

## Energy News

### Capital Markets Update – Special Edition for Oil & Gas Third Quarter 2009

#### Canadian Oil & Gas Summary

Natural gas storage levels in North America continue to be tested as inventories build at a rate of approximately three bcf per day. Storage in the United States is expected to reach 3.9 tcf by November, which exceeds the U.S. Energy Information Administration's capacity estimates.

Oilfield services companies in the Western Canadian Sedimentary Basin are expecting difficult conditions for the remainder of 2009 and into 2010. In the second quarter of 2009, service and supply companies in Canada reported just \$31 million in profit on \$3.29 billion in revenue. Additionally, PSAC's 2009 drilling forecast was updated in July to reflect a further decline in drilling levels from 10,000 wells drilled to 9,500.

Commodities & Indices	Sept 30/09	Sept 30/08	52 Week High	52 Week Low
WTI Crude Oil (US\$)	70.61	100.64	100.64	31.41
Natural Gas Future AECO (CA\$)	3.50	5.81	7.30	1.86
TSX	11,395	11,753	11,753	7,567
TSX Integrated Oil & Gas	3,286	3,557	3,581	1,892
TSX Oil & Gas Equip. & Services	1,598	1,705	1,705	916
Drilling & Service Rigs	Sept 2009	Sept 2008	Q3-09	Q3-08
Average WCSB Active - Drilling	199	408	178	402
WCSB Active Utilization - Drilling	23%	47%	21%	46%
Average WCSB Active - Service	435	618	417	615
WCSB Active Utilization - Service	39%	58%	37%	58%

Source: Bloomberg & CAODC, September 30, 2009

#### Selected Notable Events in Q3 2009

**EnCana Corporation splits** - EnCana recently renewed its plan to separate its operations into EnCana Gas Company and Cenovus Energy Inc. The Company cites an improved balance sheet, better access to capital, higher oil prices, and the fact that the \$3.5 billion transaction will not be taxable as the primary reasons for the split.

**Producers shutting-in wells** - Due to low natural gas prices and high processing costs, many natural gas producers including EMM Energy Inc., Storm Exploration Inc. and Paramount Resources Ltd. have shut in wells. FirstEnergy Capital Corp. estimates that approximately 600 mcf per day of natural gas production was shut in during the first ten days of September.

**2009 / 2010 capital budgets** - AltaGas Income Trust, Birchcliff Energy Ltd., Calfrac Well Services Ltd., and Total Energy Services Ltd. are among the companies who have increased their previously reduced 2009 and/or 2010 capital budgets. Notably, AltaGas increased its 2009 and 2010 capital budgets by 20% and 30% respectively to finance gas and power projects, including gas-fired power generation and wind power opportunities.

**Trident Resources Corp. files for Chapter 11** - Calgary based natural gas producer Trident filed for Chapter 11 bankruptcy protection in the State of Delaware citing the global economic crisis, fluctuating foreign exchange rates and low natural gas prices. Court documents show that the Company has estimated assets of \$1 million to \$10 million and estimated liabilities of \$500 million to \$1 billion.

**Notable debt financings include:**

- PetroBank Energy & Resources Ltd. announces a \$20 million increase in its secured credit facility to \$400 million and a \$400 million convertible notes offering.
- Baytex Energy Ltd. issues \$150 million in senior unsecured debentures.
- EnCana subsidiary Cenovus Energy Inc. completed a \$3.5 billion (US\$) senior notes offering consisting of three tranches with maturity in five, ten, and twenty years.

**Notable equity financings include:**

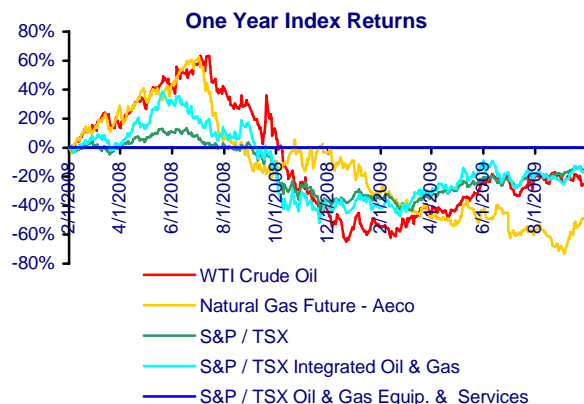
- Peyto Energy Trust raises \$94.5 million through an offering of 9 million trust units.
- Trinidad Drilling completes an offering of 27.18 million common shares for total proceeds of \$140 million.
- Glamis Resources Ltd. raises \$90 million through a private placement of 72 million Class A shares.
- Crescent Point Energy Corp. completes a share offering of 6.67 million shares with total proceeds for \$230 million.
- TransCanada Corporation announces a \$550 million equity offering of 22 million cumulative redeemable preferred shares.

