

## Energy News

### Capital Markets Update – Canadian Oil & Gas Second Quarter 2010

#### Canadian Oil & Gas Summary

Citing higher oil prices, anticipated royalty changes in Alberta, and a general improvement in the economy, both PSAC and CAODC revised their forecasts for the remainder of 2010. PSAC expects that operators will drill 11,250 wells in Canada this year compared to 8,350 in 2009. In Alberta PSAC sees a 31% increase over 2009 drilling levels and forecasts for B.C., Saskatchewan, and Manitoba have also been adjusted upwards. CAODC expects rig utilization in the second half of 2010 to average 50% in Western Canada with 400 active rigs, compared to a previous estimate of 256 active rigs.

The threat of a labour shortage in Canada's oil and gas industry is imminent, even in a pessimistic growth scenario, according to the Petroleum Human Resources Council of Canada. With workers retiring and fewer people entering the industry, they anticipate that more than 100,000 workers will be needed in the next 10 years.

| Commodities & Indices              | June 30/10 | June 30/09 | 52 Week High | 52 Week Low |
|------------------------------------|------------|------------|--------------|-------------|
| WTI Crude Oil (US\$)               | 75.63      | 69.89      | 86.84        | 59.52       |
| AECO Natural Gas Future (C\$)      | 3.53       | 3.70       | 5.68         | 1.86        |
| TSX                                | 11,294     | 10,375     | 12,281       | 9,653       |
| TSX Integrated Oil & Gas           | 2,962      | 3,253      | 3,542        | 2,827       |
| TSX Oil & Gas Equip. & Services    | 1,549      | 1,208      | 1,715        | 1,125       |
| Drilling & Service Rigs            | June 2010  | June 2009  | Q2 - 2010    | Q2 - 2009   |
| Average WCSB – Drilling            | 211        | 122        | 161          | 94          |
| WCSB Active Utilization – Drilling | 27%        | 14%        | 20%          | 11%         |
| Average WCSB – Service             | 439        | 378        | 377          | 316         |
| WCSB Active Utilization – Service  | 48%        | 34%        | 35%          | 28%         |

#### Selected Notable Events in Q2 2010

**BP Gulf Oil Spill** - After the sinking of BP's Deepwater Horizon rig in the Gulf of Mexico, up to 60,000 bbls of oil per day was leaking from the well. BP is optimistic that two relief wells will plug the oil leak sometime in August. The leak has been temporarily stopped with a cap on the well. This spill prompted the Obama Administration to request a ban on deepwater drilling, which was rejected by a federal judge. Meanwhile, onshore service companies are expecting increase in demand and prices as land drilling is perceived by companies and investors as less risky than offshore drilling.

**Total to Acquire UTS** - Total E&P Canada Ltd. has agreed to acquire UTS Energy Corporation and its primary asset, a 20% stake in the Fort Hills oilsands mine. Total will pay \$3.08 per UTS share and shareholders will also receive shares in SilverBirch Energy Corporation, which will be formed with UTS' remaining assets. The purchase price represents a 49.5% premium over UTS's stock price one week prior to the announcement.

**Enbridge's Waupisoo Pipeline Expansion** - Enbridge Inc. announced that it secured shipper commitments of 229,000 barrels per day of capacity on the Waupisoo Pipeline, which runs from Enbridge's Cheecham Terminal to the Edmonton Terminal. As a result, Enbridge is undertaking a \$400 million pipeline expansion to its maximum capacity in order to accommodate these commitments. The expansion will take place in two phases, 65,000 bpd of capacity in the second half of 2012 and an additional 190,000 in the second half of 2013, to align Enbridge's expenses and revenue during the ramp up period.

**Notable debt financings include:**

- Wild Stream Exploration Inc., Westfire Energy Ltd., and North American Energy Partners announce expanded credit facilities in the amounts of \$50 million, \$42 million, and \$163 million respectively.
- Keyera Facilities Income Fund announces a \$155 million private placement of medium and long-term senior unsecured notes to repay existing debentures.

**Notable equity financings include:**

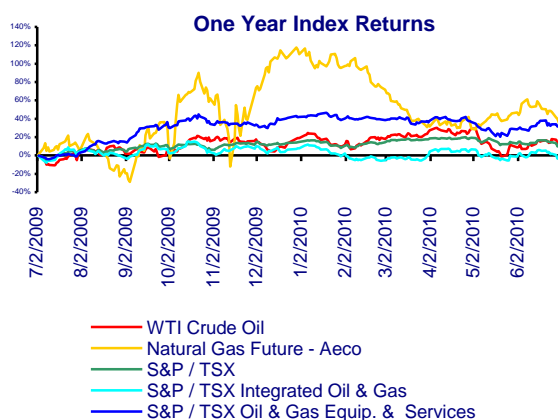
- Trican Well Services Ltd. raises \$230 million, which will be used to fund capital spending and reduce bank indebtedness.
- Crescent Point Energy Corp. completes an offering of common shares with total proceeds of \$375 million.
- Bonavista Energy Trust raises \$177 million from the issuance of 7.5 million trust units.

