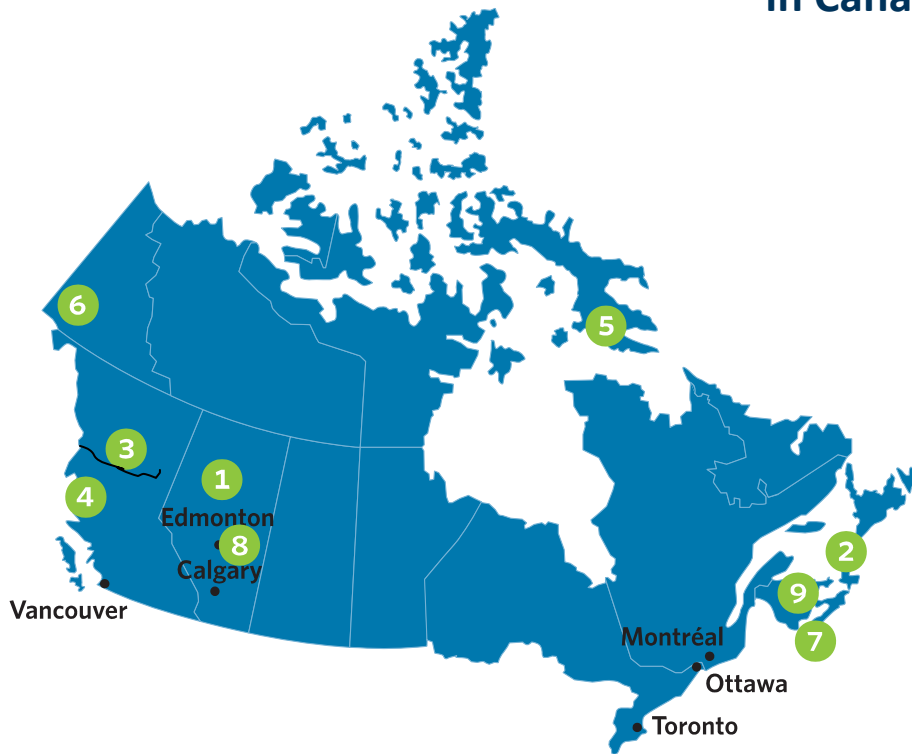


# Oh Canada!

## Significant Developments in Canadian Energy



### SEPTEMBER 2012

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### Oil Sands News

- 1 Cenovus has announced that it is producing oil from Phase D of its Christina Lake oil sands operation three months ahead of schedule and within budget. Cenovus commenced initial steam injection during the second quarter of this year, with initial production beginning in July. Upon completion, expected within six to nine months, production from Phase D will be approximately 40,000 bpd, bringing total production capacity at Christina Lake to 98,000 bpd. With subsequent expansions and optimization, it is anticipated that Christina Lake will have an eventual total production capacity nearing 300,000 bpd.
- 1 The Alberta Energy Resources Conservation Board (ERCB) has provided Osum Oil with notice that it has approved the company's application for the development of a 35,000 bpd 100% owned thermal project near Cold Lake, Alberta. The project will use both steam assisted gravity drainage and cyclic steam stimulation recovery

processes, and has been assigned proved plus probable reserves of 359 mmbbl.

### East Coast News

**2** The Atlantic Energy Gateway Initiative (AEG) met with Ministers of the four Atlantic Provinces to announce the results of studies undertaken by the AEG to analyze the benefits of regional collaboration. The AEG is aimed at enhancing government and regional power utilities cooperation in Atlantic Canada. The research identified several potential benefits from regional collaboration including development and operating cost efficiencies, greater diversity in clean and renewable energy supplies, enhanced stability for ratepayers, and lower greenhouse gas emissions for the Atlantic region. The AEG represents an unprecedented level of collaboration between federal and provincial governments as well as provincial utilities.

### West Coast News

**3** Spectra Energy and BG Group have signed a project development agreement to jointly develop plans for a new natural gas transportation system from northeast B.C. to serve a potential liquefied natural gas export facility in Prince Rupert owned by BG Group. The 850-kilometre large diameter pipeline, with an anticipated cost of between \$6 to \$8 billion, will be capable of transporting 4.2 bcfpd of gas. Each company will initially own a 50% interest in the proposed transportation project, with Spectra being responsible for construction and operation and BG Group agreeing to contract for the entirety of the proposed capacity.

