

Energy News

Capital Markets Update – Canadian Oil & Gas Fourth Quarter 2009

Canadian Oil & Gas Summary

PSAC's 2010 drilling forecast reflects the Association's expectation of a slow recovery. Approximately 8,000 wells were drilled in 2009 and PSAC anticipates that 2010 will also see 8,000 wells drilled; however Peters & Co. recently updated its 2010 drilling forecast from 9,000 to 11,000 wells. Drilling for oil in Saskatchewan and northeast Alberta is expected to increase while the Association expects conventional shallow gas drilling in southeast Alberta to fall by 30%.

In the final land auction of the year, the Alberta government raised \$384.3 million and more than doubled its year-to-date revenue for a total of \$741.7 million in 2009. The sales were primarily for conventional gas assets in the Kaybob/Cecilia region (north-central Alberta) where producers use horizontal drilling and multi-stage fractures to draw out hydrocarbons that were previously difficult to access.

Commodities & Indices	Dec 31/09	Dec 31/08	52 Week High	52 Week Low
WTI Crude Oil (US\$)	79.36	39.03	81.04	33.98
AECO Natural Gas Future (C\$)	5.49	6.29	6.11	1.86
TSX	11,746	8,831	11,780	7,567
TSX Integrated Oil & Gas	3,304	2,311	3,581	2,079
TSX Oil & Gas Equip. & Services	1,662	1,146	1,695	916
Drilling & Service Rigs	Dec 2009	Dec 2008	Q4 - 2009	Q4 - 2008
Average WCSB – Drilling	340	353	278	385
WCSB Active Utilization – Drilling	41%	41%	33%	45%
Average WCSB – Service	453	530	455	580
WCSB Active Utilization – Service	51%	48%	46%	54%

Selected Notable Events in Q4 2009

Large oil and gas producers shed non-core assets - Both Suncor Energy Inc. and Cenovus Energy Inc. announced plans to divest non-core assets. Suncor plans to sell select natural gas assets as well as assets in the North Sea, and Trinidad and Tobago with a total estimated value of \$2 to \$4 billion. Cenovus expects to shed \$1 billion in natural gas and non-core crude oil assets over the next two years.

Talisman cuts 220 employees - Talisman Energy Inc. reduced its global workforce by approximately 4%. Most of the 220 jobs lost were technical, business support and operations staff in the company's Calgary head office. These cuts will allow Talisman to restructure its operations and establish separate shale and conventional gas divisions to increase focus on unconventional gas plays in North America.

2010 capital budget update - Producers are increasingly optimistic about the outlook for 2010. ARC Energy Trust expects its capital budget to reach \$575 million, which is \$210 million more than in 2009. Bonavista Energy Trust has announced a 20% increase in its capital budget from 2009 to 2010. Both companies announced that the funds will be primarily used for horizontal drilling opportunities.

Shut-in gas brought back on - With AECO gas prices edging up, several producers who shut in gas earlier this year have gradually started bringing it back on. Paramount Energy Trust has restored 20 mmcf per day of the 35 mmcf per day that was previously shut in. Progress Energy Resources Corp. shut in approximately 30 mmcf per day in September and nearly all of that has been brought back on.

Selected Financing and M&A News – Q4 2009

Notable debt financings include:

- Progress Energy Resources Corp. issues \$200 million in 5.25% convertible debentures which mature on October 31, 2014.
- Pembina Pipeline Corporation completes a \$267 million private placement of 5.91% fixed interest senior unsecured notes to institutional investors.
- OPTI Canada Inc. announces a private placement of \$425 million in first lien senior secured notes to allow the company to proceed with its strategic review process.

Notable equity financings include:

- Newalta Inc. completes an offering of 6.0 million common shares for total proceeds of \$46 million.
- Crescent Point Energy Corp. completes an offering of 15.4 million shares to raise \$500 million.
- Pengrowth Energy Trust raises \$300 million through the issuance of 28.9 million trust units.
- Canadian Superior Energy Inc. announces a private placement of 96.2 million common shares with total proceeds expected to be \$50 million.

