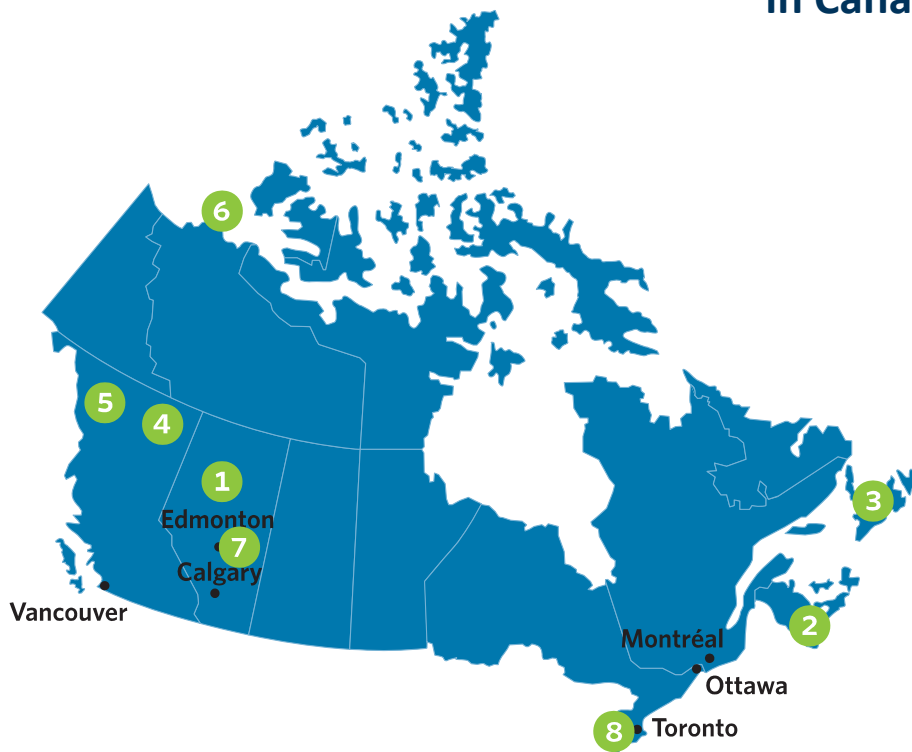


Oh Canada!

Significant Developments in Canadian Energy



JANUARY 2012

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Oil Sands News

1 Sunshine Oil Sands is considering an initial public offering to raise the \$500 million required for construction of the first phase of the company's West Ells oil sands project. The 10,000 bpd bitumen project will be constructed in two phases of 5,000 bpd each, and the project is expected to eventually produce 100,000 bpd of bitumen from the Wabiskaw zone for an 18 year period. First steam is projected for 2013, and the project is anticipated to have a productive life in excess of 50 years.

1 A new entity, SilverWillow Energy, will be formed out of Teck Resources' commitment to buy SilverBirch Energy for \$435 million. Teck, which already has a 20% interest in the Fort Hills project owned by Suncor and Total, will acquire SilverBirch's 50% stake in the Frontier oil sands project. Frontier has an anticipated lifetime production of 2.8 bbbl and is projected to produce in excess of 74,000 bpd of bitumen by

2021, which production is expected to further increase to more than 277,000 bpd in 2030.

1 Grizzly Oil Sands announced that it will acquire Petrobank's May River oil sands property for \$225 million. May River incorporates 18,250 hectares of high quality oil sands leases with estimated probable reserves of 90.6 mmbbl in respect of the leases and 624 mmbbl of best estimate contingent resources with respect to SAGD development. The company intends to develop May River using SAGD and its ARMS (advanced, relocatable, modular, standardized) development model, which model will also be employed at its Algar Lake SAGD project when it comes online in 2013. Pending regulatory approval, the May River transaction is expected to close at the end of February.

