

Oh Canada!

Significant Developments in Canadian Energy



AUGUST 2012

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Oil Sands News

1 TransCanada has been selected to design, build, own and operate the proposed Northern Courier pipeline. With an estimated capital cost of \$660 million, the Northern Courier project will be a 90-kilometer pipeline system that will transport bitumen and diluent between the Fort Hills mine site and the Voyageur Upgrader north of Fort McMurray. The Northern Courier pipeline is fully subscribed under long-term contract to service the Fort Hills Mine, which is jointly owned by Suncor, Total E&P Canada, and Teck Resources, and is estimated to contain approximately 3.4 bbbl of bitumen.

1 Sunshine Oilsands is in talks with China's Sinopec and China Investment Corp. to reach an agreement to produce 200,000 bbls per day of bitumen in Alberta, a joint venture estimated at \$6.7 billion. A memorandum of understanding between Sunshine and Sinopec was signed in January to co-operate on joint exploration of

oilsands assets at three of Sunshine's acreages (West Ells, Thickwood and Legend Lake) in the Athabasca region of northern Alberta. It is expected that the joint venture will enable full production of the Sunshine assets by 2019.

East Coast News

2 Shell has announced a timeline to search for oil off the coast of Nova Scotia. The project is expected to cost \$970 million dollars and is called the Shelburne Basin Venture. An office for the project will be opened in Halifax in 2013. Once the office is open, Shell will begin seismic testing of the four deepwater blocks off the continental shelf, roughly 250 km southwest of Halifax. The Province of Nova Scotia predicts that there may be potential reserves of 120 tcf of natural gas and 8 bbbl of oil. It is expected that over the next six years the \$970 million exploration program will significantly boost the offshore supply sector in Nova Scotia. The project will be crewed by local seafarers and management.

3 Nalcor Energy, a Newfoundland Crown corporation and Emera Inc., a private Nova Scotia utility company have signed 13 deals along with the provincial governments of Nova Scotia and Newfoundland and Labrador. Called the Muskrat Falls Project, it will have a life span of 50 years to develop a multi-billion dollar hydro project. The Project will harness power from the Churchill River located in Labrador and transmit it to Newfoundland and Nova Scotia by subsea cables. The cost of the Project is expected to be \$6.2 billion. The Natural Resources Minister for Newfoundland and Labrador believes that this will be the most affordable solution for the energy needs of the Province. An additional advantage of the Project is that excess power could be sold to other markets in the Maritimes and New England. In exchange for funding the subsea link between Newfoundland and Nova Scotia, the province of Nova Scotia will receive 20 percent of the Project's power for 35 years.

4 PetroWorth, an acquisition and exploration company in Eastern Canada, has announced that

the Province of Nova Scotia's Department of Energy has granted a one year extension to the company's exploration permit for the Lake Ainslie block in Western Cape Breton Island.

PetroWorth may now move forward and drill a 1,200 metre oil exploration well in West Lake Ainslie. The company plans to drill the well before the end of 2012. The location for the proposed well is based on the interpretation of seismic data PetroWorth acquired in 2009, and on a number of historic wells drilled in the area dating

West Coast News

5 David Black, owner of newspaper chain Black Press, has announced his interest in constructing a \$13 billion refinery near Kitimat B.C., which would have the capacity to process all of the output from the planned Enbridge Northern Gateway pipeline. Black announced that his company, Kitimat Clean, will be submitting an environmental assessment application to build a world-scale refinery at the 3,000 hectare Dubose location, located 25 km north of Kitimat. The refinery will be designed specifically for oilsands heavy crude oil and will be capable of processing up to 550,000 bbls per day of dilbit. It is intended that the plant will produce up to 240,000 bbls per day of diesel, 100,000 bbls per day of gasoline and 50,000 bbls per day of kerosene. It is hoped that construction would begin in 2014 and be complete by 2020.

