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ATHABASCA OIL POSTS BIGGER LOSS ON CLAIMS SETTLEMENT

Canadian oil sands producer Athabasca Oil Corp. reported a bigger quarterly loss as it set aside $49-million to settle some claims by PetroChina Co. Ltd.'s Phoenix Energy Holdings Ltd.

Athabasca exercised a put option earlier this year to sell its 40-per-cent stake in the planned Dover oil sands project to partner Phoenix Energy.

The provision was for settling potential claims relating to future costs of abandoning oil and gas wells in the Dover and MacKay River areas in Alberta, Athabasca said on Wednesday.

The amount and timing of any payment under the settlement was contingent on the successful closing of the deal.

Athabasca's net loss widened to $56.8-million, or 14 cents per share, for the second quarter ended June 30, from $30-million, or 7 cents, a year earlier.

Investors are waiting Athabasca to collect a $1.23-billion payment from Phoenix, completing the takeover by PetroChina.

The Chinese national oil company was supposed to complete the acquisition in June, but delayed payment to reassess the deal amid a corruption probe.

Last week Reuters reported, quoting a person with knowledge of the deal, which PetroChina planned to complete the takeover by the end of September.

The Dover project, 95 kilometers northwest of Fort McMurray, Alta., is expected to eventually produce as much as 250,000 barrels of bitumen per day, according to filings by Athabasca.

CANADIAN GAS PRODUCERS POSITION THEMSELVES AS POTENTIAL TAKEOVER TARGETS AS OIL MAJORS MULL BIG LNG BETS

The race to build natural gas export

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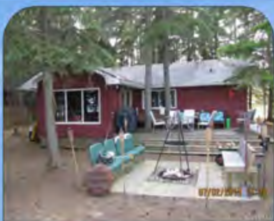
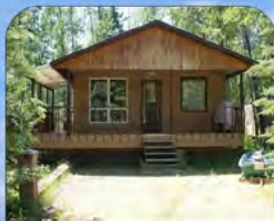
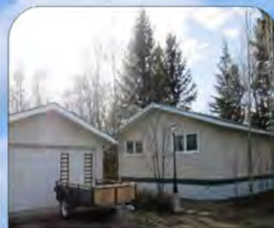
Turtle Lake & Brightsand Lake, SK Properties



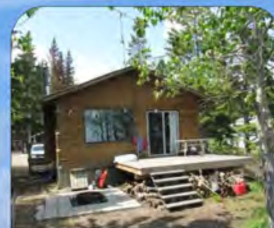
Horseshoe Bay
805 Lakeshore Drive
$580,000
81x144 ft lot
820 sq ft cabin
3 bedroom
Lakefront
MLSR504699



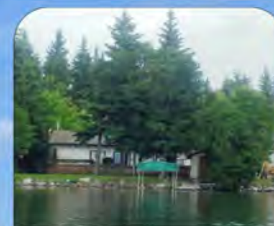
Sunset View
34 Utik Lane
$215,000
3 minute walk to public beach
60x100 ft tilted lot
2 bdrms, 3 pc bath
MLSR486853



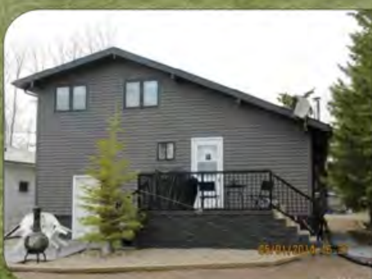
Sunset View
73 Kenderdine Lane
$279,900
Across roadfrom public beach & dock
2 bedrooms
MLSR491453



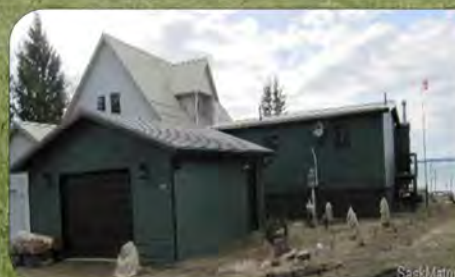
Horseshoe Bay
835 Lakeshore Dr.
$359,000
Lake Front
52x116 ft lot
3 bedroom cabin
MLSR503330



