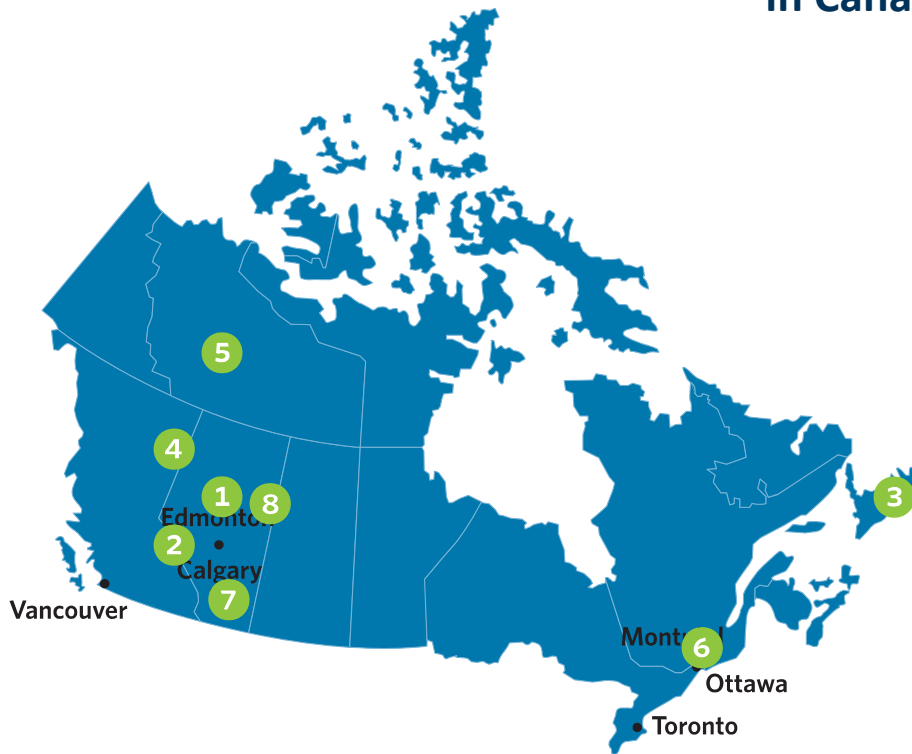


# Oh Canada!

## Significant Developments in Canadian Energy



### AUGUST 2011

Oil Sands News

East Coast News

West Coast News

Canadian Arctic News

Alternative Energy News

On the Horizon

Abbreviations

### Oil Sands News

- 1 Current production at Phase C of Cenovus' Christina Lake Steam Assisted Gravity Drainage (SAGD) facility is 5,000 bpd, with average production for the third quarter of this year anticipated to be 18,000 to 20,000 bpd gross. Production is expected to further increase to 40,000 bpd in 2012, with gross capacity reaching up to 258,000 bpd in 2019. Construction continues at Phases D and E of the Christina Lake facility, as well as at Phases F, G and H of the company's Foster Creek project.
- 1 Following first bitumen production in early July, Suncor has indicated that it plans to expand production at Stage 3 of its Firebag SAGD facility by commencing steam injection into an additional two well pads in the third quarter of 2011. Within the next two years, the company intends to achieve the 62,000 bpd target capacity for Stage 3. Construction is currently underway for the central plant, cogeneration facilities and

infrastructure at the Firebag facility, including two well pads for Stage 4, which also has a planned bitumen production capacity of 62,500 bpd, and from which Suncor expects production to begin early in 2013.

**1** Petrobank is proceeding with its Dawson demonstration project in the Peace River area. The oil sands project received Energy Resources Conservation Board (ERCB) and Alberta Environment approval in the fourth quarter of last year, and will include two toe-to-heel air injection (THAI) well-pairs as well as associated surface facilities. The first well-pair is expected to be drilled late in 2011, and the second in 2012. The company anticipates that the pre-ignition heating cycle (PIHC) and air injection will commence in the fourth quarter of 2011.

**2** Pembina Pipeline announced that it will increase capacity at its Musreau gas plant by 50 mmcf/d in response to strong demand and high plant utilization. The project will increase total raw gas processing capacity at the Cutbank shallow gas processing complex to 410 mmcf/d. Subject to regulatory and environmental approval, the expansion is expected to be online mid-2012.

Between January and July 2011, oil well completions in Alberta (exclusive of experimental wells) were up nearly 70 percent over the same period last year, totalling a record high 2,556. Completed wells were up 33 percent across Canada compared to the same seven months in 2010, reaching 8,120 wells. In the four western provinces alone, completions reached 3,727 wells, representing an increase of more than 60 percent compared to January through July last year.

### East Coast News

**3** The government of Newfoundland and Labrador is providing \$312,900 to two research projects undertaking seafloor mapping and assessment of petroleum resource potential and natural gas hydrates in western Newfoundland

and the province's continental margin, respectively. The funding will be deployed through the Research & Development Corporation's GeoEXPLORE program, aimed at enhancing geoscience research and capacity as well as stimulating collaboration and innovation in Newfoundland and Labrador's mineral and petroleum industry. Currently, more than \$1.2 million is being invested in 15 projects in the area.

**3** Newfoundland and Labrador Finance Minister Tom Marshall has announced that the province's predicted oil production for 2011 has jumped by 18.8 million barrels. This forecast was represented in the most recent revision to the production numbers in this year's provincial budget.

