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SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



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OIL SANDS NEWS:

1 Connacher announced that it has started its first quarter core-drilling program at the Great Divide and Halfway Creek leases. Connacher will use six rigs to drill between 60 and 70 cores at Great Divide. The company will also be adding two pairs of horizontal wells, to be tied into Pod One, at its steam assisted gravity drainage ("SAGD") operation. Another 10 holes will be drilled at Halfway Creek, Connacher's 50% owned acreage, to test for oil sands potential.

1 Husky Energy announced that the front-end engineering and design for Phase 1 of the Sunrise thermal bitumen project has been completed. Husky and

partner BP stated that they will spend \$2.5 billion on the Sunrise Project, which is almost a 40% lower estimate than an earlier \$4 billion estimate. First production is expected from Sunrise in 2014, and total production could reach 200,000 bpd of bitumen in 2020.

1 ConocoPhillips and Total S.A. announced the second phase of their thermal oil joint venture at Surmont. ConocoPhillips Canada stated that around 100 SAGD well pairs will be drilled in order to achieve average output of 83,000 bpd of bitumen over the year. Construction at Surmont is scheduled to take place from 2011 to 2014. Operations are expected to begin in 2014, with first production scheduled for late 2014 or early 2015.

1 Alberta Oilsands reported that it submitted an application to the Energy Resources Conservation Board and Alberta Environment for the approval of a Clearwater West Low Pressure SAGD Pilot Project. Capacity for the project is designed to be 4,500 bpd of bitumen coming from a staked well pair configuration.

1 Canadian Natural Resources expects phase one of its Horizon oil sands project to be pumping at the project's design rate of 110,000 bpd of fully upgraded, light, sweet synthetic crude oil by the middle of this year. The company is also preparing to move ahead on its Kirby oil sands project, which still requires regulatory approval. Kirby is expected to produce 45,000 bpd of bitumen.

1 Cenovus Energy is proceeding as planned with the expansion of its 50% owned enhanced oil projects at Christina Lake and Foster Creek. These thermal oil projects now produce over 115,000 bpd of bitumen before royalties, and are expected to produce over 400,000 bpd of bitumen once fully developed. The company announced that Foster Creek is scheduled to increase output to 210,000 bpd of bitumen by 2017. The company has filed regulatory applications for phases F, G and H of Foster Creek. Phase C of Christina Lake is under construction, with first production expected in late 2011.

1 Osum Oil Sands reported that it has filed a commercial application for the proposed Taiga in situ thermal oil sands project. The application was submitted to Alberta Environment and the Energy Resources Conservation Board for a SAGD and cyclic steam stimulation project. The company expects construction to

begin in 2011, with first production occurring in the first quarter of 2014. The company stated that "the oilsands show signs of economic recovery, it is an excellent time for Osum to move forward with a project that we are proud of for its positive environmental approach as well as its high resource quality and production potential."

EAST COAST NEWS:

2 PetroWorth Resources Inc. is looking to the Canadian Maritime provinces as the future of on-shore fossil fuel resources in North America. "In our view, on-shore eastern Canada is like the new frontier for oil and gas exploration in Canada," the company stated. PetroWorth owns 129,000 acres in New Brunswick, which is a part of the nearly 1 million acres of land the company hopes to test and potentially develop for shale gas extraction. The New Brunswick Department of Natural Resources stated that the advantage to the shale gas found in the province is that it can exceed thicknesses of over 500 metres.

WEST COAST NEWS:

3 Apache Canada announced it has acquired a 51% stake in the Kitimat LNG natural gas export facility, and reserved 51% of the terminal's export capacity. The company announced that development of this project "has the potential to open up new markets in the Asia-Pacific region for gas from Apache's Canadian operations, including the Horn River Basin in northeast British Columbia, where our net estimated resource potential exceeds 10 trillion cubic feet of gas." The Kitimat terminal has a planned capacity of 700 mmcfpd of natural gas. Apache, along with its joint venture partner EnCana, is planning to have 27 horizontal gross wells on production in the Horn River Basin by the middle of 2010.