East Coast News

2 Shell is adding to its previous experience in deepwater oil and gas exploration offshore Nova Scotia with its successful bid for four 9 year leases located approximately 200 kilometres southeast of the province. The bid of \$970 million represents the amount that the company will invest in exploration during the first six-years of the leases. Shell plans to complete seismic in 2013 and to drill in 2014. According to Canada's Minister of National Defence and Regional Minister for Nova Scotia, Peter MacKay, "[t]his bid is an example of the reinvigorated interest in Nova Scotia's oil potential, which could be as much as eight billion bbls of oil." In 2011, Nova Scotia completed a two-year, \$15 million study which estimated that the province's offshore resources potential was 102 tcf of natural gas and eight billion bbls of oil.

3 Repsol has upheld its commitment to expanding its presence in Canada's east coast by concluding agreements with Statoil and Chevron to conduct exploration activities in Orphan Basin and Flemish Pass Basin, offshore Newfoundland and Labrador. Repsol, Statoil and Chevron will participate in a farm-out arrangement in a planned 2012 exploration well in Orphan Basin,

where Chevron, as operator, will have 65 percent equity interest, Repsol will have 20 percent interest and Statoil will have 15 percent interest. Similarly in the Flemish Pass Basin, the parties will explore two exploration parcels where Statoil, as operator, will have 50 percent equity interest, Chevron 40 percent, and Repsol 10 percent.

West Coast News

4 PetroChina has signed a binding agreement to acquire a 20% stake in Shell's Groundbirch lands and assets in northeast British Columbia. The price of the deal remains undisclosed, but is speculated to be in excess of \$1 billion. Shell acquired its 100% interest in Groundbirch through a \$5.9 billion takeover of Duvernay Oil Corp. in 2008. Shell, along with joint venture partners Korea Gas Corp., Mitsubishi Corp. and China National Petroleum Corp., is now considering a possible liquid natural gas (LNG) export terminal at the Kitimat marine terminal it acquired from Cenovus last year.

5 BC LNG received approval from the National Energy Board for a license to export LNG near Kitimat, British Columbia. The license is the second of its kind, following on the heels of the license granted to Kitimat LNG last year, and will permit the export of 36 million tonnes of LNG over 20 years, with a maximum of up to 1.8 million tonnes of LNG per year. The project, currently comprised of 13 members, will operate as a cooperative made up of LNG buyers, marketers and natural gas producers who will bid to purchase LNG or provide natural gas to be liquefied.

Canadian Arctic News

6 A joint venture between Statoil and Chevron has added new lands to Statoil's extensive Arctic portfolio. Pursuant to a farm-out arrangement between the parties, Statoil and Chevron will participate in a Beaufort Sea 3D seismic program in the Beaufort Sea in northern Canada. The program is estimated to occur in the summer of 2012.

Alternative Energy

7 Capital Power has awarded the construction contract for the Halkirk Wind Project to RES Canada, a leader in the development and construction of renewable energy projects in Canada. Currently the largest wind project under construction in Alberta, the 150 MW Halkirk Project will generate electricity for an estimated 50,000 average local homes. The project is located near the town of Halkirk, in central Alberta. The estimated construction completion date is set for Q4 of 2012.

8 Windstream, a Canadian commercial wind power developer, signed a binding agreement with Siemens for the supply of 130 2.3MW turbines. Windstream intends to use the turbines for its 300MW offshore wind power project off the southwest shore of Wolfe Island, in eastern Lake Ontario. In the spring of 2010, Windstream won a 20 year offshore wind power purchase contract with the Ontario Power Authority (OPA) under its feed-in tariff (FIT) program. Pursuant to the agreement with Windstream, Siemens has agreed to manufacture rotor blades for the turbines at its plant in Tillsonburg, Ontario. This term guarantees Windstream will meet its 50 percent OPA Ontario content requirement under the FIT contract.

On the Horizon

MEG Energy has received conditional approval from the Energy Resources Conservation Board for a three phase expansion of its Christina Lake facility which will bring total production up to 210,000 bpd of bitumen. Pending cabinet and Alberta Environment and Water approvals, the project is slated to be completed by 2020, with each of the three 50,000 bpd expansion phases set to commence in 2014, 2016 and 2018, respectively. In advance of that expansion, construction remains ongoing at Phase 2B, which is expected to bring production at Christina Lake up to 60,000 bpd by 2013.

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; mbbbl - thousand barrels; mmbbl - million barrels; bbbbl - 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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