**3** The Economic Research and Analysis division of the Newfoundland and Labrador Department of Finance released production numbers for the first half of 2011. Both Hibernia and White Rose increased their production in the first six months of 2011, compared to the 2010 numbers. White Rose (including North Amethyst) produced 12.6 million barrels, an increase of 36 percent over the same period of 2010.

### West Coast News

**4** NOVA plans to put an application before the National Energy Board this fall for the Northwest Mainline Expansion, which project is intended to increase transportation capacity in northwestern Alberta and the Upper Peace River area of British Columbia to 1.26 bcfpd by April 2013. The project is intended to reconcile the existing shortfall in transportation capacity (currently 775 mmcfpd) with the total contractual commitments for November 2013 (1.25 bcfpd). Subject to regulatory approval, the Expansion will improve market access to shale gas in Horn River and the Cordova Embayment of northeastern British Columbia, as well as to conventional gas in northwestern Alberta.

## Canadian Arctic News

**5** A major land sale in the Central Mackenzie Valley of the North West Territories attracted successful bids from four major industry players. Husky paid \$376 million for two parcels, totalling around 544,600 acres. ConocoPhillips made a work commitment of \$66.7 million for a 216,000 acre parcel. Imperial and ExxonMobil jointly acquired two parcels totalling 444,000 acres for \$43.4 million, combined. Husky suggested that the prospects for the land are good and a main attraction of land is its proximity to the existing Enbridge pipeline, which transports 34,900 bpd of light oil from the area to Northern Alberta.

## Alternative Energy

**6** In early August, the government of Ontario introduced a number of initiatives to maintain momentum, stimulate activity and create stability for renewable energy developers in the province. The initiatives include: the release of a Technical Guide to Renewable Energy Approvals (REA), which provides assistance to renewable energy developers in meeting the legislated requirements; changes to the Feed in Tariff (FIT) contract terms, which allow for FIT contract holders to request the Ontario Power Authority to waive termination rights if certain conditions are met; improvements to the REA process, reducing the waiting period for the initial screening review of applications by over 50 percent; and the introduction of changes to the property tax treatment of certain renewable energy facilities.

More information about these initiatives can be found [here](#) in the government of Ontario press release.

**7** NaturEner Energy received approval for the construction and operation of its 162 MW Wild Rose II wind project in Cypress County, Alberta. The company now holds permits to construct wind projects throughout Alberta representing an aggregate of 375 MW.

**8** Millar Western Forest Products is working towards the construction of a 5.2 MW biomass power plant in Whitecourt Alberta. If it materializes, this \$35 million Bioenergy Effluent project will utilize the company's current market pulp mill wastewater through an anaerobic hybrid digester. The Alberta government has provided \$17.5 million from its \$155.9 million share of the Canadian ecoTrust for Clean Air and Climate Change to the project.

Enbridge, aiming to become a new player in the wind-energy transmission business, has proposed to buy-out Tonbridge Power, a Toronto corporation, for \$20 million. Pending regulatory approval, Enbridge will also invest \$300 million to complete the 230 kV Montana Alberta Tie Line (MATL), a 345 km power line connecting the province of Alberta and its southern neighbour.

## On the Horizon

TransCanada filed an application with the NEB that proposes significantly lower tolls in 2012 and 2013 for long-haul shippers of natural gas from western Canada. The proposal, including the illustrative 2012 Mainline toll from the Nova Inventory Transfer System (NIT) in Alberta to Dawn, Ontario, would reduce the toll by more than 30 percent compared to the 2011 interim toll, down to \$1.41 per GJ, and the illustrative toll as proposed would be \$2.52 per GJ below the 2012 status quo. TransCanada anticipates approximately 2.9 bcfpd of additional gas by the end of 2014, much of it from shale gas production, which additional volume the company hopes to attract to the Mainline. The proposal would further extend the Alberta system to the Kingsgate in British Columbia and to Monchy in Saskatchewan on the Foothills, and to the Saskatchewan-Manitoba border on the Mainline. If approved, the TransCanada proposal would effectively include all of the Western Canadian Sedimentary Basin, providing access to the delivery system and NIT market for all gas connected to the TransCanada system.

## 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.

## KEY CONTACTS

CALGARY

Doug Black Q.C.

[doug.black@fmc-law.com](mailto:doug.black@fmc-law.com)

Anne Calverley Q.C.

[anne.calverley@fmc-law.com](mailto:anne.calverley@fmc-law.com)

Douglas Crowther

[douglas.crowther@fmc-law.com](mailto:douglas.crowther@fmc-law.com)

Bill Gilliland

[bill.gilliland@fmc-law.com](mailto:bill.gilliland@fmc-law.com)

Alex MacWilliam

[alex.macwilliam@fmc-law.com](mailto:alex.macwilliam@fmc-law.com)

EDMONTON

Rich Miller

[rich.miller@fmc-law.com](mailto:rich.miller@fmc-law.com)

MONTRÉAL

Claude Morency

[claudio.morency@fmc-law.com](mailto:claudio.morency@fmc-law.com)

OTTAWA

Cyrus Reporter

[cyrus.reporter@fmc-law.com](mailto:cyrus.reporter@fmc-law.com)

VANCOUVER

Ron Stuber

[ron.stuber@fmc-law.com](mailto:ron.stuber@fmc-law.com)

TORONTO

Helen T. Newland

[helen.newland@fmc-law.com](mailto:helen.newland@fmc-law.com)

---