4 Talisman reported that it is moving both the Farrell Creek and Greater Cypress areas into commercial development. Around 25 horizontal development wells are expected in 2010. Of these 25, Talisman plans to complete 17. The company also anticipates drilling 10 to 15 shale pilot wells in the Montney.

4 Galleon Energy announced that it had a 94% success rate over 16 wells drilled in the fourth quarter of 2009. Eight of these wells were cased for light sweet oil, six were cased for natural gas, and one was cased for medium oil production. The company has been able to successfully apply horizontal multi-stage fracture

technology to three horizontal wells currently on production in the Doig formation at Kakut. A further three horizontal wells waiting on tie-in also incorporate this technology. Galleon is planning to drill another 24 horizontal wells in 2010.

4 Advantage Oil & Gas has approved capital expenditures of around \$110 million for the first half of 2010, 80% of which will be directed to the company's Glacier Montney natural gas project. Production is predicted to average 24,200 to 25,200 boe per day, with a natural gas weighting of 68% in the first half of 2010. Advantage is planning drilling, completions and facilities expansions to achieve a target production of 50 mmcfpd by the second quarter of this year.

CANADIAN ARCTIC NEWS:

Canada's National Energy Board (the "NEB") will hear final arguments on the proposed Mackenzie natural gas project, beginning on April 12, 2010 in Yellowknife, Northwest Territories. Applicants and intervenors in the NEB regulatory process will have a chance to make their case to the NEB during the final argument phase. "...[O]ur goal is to set out clear 'rules of the game' for the many people and organizations who are interested in the outcome of this hearing," the NEB stated. The pipeline would extend 1220 km from the Mackenzie Delta on the Beaufort Sea coast to southern markets.

ALTERNATIVE ENERGY NEWS:

Wind developers installed a record-breaking 950 MW of new capacity in Canada in 2009, which brings Canada's total installed capacity to 3,319 MW. The province of Ontario alone had 1,075 MW of installed wind power at the end of last year, which is about 3% of generation capacity from all sources. The Canadian Wind Energy Association determined that there were 4.4 GW of wind projects with a signed power purchase agreement, and/or with construction begun, as of December 2009.

5 International Power Canada is expecting its Harrow Wind Project, currently under construction in Essex County on the northern shore of Lake Erie, will reach commercial operation in June of this year. This \$110 million project will provide power to 12,000 nearby homes. It is comprised of four mini wind farms which have 9.9 MW of installed capacity each, for a total capacity of 39.6 MW.

ON THE HORIZON:

Scotia Capital is predicting that merger and acquisition activity in the Canadian oil and gas industry will bounce back this year to the pre-crisis levels experienced from 2003 through 2005, as a result of a stimulated interest of Asian buyers and a safer investment environment. The resource sector has found itself at the heart of new optimism from evidence of a more stable future for crude, metals, and fertilizer. Scotia stated that "Canada has the commodities and, unlike some other countries, Canada is welcoming foreign investment, while other countries are not, on a comparative basis." Scotia is predicting prices will continue to rise for oil and natural gas, which will result in acquisitions in the resource sector continuing in 2010 and retaining a long-term trend line.

6 Canadian Natural Resources and North West Upgrading have proposed a 50-50 joint ownership upgrader to upgrade the Alberta government's royalty bitumen. The upgrader, located northeast of Edmonton, will capture carbon dioxide for enhanced oil recovery. This will reduce carbon dioxide emissions by roughly 3,500 tonnes per day for each of the upgrader's three targeted phases. Under the agreement, North West would act as the operator.

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; **bcf** - billion cubic feet per day; **trcf** - trillion cubic feet; **bbl** - barrel; **mbbl** - thousand barrels; **mmbbl** - million barrels; **bbbl** - billion barrels; **boe** - barrels of oil equivalent; **MW** - megawatts; **GW** - gigawatts; **kV** - kilovolt; **km** - kilometre.

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