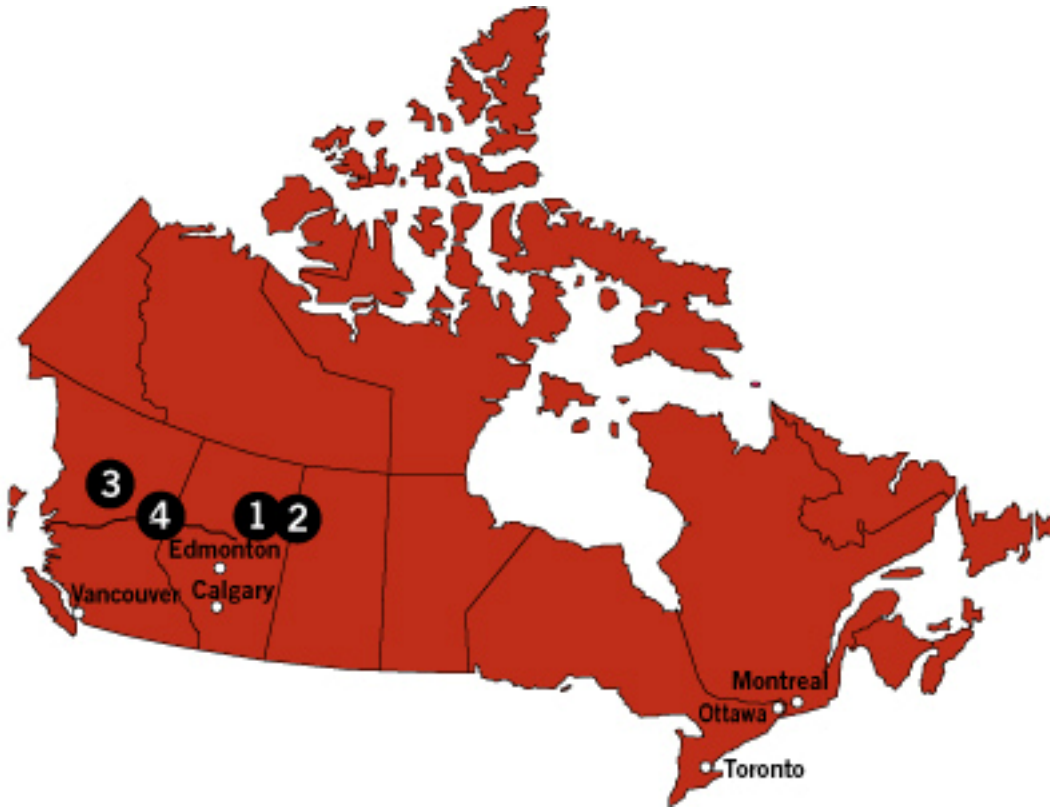




FRASER MILNER CASGRAIN LLP

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SIGNIFICANT DEVELOPMENTS IN CANADIAN ENERGY



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MAY 2010

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OIL SANDS NEWS

1 Penn West has recently formed a joint venture partnership with a wholly-owned subsidiary of the China Investment Corporation ("CIC") to develop Penn West's bitumen assets located in the Peace River area of northern Alberta. CIC will invest approximately \$817 million, \$312 million of which was paid upon closing. The remaining \$505 million is earmarked for Penn West's share of the partnership's future capital and operating expenses. Penn West contributed approximately \$1.8 billion in assets to the partnership, and retained a 55% partnership interest.

1 Connacher has completed the commissioning of its central processing and steam generation plant at the Algar oil sands project. Steam is now being circulated in seven steam assisted gravity drainage ("SAGD") well pairs on well-pad 203. The Algar project has 17 SAGD well pairs spread over three well pads. All of these wells are prepared to accept steam into the injector and producer well bores. Connacher will circulate steam for 60 to 90 days prior to commencing bitumen production, which is anticipated in the third quarter of 2010. Connacher projects production at 10,000 bpd of bitumen at the Algar pad, and at 10,000 bpd of bitumen at Pod One. The Company will file for regulatory approval to increase its Algar plant processing capacity to 34,000 bpd of bitumen (44,000 bpd total).

1 Paramount Resources has announced that a new evaluation of its Hoole assets indicates 634 million bbls of contingent bitumen resources, based on SAGD extraction. Next year, Paramount will submit an application to the Energy Resources Conservation Board in order to commercially develop the Hoole Grand Rapids resource.

2 Oilsands Quest has filed submissions in Saskatchewan to develop its Axe Lake bitumen project. The company seeks approval to produce up to 30,000 bpd of bitumen using SAGD technology. Oilsands Quest has also filed for one year extensions of its current oil sands permits.