**4** The government of British Columbia and the Haisla First Nation have announced that a deal has been reached in which the aboriginal group will lead the potential development of a third liquefied natural gas export facility near the port of Kitimat. The province has agreed to free up land on the west side of the Douglas Channel that the Haisla may lease or buy in order to attract an industry partner to develop another gas-

liquefaction plant and export terminal in the region.

### Canadian Arctic News

**5** Qulliq Energy is moving ahead on a plan to build two hydro electric dams near Iqaluit. The Board of Directors has approved spending to complete a feasibility study and an environmental review for the dams. Once the study and the environmental review are complete, Qulliq can move ahead looking towards the market or government to bring the project forward. The total cost of the project is estimated at \$450 million. Qulliq expects to complete a feasibility project in 2014, and finish the Nunavut Impact Review Board process a year later. The dams would be built by 2019, at which point it is expected that the energy needs of Iqaluit will require two dams. Two sites have been selected, both on the Southern side of Frobisher Bay, to be located in Jaynes Inlet and Armshow South.

**6** P&M Recycling, a recycling plant in the Yukon, has installed a new system that can turn plastics into oils. The system has been installed in a Whitehorse plant with an energy output ability that can heat about 70 homes. The plastic to oil technology is suitable to Northern Canada, where most homes are heated with oil burning furnaces. Plastic is turned into home heating by cutting the plastic into coarse granules which is then fed through to become light coloured oil. That oil is a blend of gasoline, diesel, kerosene, and a mixture of heavy oils. The machine was purchased from Japan for \$200,000 and modified to function in a cold climate. It is estimated that the owner of the recycling center will save \$18,000 in annual trucking and heating costs as recyclable plastic can be processed on site. The project has generated a lot of interest from other Northern communities.

## Alternative Energy

**7** The Nova Scotia Energy Department has approved a 0.5 MW in-stream tidal project in the Great Bras d'Or Channel. Fundy Tidal will develop the energy project, to be located in Cape Breton, under the community feed-in tariff program (COMFIT). The project is expected to power approximately 500 homes. Fundy Tidal was established in 2006 to take advantage of local interest in opportunities to generate renewable energy from the tidal currents of the Grand and Petit Passages of the Bay of Fundy in Nova Scotia. The main source of revenue for the company is the sale of tidal energy to the Nova Scotia utility grid.

**8** Capital Power is nearing completion of Alberta's largest wind farm near Halkirk. The Edmonton-based company is opening the site of the \$357 million project to the public. All foundations for the turbine towers have been completed and reclamation of the wide access roads has begun. Presently 34 turbines have been assembled and it is expected that all 83 will be up by the end of October. Work on the project's power substation is expected to be energized by October 5, 2012. After that, groups of turbines will come online and feed power into Alberta's grid. Capital Power purchased the design for the project as well as all approvals from Greengate Power in 2011. With 150 MW of capacity, the project will be capable of supplying 50,000 homes with electricity.

**9** The Assembly of Nova Scotia Mi'kmaq Chief has received approval for a wind project which will be located in the Amherst area in Nova Scotia. The 6 MW project will be developed by the Mi'kmaq in partnership with Wind4All Communities and under the Community Feed-In Tariff (COMFIT) Program. More than 25 community-based groups have submitted over 100 proposals for the unique COMFIT initiative which allows groups to receive an established price per kilowatt hour for projects. COMFIT projects can include wind, biomass, in-stream tidal and run-of-river hydroelectric developments. The Province of Nova Scotia has

supported the Mi'kmaq renewal energy project development by providing \$200,000 to create a Mi'kmaq Renewable Energy Strategy and \$2 million for a Mi'kmaq Major Resource and Energy Fund.

## On the Horizon

Many new in-situ oil sands projects are capable of competing favourably with other North American tight oil plays. Such was the announcement made by Glen Schmidt, president and chief executive officer of Laricina Energy at a recent Peters & Co investment conference held in Toronto. While acknowledging that start-up of these projects is less efficient than Greenfield and Brownfield expansions, Schmidt noted that, "gains are realized and compounded once the commercialized projects are established." and further, "Innovations such as solvent [and] infill wells are leading to further reductions in supply costs below that of the base-case steam recovery. As an industry, we are seeing lower [steam-oil-ratios], faster start-ups and techniques and expansions built on these operations". A recent Peters & Co study comparing and contrasting a 30,000 bpd development in the Eagle Ford, and a 30,000 bpd in-situ oil sands development, supported these assertions, with findings of a "competitive" result with an in-situ steam-oil-ratio of 3.5 and "excellent" comparatives with a steam-oil-ratio of 2.5.

## 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; mbbbl - 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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