

SPECIAL POINTS OF INTEREST:

- *Corridor's Safety Calendar will be available in early January 2009. Children whose drawings were selected, will be notified in December.*

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Community Liaison Committee

The Community Liaison Committee has had two meetings since our last newsletter, on September 8 and October 6, 2008. Updates on Seismic, Drilling, Completions, Production, HSE and the sponsorship program were given at both meetings.

The September 6 meeting was attended by six community members, five Corridor representatives, two government representatives and five guests. This was the first meeting since June as the Committee had decided to not have meetings during the summer. Flaring was raised as a general issue of concern. When cleaning the wells, Corridor has no choice but to flare. Corridor tries to flare as little as possible and the well is connected into the pipeline as soon as possible during the well testing phase to minimize flaring. A resident asked if Corridor will be purchasing water from the Penobscis Water System for the drilling program. The Drilling Department will have to review its water needs to determine if it would consider purchasing from the local system.

The October 6 meeting was attended by four community members, five Corridor representatives, one government representative and five guests. There were several issues raised. The lights on the L-38 (McPhee) well pad were shining in the residents' windows at night and required adjustment. A loud noise was heard from the G-48 (Moffett) well pad late in September. The well was tested at high rates during the daylight hours to try to clean the well and there is no need to be alarmed from the noise associated with the flaring process. Water quality along the Canada Packers Road was discussed and Corridor will retest several properties. Hunting near the Corridor sites was discussed. The Department of Natural Resources states that "it is illegal to discharge a rimfire rifle, a centre-fire rifle or shotgun loaded with ball or slug within 400 metres of a dwelling...or place of business". Corridor will put signs around the well pads and plant area as a reminder. If anyone observes anyone hunting near our sites, please contact the office at 433-3066.

The next Committee meeting will take place on Monday, November 17, 2008 at 7:00 PM at the Penobscis Fire Hall. If you have any questions or would like to receive a copy of the minutes, please contact Nancy Secord at 433-3066.

Seismic Activity Update

Seismic work crews have been working on the South Branch 3-D program since mid-September. The line cutting, surveying and drilling operations are nearly complete, and are expected to finish around November 8-9. Recording operations are planned to begin about November 9-10.

The recording operation involves laying out a large network of geophones using a helicopter to transport the geophones to the site, and men on foot to install the geophones in the ground. Later, the geophones listen for seismic signals travelling through the ground as the shot points are detonated, one by one. The recording operation will take about 10 to 14 days to complete.

Over the next 2 weeks or so, those of you living in the South Branch area will see a helicopter making many trips over the area and towing bags of equipment. Also, a seismic worker will go door to door to inform residents when seismic shooting will be occurring in their immediate area.

At the conclusion of the recording operation, work crews will be cleaning up the seismic lines to remove any garbage (flagging tape, lathe, wires, etc.). This work will take about a week or two and should be finished in the first week of December.

Drilling and Completions Update

Drilling

Nabors Drilling Rig #58—The rig was moved to the I-39 (Moffett) well pad at the top of Dunsinane Hill in early October to drill the C-29 well. Drilling operations have been temporarily suspended at C-29 while Corridor assesses the pace of forward drilling operations in the context of the current economic downturn. The rig will likely start drilling again in late December or early January and will remain on the well pad until that time with a 24 hour watchman on site. We are reminding everyone that this access road is for rig operations only and will remain as a private road for the duration of all Corridor activities.

Nabors Drilling Rig #86—The rig has finished drilling the G-36 well on the G-36 (McLeod) well pad located southeast of Highway #2 with access via the Piccadilly Road. In early November, the rig will be relocated approximately 20 kilometers to the east to drill the first Frederick Brook shale gas appraisal well in the Elgin area at the Green Road G-41 (Smith) location. This well should take approximately 30 to 40 days to complete. Once the rig has completed this well in Elgin, it will be moved back to Penobsquis and located on the D-48 (Moffett) well pad which is adjacent to the Corridor gas plant. Several wells are planned from this location. The rig will be moved to and from this location via the Canada Packers Road (due to bridge restrictions) but the majority of the

daily traffic will be through the Corridor gas plant access road during drilling operations.

Corridor is also planning to use a small core drilling rig owned and operated by Logan Drilling to drill some core holes in southern New Brunswick. The first of these core holes will be located in Mapleton (near Elgin) and operations should commence in mid-November. Pad construction is already underway with the core hole expected to take approximately 1 month to complete. Additionally, Corridor is planning to drill 2 exploration core hole wells near Creek Road, New Brunswick (approximately 20 kilometers north of Penobsquis). Corridor anticipates submitting the regulatory applications for these 2 core wells in early November with drilling operations commencing in mid-December on the first of the two core holes.

