talk about energy outlook 2011

January 2011

OIL SANDS

- Oil sands activity appears to be set for resurgence this year. Capital spending is estimated to be $16 billion, up from just under $13.5 billion in 2010.

- Also contributing to oil sands spending this year will be on additional in situ projects to be developed by new oil sands operators.

- For non-mining projects, stabilized oil prices of between $75 (U.S.) per barrel (bbl) and $90 per bbl provide for a strong investment opportunity for operators. It is estimated that for most producers a long-term oil price of approximately $50 per bbl is required for a project to be economic.

- Some of the highlights include*:
  - Canadian Natural Resources Limited has budgeted up to $2.5 billion in capital spending on oil sands projects this year. The figure includes $1.35 billion for thermal in situ oil sands projects, including its recently-acquired Kirby assets. Another $800 million to $1.2 billion will be spent on the Horizon oil sands mine.

  - Suncor has an oil sands capital budget of $4.18 billion this year, up from $3.21 billion in 2010. Suncor is also moving forward on the proposed Fort Hills mine, has begun front-end work on MacKay River 2 and is expanding Firebag's in situ facilities.

  - Cenovus Energy Inc. could spend up to $1 billion this year with capital expenditures of $350 million to $400 million each at its Foster Creek and Christina Lake SAGD projects. Cenovus has also allocated up to $200 million for emerging oil sands assets such as Narrows Lake, Grand Rapids and Telephone Lake.

  - Canadian Oil sands Trust, which has the largest interest in Syncrude, will spend $907 million, up from expected capital spending this year of about $511 million. Syncrude's total estimated budget for this year is $2.8 billion.

  - Nexen Energy Inc. has budgeted a total of $575 million of which $425 million has been allocated for in situ projects (mainly Long Lake) and $150 million for its share of Syncrude expenditures.

  - BP will spend $416 million this year as its share of the first $2.5 billion of Husky Energy Inc.'s Sunrise oil sands mining project.

  - Total's share of this year's expenditures for Fort Hills and Voyageur is part of its new agreement with Suncor is $314 million.

  - At Christina Lake, MEG Energy Corp. plans to invest about $900 million in 2011 when it starts facilities construction for the second phase of its $1.4 billion SAGD project.

**Information courtesy of Daily Oil Bulletin*

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UPGRADERS

- There are currently five operating upgraders in Alberta with the capacity to handle approximately 1.2 million bbl/d of bitumen.
- In 2009, about 60% of oil sands production was sent for upgrading to synthetic crude oil within Alberta.
- Most upgraders produce synthetic crude oil, but some also produce products such as diesel.
- Upgraders (and refineries) also produce off-gases which are potential feedstocks for Alberta's petrochemical industry.
- Alberta has three new upgrader projects and three project expansions either approved or under application. If all the projects were to proceed, it would bring additional upgrading capacity of almost 1.0 million bbl/d of bitumen.

REFINING

- There are three operating refineries in Alberta with a combined crude processing capacity of over 430,000 bbl/d.

LAND SALES

- Petroleum and natural gas (P&NG) land sale revenue netted a new calendar year record of $ 2.39 billion, surpassing the previous calendar year record of $1.83 billion set in 2005.
- The best measure of a land sale is the average price paid per hectare (ha). The average price collected in 2010 for P&NG rights is $619.68/ha. In comparison, the average price paid in 2009 was $420.41/ha.

FORECASTS

- Generally, oil prices are expected to continue to be strong in the future driven by increased demand resulting from strong economic growth in the countries such as China and India.
- North American natural gas prices are expected to remain relatively low due to the rise in supply from shale gas being greater than increase in demand.
- Every $1 increase in the price of oil is worth $141 million to Alberta. But the province also loses $154 million for every one-cent increase in the dollar, according to Alberta Finance.

NON-ENERGY MINERAL MINING

- Alberta is currently experiencing its most diverse period of mineral exploration activity.
- Alberta is on the verge of opening its first modern era metallic mineral mine (e.g., magnetite in SW AB, titanium in NE AB, lithium in west-central AB).
- Mineral explorers in Alberta are developing innovative technologies to mine energy industry waste products (e.g., titanium from oil sands tailings, lithium from deep formation waters).