



THE PREMIER OF ALBERTA

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Legislative Building  
Edmonton, Alberta, Canada

T5K 2B7

June 24, 1982

Mr. P. Douglas McArthur  
Knee Hill Energy Ltd.  
400, 505- 8th Avenue S.W.  
CALGARY, Alberta  
T2P 1G2

Dear

As you know, Merv Leitch and I recently announced the \$5.4 billion Alberta Oil and Gas Activity Plan, designed to enhance the cashflow of the petroleum industry in a significant way.

The 1981 energy negotiations resulted in substantially higher prices for Alberta's oil and gas production, which has effectively provided us the fiscal leeway to implement these important royalty reductions. I believe that this program will accomplish the same goals outlined in your March letter, that is to stimulate the drilling and servicing sectors. In addition to the royalty rate reductions and the well servicing grant, you will be particularly interested in the enrichment of the Royalty Tax Credit. Effective September 1, 1981, The Royalty Tax Credit will equal 75% of Alberta Crown royalties to a maximum Credit of \$4 million in one year. Beginning this month the Credit is refundable on a monthly basis for corporations. After December 31, 1983, the Credit will revert back to the existing 50%/\$2 million levels which were announced last October.

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Doug, I hope this new program will have a beneficial impact on Knee Hill. I certainly would be pleased to hear any comments or reactions you might have.

Kindest regards.

Yours sincerely,

Peter Lougheed

PL/teb