40-60 mmcf/d by the end of 2010.

The CSRI/Canbriam Montney JV is adjacent to the Talisman Montney play and the deal offers some metrics into the potential value of CSRI's 34 net sections of Montney rights.

Taking into account the existing production and number of Montney rights de-risked, CSRI estimates that Sasol paid approximately \$35,000/acre to Talisman.

If an implied adjusted value of \$35,000/acre was applied to CSRI's 21,760 net acres (34 sections) of Montney rights, CSRI's Montney rights would be worth approximately \$761 million. Based on this estimated value, CSRI would have a value of \$10.20/share unrisks.

Talisman is moving quickly to develop their Farrell Creek play with Sasol in 2011. This includes planned capital investment of \$100 million and under the JV agreement Talisman will be carried by Sasol for an additional \$800 million in capital spending. Rig count will be increased from four rigs to eight which will allow 70 gross wells to be drilled. The JV is planning to expand their Farrell Creek processing plant capacity to 180 mmcf/d and increase gross average 2011 production to 120 mmcf/d. The JV agreement is expected to be closed in Q2 2011 subject to regulatory approvals.

<p><b>Q</b> What were the results of the most recent resource report on the Montney and Gething Formation projects from Sproule Unconventional Limited?</p>	<p><b>A</b> Sproule released its first resource report on CSRI's Montney Formation JV lands in April 2010. Sproule confirmed a total of 3.6 tcf gross of discovered and undiscovered natural gas resource on 30,080 acres (47 gross sections) using a 6% limestone porosity cutoff and 8.4 tcf using a 3% limestone porosity cutoff. The result was an estimate that ranged from 77-178 bcf per section of discovered and undiscovered resource.</p> <p>Using an internal CSRI evaluation based on the April 2010 Sproule report, CSRI would attribute 2.6 tcf - 6.1 tcf of discovered and undiscovered natural gas resource across its 21,760 acres (34 net sections) of evaluated and unevaluated Montney lands in Farrell Creek. An updated Montney JV resource report and first reserves report will be released in March 2011.</p> <p>In March 2010 Sproule re-confirmed that there is 1.8 tcf of discovered and undiscovered resource in our 55 sections of Gething/Moosebar/Gates Formations.</p>
<p><b>Q</b> Has CSRI developed a production profile of its Montney wells?</p>	<p><b>A</b> As more wells are brought into production, CSRI will be able to develop a production profile of its Montney wells. Talisman has developed a production profile of its Montney wells at its Farrell Creek play which can be found on <a href="#">page 10</a> of their January 2011 corporate presentation. Their current 2011 estimated ultimate recovery (EUR) per well is 7 bcfe with a 30 day initial production (IP) of approximately 6 mmcf/d.</p>
<p><b>Q</b> What is CSRI's current land position in the Montney Formation?</p>	<p><b>A</b> CSRI holds approximately 21,760 acres (34 net sections) of Montney rights in the Farrell Creek area.</p>
<p><b>Q</b> Since the beginning of exploration work on the CSRI/Canbriam JV lands in the second half of 2008, how many wells have been drilled?</p>	<p><b>A</b> The joint venture has drilled two vertical wells on the eastern block of the Montney JV lands, followed by five horizontal wells drilled on the western block of Montney JV lands. The Montney JV went into production on the western block of lands in early February 2011.</p>
<p><b>Q</b> What is the future of CSRI's Gething Formation Pilot Project?</p>	<p><b>A</b> In June 2010, Shell Canada Energy elected not to proceed to the development stage of the Gething JV and withdrew from the project (<i>see CSRI News Release dated June 18, 2010</i>). CSRI was able to increase its understanding of the CBM portion of its Gething Formation at no cost to the Corporation. Through the JV, Shell invested over \$32 million of development and infrastructure. As a result of the Shell election CSRI received assets that include an expandable gas facility (which could be used for other Farrell Creek natural gas formations), wells and infrastructure. The Corporation is considering a number of options that include seeking a new JV partner for the Gething and other shallow rights.</p>
<p><b>Q</b> What is CSRI's working capital position?</p>	<p><b>A</b> CSRI has a working capital position of approximately \$21.0 million (\$0.28 per share), no debt and gross G&amp;A of \$175,000/month. As part of the JV agreement with Canbriam, CSRI is responsible for funding 35% of the capital costs of the Montney play on the JV lands.</p>

**(All dollar amounts shown are C\$)**

*The corporate information contained in this Q&A may contain forward-looking forecast information. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonably accurate by CSRI at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will vary from the information provided herein and the variations may be material. Consequently there is no representation by CSRI that actual results achieved during the forecast period will be the same in whole or in part as those forecast.*

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