

# Oh Canada!

## Significant Developments in Canadian Energy



### OCTOBER 2011

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### Oil Sands News

- 1** Imperial reported record production in the third quarter at its Cold Lake cyclic steam facility, averaging production of 162,000 bpd of bitumen, far exceeding the project’s 150,000 bpd design capacity. The previous production record was set in the same quarter of 2007 at 160,000 bpd. Production improvements are a result of new wells steamed during 2010 and 2011, the cyclic nature of production from the Cold Lake project, and improved recovery due to technology applications.
- 1** A record number of horizontal well permits were issued in the first three quarters of 2011, surpassing the total number of permits for all four quarters last year. The period between January and September of this year saw a 46 percent increase in permits to drill for oil or bitumen as compared to the same period in 2010, reaching 8,820 permits. Permits for oil sands evaluation wells were also up considerably,

totalling 1,113, representing an increase of more than 25 percent over last year.

**1** Athabasca Minerals is planning a pilot-scale project for the production of fracturing sand (“frac sand”) at its proposed Firebag facility in the Wood Buffalo area of northern Alberta. Considering that transportation is the largest cost component in the delivered price of frac sand, locating in the Fort McMurray area will allow the company to compete favourably against existing suppliers to the Bakken Oil Play and the Horn River Basin. In August, Athabasca Minerals received approval from the Government of Alberta for Metallic and Industrial Mineral Leases covering 12,800 hectares at its Firebag frac sand project. The company reported that the sand quality meets or exceeds API/ISO specifications for proppants used in hydraulic fracturing and gravel-packing operations, and that it plans to initiate a National Instrument 43-101 technical report and pilot scale production of frac sand.

### East Coast News

**2** Contact Exploration’s investigation of the Hopewell B-55 well core, located in the Edgett’s Landing area of New Brunswick, has supported earlier conclusions that there is a significant presence of oil in the reservoir. The core analysis demonstrates excellent porosities and permeabilities, with the characteristics of the Hopewell reservoir appearing to be comparable, if not superior, to highly profitable Albertan reservoirs, including the Bakken and Cardium formations.

**3** Wood Mackenzie, a Scotland-based energy consulting firm, stated that the new field discovery potential for Grand Banks, Newfoundland is at approximately 2.3 billion barrels of oil equivalent. Energy Analysts at Wood Mackenzie confirm that there is significant oil discovery potential in Newfoundland and Labrador and that the political and regulatory risk of exploring in this area is substantially lower than many other offshore plays. In addition to oil, natural gas discoveries in the Hopedale basin on

the Labrador Shelf are also coming to fruition, totalling four trillion cubic feet of natural gas.

**4** Shoal Point Energy purchased additional interests in the Green Point oil-in-shale play on the west coast of Newfoundland from Canadian Imperial Venture. The purchase primarily related to Exploration License 1070, in which Shoal Point now owns a 100% interest. Shoal Point also increased its working interest in Exploration Licence 1120, and now earns up to an 80% working interest in EL 1120, compared to the 48% previously earned pursuant to the farm-in agreement with Ptarmigan Energy announced in April of 2011.

### West Coast News

**5** Encana reported production of 1.55 bcf equivalent from its Canadian assets in the last quarter, representing a five percent increase over the third quarter of last year. At its Bighorn play, Encana drilled its longest horizontal well yet, reaching 19,000 feet in depth and 8,000 feet in horizontal length into the Wilrich formation. In the last quarter of this year, the company intends to spud three wells in the Duvernay shale formation, two in the Willisden Green area and one at Simonette. Intermediate casing is currently being set on the first of the horizontal Duvernay wells, all of which are around 3,500 metres deep. Encana anticipates the project will yield between 100 to 200 barrels of liquids per mmcf.

**6** Spectra Energy announced that it has finalized multi-year agreements with Progress Energy to provide 370 mmcfpd in natural gas gathering and processing services in support of Progress’ development of its Montney assets. Augmenting the renewal of existing contracts, the new agreements include 210 mmcfpd of new services. In addition to reactivating its Aitken Creek Gas Plant, Spectra will provide the contracted services through its Highway, Jedney and McMahon facilities.

**6** Canadian Spirit announced that its horizontal Montney well has been placed on production and its current flow rate is approximately 5 mmcfpd.

During the two week test period prior to being placed on production, the well was reported to have exhibited strong flow characteristics and performance is in line with that of other middle Montney wells completed in the Farrell Creek area. The Farrell Creek gas facility is reported to be approaching capacity with the well brought online in September, along with the three wells brought online in January of this year. Canadian Spirit anticipates the addition of the latest well will double the company's net share of production in the fourth quarter of this year.

### Canadian Arctic News

**7** MGM Energy announced this month that it has initiated regulatory and operational planning for a shale oil play in the Central Mackenzie Valley to be drilled in the winter of 2012/13. MGM, a Canadian oil and natural gas exploration and development company, currently holds considerable land in Central Mackenzie Valley..

### Alternative Energy

**8** AltaGas, a Canadian energy developer, and Tahltan Central Council, the administrative governing body for the Iskut Band and Tahltan Band located in north western B.C., signed agreements to advance the construction of two hydroelectric projects on the Tahltan Nation's territory. With the addition of these two projects, AltaGas will construct a total of three hydro projects known as the Northwest Projects, which have a price tag of \$1 billion. The Northwest Projects will deliver electricity to the Northwest Transmission line near Bob Quinn, B.C.

Currently, 64% of electric energy produced in Canada comes from renewable sources (chiefly hydropower). Canada's installed wind capacity is 9th in the world, at 4.61 GW, and biomass and solar projects continue to increase yearly. This growth is supported in part by government incentives, including the Wind Power Production Incentive, from which it is forecasted that \$130 million of incentives will be allocated to private wind projects until March 2017. The Minister of Natural Resources anticipates that 2011 capital

investment by the clean and renewable-energy sector in Canada will equal its 2010 capital investment of almost \$3 billion.

The Canadian Wind Energy Association ("CanWEA") reported high hopes for the future of wind energy development in British Columbia, stating that the province can develop 5.25 GW of new wind capacity by 2025. CanWEA expressed that this capacity growth is not only possible, but also rendered necessary by BC's growing electricity demand, which is driven largely by load growth from mining and natural gas extraction in the province.

### On the Horizon

Encana has executed an agreement with Pembina Pipeline Corporation to expand the processing and liquids extraction facilities at the Resthaven natural gas processing plant. The two phases of the expansion will increase NGL extraction by 7,000 bpd and 4,000 bpd, respectively. The first phase will expand extraction from 1,000 bpd up to 8,000 bpd and is expected to be online late in 2013. The company anticipates NGL extraction in Alberta's Deep basin will triple to 30,000 bpd in coming years due to significant third-party midstream company investments in three plants in the Deep basin: Resthaven, 12,000 bpd; Gordondale, 3,000 bpd to 4,000 bpd (expected in service late next year); and Musreau, 5,000 bpd (which capacity is anticipated to be added by the end of this 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; 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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