**Sinopec agrees to acquire ConocoPhillips' share of Syncrude** - In a transaction valued at approximately \$4.65 billion, Sinopec International Petroleum Exploration and Production Company will acquire 9.03% of Syncrude Canada Ltd. from ConocoPhillips. This transaction is consistent with ConocoPhillips' planned \$10 billion disposition program which was announced in late 2009. Canada's Minister of Industry has approved the transaction and closing is expected in the third quarter of 2010.

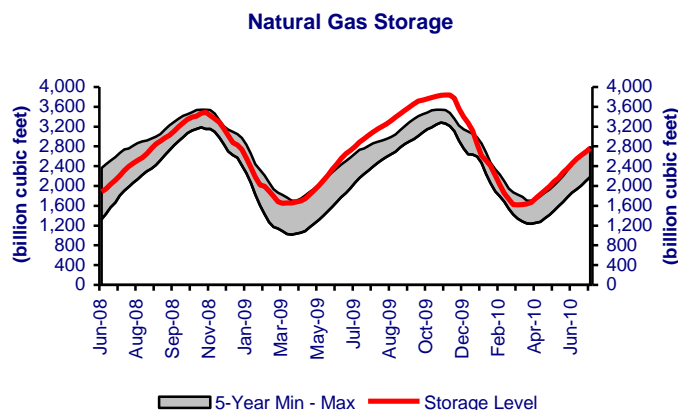
**Crescent Point announces two acquisitions** - Crescent Point Energy Corp. has acquired the remaining 79% of Shelter Bay Energy Inc. for \$1.1 billion, including \$121 of Shelter Bay net debt. Shelter Bay shareholders will receive 0.037 Crescent Point shares for each Shelter Bay share, or approximately \$1.52 each, based on a 15-day weighted average Crescent Point share price. Crescent Point also announced the acquisition of Ryland Oil Corporation, a working interest partner in the Flat Lake Bakken play, under an arrangement agreement. This all-share deal offers Ryland shareholders a 31% premium on the most recent five day volume weighted average Ryland share price of 35 cents.

**ARC announces acquisition of Storm Exploration** - ARC Energy Trust announced its intention to acquire Storm Exploration Inc. and its assets in the Montney play for a total purchase price of approximately \$680 million. Each shareholder will receive 0.57 ARC units or 0.2021 exchangeable shares in ARC Resources Ltd. as well as 0.3333 common shares of ExploreCo. ExploreCo is a new separate junior E&P company with assets in the Horn River Basin. The total transaction value represents a 33% premium over Storm's 30-day average trading price of \$10.68 per share.

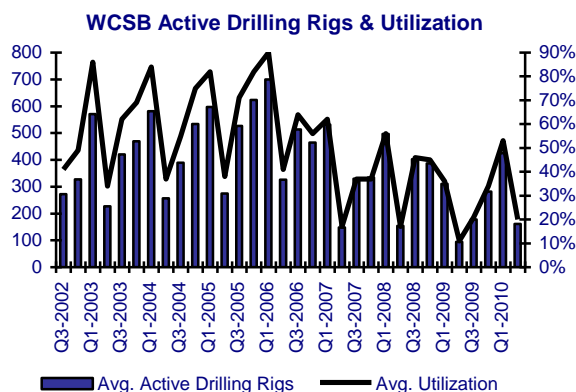
**Suncor agrees to divest Petro-Canada Netherlands** - Suncor Energy Inc. has reached an agreement with Dana Petroleum plc to sell all of its shares in Petro-Canada Netherlands B.V. for \$582 million, including hedging gains. Petro-Canada Netherlands currently produces 12,000 bbls of oil equivalent per day from eight offshore production and exploration licenses in the Dutch sector of the North Sea. This transaction is part of Suncor's strategic business alignment to divest non-core assets.



Source: Bloomberg, June 30, 2010



Source: EIA, June 30, 2010



Source: CAODC, June 30, 2010

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**Sources:** Bloomberg, Reuters, Capital IQ, PSAC, Nickles, CAODC, Globe and Mail, National Post, CIBC World Markets, BMO Capital Markets, RBC Capital Markets, Cannacord Adams, National Bank

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