New Well Pads—Corridor is planning to expand/construct the following well pads during Q4 2008:

- D-48 well pad expansion;
- B-58 well pad expansion;
- G-41 (Green Road, Elgin) well pad construction;
- N-11 (Mapleton, Elgin) well pad construction;

Completions

Completion and fracture stimulation operations (fracking) are now complete on the N-57 (McQuinn) well pad (P-67 and C-57 wells) and all wells are ready for production. On the G-48 (Moffett) well pad, fracking of the K-48, J-47 and C-48 wells is now complete. The frac equipment is currently out of the province for a short period. When it returns, the G-36, I-47, N-66 and G-41 (Green Road) wells will be fracked in mid-November through December. Sporadic completion operations will continue until mid-December with various coil tubing, testing, snubbing, fracking and wireline operations. All field operations should be completed prior to Christmas.

Production Update

Plant Operations

- Plant operations were normal and the facility uptime continues to be more than 99%.
- 24 wells are currently tied into the McCully Production System and the average gas flow for September and October was 24.6 mmscf/d.

McCully 2008 Expansion Project

- Work on the N-57 (McQuinn) well pad to connect P-67 and C-57 will be complete by November 14.
- Work on the G-48 (Moffett) well pad is in progress and will be complete by the end of November.
- Work to connect N-66 on the O-76 (Tait) well pad is in progress and will be complete by the end of November.

McCully 2009 Expansion Project

- The EIA for the connection of the I-39 (Moffett) well pad is currently being reviewed by the NB Department of Environment.
- The EUB application to connect the I-39 well pad is anticipated to be submitted by the end of November.

Salt Springs Storage Update

Underground storage of hydrocarbons is a common practice in North America, with approximately 430 underground storage facilities in the U.S. and Canada, and thousands of caverns are used throughout the world. Over 35 storage facilities in Canada and the U.S. make use of caverns in salt formations, and about 140 billion cubic feet of the North American gas storage capacity resides in salt caverns. Corridor is proposing to construct a facility with an initial storage capacity of about 3-3.5 billion cubic feet.

Underground storage in salt caverns is common because storage in salt caverns offers many benefits, such as increased reliability of natural gas supply and stability of natural gas prices. Such benefits would be available to New Brunswick natural gas customers from a storage facility in the Salt Springs area. Additionally, the storage facility could be a component of the New Brunswick energy hub concept, as well as a potential candidate for an eastern Canadian strategic petroleum reserve. The construction phase of the project would create many jobs, and the completed project would provide increased tax base to the provincial and municipal governments.

Corridor Resources holds Underground Storage Exploration License USE 08-01 for the sole purpose of conducting exploration activities within the license boundaries to determine whether some parts of the license area may be suitable for the development of underground storage caverns in salt. The license covers a geological structure known as the March Bank Syncline. This geological structure is potentially well suited for underground caverns in salt because of the presence of very thick and pure salt in some parts of the March Bank Syncline. Even if Corridor's exploration efforts are successful and a suitable area is defined, less than 1% of the licensed area would be used for the project. New Brunswick is fortunate to have underground salt formations for they offer the potential for economic development and jobs through resource development.

The Underground Storage Exploration License allows Corridor to conduct exploration activities only; it does not allow for project development. Several government approval processes will be required prior to Corridor receiving authorization to proceed to project development. Extensive public consultation will be required as part of these approval processes.

Large amounts of water are required to leach salt caverns. Several options exist for providing this water, ranging from sea water to water from deep aquifers and fresh industrial waste water. The source(s) of water to be utilized as part of a potential Salt Springs project would be carefully examined and great care would be taken to ensure there is no detrimental effect on the supply of potable water to residents in the local area.

Modern underground storage facilities are designed, built, and operated under strict government regulations and high safety standards, similar to the regulations and safety standards used for any natural gas facility. Corridor's natural gas processing facility at McCully is an example of a modern, safe gas processing plant operating in Penobscis, New Brunswick.

Plans for the proposed underground storage project are in the very preliminary stages, and at this point in time there is no project; however, Corridor presented some very preliminary plans at a well attended public meeting in the Southfield United Church Hall on May 26, 2008. Several key concerns from local residents were documented at the meeting and these concerns will be taken into consideration as Corridor develops its plans for the proposed storage development.

Corridor will provide information on Underground Storage and updates on its activities in the upcoming newsletters.

Safety and Environment

September and October proved to be very busy months for the QHSE Team, both in the office and in the field. The implementation of the recently finalized Corporate Emergency Response Manual and the Corporate Training Manual was initiated. In October, training sessions were held in both Penobsquis and Halifax to train employees and First Responders on the Incident Command System and the Corridor Emergency Response Manual. Feedback from these sessions will be used to fine tune the Emergency Response Manual as part of Corridor's continuous improvement cycle. The Corporate Safety Plan was also distributed for a final internal review. It is anticipated that all corporate HSE Manuals will be finalized by the end of the year.

