

NYMEX OIL: US\$81.69
+\$1.13
 December delivery
NYMEX N. Gas: US\$3.32
-\$0.04 per MMBTU
 November delivery



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Published By **NEWS COMMUNICATIONS** since 1977

Weekender

Saturday October 30, 2010

GOLDEN PASS FIRST CARGO ARRIVES

After billions of dollars in construction spending and a one-year delay caused by a storm, Golden Pass LNG received a long-awaited first shipment of super-chilled natural gas in its terminal near the Texas-Louisiana border. But the massive load of liquefied natural gas hauled by a 1,000 foot-long vessel all the way from Qatar, and those that follow, may not find a warm reception in the U.S. market, which is brimming with its own surplus of the gaseous fuel, made in the U.S. "Maybe they can re-export it," said David Pursell, an analyst with Tudor, Pickering, Holt & Co. "We don't need another boatful of LNG." The \$2 billion Golden Pass LNG terminal, a joint venture of Qatar Petroleum, Exxon Mobil Corp. and ConocoPhillips, was part of a massive build-up of natural-gas importing facilities dreamed up in mid-decade, as America's economy boomed and its energy resources seemed exhausted. Energy companies embraced the idea of turning the U.S., until then a relatively isolated consumer of natural gas produced in North America, into an importer of overseas gas, like Western Europe or Japan. It was an expensive proposition--to be transported, the gas must first be chilled at -260 degrees Fahrenheit to become liquid, and lugged in giant ships toward multi-billion dollar facilities that could warm it up and send it into the massive U.S. pipeline network. Critics said the facilities posed security risks, and lengthy permitting was required. Nevertheless, U.S. regulators approved dozens of terminals, and about 10 have been built. But the same scramble for energy also led oil and gas companies to adopt new ways to exploit natural gas trapped in shale rock--discovering massive reserves that have virtually rendered the U.S. self-sufficient once again. In 2010, the Energy Information Administration expects LNG to account for less than 2% of U.S. consumption, and at 1.26 billion cubic feet a day, about half of what the agency had forecast in 2004. Now North American energy companies--including Cheniere Energy Inc. (LNG), owners of an LNG terminal a few miles down the road from Golden Pass--are re-exporting cargoes they receive, and coming up with proposals to liquefy American-made shale gas. The turnaround underscores how difficult it is to time energy investments, which require plenty of leeway and sometimes imprecise forecasting. Proponents of LNG, however, say that imports could be necessary one day. ExxonMobil said all energy options, including LNG, are "essential to America's long-term energy security."



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agreement to acquire Excelsior Energy Limited and is planning its exploration program for the upcoming winter. According to Bill Gallacher, Athabasca's chairman of the board of directors, the company continues to achieve the milestones it has established. "Our management team has large company experience and an entrepreneurial spirit that captures both local oil sands knowledge and world-wide mega-project expertise. We require the team to achieve their goals and they have a track record of delivering on their promises." Athabasca, together with a wholly-owned subsidiary of PetroChina, formed Dover Operating Corp. (Dover OpCo) this year (with 40% and 60% interests respectively). Dover OpCo is charged with the development and management of the MacKay River and Dover commercial oil sands projects. The new company is currently staffed by 31 Athabasca secondees, six on loan from the PetroChina subsidiary and seven directly hired by Dover

AOSC Q3 UPDATE

Athabasca reports its joint venture project at MacKay River is on-schedule and on-budget and the team expects to file the regulatory application for the Dover commercial oil sands project before year-end. Athabasca has entered into an

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OpCo. As Dover OpCo awaits regulatory approval for the MacKay River project from Alberta's Department of Environment and the Energy Resources Conservation Board (ERCB), staff continue to work on engineering, resource delineation and project development. Construction on the first nine kilometre section of road into the leases began during the quarter. Construction on the MacKay River project is expected to begin in early 2012. "The group is doing an excellent job," reports