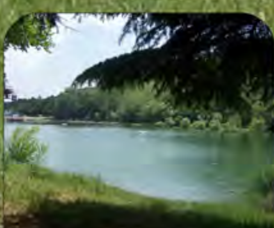
Moonlight Bay
31 Archie Clampitt Dr.
$370,000
Lake front at the Resort Village of Kivimaa
49x98 ft lot
781 sq ft, 3 bdrm cabin
MLSR504422



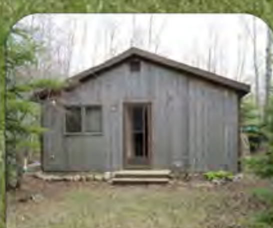
Turtle Lake Lodge
42 Mattews Crescent
$335,000
3 bedroom
year round cabin
21 ft well
Attached garage
Move in ready
MLSR491131



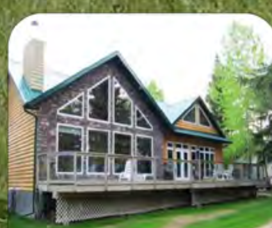
Sunset View
Lot 2 Kenderdine Blvd
$499,000
Water front cabin
1426 sq ft
2 bedroom
2 bath
MLSR485933



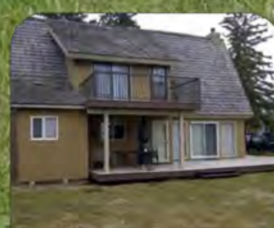
Lake Lots at Brightsand Lake & Turtle Lake for Sale



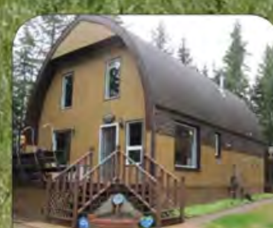
Sunset View Beach
122 Kenderdine Drive
$530,000
Large water front lot
65x250 ft.
Potable water
2 bedroom
MLSR499105



Sunset View
14 Kenderdine Blvd
$835,000
Water front
1848 sq ft
3 BD, 3 BA cabin
Open floor plan
MLSR502042



Evergreen
5 Mariana Place
$425,000
3 Bedrooms
Single attached garage
Deck & patio
MLSR495846



Evergreen
114 Michael Place
$450,000
82x98 ft corner lot
1330 sq ft
4 bedrooms, 2 baths
Open design & whole lot more!
MLSR500133

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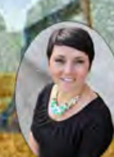

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terminals on Canada's Pacific Coast is inspiring another competition as producers including Painted Pony Petroleum Ltd. position themselves as potential takeover targets.

Developers of the gas-rich Montney shale that straddles Alberta and British Columbia are among the best-performing Canadian energy stocks this year, including Painted Pony, Crew Energy Inc. and Birchcliff Energy Ltd. Regulators estimate the Montney, the supply source closest to the sites of proposed LNG terminals, contains 145 years worth of Canadian gas consumption.

As oil majors from BG Group Plc to Royal Dutch Shell Plc prepare to decide on multibillion-dollar LNG facilities in Canada, the Calgary-based producers are standing out as prospective suppliers. Petroliam Nasional Bhd. plans to decide this year whether to build its terminal, one of more than a dozen being considered to ship Canadian gas to Asian markets.

These companies are trying to clean themselves up to be the most attractive

"These companies are trying to clean themselves up to be the most attractive to these potential LNG players," Jeremy McCrea, an analyst at AltaCorp Capital Inc. in Calgary, said in a July 25 phone interview.

