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SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



IN THIS ISSUE

JUNE 2010

- >> OIL SANDS NEWS
- >> EAST COAST NEWS
- >> WEST COAST NEWS
- >> CANADIAN ARCTIC NEWS
- >> ALTERNATIVE ENERGY
- >> ON THE HORIZON
- >> ABBREVIATIONS
- >> CONTACT US

OIL SANDS NEWS

1 MEG Energy, in a prospectus filed with securities authorities, has announced its intent to expand its in situ thermal project at Christina Lake to 60,000 bpd of bitumen capacity. The expansion will cost an estimated \$1.4 billion. This estimate includes engineering, procurement, fabrication and construction of steam assisted gravity drainage ("SAGD") production facilities, cogeneration facilities, drilling and completion of horizontal well pairs and pad sites. MEG has already received regulatory approvals for this expansion.

1 Suncor reported that its oilsands production for June averaged approximately 247,000 bpd. The company's

target average oilsands production for 2010 is 280,000 bpd. These numbers include upgraded sweet and sour synthetic crude oil and diesel, as well as non-upgraded bitumen sold directly to market, and exclude Suncor's proportionate production share from the Syncrude Canada joint venture.

1 Cenovus recently laid out plans to increase its net production to 300,000 bpd of bitumen in 10 years, based upon \$8 per bbl finding and development costs. Cenovus' growth will likely stem from its Foster Creek, Christina Lake, Narrows Lake and Grand Rapids projects. The company aims to have the regulatory approvals in place for commercial projects with capacity of 400,000 to 500,000 bpd net to Cenovus by 2016. The company also recently announced its plans to make an application to regulators for approval of a 65,000 bpd of bitumen project at Narrows Lake.

1 Connacher recently reported that its proved, probable and possible bitumen reserves have increased 30% since the end of 2009. These reserves are currently standing at 605 million bbls (of which 104 million bbls are possible reserves).

1 Statoil Canada has applied for approval to increase its output at the Leismer in situ project from 10,000 bpd of bitumen to 40,000 bpd. It is also seeking approval to construct and operate its Corner project, which would increase production by an additional 40,000 bpd of bitumen. The hearing for the applications will take place at the Energy Resources Conservation Board in Calgary on October 12, 2010.

EAST COAST NEWS

2 Husky Energy announced its North Amethyst field offshore Newfoundland and Labrador has commenced oil production. The \$1.8 billion project is the first of three of Husky's White Rose tieback prospects, and is the first subsea tieback project in Canada. Plans for a pilot at the second tie-in field, White Rose West, have been submitted by Husky, with production for this pilot expected to begin in 2010.

The Provincial government of Newfoundland and Labrador announced that it has no plans to impose a moratorium on offshore drilling at this point in time. While regulators recently imposed tougher conditions and more frequent inspections on offshore drilling, they have permitted Chevron to begin drilling a deepwater well in the North Atlantic.

WEST COAST NEWS

3 Encana and China National Petroleum Corporation ("CNPC") have signed a memorandum of understanding to commence negotiations on a potential joint venture to develop unconventional natural gas plays in north-eastern British Columbia. Encana would act as operator of the proposed projects, and CNPC would earn an interest through capital investment.

CANADIAN ARCTIC NEWS

4 The Denali pipeline project has received approval for the open season plan it filed with FERC. Denali's president stated that this approval confirms that the plan is complete and consistent with FERC requirements. Both the Canadian and Alaskan legs of the project will run their open seasons from July 6th to October 4th, at which time Denali will solicit multi-billion dollar commitments from potential shippers.

ALTERNATIVE ENERGY NEWS

5 Suncor announced that it has received regulatory approval for its Wintering Hills Wind Power Project. The proposed 88 MW project is located on approximately 16,000 acres of privately-owned land 125 km northeast of Calgary, and will consist of up to 55 1.6 MW turbines.

6 A new major Canadian research project seeking to commercialize algae biofuels production is underway in Halifax. The project will utilize carbon-dioxide emissions from fossil fuel combustion to facilitate the algae growth. There is speculation that certain species of microalgae may yield as much as 20 times more oil than traditional agricultural crops.

7 Ontario Power Generation's Lower Mattagami project is in the process of being upgraded by approximately 440 MW to increase the province's supply of renewable hydroelectric power. Construction for this increase is expected to be completed in 2015.

ON THE HORIZON

Encana announced that it is seeking partners to help develop its unconventional gas fields. The company stated that it is searching for joint venture investments of between \$1 billion and \$2 billion per year, with \$900 million already raised in 2010. Over the next 5 years, Encana intends to double production of natural gas, but

the company hopes that outside investment will accelerate that target.

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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