Canadian Arctic News

6 Chevron has begun a Marine 3D Seismic program in the Beaufort Sea in the Northwest Territories. The National Energy Board approved the program after considering information provided by the company, various government departments and the environmental screening committee. The project entails the acquisition of up to 3,500 sq. km of 3D seismic data. The primary focus of the program will be an exploration license which Chevron acquired in 2010 for a work commitment of \$103.3 million. Chevron has a second Beaufort Sea exploration

license, which it obtained in 2008 for a \$1.1 million work commitment. The surveys will take place approximately 90 km north of Herschel Island.

Alternative Energy

7 BC Hydro's Site C Hydro-Electric Project on the Peace River has been shown to have strong community support. BC will likely experience significant growth in electricity demand over the next 20 years and the community widely supports the independent power generation potential of rivers and wind in the province. BC Hydro is one year into a 3 year long environmental assessment process for its \$7.9 billion Site C proposal intended to be built 7 km southwest of Fort St. John, generating 1100 MW of electricity, which would provide enough power to meet to the annual needs of 450,000 homes. BC Hydro operates 31 hydro electric facilities and 3 thermal generating plants, with a total of 12,000 MW of installed generating capacity. The company's hydro electric facilities provide over 95% of the total electricity generated and are located throughout the Peace, Columbia and Coastal regions of British Columbia.

8 The Caisse de Depot et Placement du Quebec, a Quebec pension fund, is investing close to \$100 million in a Quebec based hydro electric company. The pension fund manager said that it bought 9.6 million common shares of Innergex Renewable Energy for a total cost of \$98.9 million. The Caisse will own 10.3% of Innergex. This large investment comes at a time when Innergex is taking on new hydro electric acquisitions. Innergex recently announced a purchase and sale agreement to acquire a 70% interest in the Magpie Hydroelectric facility in northeastern Quebec for \$30.3 million, plus another \$52 million in debt. Innergex expects this Magpie acquisition to close by the end of September 2012. The Magpie facility sells all of its electricity to Hydro Quebec as part of a 25 year agreement. Innergex also has a letter of intent to acquire ownership interest in 7 other hydroelectric projects in Quebec, Ontario and British Columbia.

9 The PEI Energy Corporation is moving forward with plans for a wind power development in the Hermanville and Clearsprings area of Prince Edward Island, which will produce 30 MW of power. The project is estimated to be at a cost of \$60 million and will help PEI meet its energy accord commitments. It has been indicated that more than \$300,000 will go into the community every year as a result of the projects. The Province of PEI is currently in negotiations with suppliers to build and supply the turbines. It is expected that the turbines will be operational by 2013.

4 Three commercial scale wind energy projects have recently been approved by the province of Nova Scotia in Lunenburg and Guysborough counties. Two of the projects, led by Oxford Frozen Foods and Minas Pulp and Paper, are to be located next to each other near South Canoe Lake, while the Sable Wind Project is near Canso. It is expected that the Sable Winds Project will produce 13.8 MW of power while the Oxford and Minas Projects will produce a total of 102 MW. It is estimated the projects will result in total investments of close to \$200 million into the province of Nova Scotia.

On the Horizon

Alberta's Energy Resources Conservation Board has approved the first commercial scale carbon capture and storage ("CCS") project in Alberta, Shell Canada Limited's application for the CCS project associated with the Athabasca Oil Sands Project and the Scotford Upgrader, where new facilities are designed to capture up to 1.2 megatonnes of CO2 per year. The cumulative stored volume is anticipated to be greater than 27 Mt of CO2 over the anticipated 25 year life of the Scotford Upgrader.

The prospects for a potentially enormous new shale oil play are being investigated in the Northwest Territories. The Canol shale oil find, stretching from the Fort Good Hope region south to the hamlet of Tulita of the central Mackenzie Valley, is currently estimated to contain between 2-3 bbl of recoverable oil, putting it in the same league as the Bakken light oil play which

underlies parts of North Dakota, Montana and Saskatchewan. In the past year a total of 13 different leases for parcels of land in the central Mackenzie Valley were awarded for a total of \$535 million to major players including: Husky Energy, Imperial Oil, ConocoPhillips, and Royal Dutch Shell.

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; mmcfd - 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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