

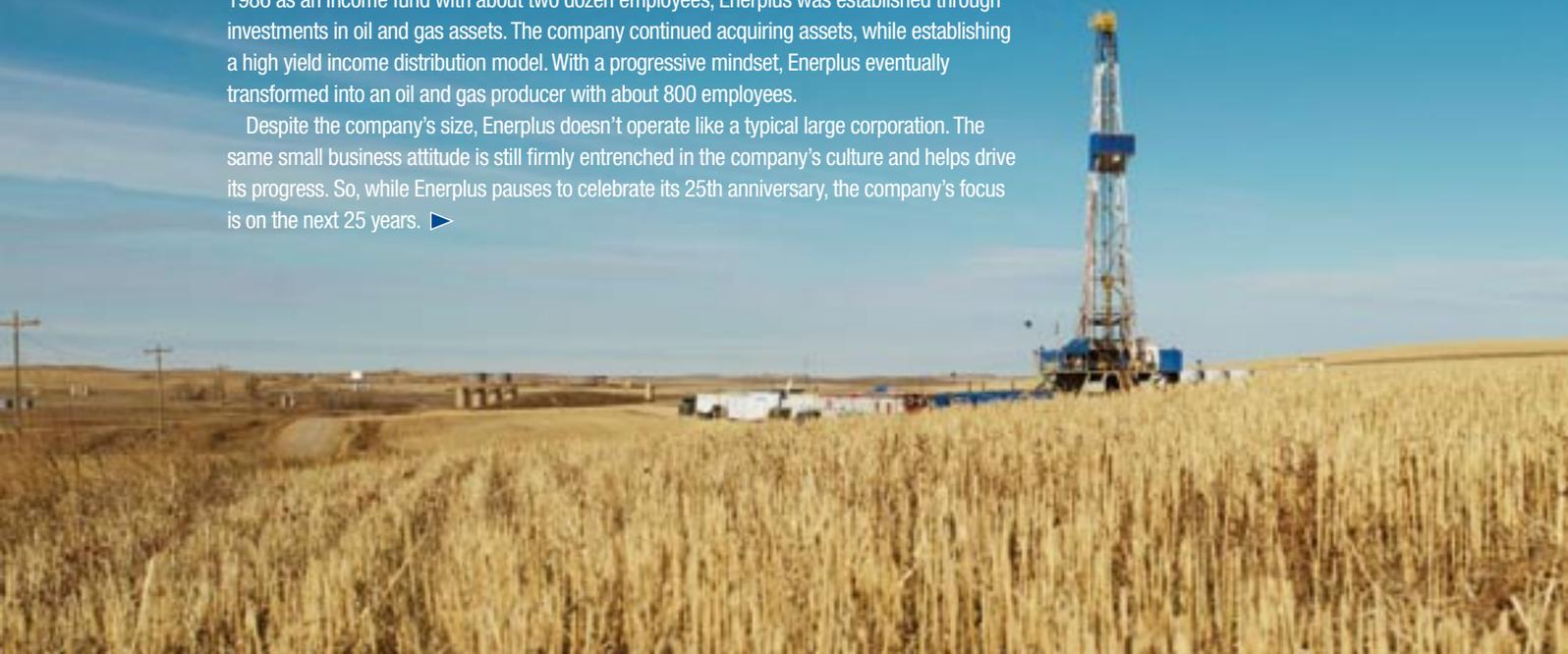
The Turning Point

Two years ago, Enerplus set out to transition from an income fund to a growth and income-oriented oil and gas company. They made significant strides by adding early stage resource plays, refocusing the existing portfolio and growing their organizational capability. After 25 years of history, Enerplus has reached a turning point – and is ready for the challenges and rewards of the future.

“Resilient.” That one word speaks volumes about Enerplus and the company’s ongoing success during their 25-year history. When you take into account the transformations Enerplus has experienced over the years, “resilient” becomes even more apt. “We’ve been through a tremendous amount of change, especially the past two years,” says Gord Kerr, President and CEO. “I’m extremely proud of what our people have accomplished.”

