



FRASER MILNER CASGRAIN LLP

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## SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



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### OIL SANDS NEWS:

**1** Suncor reported that its oil sands production in November averaged roughly 314,000 bpd, bringing the company's year to date production to an average of approximately 297,000 bpd. These reported volumes include upgraded sweet and sour synthetic crude oil and diesel, along with non-upgraded bitumen sold directly to the market. Also included in these figures are previously processed amounts for Petro-Canada on a fee-for-service basis. However, Suncor's proportionate production share from its joint venture with Syncrude is not included in these figures. Suncor is targeting an average oil sands production of 290,000 to 305,000 bpd for the 2009 calendar year.

1 Connacher Oil and Gas announced that its Algar oil sands project, part of the company's Great Divide in situ operation, is over 75% complete. Connacher is committed to a completion target of April 2010 for the steam-assisted gravity drainage ("SAGD") project. The company has drilled 17 horizontal SAGD well pairs at Algar at approximately \$10 million under budget. The horizontal wells will be completed and tied-in after the plant is commissioned. Connacher anticipates Algar will be commissioned in late April/early May of 2010.

1 Connacher also announced that volumes from Pod One of its Great Divide SAGD oil sands project averaged 8,450 bpd of bitumen in the first 12 days of December. More well pairs will be added to Pod One's 17 operating well pairs in 2010. Connacher predicts that production from Pod One will average 9,000 bpd of bitumen in 2010.

1 Alberta Oilsands reported that it received an Oilsands Exploration Permit from Alberta Sustainable Resource Development on December 3, 2009, and that it is expecting to begin its winter oil sands coring program with a multi-well core hole drilling program on its Hangingstone oil sands leases. The company will have a 50% working interest at Hangingstone and is planning to drill up to 10 core holes on the acreage. Six to eight additional wells are scheduled for the company's 100% working interest oil sands leases in the area. Alberta Oilsands has a total of 140.5 gross sections of oil sands leases.

1 Laricina Energy reported that it is planning to be the first to use horizontal drilling, SAGD, and solvents to recover bitumen from the Grosmont formation at its Saleski project. According to Laricina, this is the second largest in situ development opportunity in Alberta. Start-up for the project is anticipated for the fourth quarter of 2010 with a second phase to add solvents slated for 2012. Laricina believes that using solvents will result in higher recovery, a reduced steam-oil ratio, lower operating costs, and accelerated production.

1 Statoil Canada announced that Canadian oil sands are a key part of the company's global strategy, and that it "will work every day to reduce the greenhouse gas emissions from [its] operations and at the same time help the world to get access to sufficient energy." The company's SAGD project at Leismer is now 73% complete, on-budget, and scheduled to begin producing in 2011 at 10,000 bpd of bitumen.

## EAST COAST NEWS:

2 Canadian Imperial Ventures has entered into a strategic arrangement with McLaren Resources and Shoal Point Energy to pursue exploration and production opportunities both onshore and near shore in western Newfoundland, in the Green Point formation. This formation is a thick, dominantly shale unit which is the probable source to numerous oil and gas seeps in the region.

## WEST COAST NEWS:

3 Advantage Oil & Gas announced it has brought its 100% working interest Glacier Montney well onstream. The well was drilled horizontally in the Upper Montney zone, with 12 fractures along the horizontal section, and was tested at more than 8.9 mmcfpd. The actual production rate of the well has sustained production at a rate of 12 mmcfpd, exceeding Advantage's expectations. The company announced it has improved cost efficiencies and reduced drilling costs at an average of 43% per metre and completion costs at 57% per frac. Test results for four wells drilled in the Lower Montney zone are expected in early 2010.

3 Ironhorse Oil & Gas announced its schedule to begin its 2009/2010 winter drilling program in mid-December. At its Bubbles, B.C. lands, Ironhorse will be targeting multi-zone gas, and has a minimum 75% working interest in the test well that will be drilled to a depth of 2,000 metres. The targeted prospective zones typically produce at between one and 2.5 mmcfpd.

3 Canadian Spirit Resources reported that Canbriam Energy, the operator of Canadian Spirit's Montney joint venture, has successfully tested the lower Montney formation well on the west block of Farrell Creek and the results exceeded expectations. Canadian Spirit stated that "[t]hese results further support [their] belief that 2010 will be the year that visible progress is made toward achieving the company's mission of developing one trillion cubic feet of natural gas in western Canada."