Sveinung Svarte, Athabasca's president and CEO. "The project continues on-time and is meeting our budget prognosis. Subject to regulatory and partner approval, we expect first steam for the initial phase of production targeting to start in 2014. It should ultimately achieve daily rates of 35,000 barrels." A second application, for the Dover commercial project, just north of MacKay River, is targeted to be completed and submitted to the province's two regulatory bodies (Alberta Environment and the ERCB) before year-end. The company has allowed a two-year window for the various regulatory groups to review the paperwork and approvals are expected late 2012 or early 2013. The construction period should take approximately two years and the first phase is being designed to reach 35,000 to 50,000 barrels a day. Athabasca estimates the entire project will run for 40 to 50 years at peak production rates of 200,000 to 270,000 barrels a day. "We formed this strategic joint venture with PetroChina's subsidiary to bring together the best technology, research and operational strength," Svarte says. "Both projects will deliver high standards in environmental performance and risk management." On September 13, Athabasca announced an agreement with Excelsior Energy Limited to acquire all the company's issued and outstanding common shares by way of a plan of arrangement. Excelsior's assets include oil sands acreage in Hangingstone and at West Surmont. The boards of directors of both companies unanimously approved the acquisition. The Excelsior shareholder meeting, to consider the transaction, is scheduled for November 9. Assuming receipt of shareholder and final Court approvals, it is anticipated the acquisition will close the same day. Svarte states, "The acquisition of Excelsior is consistent with our strategy to take advantage of consolidation opportunities that complement our existing asset portfolio." The combined Hangingstone property will provide Athabasca with a project of critical size and allow for an accelerated development of the area. It is ideally suited to several 10,000 barrels per day pods using Steam Assisted Gravity Drainage."

Athabasca has filed two regulatory applications to conduct experimental tests during the 2010-2011 winter drilling season in Dover West. The first uses steam injection to evaluate SAGD in the Leduc formation. The second is a two-well conduction heating trial to assess the effectiveness of Thermal Assisted Gravity Drainage (TAGD) in the same zone. Plans are to drill two 250-metre wells and then complete them with downhole electric conductive heating. The reef will be gently heated for 10 to 12 months, after which the lower well will be turned into a producer. On September 30, the company owned more than 1.8 million net acres of mineral leases and permits. Athabasca's expenditures for the first nine months included the delineation drilling of 16 wells; 12 in Dover West and four Grosmont. It also included core analysis and the acquisition of a total of 98 kilometres of 2-D seismic and 28 square kilometres of 3-D seismic. As of September 30, the company had \$1.9 billion of working capital, including \$1.7 billion in cash, cash equivalents and short-term investments. Management believes Athabasca's working

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capital, combined with the second loan from PetroChina (and if the put/call option is not exercised, PetroChina's third loan), is sufficient to fund its expenses into 2014, based on current plans.

PINECREST AQUISITIONS

Pinecrest Energy Inc. has announced it has entered into a number of strategic asset acquisitions for an aggregate purchase price of \$65.8 million. All of the acquired assets are located in the Company's greater Red Earth core focus area and all transactions are anticipated to close on or before November 30, 2010. In total, the Company

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is acquiring 24,080 gross acres (17,842 net acres) of land located in the heart of the emerging Slave Point formation tight oil play. The assets bring over 70 net low-risk Slave Point horizontal drilling locations along with approximately 140 bbls/d of light oil production and associated strategic facility infrastructure. The acquisition of these assets is consistent with the Company's strategy of focusing capital on top tier light oil resource plays in the provinces of Alberta and Saskatchewan, using its considerable in-house technical expertise to aggressively exploit the significant upside with the latest multi-stage

fracturing technology. With these Acquisitions, the Company has successfully accumulated an inventory of over 180 (net) light oil drilling locations in its two core operating areas targeting the Slave Point in Alberta and the Bakken in southeastern Saskatchewan. In addition, the Company has entered into a demand revolving operating credit facility in the amount of \$30 million with a Canadian chartered bank. The facility is secured by a floating charge debenture of \$50 million and a general security interest in all of the present and future acquired property. The facility will be available for general corporate purposes.