DAILY OIL BULLETIN

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Debt Financings Increase As Equity Financings Fall To 2008 Levels

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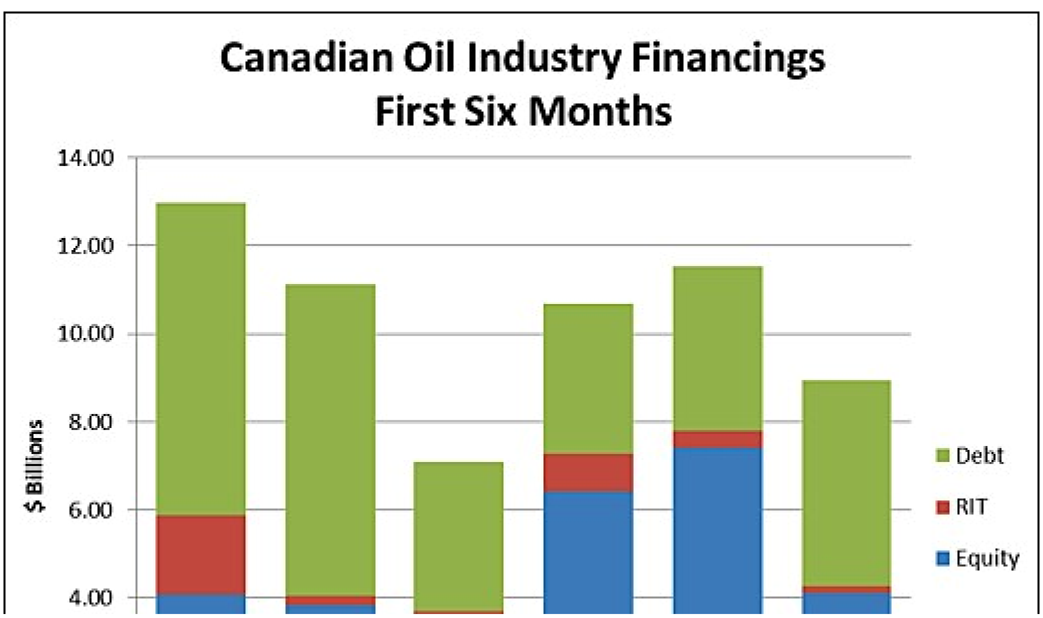
A total of $8.9 billion was raised by the Canadian oil and natural gas industry in the first half of 2012, down 23% from the $11.5 billion recorded in the first six months of 2011. The debt category increased 25% to $4.7 billion while the equity category decreased 44% to $4.1 billion. Financings completed by oil and natural gas royalty income trusts ("RITS") decreased 60%, falling to $158 million for the first half of the year from the $393 million over the same time period last year, which is not surprising considering the only RITS left are the select few that are focused on international assets.

Equity financings in the Canadian oil and natural gas industry fell 44% to $4.1 billion, dropping from the $7.0 billion record raised during the first half of 2011. The amount of equity raised accounted for 46% of the total capital raised in 2012, down from 63% in 2011 and 60% in 2010. The drop in equity raised takes us back to the levels recorded at the start of the Global Financial Crisis.

Crescent Point Energy Corp. raised a significant amount of equity in the first half of the year, having the largest single equity issue for total proceeds of $604 million. This bought deal financing was announced concurrently with its acquisition of assets from **PetroBakken Energy Ltd.** in southeastern Saskatchewan for $427 million. The assets are primarily in Crescent Point's proposed waterflood units and are expected to help accelerate Crescent Point's waterflood program in the Viewfield Bakken resource play.

Sunshine Oilsands Ltd. had the second largest equity issue in the first half of 2012, raising $580 million through its initial public offering ("IPO") on the **Hong Kong Stock Exchange**. Sunshine is focused on the development of its oilsands leases in the Athabasca oilsands region. The company owns and controls 100% of 467,969 hectares of oilsands leases, equivalent to approximately 7% of the total oilsands leases granted in the Athabasca region.

Another oilsands focused company tapped the equity markets as **Osum Oil Sands Corp.** raised $500 million to round off the top three equity financings in the first six months of 2012. Osum is a private, Canadian in situ oilsands developer with two focus areas, Cold Lake and Saleski.



There was a total of $104 million in flow-through equity raised in the first half of 2012, a decrease of 51% from the $213 million raised over the same time period in 2011. The largest flow-through financing in the first six months of this year was completed by **Tourmaline Oil Corp.**, which raised approximately $36 million. **DeeThree Exploration Ltd.** was second, raising approximately $17 million and **Birchcliff Energy Ltd.** was third, raising approximately $10 million. Tourmaline and DeeThree were number one and two respectively during the first six months of 2011 as well. Tourmaline raised $47 million while DeeThree raised $15 million. Typically, most of the flow-through issues occur in the latter half of the year and are a common source of financing for junior E&P companies because of the tax advantages they provide investors.

Total debt issues of $4.7 billion contributed approximately 52% to the total amount of capital raised in the first six months of 2012. The majority of the debt issues in the first half of this year were comprised of straight debt, contributing 77%, with the remaining 23% comprised of convertible debt. It was the highest amount of debt raised by the Canadian oil and natural gas industry since 2008 when $7.1 billion was raised, or 64% of the total $11.1 billion of capital raised.

PetroBakken Energy Ltd. had the largest single debt issue in the first half of the year, completing a senior unsecured notes offering for approximately $903 million. The notes have an eight year term with a coupon rate of 8.625% per annum. The net proceeds of the offering were used to repurchase US$450 million of convertible debentures, with the remainder used to repay a portion of its secured credit facility.

Canadian Oil Sands Limited raised a total of approximately $700 million in debt over two separate issues. The company issued $400 million of 4.5% senior unsecured notes due April 1, 2022 and $300 million principal amount of 6.0% senior unsecured notes due April 1, 2042. Proceeds from the issue were used to repay the principal amount on maturity of approximately US$300 million of unsecured notes which mature on August 15, 2013, as well as for other general corporate purposes.

There were two RIT financings in the first half of 2012. **Eagle Energy Trust** raised approximately $95 million through a bought deal financing associated with the acquisition of a 92.5% interest in producing petroleum properties in the Permian Basin, located near Midland, Texas, for a purchase price of US$113.4 million. **Parallel Energy Trust** raised approximately $63 million in trust units concurrent with its agreement to acquire the remaining 41% of the jointly owned West Panhandle Field which was owned by **Bravo Natural Gas LLC.** In addition to the unit offering, Parallel raised $60 million of convertible debentures to finance the acquisition.

The capital markets are being selective in which companies have access to capital. With the current volatility in the stock markets and share prices of many public companies down from a year ago it will be interesting to see which companies tap the capital markets or look for alternative ways to raise funds. If the euro zone crisis worsens and commodity prices soften, further diminishing the appetite for equity issues, the Canadian oil and natural gas industry could see a challenging second half of the year.

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