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SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



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OIL SANDS NEWS

1 Canadian Natural Resources Limited announced that production of synthetic crude oil from its Horizon oil sands mine increased to 117,600 bpd in June from 81,400 bpd in May. Production for the month of August is expected to range between 102,000 and 107,000 bpd amidst planned maintenance.

1 Gross bitumen production from Nexen's Long Lake oil sands project has reached 28,500 bpd, representing an increase since January's production of 16,000 bpd. The company has started engineering work to add two once-through steam generators and is developing two additional well pads to add bitumen capacity. Nexen stated that it expects the two new well pads to add

approximately 15,000 bpd of capacity. The company reported that production is on track to reach 40,000 to 60,000 bpd of bitumen by the end of the year.

1 Cenovus has reported that, compared to a year ago, its signature thermal oil projects have experienced strong growth in the second quarter of this year. In the first six months of 2010, Cenovus averaged 256,551 boe per day, and the average per day for the second quarter was 253,773 boe. Bitumen production at the steam assisted gravity drainage (SAGD) Foster Creek project jumped up 16,338 bpd in the second quarter of this year, compared to the second quarter last year, to an average of 51,067 bpd of bitumen (net to Cenovus).

1 Husky Energy stated that it is making design changes to its wells at the Tucker thermal oil project coming onstream later in 2010. These changes will determine whether or not Tucker will be a commercially viable project for the company. The company also plans to sanction the proposed Sunrise oil sands project later this year, which is Husky's 50-50 joint venture with BP. Husky would be the upstream operator and supply the bitumen for the Sunrise project while BP would provide the upgrading and refining.

1 Athabasca Oil Sands Corp. (AOSC) is moving ahead with plans to develop its oil sands assets now that it has established financing and a strong new partner. At June 30, 2010, AOSC had a 40% working interest in the MacKay and Dover joint ventures, with the remaining 60% working interest held by a subsidiary of PetroChina. The joint venture owns over 135,000 net acres of oil sands leases in northern Alberta.

EAST COAST NEWS

2 The Canada-Newfoundland and Labrador Offshore Petroleum Board has not requested a detailed report from Chevron to outline its proposed response to a subsea blowout. The offshore Newfoundland regulator indicated it was satisfied with the information provided by Chevron in its oil spill response plan, which plan only details the areas that would be affected by a large surface spill. Chevron's well in the Orphan Basin, Lona 0-55, is approximately 430 km northeast of St. John's, Newfoundland, and is expected to reach its target depth in September.

2 Exxon Mobil Canada Properties is proposing the Hebron offshore development project on behalf of other project proponents, including Chevron Canada, Petro-Canada Hebron Partnership, Statoil Canada, and Nalcor Energy. Hebron will be the fourth stand-alone development project on the Grand Banks and the sixth offshore petroleum project (including the two tie-back projects to Hibernia and White Rose). Best efforts are being made to achieve a first oil date before the end of 2016. The Canada-Newfoundland and Labrador Offshore Petroleum Board is inviting the public to comment on the draft Comprehensive Study Report for this project prepared under the Canadian Environmental Assessment Act.

WEST COAST NEWS

3 Encana continues to seek joint venture opportunities in order to speed up its development pace and cash-in on its extremely large asset base quicker. Encana's President and Chief Executive Officer stated, in the company's second quarter conference call, that joint venture initiatives will be an important part of the company's business plan going forward. Encana stated that it has drilled 10 net Horn River wells to date and that its Horn River program is continuing to progress.

4 Trilogy Energy has announced that it drilled 20 horizontal Montney wells in the Presley area of northwest Alberta. The company's plan to exploit the tight gas pools over the next 10 to 15 years includes increasing natural gas production up to 150 mmcfpd in the area. Trilogy has estimated that there may be more than 500 bcf of gas in place on its lands in the Montney formation.

CANADIAN ARCTIC NEWS

5 Imperial Oil has announced that it has formed a joint venture with Exxon Mobil and BP to explore, and possibly develop, oil and gas offshore blocks in the Beaufort Sea in Canada's Arctic. Imperial and Exxon will each own 25% of the joint venture, with one of the two companies acting as operator, and BP will own the remaining 50%. Imperial stated that discussions began in 2009, and has resulted in the three companies recently reaching an agreement.

ALTERNATIVE ENERGY NEWS

Energy Innovation Corp., a small Ontario company, has announced that it has developed a system to collect coffee grounds from retail coffee chains and convert the grounds into biodiesel. The company is currently collecting grounds from approximately 100 coffee locations in Southern Ontario with production of just a few hundred thousand litres of biodiesel at its pilot plant on Lake Erie. However, Energy Innovation plans to build bigger biodiesel operations across Ontario in the next few years. The company said its first full-scale plant, capable of generating three million litres of biodiesel annually, is expected to be up and running within six months. While the company acknowledged that this type of fuel will never generate a large proportion of Canada's fuel requirement, it stated that it is important to highlight the potential uses for organic material that is currently discarded, and prove that biodiesel is sustainable.

ON THE HORIZON

Apache announced that it will acquire substantially all of BP's upstream natural gas business in western Canada for approximately \$3.25 billion. This acquisition is part of a global transaction between BP and Apache worth \$7 billion, which also includes Apache acquiring all of BP's oil and gas operations, acreage and infrastructure in the Permian Basin of West Texas and New Mexico and Egypt's Western Desert. Completion of the transaction is subject to receipt of regulatory approvals, as well as to customary closing conditions.

Pengrowth Energy has agreed to acquire the remaining shares of Canadian junior Monterey Exploration, in which it currently holds an 18% stake, for a total consideration of \$366 million. Monterey's assets include the Groundbirch property which is ranked by some analysts as the lowest cost source of unconventional gas in North America. Pengrowth stated that Monterey does not have the critical mass or cash flow to properly capitalize this asset. Monterey's board has approved the takeover bid. The transaction is expected to close mid-September, subject to regulatory, shareholder and court approvals.

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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