## CANADIAN ARCTIC NEWS:

4 The long-awaited Joint Review Panel report on the Mackenzie Gas Project concluded that the proposed \$16.2 billion pipeline should proceed. "The panel is confident that the project as filed, if built and operated

with full implementation of the panel's recommendations, would deliver valuable and lasting overall benefits, and avoid significant adverse environmental impacts," the report stated. The group backing the project is led by Imperial Oil, and includes ExxonMobil, ConocoPhillips, Royal Dutch Shell PLC, and the Aboriginal Pipeline Group. The National Energy Board will now review the report, and is expected to make a decision as to whether the project can go forward by September 2010.

Despite the major potential of North American shale gas, TransCanada has expressed some concern over future natural gas supply. While acknowledging there are more reserves and potential reserves available than thought previously, the company questioned if the rate the gas will come out of the ground will be sufficient not only to sustain flat production, but also to meet its predictions of a one or two bcf a day per year growth in demand to support the power sector. In order to meet this expected demand, Western Canadian producers will have to increase production.

#### ALTERNATIVE ENERGY NEWS:

**5** Enbridge and First Solar announced plans to quadruple capacity at the Sarnia solar project to 80 MW by the end of 2010, which will make it the largest photovoltaic facility in North America. It is expected that this will generate enough energy to power more than 12,800 homes, and will help save the equivalent of 39,000 metric tons of carbon dioxide per year. Total investment at the site will amount to \$300 million as a result of this proposed expansion.

**6** GE Energy Financial Services and Plutonic Power have completed their purchase of the 300 MW Dokie Ridge wind project in British Columbia. The two companies have formed a partnership through which they will construct and operate the project's first phase, which will have the capacity to generate 144 MW. The first phase is expected to reach commercial operation by early 2011.

**7** Canadian Pacific has begun a five month pilot project, the first in Canada, to test a 5% biodiesel mixture in cold weather in four of its mainline railway locomotives between Calgary and Edmonton, Alberta. The biodiesel fuel being used in the project is made from both vegetable oils and animal fat.

**8** The Nova Scotia Utility and Review Board has approved Nova Scotia Power's plan to build a \$120

million 45 MW wind project at Nuttby Mountain. Nova Scotia Power, a privately held provincial utility, announced that the project will allow it to produce energy for at least 10% less than what it would have paid under a power purchase agreement with EarthFirst Canada, the company it purchased development rights from earlier in 2009.

#### ON THE HORIZON:

The Federal Minister of Industry approved PetroChina International Investment Company's application to acquire control of the MacKay and Dover oil sands projects currently owned by Athabasca Oil Sands. PetroChina made several significant commitments including, among other items, making capital expenditures in excess of \$250 million for its share of development expenses in the projects over the next three years, increasing employment levels at the projects, and maintaining an Alberta head office for the operating companies associated with the projects for the next five years.

Provident Energy Trust has reached an agreement with Storm Ventures International to sell its west central Alberta oil and natural gas assets for \$190 million. The asset sale is expected to release financial and technical resources for growth initiatives in Provident's upstream and midstream business units. The transaction, which will be dated effective as of October 1, 2009, is expected to close in the first quarter of 2010.

The Alberta government will be investing \$285 million over 15 years in a project designed to turn coal into low-emissions electricity, as well as capture carbon dioxide for use in enhanced oil recovery. To this end, the province has signed a letter of intent with Swan Hills Synfuels, the company planning a \$1.5 billion in situ coal gasification project. The carbon dioxide created in the gasification process will be captured and used for enhanced oil recovery in the Swan Hills, Alberta area.

#### ABBREVIATIONS

In this newsletter, all dollar amounts are Canadian dollars unless otherwise stated. We have also used the following abbreviations: **bpd** - barrels per day; **mmcfpd** - million cubic feet per day; **bcfpd** - billion cubic feet per day; **tcf** - trillion cubic feet; **bbl** - barrel; **mbbl** - thousand barrels; **mmbbl** - million barrels; **bbbl** - billion barrels; **boe** - barrels of oil equivalent; **MW** - megawatts; **kV** - kilovolt; **km** - kilometre.

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