Korea National Oil Company acquires Harvest Energy Trust

- Korea National Oil Company (KNOC) acquired Harvest Energy Trust for \$10 per Harvest unit, which represents a 47% premium over the 30-day weighted average trading price as of October 20, 2009. This \$4 billion transaction is in line with KNOC's North American growth strategy and it also provides Korea with access to significant oil and gas reserves.

Toromont Industries Ltd. offers to acquire Enerflex

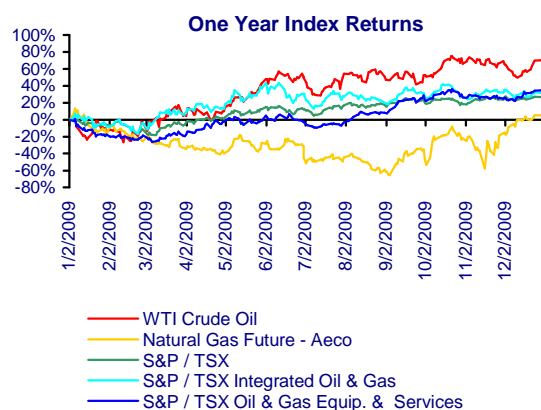
Systems Income Fund - After rejecting Toromont's initial offer of \$13.50 per unit in cash or shares, Enerflex's Board unanimously agreed to a modified bid at a price of \$14.25 in cash or a combination of common shares and cash. A purchase price of \$14.25 per share represents a 42% premium on the closing price of Enerflex units on October 16, 2009.

Total Energy Services Inc. agrees to acquire

operations from DC Energy Services Inc. - Total Energy Services has agreed to acquire the oilfield services, rental, and transportation divisions of DC Energy Services. The total transaction size is \$44.5 million, of which \$32 million will be paid in cash at closing and \$12.5 million to be paid with convertible unsecured debentures of Total Energy Services issued to the vendors. The transaction closed on January 15, 2010.

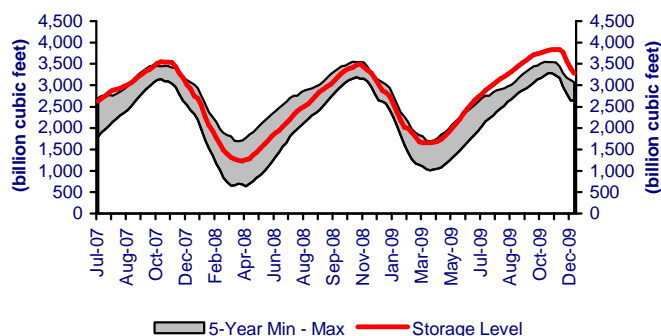
Libya Investment Authority receives approval to acquire Verenex Energy Inc.

- After the Libya Investment Corp. blocked a higher bid from the China National Petroleum Corp., Verenex agreed to be acquired by Libya. The sovereign wealth fund will pay \$7.09 per share, which represents a 11.5% premium on the Verenex stock price one week prior to the announcement.



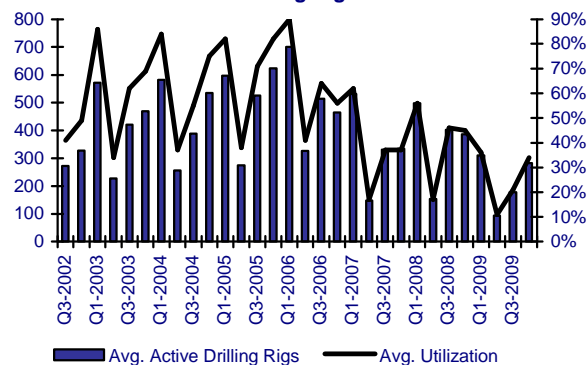
Source: Bloomberg, December 31, 2009

Natural Gas Storage



Source: EIA, December 31, 2009

WCSB Active Drilling Rigs & Utilization



Source: CAODC, December 31, 2009

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