

INSIDE ENERPLUS: Executing on a growth and income strategy

by SHANNON SUTHERLAND

As Canada's first oil and gas trust, Enerplus has spent the last quarter century building and maintaining an enviable portfolio of assets to provide income to its investors. Its mature cash generating properties continue to provide strong cash flow that supports distributions, and the organization is forging ahead with adding a new growth component into the mix to ensure that it remains a strong performer in a competitive and changing industry.



The federal government's decision to tax royalty trusts at corporate rates beginning in 2011 is just one example of the change that Enerplus faces.

Given the new tax rules, Enerplus has charted a course to transition from an income fund to a dividend paying corporation in 2011.

The conversion will not change the company's total annual return target of 10 to 15 per cent, and there are no plans to change monthly distributions as long as current economic conditions remain.

"Our plan is to continue to invest in our core cash generating assets while increasing investment in a focused portfolio of growth assets. As we go through the conversion to a corporation we expect to maintain our distributions at \$0.18/share per month," says Gordon Kerr, President and CEO of Enerplus.

If investors are wondering if the company is still planning on maintaining a strong income component, the answer is yes.

"We believe that our investor base continues to have a strong appetite for income — and for good reason," says Kerr.

GORDON KERR,
Enerplus
President
and CEO

"Dividend paying stocks have historically outperformed and usually earn a premium valuation over time. The act of paying regular dividends requires a company to have stable, cash flow generating properties. It also imposes additional discipline in capital spending decisions on both growth and cash generating assets."

"By offering a combination of growth and income to investors, we expect to provide a compelling investment opportunity within the oil and gas industry," says Kerr.

"We're making significant progress on transitioning our asset base by acquiring more early stage resource plays — assets that offer growth with scope, scale, and superior economics — while divesting non-core assets."

"These actions will provide greater growth potential and will drive improved operational focus and metrics."

The company is building its growth assets in resource plays where it can participate in the early stages of development. These areas include the Marcellus shale gas play in Pennsylvania and West Virginia and Bakken/tight oil in Saskatchewan and North Dakota.

"Over the past year and a half, we've amassed major land positions in these growth plays, with over 400,000 net acres of prospective lands in areas that will provide us with significant growth potential going forward," says Kerr.

Kerr is confident that the company will achieve its goals. "Much of it comes down to focus," says the president of Enerplus. Part of this strategy involves shedding non-core assets to improve the focus of where the company spends its time and capital.

"Focusing our portfolio on core properties will allow us to direct our capital spending and technical skills on activities that will create the greatest value."

"To date in 2010, we've either sold or are in the process of selling more than 10,000 BOE/day of non-core production, including our Kirby Oil Sands interest, for over \$900 million. In addition to improving our focus, these divestments have helped fund our acquisition activities and kept our balance sheet strong."

Going forward, Enerplus will use its talented workforce, stable production base, healthy cash flow and significant financial flexibility to continue to execute its growth and income strategy.



NAME: Jason Bateman, P. Geol.
YEARS AT ENERPLUS: 1.5
PROFESSION: Area Team Lead, Saskatchewan, Bakken/Ratcliffe

Our Resources

What do you do at Enerplus?

I lead a high performing team tasked with identifying and executing drilling opportunities. As a group, we manage the production of existing assets and explore the potential of new areas where we are encouraged to challenge the economics and technologies of 'the way things are done'.

What do you like most about Enerplus?

There's a real sense of vision from the top that is clear and consistent. The internal integrity is demonstrated through frequent two-way communication and is rooted in accountability where success is rewarded. There's also an emphasis on health and safety and on leading a balanced life. It's a company culture that really walks the talk.

How have you seen the potential for career development unfold at Enerplus?

I have quarterly conversations on performance, priorities and accountabilities with my leaders and my team. In these meetings, we also talk about potential gaps, particularly in cross-functional knowledge and practical experience as a university degree provides only one piece of the puzzle. This is where the organization's approach to well-rounded learning allows individuals to become the best they can be.



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