One of the reasons Enerplus has been able to remain resilient in the midst of competitive pressures and shifting market conditions is by being a responsible developer of resources. Executives with Enerplus acknowledge their responsibility to their employees, their partners, their shareholders and the communities they are engaged in. This thoughtful outlook has been built into the foundation of Enerplus and has helped support the company’s success. In 2010, the company recorded revenue of \$1.3 billion from oil and gas sales of 83,139 BOE/day. Those numbers put Enerplus among the country’s top publicly traded oil and gas producers. Enerplus’ present day picture however, is much different from its early days. Launched in 1986 as an income fund with about two dozen employees, Enerplus was established through investments in oil and gas assets. The company continued acquiring assets, while establishing a high yield income distribution model. With a progressive mindset, Enerplus eventually transformed into an oil and gas producer with about 800 employees.

Despite the company’s size, Enerplus doesn’t operate like a typical large corporation. The same small business attitude is still firmly entrenched in the company’s culture and helps drive its progress. So, while Enerplus pauses to celebrate its 25th anniversary, the company’s focus is on the next 25 years. ▶



The Plays

In July 1986, Marcel Tremblay launched Enerplus

with an initial public offering that resulted in a \$9 million issue. It was the start of the trust sector in Canada, and Enerplus focused on increasing cash flows from the oil and gas industry. Investing in mature assets that were already producing oil and gas, Enerplus had low risk and a steady return on its investments. "It was a small start with a big idea," says Ian Dundas, Executive Vice-President and COO. "The company was built on an entrepreneurial spirit and took risks, but not the traditional exploration risks. It was a very innovative mindset." While rewarding its shareholders with high yields, Enerplus continued to acquire mature energy-producing assets. Enerplus tapped that entrepreneurial spirit with the 1996 acquisition of Mark Resources. "That was one of the first changes for us," Dundas explains. "Suddenly, instead of just assets, you're buying a company with people and systems."

The Mark Resources acquisition was followed by a number of other companies, but it wasn't yet a fundamental shift in Enerplus' philosophy. During this period, the companies that became part of the Enerplus team were also operating low-risk mature assets. Enerplus' business model did undergo a transition with the acquisition of Cabre Exploration. That transaction gave Enerplus a fresh outlook on long-term sustainability and they soon invested in Alberta's oil sands.

"These changes have been dramatic and very transformative."

"Those transactions had meaningful long-term growth and we were looking to improve our long-term sustainability," notes Dundas. "We've since reformed our portfolio and are no longer in the oil sands, but it gives you a good sense of our look to the future and long-term organic growth."

Enerplus paved the way for even more growth with the 2005 purchase of Lyco Energy. This acquisition provided Enerplus with access to key plays in Montana and North Dakota. Enerplus' assets in the Bakken were key pillars of the company's portfolio transition.

When the federal government revealed their plan to change the way income trusts were taxed, Enerplus put a plan in place to convert from an income fund to a corporation.



Ian Dundas

Enerplus decided not to eliminate its yield model, and set out to provide investors with a return through a combination of growth and income. To achieve this growth and income strategy, Enerplus began acquiring more early-stage growth assets while at the same time divesting of small and scattered non-core properties. The goal was to focus on fewer properties that would deliver top-quartile results.

Completing the transition into a corporation this year, much of the portfolio restructuring occurred during 2010. Enerplus sold off \$900 million of non-core assets and acquired \$1 billion of early-stage growth assets. "Building on the Bakken/tight oil play made sense for us," Dundas says. "But shale gas still plays an important role, which is why we added in the Marcellus. As we move forward, we have medium-term growth in the Bakken and Marcellus, and an interesting mix in our mature properties." At one point, Enerplus' production leaned more in favour of natural gas, but following the repositioning of its portfolio, the BOE split between oil and gas will be closer to 50-50 by 2012. "Although natural gas prices are currently under pressure," notes Dundas, "we expect them to recover over time. In the meantime, it's good to have a position in one of the lowest cost and highest margin gas plays in North America – and that's the Marcellus play."



