CEOCFO Interviews & News!

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Highpine Oil & Gas Focused On The Exploration, Development And Exploitation Of The Pembina Nisku Fairway In Central Alberta, Canada, Which Is A Conventional Oil Play - Drilling For High Productivity Wells

Energy
Oil & Gas Exploration
(HPX-TSX)

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Jonathan A. Lexier
President & CEO

BIO:
Jonathan Lexier was appointed President and Chief Executive Officer effective February 1st, 2008. Jonathan holds an MBA from the University of Western Ontario and a BSc. in Mechanical Engineering from the University of Manitoba.

He has over 25 years of operating experience most recent of which as the Chief Operating Officer of NAL Resources. Prior to NAL Jonathan held various positions with Mobil Oil Canada, Ltd. from 1980-1999.

Company Profile:
Highpine is a Calgary-based oil and natural gas company engaged in exploration for and the acquisition, development and production of natural gas and crude oil in western Canada. Highpine's current exploration and development efforts are focused in the West Pembina Nisku and West Central Alberta Gas Fairway, both located in Central Alberta. The company's class A common shares trade on the Toronto Stock Exchange under the symbol "HPX".

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Lexier, what is the focus for Highpine?
Mr. Lexier: "Highpine is a 100% Alberta-based, oil focused intermediate. Our primary objective is in the exploration, development and exploitation of the Pembina Nisku fairway. That is a conventional oil play, drilling for high productivity wells, which are also deep, and of a sour nature."

CEOCFO: Why do you like that area?
Mr. Lexier: "What we like is the appeal of the high productivity wells. The average well in Alberta and probably similar in North America is somewhere between five and ten barrels a day. Our wells average approximately 1,000 barrels a day, so obviously high productivity is high impact and generally that means a superior rate of return on investments as well."

CEOCFO: Would you tell me a bit more about your current projects?
Mr. Lexier: "Our primary project is the development of the Pembina Nisku Fairway. It is in central Alberta, Canada. Our target is the Devonian formation deposited about 370 million years ago, where today depths are probably anywhere from both 9,000 to almost 10,000 feet deep. This play was starting to get a bit of activity probably four or five years ago. Highpine over that time has not only been successful, but also a successful consolidator of some of the other smaller exploration focused companies that where successful finders in the area, to the point where today, we are probably the dominant player both from a land and a facilities perspective. Our objective is to complete the trend itself. Probably about two thirds of the trend has been well developed but the northeast extension of the trend is very lightly explored. That's where our focus is in 2008; to explore and develop the remaining potential of that area."

CFOCEO: Do you have over 50 locations and inventories to drill?
Mr. Lexier: "Yes we do. We probably have about 100 drilling locations throughout but the northeast extension is of the most excitement to us. We probably see up to 50 separate features in that area that have potential for being discovered."

CFOCEO: Tell me about the production side of Highpine?

Mr. Lexier: "We are currently about 21,000 barrels a day company. It comes from a small number of wells. In the province of Alberta there are probably about seven wells producing over 1,000 barrels a day. Highpine has a working interest in five of them. The production itself is primarily oil, but because it contains hydrogen sulfide gas, which is poisonous, it needs to be properly managed. The gas itself is recovered and put through one of a number of gas plants in the area that have specialized in processing sour gas. Some of them actually extract the hydrogen sulfide itself and convert it into elemental sulfur that is usually sold as an input to fertilizer and these days recovers a nice dollar. There are some plants that for various reasons, including environmental, decide to re-inject their acid gas including hydrogen sulfide into depleted reservoirs in the ground, so that they have essentially zero emissions."

CEOCFO: How do you break out between production, development and exploration; do you try to balance your programs?

Mr. Lexier: "We do try to balance our programs. This year we will be drilling probably 31 gross 25 net wells in Pembinia Nisku itself, which is the high potential area that we have talked about. We also will drill probably another dozen or two wells in other areas we have, which are other gas-focused areas. Some are a little shallower than the Pembina Nisku, which helps to diversify our risk. At this point in time with the rising gas prices, they are also a nice contributor to our overall cash flow and profit."

CFOCEO: You mentioned an interest in wells; do you have a lot of joint ventures or do you own most of them 100 percent?

Mr. Lexier: "We do like to own and control all our activity and pace of our development. At present, our average working interest is probably in the 55 to 60% range. However, in the northeast extension of Pembina Nisku, which is our most prospective area, we probably have a much higher working interest, closer to 75%. We really have essentially either 100% land or we have a large joint venture with another partner at 50 – 50. We have a large measure and control in terms of the pace and scale."

CEOCFO: Looking at your charts, we see some very nice growth in cash flow; what is your financial picture?

Mr. Lexier: "We are actually very proud of that in terms of the company's history. This company has put year over year increases in both production and cash flow, not just in absolute terms but in per share terms as well. We are projecting 2008 for there to be a similar growth pattern both from a production perspective as well as cash flow."

CEOCFO: Your Q1 update indicates 91 percent drilling success; how do you get it right so often?

Mr. Lexier; "That is a mix, as mentioned before, of both development and exploration type wells. That is also an advantage of partnering with others because there were a couple of wells that were not as successful. We had a lower working interest in them and it certainly helps to diversify the risk."

CEOCFO: What challenges do you see as you go forward and how are you ready?

Mr. Lexier: "One of the challenges that face us is the change in the royalty structure here in Alberta, which is upcoming for January 2009. Around the world there has been a number of changes in various jurisdictions as far as the government take goes. Alberta is no exception. The ground rules are fairly well known and the market has also a fairly good understanding of just what impact that will have on Highpine. We do anticipate reduced cash flow in 2009 from what it would have been. That being said, the outlook for current commodity prices is exceptionally strong. We expect to have very healthy and substantial cash flows in 2009 that will be more than adequate for our investment program in the Pembina Nisku, which is our major focus. We will have additional cash flow to invest in new opportunity areas, and I would say that is our biggest challenge right now is to find areas in 2008 that give us another area for expansion outside of the Pembina Nisku where we can add value and grow production and reserves for our shareholders."

CEOCFO: In closing, address the investment community and shareholders; why they should be interested in Highpine and is there anything that might be overlooked?

Mr. Lexier: "The thing about Highpine right now is that we are having really strong operational performance. People are starting to recognize that and it's coming through with our production numbers. In the past that has been a bit of a struggle for the company. We really are putting some strong operational performance together. With current commodity prices, our cash flows are exceptional and we are reducing our debt everyday that we speak. There is the potential that at current commodity prices, we could be debt free before the end of the year. Not only that, when we look at our share price, it barely reflects what we call the NAV or the produce out value of the company. All of the activities that we are focusing on in the north east extension of Pembina Nisku, all the prospectivity we see is not built into the share price today. We think that's tremendous option value that those who are getting started today are really not paying anything. Of course we see tremendous value in Highpine that hasn't been totally recognized and we look forward to the market just understanding more about the Highpine story."

As A Consolidator, Highpine Oil & Gas Is The Dominant Player In Both Land And Facilities In The High Productivity Pembina Nisku Fairway In Central Alberta, Canada