**Calfrac Well Services agrees to acquire two companies** - Since the beginning of August Calfrac has made two significant strategic acquisitions. The first was Pure Energy Services Ltd's Colorado-based well fracturing division for total consideration of \$42.8 million comprised of cash (\$39.1 million) and debt (\$3.7 million). Calfrac also agreed to acquire Century Oilfield Services Inc. for \$90 million, of which 85% was paid in Calfrac stock. These acquisitions will expand Calfrac's presence in the United States, Canada, Russia, and Mexico and allow the company to deploy more assets in Western Canada.

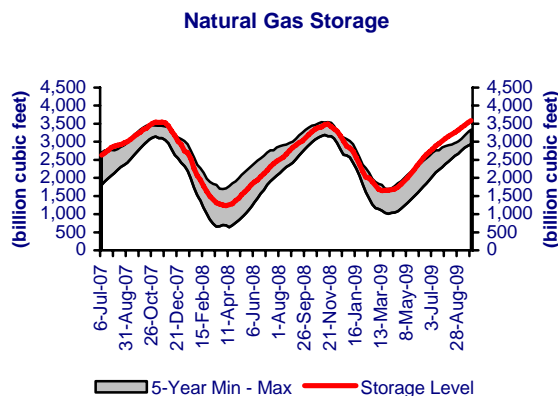
**Baker Hughes signs definitive agreement to purchase BJ Services Company** - Baker Hughes has offered to purchase BJ Services Company for total consideration of \$5.5 billion, including \$5.2 billion in cash. The offer price of \$2.69 cash and 0.40035 shares of Baker Hughes represents a premium of 16.3% over the closing price of BJ Services stock on August 28, 2009. This acquisition will expand Baker Hughes' product line and allow it to compete with Halliburton Co. and Schlumberger Ltd. in bids for large, integrated projects.

**Apex Distribution Inc. agrees to purchase Remington Pipe & Supply Co.** - Apex Distribution has agreed to acquire Tulsa, Oklahoma based Remington Pipe & Supply Co. This acquisition will provide Apex with the ability to better serve clients across North America.

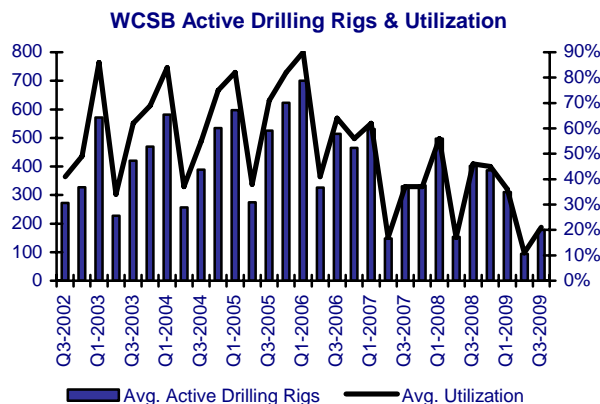
**VGS Seismic Canada Inc. has been acquired by Plainfield Luxembourg S.a.r.l.** - Under a previously approved plan of arrangement, VGS shareholders voted in favour of Plainfield Luxembourg acquiring all outstanding shares of the company for six cents per share. The value of the transaction is approximately \$18 million. VGS common shares have been delisted from the TSX Venture Exchange.



Source: Bloomberg, September 30, 2009



Source: EIA, September 30, 2009



Source: CAODC, September 30, 2009

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**Sources:** Bloomberg, Reuters, Capital IQ, PSAC, Nickles, CAODC, Globe and Mail, National Post, CIBC World Markets, MBO Capital Markets, National Bank Financial, Scotiabank, Company websites

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