1 Devon's first Jackfish oil sands project has reached production capacity at 35,000 bpd of bitumen. The company's Jackfish 2 project, which will also produce 35,000 bpd, will begin steam injection in the second quarter of 2011.

1 Canadian Natural Resources Limited announced its first quarter production at its Horizon oil sands mine at 86,995 bpd of synthetic crude oil. The company projects production levels of 90,000 to 105,000 bpd of synthetic crude oil at Horizon for 2010.

Statoil shareholders voted against a resolution calling for the company to pull out of its \$2 billion oil sands project. Roughly 98.62% of shareholders rejected the resolution. The motion was submitted by groups such as Greenpeace and the World Wide Fund for Nature. At the meeting, Statoil stated that "these resources are an important part of future energy supplies" and that "fossil fuels will continue to remain the most important energy

source for many decades to come." Notably, a similar resolution was also defeated by Shell, with 94.26% of shareholders voting against the proposal to challenge involvement in the oil sands.

EAST COAST NEWS

The Canada-Newfoundland and Labrador Offshore Petroleum Board (the "Board") has imposed tighter safety measures for drilling operations off Canada's Atlantic coast. Among other things, the Board has mandated that wells must be sealed off by using both a concrete plug and a blowout preventer ("dual barrier rule"), test results must be provided for blowout preventers, and drill ships will be subject to more frequent audits and inspections.

WEST COAST NEWS

3 Talisman Energy recently placed its Montney play into commercial production, and targets production at 40 to 60 mmcfpd by the end of 2010. Talisman will also be increasing the capacity of its nearby Farrell gas processing plant to 120 mmcfpd.

3 Yoho Resources has stated that it plans to drill into the Duvernay formation. Yoho also plans to drill at Kaybob targeting the Gething, Cardium and Notikewin formations over the next three months. The company stated that these lands are located in the prime fairway for a potential new shale gas resource play.

3 Peyto Energy Trust has indicated that it has plans to drill another 30-40 horizontal wells in the Cardium, Notikewin and Wilrich tight gas plays. The company indicated that production this year is up 30% from last year, and that it expects production levels to continue to grow.

3 Painted Pony Petroleum stated that it has made a major Montney discovery after drilling three gas wells targeting the formation on the Blair/Town block during the first quarter of 2010. The first, second, and third wells tested at 1.5 mmcfpd, 5 mmcfpd, and 3.9 mmcfpd, respectively. The company has also announced that it drilled three horizontal wells in the Cameron block in the Montney and upper Montney.

CANADIAN ARCTIC NEWS

The National Energy Board ("NEB") cancelled its investigation into same season relief well capability in

the Arctic, and is instead planning to review Arctic offshore drilling regulation. The NEB plans to announce details of its regulatory review once it is understood what happened in the Gulf of Mexico spill, and is promising a public and consultative process. There is currently no offshore drilling in Canada's Arctic, and no applications for Arctic offshore drilling are presently before the NEB. Imperial Oil stated that they were at least four or five years away from drilling a well in the Beaufort. Exxon Mobil obtained exploration rights for a parcel in the Arctic in 2007, but has yet to drill in that area.

ALTERNATIVE ENERGY NEWS

EDF-EN Canada increased its stake in Montreal-based wind company Saint-Laurent Energies to 70%, following the fulfillment of conditions which the earlier agreement was subject to. EDF-EN stated that the company is "pleased to acquire an increased share in Saint-Laurent Energies and looks forward to continuing to work with all of our stakeholders involved with this world class project."

ON THE HORIZON

The Alberta government recently announced amendments to the royalty regime in the province. These changes have been made in an effort to encourage investment in the region, and in particular, in the coal bed methane, shale gas, horizontal oil and gas, and deep gas areas. Each amendment is essentially a rollback of royalty rates in the early stages of development in order to allow for the recovery of investment costs. These rates took effect on May 1, 2010.

4 Enbridge filed an application with the National Energy Board on May 27, 2010 for its Enbridge Northern Gateway Pipeline project. The project consists of the construction of two 1,170 km pipelines between Bruderheim, Alberta and Kitimat, British Columbia. One of the pipelines will carry an average of 525,000 bpd of petroleum products from Alberta to the coast, while the second pipeline will carry approximately 193,000 bpd of imported condensate from the coast to Alberta.

EOG Resources has announced that its Canadian subsidiary, EOG Resources Canada, made an offer to

purchase all of the shares of Galveston LNG, which would give EOG a 49% interest in the Kitimat LNG terminal off the coast of British Columbia. The remaining 51% of the Kitimat terminal is owned by Apache, who currently has operatorship of the project.

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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