

Oh Canada!

Significant Developments in Canadian Energy



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Oil Sands News

- 1 The operator of Canada’s largest and longest-running in situ oil sands operation announced a two billion dollar expansion project. The Nebiye expansion will provide a 40,000 bpd boost in bitumen production at Imperial’s Cold Lake facility, and is expected to be in operation by the end of 2014. The expansion will allow Imperial to access an additional 280 mmbbl and will bring total production at the facility up to 200,000 bpd. The project will also add a new steam generation and bitumen processing plant, field production pads and associate facilities, as well as a 170 MW cogeneration facility.
- 1 On the heels of its recent Energy Resources Conservation Board approval last month, MEG Energy has received regulatory approval from Alberta Environment and Water for the Phase 3 expansion of its Christina Lake project. The company reported that engineering work for the multi-phase 150,000 bpd oil sands project is

underway, and it plans an investment of \$60 million this year to assess optimum sizing and timing for the initial phase of the expansion. MEG intends to increase production capacity at the facility ten-fold by 2020.

East Coast News

2 Husky has released positive results for the fourth quarter of 2011, capping a successful year for the company. Production increases were largely driven by Husky's offshore Newfoundland investments, with its North Amethyst field performing at targets of 37,000 boe per day and the West White Rose pilot field contributing additional volumes. Husky's ongoing production strategy offshore Newfoundland includes amending its development plan for North Amethyst to include the deeper Hibernia formation, continuing to drill at North Amethyst in the Ben Nevis reservoir and planning to drill an infill well at the main White Rose field to facilitate incremental oil recovery.

3 Forent Energy has broken ground and spud its first on-shore exploration well, Alton #1, near the town of Stewiacke, Nova Scotia. According to Forent, Alton #1 is expected to be the first of many wells to be drilled on the 500,000 acre Alton Block.

4 Expro, an international oilfield service company, has expanded and constructed a new purpose-built facility in Octagon Industrial Park, located in Paradise, Newfoundland and Labrador. The service and product offerings at the facility will include well testing, subsea safety systems and downhole video services for offshore Newfoundland oil and gas development.

West Coast News

5 Encana reported that it has finalized its Cutbank Ridge Partnership agreement with Mitsubishi. The deal will grant Mitsubishi a 40% stake in the Partnership for \$2.9 billion, half of which will be invested by Mitsubishi along with its 40% share of future capital investments over the next five years. The Partnership, managed by Encana, holds approximately 409,000 net acres of undeveloped Montney formation natural gas

lands in northeast British Columbia's Cutbank Ridge.

6 The results of Transport Canada's TERMPOL Review Process Report regarding the Northern Gateway Pipeline Project were warmly received by project proponent Enbridge. The study, which is one stage in a larger review process, focussed on the marine operations and tanker traffic that will accompany the proposed project. According to the report, no regulatory concerns have been identified for the vessels, vessel operations, proposed routes, navigability, other waterway users or the marine terminal operations associated with vessel traffic. The results of the study, prepared by Transport Canada, Environment Canada, Fisheries and Oceans Canada, Pacific Pilotage Authority Canada and the Canadian Coast Guard, have been filed with the Joint Review Panel responsible for assessing the project.

Canadian Arctic News

7 Chevron is exploring opportunities in the Canadian Beaufort Sea. Chevron is requesting approval from the National Energy Board to conduct 3D and/or contingent 2D swath seismic surveys in northern Canada through a ship-borne marine geophysical program, scheduled to begin mid to late 2012. The proposed project would take place within the waters of the Inuvialuit Settlement Region, and will consist of approximately 43,000 km².

8 The Yukon Oil and Gas branch of Energy, Mines and Resources has received requests for oil and gas rights in the south-central part of the Yukon. Known as the "Whitehorse Trough", the area is approximately 200 km in length and extends south of Whitehorse to the British Columbia border to just north of Carmacks. The Yukon government has developed an energy policy around natural gas development called "Energy for Yukon: The Natural Gas Solution." This policy led to the development of the oil and gas rights disposition process and it is expected that industry will uncover more potential in the Whitehorse Trough area than was estimated by the Yukon Geological Survey, the Geological

Survey of Canada and the National Energy Board in 2000. In total, prior resource assessments have demonstrated that the Yukon onshore potential is more than 17 tcf of natural gas and 772 million bbls of oil. In addition to the oil and gas supply potential in the area, the demand for oil and gas is also likely to increase as a new precious metals mining boom has been sparked in the territory.

Alternative Energy

9 Saturn Power, a developer of Wind and Solar projects in Ontario, has integrated next generation technology into its wind turbines at the Gesner wind farm in Ontario. Signing a sales agreement with Catch the Wind, a provider of optical turbine control systems, Saturn Power will equip all of its turbines with Vindicator OTCS, a wind control system that simultaneously measures wind speed and direction in the free stream inflow ahead of the wind turbine. The system uses the information it gathers to increase energy output and reduce damaging stress loads, optimizing the performance of wind turbines.

10 Mustus Energy announced that it has hired Lockheed Martin to build a 41.5 MW biomass plant in Le Crete, Alberta, which will use as feedstock the tops of aspen trees that would otherwise be discarded after the trunks are processed at lumber mills. The facility will be developed by Mustus Energy with Lockheed Martin's procuring materials and equipment and managing construction. The facility is expected to begin commercial operations by the fall of 2013, and will provide base-load electrical power to the Alberta grid, providing enough energy to power over 30,000 homes.

On the Horizon

Kinder Morgan announced that during its expansion open season (from mid-October through mid-February) it received strong binding commercial support from a diverse group of customers, which support will result in the company moving forward with the expansion of the Trans Mountain pipeline system. The expansion open season was based on a design

capacity of 600,000 bpd, which would double the existing capacity at a cost of roughly \$3.8 billion. The 1,150 km Trans Mountain pipeline system has been providing the only west coast market access for Canadian oil products, including 90% of gasoline supplied to the Lower Mainland, for 60 years. The final decision on the expansion proposal is expected by the end of the first quarter of 2012.

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 - kilometer; KW - kilowatts; KWh - kilowatt hours; cmpd - cubic meters per day; GJ - gigajoule.

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