Painted Pony last month said it's selling Saskatchewan oil properties to become a "pure-play" Montney producer. Cequence Energy Ltd. created a "Montney focused company," by agreeing to sell gas properties in the Ansell area of Alberta, the company said in June. Crew is trying to sell its Princess oil property in Alberta and is budgeting most of its capital spending this year on the Montney.

Montney-focused producers comprise three of the top five Canadian energy stocks of 2014, even as North American gas prices have fallen in recent weeks on a cooler-than-expected summer, paring some of the gains. Painted Pony is second on the Standard & Poor's/TSX Energy Index, with a 64% rise this year, data compiled by Bloomberg show. Crew is third, with a 54% gain, and Birchcliff is fourth after surging 51%.

The Montney producers have been aided by advances in drilling that are making wells profitable sooner, as well as North American gas prices that have increased about 15% from a year ago. Companies are now recouping costs on Montney wells in less than a year in some cases, compared with 24 months previously, McCrea said.

The Montney-focused companies best poised to be considered for a takeover, based on proximity to potential LNG plants and quality of the gas resource, are Painted Pony and Crew, McCrea said. While farther from the Pacific Coast, NuVista Energy Ltd., Advantage Oil & Gas Ltd., Birchcliff and Kelt Exploration Ltd. are also prospects, he said.

Purchases from LNG proponents in the Montney have already occurred. Petroliam Nasional, known as Petronas, acquired Progress Energy Resources Corp. in 2012 to secure a vast shale position and last year bought additional land from Talisman Energy Inc. Exxon Mobil Corp., which also is proposing an LNG terminal, acquired Celtic Exploration Ltd. last year in part for its Montney holdings.

Some of the LNG terminal proponents don't have Canadian gas assets, including BG and Woodside Petroleum Ltd. L N G development is far from certain, with no decisions to date on whether any proposed terminals will be built.

Apache Corp. on July 31 said it would exit the Chevron Corp.-led Kitimat LNG project, the first to have received a permit to export the fuel from Canadian regulators in 2011. Apache's departure adds challenges to a project that has faced prior delays with ownership changes. Chevron said Aug. 1

that it will seek a new partner.

Only two or three LNG export terminals will probably be built in Canada, said John Stephenson, portfolio manager and chief executive officer of Stephenson & Co. in Toronto.

"There's no question they need more gas," Stephenson said, referring to the terminal proponents. He called it a "poorly kept secret" that some Montney producers are setting themselves up to be taken out. "Others just see it as possible upside."

We believe that down the road someone's going to try to buy the resource, no doubt

There are no takeover premiums built into Montney stocks, partly because no LNG proponent has made a final decision to proceed, Birchcliff CEO Jeffery Tonken said in an interview. Birchcliff's pitch to investors currently is that it's a low- cost producer with big production growth from consistent drilling, he said.

"We believe that down the road someone's going to try to buy the resource, no doubt," Tonken said. "But a person who invests in our company should make money just because the business is good."

The sale of Painted Pony is a probable outcome and not part of the company's business plan, CEO Patrick Ward said in an interview.

"We've met with, over the last four years, a number of LNG players," Ward said. "A lot of these projects are still a little ways off."

A CLOSER LOOK AT IMPERIAL METALS CORPORATION AND THE MOUNT POLLEY MINE

Imperial Metals Corporation has been a part of the BC economy for 55 years, since it was incorporated in 1959. It's now the central figure in what locals are calling an environmental disaster at its Polley Mine site after a tailings pond breach. Here's a closer look at the company.

Aside from the Mount Polley Mine, Imperial Metals has shares in the Huckleberry Mine in west-central British Columbia, the Ruddock Creek Joint Venture in Kamloops, a mine in Nevada and is working on opening the Red Chris mine 80 kilometres south of Dease Lake.

Its annual report shows that total net income for the company in 2013 was $41 million. According to the company's public filings, metal production in the second quarter of this year at the Mount Polley Mine alone totaled 12 million pounds of copper, 11,867 ounces of gold and 33,813 ounces of silver – up 46 per cent, 24 per cent and 35 per cent respectively, compared to the previous three months. The company spent $16.4 million on exploration, development and capital expenditures at the Polley Mine in the first quarter of the year.