Another key play helping balance out the Enerplus portfolio is holdings in crude oil waterfloods throughout the Western Canadian Sedimentary Basin. With \$110 million in capital spending planned this year and production of about 14,000 BOE/day, the investment provides a meaningful opportunity to grow the company's revenue base.

"These changes have been dramatic and very transformative. The company rallied around this effort and we have strong momentum behind us," says Dundas. "We've kept a pristine balance sheet, and we're continuing to tweak our structure and skill base. This doesn't mean we'll stay static. Acquisitions and dispositions will always be part of a strong asset management program."

the first 25

1986

Enerplus Resources Fund begins operating as Canada's first oil and gas royalty trust

1996

Mark Resources, a \$500-million energy company, is converted into EnerMark Income Fund and becomes part of the Enerplus Group of Companies

2000

Enerplus merges with Westrock Funds and becomes the first Canadian royalty trust to trade on the New York Stock Exchange

2001

EnerMark Income Fund is merged into Enerplus Resources Fund to create the largest conventional oil and gas income fund in North America

2005

Enerplus completes its first acquisition outside of Canada by purchasing Lyco Energy and Sleeping Giant, which establishes a new core growth area in the United States



Jennifer Koury

The People

Many companies brag about how much they value their employees, only to fall short on offering concrete examples to back it up. Not Enerplus. “We’re not really a big oil and gas company in the traditional sense,” says Jennifer Koury, Vice-President of Corporate Services. “If you want to know how something works around here or have an idea to improve a process, executives are approachable and easy to access.” Not that Enerplus sits around waiting for employees to ask questions. The company knows communication is a two-way street and has a number of programs in place to engage employees. A handful of company-wide town hall meetings are hosted every year, as well as quarterly town hall meetings across departments. Enerplus hosts quarterly leadership forums and a three-day annual leadership forum where executives and the next level of leaders discuss the previous year, the next year and realign their goals.

“I would put our culture and skill set up against anyone.”

Lunch and learn sessions are also held to update employees about different parts of the business. “These aren’t just self-congratulatory meetings. These quarterly meetings are scorecards against our peers and our objectives,” Koury explains. “We try very, very hard to communicate on the business. We have bright, talented people – we need to keep them informed.”

Enerplus also fields employee questions on their internal website. In addition, short videos of different topics are produced to augment an online company newsletter. “In our video-based society we need different mediums to engage people,” notes Koury.

Many of Enerplus’ employee engagement and development initiatives are born out of a culture of respect. The company’s core values of honesty, integrity and trust have been in place since the beginning and are complimented by a culture

of accountability and performance. “We hold each other and ourselves accountable to the promises we make,” Koury says. “These fundamental values are part of who we are and will not change.”

This culture has created an environment where people want to come to work. In addition to a competitive compensation package, Koury says the number of flex days offered helps contribute to a positive work/life balance. “We also offer schedule flexibility to people who need it,” she says. “People don’t have to be in the office every day if the results are there.”

Another reason Koury is confident in Enerplus’ programs is employee feedback. The company conducts an engagement survey every two years. After comparing their performance to industry peers and the Canada’s 50 Best Employers list, Enerplus’ executives carefully select the areas they need to act upon. “We look carefully at the survey, and work with outside consultants to uncover ideas and input that will yield the highest impact,” Koury adds. All these programs are aimed at empowering present employees, while creating a workplace that draws the best and brightest recruits as well.

