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### OIL GIANTS LOOK TO INVEST DESPITE LOSSES AND PRICE COLLAPSE

This downturn may be 'lower for longer,' and spending now will require some mettle

Since oil prices began to nosedive two years ago, Cenovus Energy has been on its heels, desperately trying to cut costs. Management slashed capital spending, delayed projects and cut the workforce, among other measures. The latest quarterly results this week had the company post a \$267-million loss. Oil prices have slid recently by about 18 per cent from a peak in early June. Still, the company's management is optimistic and ready to start investing again. "We've been playing defence for the last 18 months and we are now well positioned to resume value-added growth in the months ahead," said CEO Brian Ferguson during a conference call with analysts on Thursday. Spending right now would follow the traditional oilpatch playbook of using a bust to gear up for the next boom. It's a cyclical business, and anyone who's spent time in the industry knows the roller-coaster always rises and falls. However, this downturn is different. CEOs have described it as unprecedented and repeated the phrase "lower for longer"

when speculating when prices will rise and return healthy margins to the industry. Thus, spending now will require a certain level of mettle. "I think it's prudent that management teams scrutinize these projects very thoroughly and that they are very careful how they invest capital and that they are planning on the current situation to stay around for a while," said Lanny Pendill, a senior analyst with Edward Jones. Like many oil companies, Cenovus deferred some expansion projects to conserve cash as a result of the slump in oil prices. The company now says it is completing engineering work at its Christina Lake operations, south of Fort McMurray, for the possible restart of a project that was halted in 2014. "I want to take advantage of low industry activity and a better cost environment to now start re-deploying some of the cash we have on the balance sheet," said Ferguson. Cenovus has cut about 31 per cent of its workforce since the start of the downturn and slashed operating costs by 24 per cent per barrel at its oilsands operations. "We stress-tested our current capital program and can fully fund all of those obligations, including the dividend, if prices were to remain at for example 40 bucks WTI for an extended period of time," said Ferguson. Spending big during a downturn has served some large

oil companies well. Suncor bought two U.S. refineries in 2003 and 2005 and acquired Petro-Canada during another slump in 2009. This price crash, it's betting big again. Suncor spent about \$9 billion in the last year to increase its ownership stake in oilsands operations Syncrude and Fort Hills. Add in other projects under development such as Hebron off Canada's East Coast, and Suncor expects to boost its production by 40 per cent over four years. Production could hit 800,000 barrels per day by 2019. "These transactions build on a well established track record of counter-cyclical acquisitions," said CEO Steve Williams on Thursday to analysts. The company isn't necessarily done, either. It's looking for acquisitions in North America and the North Sea. "You'll see us looking at oilsands possibilities and you'll see us looking at, potentially, refining opportunities," he said. Elsewhere, Suncor is one of the 21 companies signed up to bid for some of Mexico's deepwater properties. This week, Suncor posted a \$735-million net loss in the latest quarter, largely due to the Fort McMurray wildfire. Meanwhile, Royal Dutch Shell reported its lowest quarterly earnings in 11 years as profits fell 72 per cent from a year earlier. Total's profit fell 30 per cent. While some large oilpatch players

are willing to spend, not everyone has the financial flexibility. Many Alberta oil and gas companies are still trying to straighten out their balance sheets after suffering heavy financial losses. "Some are able to raise money, but in general, they are not generating enough cash flow in their operations to spend very much," said Jackie Forrest, vice-president of energy research with ARC Financial. When they do start to invest, she suggests we won't see large greenfield megaprojects in the oilsands like those of the last five or six years. Instead, there will be much smaller expansions to existing projects. "We expect the spending in the oilsands this year to be less than half of what it was a few years ago, so there's not a lot of spending," said Forrest. "At the macro level, spending is still trending down."



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**TURTLE LAKE**  
 200 Walann Way Golden Sands  
**\$699,600**  
 1,824 sq. ft. cabin  
 5 BD, 2 BA  
 Year round waterfront  
 Double detached garage  
 MLS © 539644



**TURTLE LAKE**  
 8 Lakeshore Drive Moonlight Bay  
**\$336,600**  
 1,815 sq. ft. cabin  
 4 BD, 2 BA  
 Year round cabin  
 Single detached garage  
 MLS © 562723



**TURTLE LAKE**  
 808 Lakeshore Drive  
**\$215,000**  
 Year round 2 BDRMS Cabin  
 768 sq ft cabin  
 Very large 73 x 103 fenced lot  
 32x805 ft deck, 10x10  
 MLS©571194



**Turtle Lake POWM BEACH**  
 500 Spruce Road  
**\$275,000**  
 1,400 sq ft cabin  
 120 x 138 ft double lot  
 9x24 room at the back of the cabin  
 12x20 garage in the back yard  
 MLS©572654



**TURTLE LAKE**  
 #4 Waino's Kivimaa  
 Moonlight Bay Road  
**\$339,000**  
 3 BDRMS Year round cabin  
 1,152 sq ft  
 Total lot size of 65.6 x 84  
 Many upgrades  
 Back yard is fenced  
 Comes with appliances  
 MLS©573353



**Evergreen Beach (Bright Sand)**  
 1001 - 1003 Trelayne Place  
**\$275,000**  
 984 sq. ft. cabin  
 3 BD, 1 BA  
 Year round cabin  
 Double detached garage.  
 MLS© 562772

**Turtle Lake**  
 (Turtle Lake Lodge Cres)  
 34 Mathews  
**\$325,000**  
 1,123 sq. ft. cabin  
 3 BD, 1 BA  
 Year round cabin  
 Comes with appliances  
 MLS © 564384



**Turtle Lake**  
 611 Chickadee-Horseshoe Bay Street  
**\$165,000**  
 3 BDRMS Cabin  
 876 sq. ft.  
 Double 131x153 ft. leased lot  
 Completely Fenced  
 MLS© 576060



**Sunset View**  
 34 Utik Lane  
**\$195,000**  
 672 sq ft cabin  
 3 min walk to public beach  
 60x100 ft. titled lot  
 2 BD, 3 BA  
 MLS© 569207



**Evergreen**  
 5 Mariana Place  
**\$329,500**  
 977 / 2 sq ft cabin  
 Year round home  
 3 BDRMS, gas fireplace,  
 Vaulted ceiling,  
 Patio door opening  
 Single detached garage  
 MLS© 575507



**TURTLE LAKE**  
 8 MacIntosh- Kivimaa  
 Moonlight Bay Street  
**\$235,000**  
 980 st ft year round home  
 3 bdrms, 1 bath  
 Nat gas for the fireplace  
 BQ hook up on the deck  
 Short walk to the beach  
 c/w appliances and furniture  
 MLS© 578925



**Turtle Lake Lot 1**  
 Sunshine Kivimaa  
 Moonlight Bay Place  
**\$130,000**  
 65 x 130 ft bare lot  
 Corner of Sunshine Place  
 &  
 Lake Shore Drive  
 MLS©564052

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