Oh Canada!

Significant Developments in Canadian Energy

OCTOBER 2012

Oil Sands News

East Coast News

West Coast News

Canadian Arctic News

Alternative Energy News

On the Horizon

Abbreviations

Contact Us

Oil Sands News

1 TransCanada Corporation and Phoenix Energy Holdings have entered into binding agreements to develop the Grand Rapids Pipeline oil sands project in Northern Alberta. TransCanada and Phoenix will each own 50 percent of the $3 billion project. The 500 kilometre pipeline will have the capacity to transport up to 900,000 bpd of crude oil and 330,000 bpd of diluent between the producing area of Fort McMurray and the Edmonton/Heartland region. TransCanada will operate the system, expected to be in service by early 2017, with Phoenix having entered a long-term commitment to ship crude oil and diluent on it.

1 Enbridge Pipelines (Woodland), an affiliate of Enbridge, has received approval from the Alberta Energy Resources Conservation Board ("**ERCB**") to construct the Woodland Pipeline Extension Project. The 385 kilometre, 36 inch diameter pipeline will run from Enbridge's Cheecham

regional oil sands terminal to its mainline hub terminal in Edmonton. The project is estimated to require a capital investment of between $1.0-1.4 billion and will have an initial capacity of 400,000 bpd, expandable to 800,000 bpd. The new line is committed to accommodate anticipated growth in production from Imperial Oil Limited's Kearl oil sands project.

1 ExxonMobil and Celtic Exploration have struck a deal that will see ExxonMobil, through its Canadian subsidiary ExxonMobil Canada, acquire Celtic for $2.6 billion. ExxonMobil Canada will pay $24.50 per common share of Celtic. Additionally, for each common share tendered Celtic shareholders will receive 0.5 of a share in a new Alberta numbered company which will be a publically listed, growth oriented, oil and gas exploration and production company led by Celtic's current management team. Including payments for outstanding convertible debentures and Celtic's current bank debt and working capital obligations, the deal has a total approximate value of $3.1 billion.

East Coast News

2 Emera, a maritime electricity company, is attempting to demonstrate that moving power over a subsea cable from Newfoundland to Cape Breton is the best and most affordable long-term electricity solution for the Maritime Provinces. The Nova Scotia Utility and Review Board (the "Board") will be reviewing the 100 km project, called the "Maritime Link". The total cost of the Maritime Link is currently unclear, although initial estimates placed it at $1.2 billion. Regulations indicate the Board can approve the project if it "represents the lowest long-term cost alternative for electricity for rate payers in the province". The Board will have 6 months from the date that the application is filed to make a decision. Under the deal, Emera is to receive 20% of the power for 35 years, for 20% of the cost of the entire lower Churchill project, which is expected to cover 8-10% of Nova Scotia's energy needs.

3 Imperial Oil, a Canadian Petroleum company, has drawn buyer interest for its refinery in Dartmouth, Nova Scotia. The CEO of Imperial Oil has not commented on the parties interested in purchasing the refinery, calling it a private process. The refinery has capacity for 88,000 bpd of crude oil. In addition to a sale, Imperial is considering turning the Dartmouth refinery into a storage terminal. The refinery began production in 1918, and currently employs approximately 200 people. It produces a wide range of petroleum products including gasoline, aviation fuel, diesel, marine fuel and asphalt. Most of these products are sold in the Atlantic Provinces and Eastern Quebec.

West Coast News

4 A study recently released by the Fraser Institute indicates massive potential revenue payouts if the federal government were to elect to lift its 40-year informal moratorium on offshore oil exploration off the coast of British Columbia. The study estimates a net benefit of $9.6 billion from a single offshore project in the Queen Charlotte basin, including the cleanup costs of any spills that might potentially occur. The report further estimates, based on a report by the Geological Survey of Canada, that there are 9.8 bbbl of oil and 43.4 tcf of natural gas collectively in the Tofino, Winona, and Queen Charlotte basins.

Canadian Arctic News

8 The Kivalliq $20 million exploration program has the CEO of Kivalliq confident that the drill results will add significant value to the uranium mining project. In the past year, Kivalliq has drilled in excess of 38,000 meters, the result of which will likely add additional inferred resources to the company's overall resource base. At last report, the company's Lac Cinquante deposit hosted an inferred resource of 1,779,000 tonnes grading 0.69% U_3O_8 totalling 27.3 million pounds U_3O_8. As the Nunavut region is very remote, costs for development of new mines is high. In order

for the project to be considered economically viable in the long-term, Kivalliq must continue to expand its uranium resource base as well as prove that its current resource is minable. With recent discoveries, Kivalliq is demonstrating that its Angilak property has the potential to host multiple uranium deposits. Kivalliq expects to see results from an additional 93 holes prior to the end of 2012.

