DAILY OIL BULLETIN

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Canadian Oil Industry Financings Slip In 2011

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The total amount of capital raised in the Canadian oil and natural gas industry in 2011 slipped 7% from the previous year. In 2011, there was a total of $18.0 billion in capital raised compared to $19.4 billion in 2010. Equity contributed 62% of the total capital raised in 2011, compared to 67% in 2010, 32% in 2009 and 47% in 2008.

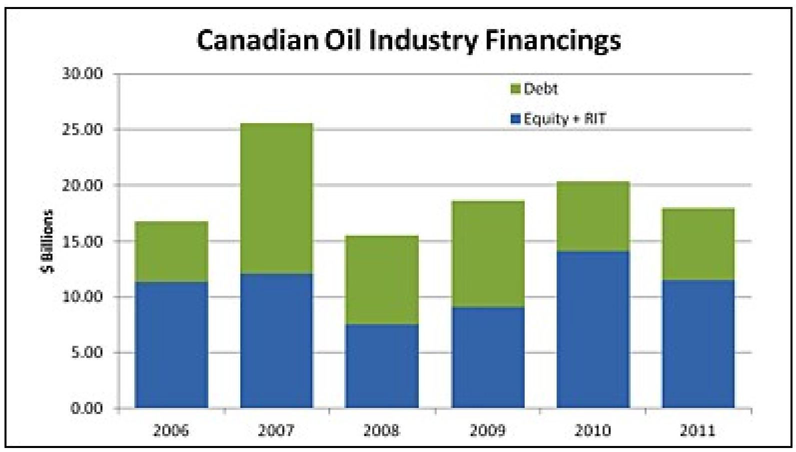
The equity windows have opened up over the past couple of years compared to the 2008-2009 time period, during which time the global financial markets were in turmoil. The recent financial crisis in the Euro Zone and the summer debt woes in the United States did, however, cause volatility in investor confidence during 2011 with select companies being favoured in the capital markets.

The largest contributing factor for the decrease in capital raised in 2011 can be attributed to the drop in the total amount of new equity raised year-over-year. In 2011, equity financings fell 14% to $11.1 billion, down from the record high of $13.0 billion set in 2010. Despite the drop, the amount of equity raised in 2011 is the second highest on record.

The number of equity issues also decreased year-over-year, falling 18% to 553 issues in 2011, from 677 issues in 2011. The 14% decrease in the amount of equity raised, along with the 18% decline in the number of issues resulted in the average size of issues increasing slightly to $20.1 million in 2011 from $19.2 million in 2010.

Included in the equity category is the flow through equity value of $567 million in 2011, which is comparable to the $580 million in flow through equity issues in 2010.

The largest single equity financing in 2011 was **Husky Energy Inc.**'s $1.0 billion bought deal public offering of common shares in June. Concurrent with this public offering, Husky raised an additional $200 million through a private placement of common shares to its principal shareholders. Proceeds from these financings were used to accelerate exploration and development of Husky's oil and gas resource portfolio and the continued development of its oilsands projects in Alberta as well as its projects in South East Asia, offshore China and in the Atlantic region of Canada. This was the only equity financing over $1.0 billion that was completed in 2011.



The number of initial public offerings ("IPOs") completed in the Canadian oil and natural gas industry was also down slightly in 2011, with 13 IPOs completed compared to 15 in 2010. A total of $952 million was raised through IPOs in 2011 compared to $2.7 billion in 2010, a 36% drop. Some of the more notable IPOs in 2011 included **Parallel Energy Trust** raising $393 million in its IPO in April, **Lone Pine Resources Inc.** raising $198 million in June when it spun out of **Forest Oil Corporation** and became a stand-alone public company and **Longview Oil Corp.** raising $173 million through its IPO in April when the company was created to acquire certain oil-weighted assets from **Advantage Oil & Gas Ltd.**

While the total amount of capital raised decreased year-over-year, debt financings were up slightly compared to 2010. In 2011, debt financings rose 4% to $6.5 billion from the $6.2 billion of debt raised in 2010. The debt category is comprised of straight and convertible debt. Although the total value of debt financings increased year-over-year, the number of debt issues in 2011 fell to 57 from 62 in 2010.

The majority of the debt issues in 2011 were straight debentures, which accounted for 87% of the total debt issued. Straight debt issues increased 40% to $5.6 billion from $4.0 billion in the previous year while convertible debt fell 62% to $833 million from $2.2 billion year-over-year.

All of the top ten debt issues in 2011 consisted of straight debentures which were used to repay existing indebtedness. **Canadian Natural Resources Limited** raised a total of $1.0 billion through two separate debentures with different terms in November, each for $510 million. **Encana Corporation** also raised a total of $1.0 billion through two debentures in November, one for $610 million and the other for $407 million. **Connacher Oil and Gas Limited** raised the third largest amount of debt through two issues in May totaling $883 million, one for $533 million and the other for $350 million. Rounding out the top ten were **MEG Energy Corp.** issuing $762 million in March, **Pacific Rubiales Energy Corp.** issuing $308 million in December, **Southern Pacific Resource Corp.** raising $296 million in January and **Vermilion Energy Inc.** raising $225 million in February.

Progress Energy Resources Corp. issued the largest convertible debenture in 2011, raising $200 million in February on a bought deal basis. At the same time, Progress issued $200 million in common shares, for aggregate proceeds of $400 million. The proceeds of public offering of both common shares and convertible debentures were used to expand Progress' 2011 capital program and reduce bank indebtedness.

So far in 2012, quite a few financings have been announced, many of which were bought deals, indicating confidence in the market. Many of these recent financings were used to repay outstanding indebtedness. The largest financing so far in 2012 was **PetroBakken Energy Ltd.**'s issue of US$900 million in senior unsecured notes. **Crescent Point Energy Corp.** also raised a significant amount of money earlier this month, issuing $525 million in equity to finance the acquisition of assets in Saskatchewan and Manitoba.

The total amount of capital raised so far in 2012 exceeds $4.5 billion, a quarter of 2011's total. With uncertainty in what lies ahead in 2012, it is difficult to say if the window of opportunity will continue to be open, but if the capital markets continue as they have in the first couple of months of 2012, we expect this year to be a fairly robust year for capital in the market.