The company's largest shareholder is prominent investor N. Murray Edwards, based out of Calgary. Edwards was named Number 820 in Forbes' list of the world's top billionaires. Aside from Imperial Metals, in which he holds a 36 per cent controlling stake, he owns ski resorts, other mining and oil companies, and a 30 per cent stake in the Calgary Flames, according to Forbes. They estimate his net worth at $2.2 billion, up $250 million from 2013.

He also chairs the board of directors of Canadian Natural Resources Ltd., an Alberta-based crude oil and natural gas producer. The company claims it's the largest heavy oil producer in Canada and the second-largest independent natural gas producer in the country. It's come under fire in the last year, after suffering oil spills at four sites in northeast Alberta – spills that continue to ooze bitumen more than a year after they were first discovered. Global News conducted an analysis of 47 spills at CNRL's properties since 2002, and found equipment failure to be the most commonly cited cause.

Just last month, the Alberta Energy Regulator completed a technical review of CNRL's findings about the 2013 incidents and concluded the company's own operations – which involve injecting high-pressure steam underground – were a fundamental cause of the oil spill. CNRL's most recent quarterly report says it's working with regulators to review the leak and have reduced its steaming in certain areas.

Since the news of the tailings pond breach, shares in Imperial Metals have dropped from over $16.80 on August 1 down to $10.22 today.

CANADIAN PROVED OIL AND LIQUIDS RESERVES NEAR 30 BILLION BARRELS

Canada's total proved oil and liquids reserves increased again in 2013, climbing 10.2 per cent to 29.46 billion barrels from 26.74 billion barrels at the start of the year.

About 84 per cent of the booked reserves came from Alberta's oil sands.

Daily Oil Bulletin data on 139 companies shows oil and liquids production increased 6.66 per cent in 2013 to 1.13 billion barrels from 1.06 billion barrels in 2012 and 977.03 million barrels in 2010. It's the second time that annual oil and liquids production has topped the one-billion-barrel mark.

The same companies had a production replacement of 201 per cent (2012: 245 per cent).

If revisions are included, the production replacement rate climbed to 245 per cent (2012: 335 per cent).

Companies pursuing oil sands projects dominated the top 10 ranking of producers with the most proved oil and liquids reserves.

Suncor Energy Inc. climbed to the top of the list with 4.54 billion barrels of proved oil and liquids reserves, up 23.17 per cent from 3.68 billion barrels at the start of the year. It ranked third in 2012 and 2011. The company produced 167 million barrels of oil and liquids last year.

Last year's No. 2, Canadian Natural Resources Limited, stayed in second place on the list. The company reported 4.1 billion barrels of proved oil and liquids reserves at year-end 2013, up 2.45 per cent from 4.0 billion barrels at the beginning of the year. Canadian Natural produced 163 million barrels of oil and liquids in 2013.

Imperial Oil Limited, which had the largest oil and liquids reserves in 2012, fell to third place. The company's 2013 year-end proved reserves stood at 3.94 billion barrels, off 3.48 per cent from 4.09 billion barrels at the start of the year.

A total of eight companies reported proved oil and liquids reserves of one billion barrels or more (equal to 2012). Besides Suncor, Canadian Natural and Imperial, the list included: Shell Canada Limited (2.18 billion barrels), Cenovus Energy Inc. (2.14 billion barrels), ConocoPhillips Canada (2.11 billion barrels), MEG Energy Corp. (1.45 billion barrels) and Total S.A. (1.09 billion barrels).

Companies added 2.27 billion barrels of proved oil and liquids reserves in 2013 from drilling activities (discoveries and extensions). That was off from the record 2.79 billion barrels added in 2011, and 2.58 billion barrels added in 2012.