9 Quilliq Energy, Nunavut's electrical power utility, is moving closer towards building two Hydro-electric projects in Iqaluit by conducting a $4 million feasibility study on two proposed dams. The feasibility study seeks to ensure the economic viability of the project if it goes ahead. Pending funding for the overall project, the Hydro-electric facilities should be complete by 2019, lowering costs for electricity in the region. Construction for the project is expected to generate jobs, millions of dollars in spin offs, and potentially lead to the construction of a deep water port for the Nunavut region.

Alternative Energy

5 Enercon, a German wind turbine manufacturer, expects to open an Ontario factory in 2013 for the production of pre-cast concrete segments for wind turbine towers. The Enercon facility in the district of Niagara, Ontario, reflects the German company's recent success in Canada. Enercon will supply contracts for almost 1.25GW of turbines to Quebec over the next five years. Enercon was also chosen by Niagara Region Wind to provide 773MW turbines for a project in Ontario. Their turbines and projects have previously been installed in Saskatchewan, Alberta, British Columbia and Nova Scotia. As of June 1, 2012, Enercon had installed 336 turbines totalling 744MW capacity in Canada. Enercon is the fourth largest wind turbine manufacturer in the world.

6 FWS, a company specializing in design-build concrete structures, will build a wind turbine at the Kaizer Meadow Environment Management Centre, 20 km north of Chester, Nova Scotia this year. The turbines will be 120 meters above the ground, more than 20 meters higher than most turbines. The higher turbine is expected to generate increased electricity output. The wind turbine is expected to provide electricity to more than 550 homes by 2014. The Feed-in-Tariff program, a Nova Scotia government incentive, encourages community owned renewable energy projects, and has made Nova Scotia an attractive place for FWS to do business. It is expected that $3.6 million of the anticipated $5 million project cost will be covered by federal grant.

7 Vestas, the Danish manufacturer of wind turbines, has signed several agreements with International Power Canada, a renewable power developer, for the service of wind farms in Canada. The service agreements include 335MW at currently operating wind farms in New Brunswick, Ontario and Prince Edward Island. By the end of 2012, Vestas will complete four new wind power plants in Canada totalling 338MW. Six additional Canadian projects using Vestas turbines with a combined 419MW will be constructed in 2013. With more than 50GW of installed capacity worldwide, Vestas is considered a global leader in wind energy, supplying more wind turbines in 71 countries. Vestas currently has enough capacity for wind energy in Canada to power 600,000 homes.

On the Horizon

Imperial has announced that it will be spending $100 million to test a new “non-thermal” oil sands technology that uses solvents, rather than heating water to produce steam, in its in-situ operations to thin heavy oil sands crude enabling it to flow. Imperial is also looking at using solvents in mining, with a “non-aqueous” process that promises to cut water use in oil sands mines by up to 90 percent.

CNRL has entered into a long-term gas processing agreement with Williams Energy Canada. Under this agreement, Williams will invest $500-600 million to extract, transport, fractionate, own and market natural gas liquids and olefins captured from the off gas produced at the CNRL owned Horizon upgrader near Fort McMurray. The process is expected to reduce carbon dioxide emissions from the Horizon upgrader by approximately 200,000 tonnes per year.

Abbreviations

In this newsletter, all dollar amounts are Canadian dollars unless otherwise stated. We have also used the following abbreviations: bpd - barrels per day; boepd - barrels of oil equivalent 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.

KEY CONTACTS

CALGARY

Doug Black Q.C.
doug.black@fmc-law.com

Anne Calverley Q.C.
anne.calverley@fmc-law.com

Douglas Crowther
douglas.crowther@fmc-law.com

Bill Gilliland
bill.gilliland@fmc-law.com

Alex MacWilliam
alex.macwilliam@fmc-law.com

EDMONTON

Rich Miller
rich.miller@fmc-law.com

MONTRÉAL

Claude Morency
claude.morency@fmc-law.com

OTTAWA

Cyrus Reporter
cyrus.reporter@fmc-law.com

VANCOUVER

Ron Stuber
ron.stuber@fmc-law.com

TORONTO

Helen T. Newland
helen.newland@fmc-law.com