

- 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 January 2011. Two lower and one upper Montney wells are currently tied into the 10 MMcf/d gas facility. An additional upper Montney well c-45-I was fracture stimulated and is being followed by the c-B18-I well that is currently being fracture stimulated. Both of these wells are located on the west portion of the JV's Montney lands and will be tied-in this quarter. Following other area operators, the joint venture is moving a portion of its 2011 capital program to the east Farrell Creek lands to test the potential for natural gas liquids with a vertical well in Q4.
- Q** What is the competitive advantage of the Montney JV water pipeline project?
- A** No other Canadian junior unconventional gas play has a similar water project. The Montney JV has secured access of up to 10,000 cubic meters of water per day (gross) on a year-round basis over the next 20 years. The water pipeline will extend from the Williston Lake Reservoir to the Farrell Creek Montney play with Canbriam holding a 75% WI and CSRI retaining a 25% WI. The project will have the capability for approximately 180 typical horizontal Montney well completions per year equivalent using 20,000 cubic meters of water per well and is planned to be fully operational by year-end 2011.
- Q** What is the significance of Sasol Limited acquiring a 50% WI from Talisman Energy for Montney rights?
- A** Early in 2011, Talisman Energy Inc. announced that Sasol Limited had agreed to acquire a working interest in 40 sections of Montney rights in Farrell Creek and another 45 sections approximately 25 km north of their "Cypress A" play for a total of \$2.1 billion. Taking into account the existing production, CSRI estimates that Sasol paid Talisman approximately \$17 million/section. If an implied adjusted value of \$17 million/section was applied to 40.8 sections of CSRI's Montney rights, these rights would be worth approximately \$693 million. Based on this estimated value, CSRI would have a value of \$9.41/share derisked.
- [\[Talisman/Sasol December 2010 News Release\]](#)  
[\[Talisman/Sasol March 2011 News Release\]](#)
- Q** What is the Talisman/Sasol JV planning for 2011?
- A** 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 joint venture agreement Talisman will be carried by Sasol for an additional \$800 million in capital spending. Rig count will be increased from four rigs to ten which will allow 60 gross wells to be drilled. The JV is planning to expand their Farrell Creek processing plant capacity to 280 MMcf/d and increase gross average 2011 production to 100-120 MMcf/d.
- Q** What were the results of the most recent resource and reserve assessment on the Montney Formation from Sproule Unconventional Limited?
- A** In April 2011, Sproule released an updated resource assessment (as of December 31, 2010) based on CSRI's 29.4 net sections of Montney rights. The Total Gross Discovered and Undiscovered Natural Gas Initially-In-Place ("GIIP") net to CSRI was 1.0 tcf and 1.3 tcf respectively. Combining the CSRI/Canbriam JV lands (67 gross sections) the GIIP was 2.7 tcf and 2.4 tcf respectively (5.1 tcf); an average 39% increase over 2009. Since January 1, 2011, the Corporation increased its net land ownership position to a total of 40.8 net sections of Montney rights.
- [\[CSRI April 7, 2011 News Release\]](#)
- The resource assessment also included CSRI's first independent estimates of potentially recoverable natural gas volumes in the contingent and prospective resource classifications. The best estimate of contingent resources was 134 Bcf with a best estimate of prospective resources of 274 Bcf.
- The CSRI resource and reserve assessment only included the Montney Formation and did not include the Doig and Doig Phosphate intervals (fracture stimulated and tested by other Farrell

Creek operators) or the adsorbed gas component associated with any formation.

The resource/reserve assessment used an industry standard of 6% limestone porosity cutoff, though CSRI has produced substantial amounts of gas from the lower Montney Formation that the Corporation estimates to be below the 6% cutoff.

**Q** What were the results of the Corporation's first reserve assessment?  
[\[CSRI May 16, 2011 News Release\]](#)

**A** The Corporation released the results of its first reserve assessment on May 16, 2011. The release of these results began the process of CSRI converting its large resource base into the more certain "reserves" category (see news release dated April 7, 2011). The report stated an initial (gross) proved plus probable (2P) reserves of 57.1 billion cubic feet from 18 wells (3 producing, 3 drilled and cased, 12 planned) across the joint venture. The estimated ultimate recovery (EUR) was 3.2 Bcf/well. The results of the reserve report are limited as it only uses data from 2% of the 900 wells (18 wells either planned or completed) that the resource assessment estimated would be required for full development of the play. The reserve report includes data from the three wells tied into the joint venture processing plant limited to the time between January 2011 to March 31, 2011. The joint venture is planning additional drilling and completion of wells in 2011.

**Q** Has CSRI developed a production profile of its Montney wells?

**A** 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 [page 12](#) of TLM's September 2011 corporate presentation. Their current 2011 estimated ultimate recovery (EUR) per well is 7 Bcf with a 30 day initial production (IP) of approximately 6 MMcf/d.

**Q** Aside from selling gas "through the pipeline", what other potential options do Farrell Creek gas producers have?

**A** The planned Kitimat LNG plant and other proposed LNG facilities could provide access to the Asian market that currently offers higher prices for gas.  
The second potential option is a Gas-to-Liquids ("GTL") facility for the gas produced from the Talisman/Sasol Montney play. The Talisman/ Sasol JV is currently studying the feasibility of a GTL facility.

**Q** What is the future of CSRI's Gething Formation Pilot Project?

**A** In June 2010, Shell elected not to continue to the development stage of the Gething joint venture. As a result, CSRI has a ROFR on 95 sections of Shell's Gething rights in addition to the 59 sections of CSRI's Gething rights. CSRI also received an expandable gas facility that could be used for other natural gas formations, wells and infrastructure. The Corporation is continuing to consider a number of options that include seeking a new JV partner for the Gething and other rights

**Q** What is CSRI's working capital position?

**A** CSRI has a working capital position at \$10.2 million (\$0.14 per share), no debt and an approximate G&A cash expense of \$215,000/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.

**(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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