The HSE Team continued its ongoing support of Corridor's operations. In September, the 2008 Seismic Campaign began with approximately 40 contractors receiving HSE orientations prior to starting work southeast of Penobsquis near south Branch and Springdale. In October, environmental work was initiated to decommission the New Harmony well pad in PEI. This work includes environmental sampling, disposal of fill material, removal of the entire well pad, and reclamation of the site back to its original condition. Corridor has been working with the PEI Department of Environment Energy and Forestry and the Island Waste Management Corporation (IWMC) and has agreed to give all of the fill material to IWMC for use to close an old dump site located near Souris.

With respect to regulatory affairs, on October 6 the New Brunswick Department of Environment (NBENV) issued Corridor a new approval to operate its Gas Plant and Well Pads. This new

approval allows Corridor to construct and operate two new well pads (G-41 and N-11) in the Elgin area. Also in October, HSE submitted details to NBENV to approve the expansion of four existing well pads (B-58, D-48, G-48 and G-36) located in the Penobsquis area.

From a community perspective, the Community Liaison Committee (CLC) continues to meet and provide a forum for Corridor and the Penobsquis residents to discuss a variety of topics relevant to the community. On September 5-7, Corridor had a booth in the NB Department of Natural Resources tent at the Sussex Balloon Festival, which included displays and activities for all ages. Corridor continues to support a variety of local organizations through its Community Sponsorship Program and to date in 2008, has awarded approximately \$70,000.

Since the last issue of the newsletter, eight HSE related incidents were reported to Corridor. Four vehicle-related incidents occurred in October, two involving our contractor trucks being struck by residents' vehicles, one involving a Corridor supervisor's truck striking a raccoon, and one involving a contractor's truck tipping over after pulling off to the side of the gas plant road. One accidental spill/release of approximately 500 L of flow-back fluid occurred at the G-48 well pad, which was cleaned up, reported to NBENV and investigated to determine root cause and corrective action. Two first-aid incidents occurred, one in September involving sand getting into a contractor's eye and one in October involving a pipe wrench striking a contractor's face. One medical treatment incident occurred in October when a seismic contractor incurred a cut to the hand requiring stitches.

Emergency Response Training with First Responders

Corridor Resources held an Emergency Response training and tabletop exercise with First Responders in October. This is part of Corridor's ongoing commitment to emergency preparedness and is a follow-up to similar sessions held in 2007. Randy Robinson of the Emergency Measures Organization facilitated the tabletop. An overview of Corridor's Emergency Response Manual was provided by Dena Murphy. Margaret Leahey Bailey provided an overview of crisis communication and facilitated practical exercises of interviews and a press conference. In addition to Corridor personnel, representatives from the following organizations attended: Penobsquis Fire Department, Sussex Fire Department, RCMP, Ambulance New Brunswick, Sussex Health Centre, Town of Sussex and Village of Sussex Corner. Corridor would like to express thanks to all who participated in the training and tabletop exercise. It is through joint training and planning that emergency preparedness is achieved. Corridor looks forward to continuing to work closely with the First Responders and other local organizations as its operations expand in New Brunswick.



Schedule of Planned Activities

Drilling

- Nabors Rig #86 will be moved to the Elgin area in early November to drill at the Green Road G-41 location.
- Core holes at the Mapleton location will be drilled in mid-November, and at the Creek Road location in mid-December making use of a Logan Drilling core rig.
- Well pad expansions will take place on D-48 and B-58.

Completions

- G-36, I-47, N-66 and G-41 wells will be fraced in mid-November through December.

Production

- Work on N-57 (McQuinn) and G-48 (Moffett) well pads will continue until the end of November.
- N-66 connection work on the O-76 (Tait) well pad will be completed by the end of November.

Upcoming Activities

- The next newsletter will be published December 31, 2008.
- The next meeting of the Community Liaison Committee is scheduled for November 17, 2008 from 7:00-8:00 PM at the Penobscis Fire Hall.
- The next McCully Joint Health and Safety Committee meeting is scheduled from 11:00 AM to 1:00 PM on Wednesday, December 10, 2008, at the Timberland Motel.

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Corridor Resources is a Halifax, Nova Scotia based company focused on exploring and developing natural gas resources in the McCully Field and surrounding areas of southern New Brunswick.

The Company has been producing natural gas from the McCully Field to markets through the M&NP pipeline since June 28th, 2007.

Corridor also has a number of potentially high impact exploration projects planned in New Brunswick and elsewhere in eastern Canada with a total of 1.7 million net acres under license.