Suncor booked 997 million barrels through discoveries and extensions, followed by MEG Energy (172.81 million barrels), Cenovus (166 million barrels), Canadian Natural (125 million barrels) and Husky Energy Inc. (91.80 million barrels).

Whitecap Resources Inc. was the biggest purchaser of proved oil and liquids reserves (19.23 million barrels) in 2013. Bellatrix Exploration Ltd. acquired 17.83 million barrels of proved oil and liquids reserves, while Surge Energy Inc. acquired 14.98 million barrels.

Pengrowth Energy Corporation led in the disposition of proved oil and liquids reserves (33.76 million barrels), followed by Penn West Petroleum Ltd. (19 million barrels) and Apache Canada Ltd. (16.93 million barrels).

In addition to the 29.46 billion barrels of proved oil and liquids reserves, producers reported Canadian probable oil and liquids reserves of 15.52 billion barrels.

Proved oil sands reserves (mining, in situ, bitumen, synthetic) rose to 24.86 billion barrels at year-end 2013, up 11.07 per cent from 22.38 billion barrels in 2012. A total of 25 companies reported proved oil sands reserves in 2013.

CANEXUS PAYS HIGH PRICE FOR WINNING CANADIAN CRUDE-BY-RAIL RACE

Canexus Corp, the developer of Canada's first dedicated oil train terminal, has embraced the crude-by-rail boom with little success so far. Its shares are down 45 percent over the past year and the company is expected to report a weak quarter on Tuesday.

The company's Bruderheim terminal, 55 kilometers (35 miles) northeast of Edmonton, Alberta, is one of seven unit train terminals operating or under construction in Western Canada.

Although Canexus beat other midstream companies such as Gibson Energy Inc GEI.TO in the race to ship oil to market on mile-long trains, it is yet to see much benefit.

Some industry players are speculating the Calgary-based chemicals and handling company may have to sell Bruderheim to ease pressure on its balance sheet.

Asked about a potential sale, Lavonne Zdunich from Canexus investor relations said the company's portfolio of assets had not gone unnoticed and it would continue discussions with parties that had expressed interest.

Canexus also owns sodium chlorate and chlor-alkali plants in Canada and Brazil.

The cost of Bruderheim, planned as a 100,000 barrel-per-day loading facility offering Canadian crude producers an alternative to congested export pipelines, has risen by 60 percent as construction work fell behind schedule.

This year Canexus has revised costs up to C$355 million, cut its dividend and replaced its chief executive.

The terminal loaded its first unit train in December but was shut down in June to expand capacity to 70,000 bpd and establish a connection to Inter Pipeline's Cold Lake network.

Only 60 percent to 70 percent of capacity is currently contracted out to shippers and further debottlenecking may be needed before the terminal can finally start loading 100,000 bpd in 2015.

"It's been a rough couple of years," said Acumen Capital analyst Brian Pow. "Other companies will learn from their mistakes."

Pow said he was expecting another poor quarter from Canexus, which has a market capitalization of C$886 million and reports results on Tuesday.

WHAT WENT WRONG?

On paper, Canexus was in a great position to tap into North America's crude-by-rail boom when it announced plans to build a terminal at Bruderheim in 2012.

Its 480-acre site, formerly home to a sodium chlorate plant, is one of the few locations in Alberta where Canadian National Railway and Canadian Pacific Railway lines cross, giving shippers access to markets across the continent.

A former Canexus employee, who declined to be named, said the company was well versed in shipping hazardous materials and management felt oil-by-rail would not be a difficult transition.

But a harsh Canadian winter and the long-running problem of a tight Alberta labor market slowed construction.

An incinerator built to flare vapors discharged from crude being loaded into rail cars had to be modified twice, halting operations, and Canexus is now building a second incinerator.

Industry players said the biggest mistake was not bringing in experts until January, a failing that Canexus itself admitted.

"Involving the major capital project experts earlier would have been beneficial," said Zdunich.

Amid speculation of a sale some analysts have questioned how