“Our long-term strategy is to focus on a few core areas and work the problem on multiple fronts,” Koury explains. “We have to put strategies together to transfer the knowledge from mature employees to newer employees and fast-track that process.” In an industry that is expecting a massive labour shortage in the near future, Koury is betting on the strong culture and quality of Enerplus’ leadership to continue moving the company forward. “I would put our culture and skill set up against anyone,” says Koury. ▶



2008

Enerplus completes its largest transaction with the purchase of Focus Energy Trust for total consideration of approximately \$1.7 billion

2009

Enerplus invests more than \$500 million in 226,000 net acres of early-stage growth lands in Marcellus shale gas, Bakken/tight oil and Deep Basin tight gas resource plays

2010

Enerplus acquires Bakken and Marcellus assets and sells Kirby oil sands lease, as well as other non-core assets in support of its strategy to reposition the portfolio, improve focus and profitability

2011

Converts to Enerplus Corporation on January 1, 2011, after receiving overwhelming approval by 98.5 percent of unitholders



Gordon Kerr

The Potential

Success is often defined by whether or not a company can deliver on the promises of their value proposition. But when Enerplus' President and CEO talks about success, he's not just concerned with if the company succeeds, but how they succeed. "We treat each other with dignity and respect," says Kerr. "We act with a high level of integrity and employees can be proud of the work they do."

While this attitude has been prevalent throughout Enerplus' entire history, it became more of a focus with corporate acquisitions. "When you put two companies together there are a lot of internal things that happen and many things need to come together," Kerr says. "You really have to pay attention and spend a lot of time and energy integrating them. Not just the new staff either, but also the existing staff because it's not something they asked for. Overall we've done a good job at paying attention to not just assets, but people."

Another way to keep people happy is to keep them safe. Kerr holds weekly meetings with the executive team of Enerplus and the company's weekly safety performance is always discussed. "It's part of our criteria for success," Kerr adds. "We have a slogan that is 'safety is a moment of choice,' so if you don't feel comfortable, then you don't have to do it."

"We act with a high level of integrity and employees can be proud of the work they do."

It's not just employees of Enerplus that get treated with dignity and respect, but the greater community as a whole. There's a growing call around the world for companies to be transparent and accountable, which fits right in with Enerplus' philosophy. "The

transparency extends to shareholders, regulators, governments, employees, and the public," Kerr says. "We're a member of the broader community and want to conduct our business in such a manner that we'll be respected in what we accomplish and how we accomplish it."

Reaching out to the communities they are engaged with has also become a big part of Enerplus' corporate culture. As well as providing financial support to community initiatives, Enerplus employees also give their time. Through their "Days of Caring," company employees have helped build homes with Habitat for Humanity, fed the homeless in community kitchens and put together care packages for soldiers overseas. Many organizations every year are the recipient of the company's kind gestures.

"It's more than just giving money," Kerr says. "There is a desire for people to share the experience, so if we can donate business time then everyone can participate."

The size and scope of Enerplus has changed dramatically in the past 25 years, reaching a height in 2006 with a market cap of \$8 billion. The company has gone through four distinct phases, but Kerr says this fourth era won't be the final act. "We will continue to evolve our business processes and systems to improve how we do business," he says. "We will not be complacent in how we use systems and processes to do our business."

As the company moves forward, avoiding complacency will have a lot to do with technology. Unconventional resources that were previously determined to be economically inaccessible are now looking profitable due to technological advances. To stay ahead of the curve, Enerplus now employs four technology chiefs. "These are people that have long tenure in the oil and gas industry, and it's their job to stay up on the latest technology, as well as mentor our younger staff," Kerr explains.

With roots planted in a truly resilient past, Enerplus has an eye on the future and is primed for the next 25 years. The company has proven it can and will adapt to the market through innovative strategies that improve operations. Despite transitioning from an income trust to a corporation, the core of the business remains intact.

Says Kerr, "We'll still deliver growth and income to our shareholders." ■

enerPLUS

Phone (403) 298-2200
Fax (403) 298-2211

The Dome Tower • Suite 3000
333 - 7th Avenue SW • Calgary, Alberta • T2P 2Z1

www.enerplus.com

Investor Relations • (800) 319-6462 • investorrelations@enerplus.com

Human Resources • humanresources@enerplus.com

Stakeholder Relations • (866) 955-5069 • stakeholder_relations@enerplus.com