

THE SUNNY SIDE

SUNSHINE OILSANDS LTD.'S EXECUTIVE TEAM KNOWS WHAT IT TAKES TO SUCCESSFULLY EXPLORE MORE THAN 1 MILLION ACRES OF ALBERTA'S OIL SANDS.

For junior oil companies with claims in the Alberta oil sands, only two things matter at the end of the day: delivering when you say you will and maintaining operational momentum. With the vast amount of experience shared between executives of Sunshine Oilsands Ltd., coming through on those two objectives is never in doubt.

"We're a group of professionals with a lot of experience who have a great reputation to be able to execute," Co-CEO John Kowal says. "In the oil sands, it's the company that makes the fewest mistakes that wins. That translates into being on time and on budget."

Sunshine Oilsands came to be in February 2007 when a few oil and gas executives began accumulating land within Alberta's oil sands region. In a short period of time, the company acquired more than 1 million acres of land, and thus far has fully delineated or assessed 110,000 acres while partially assessing or delineating the rest.

So far, Sunshine Oilsands' resource reports indicates there are 43.8 billion barrels of petroleum in place. The best-case estimate of contingent recoverable barrels is 2.2 billion, and 70 million barrels of proven, probable and possible reserves.

The Breakdown

Sunshine Oilsands boasts three asset groupings – conventional heavy oil, cretaceous sandstone and the carbonates. For its conventional heavy oil, Kowal says the company is ramping up production at its Muskwa property, which started producing on Sept. 30.

At print time, Muskwa had five wells drilled and a pad in place, and the company has received its heavy oil development permit for the play. As an emerging exploration firm with production capabilities already in place, Kowal says Sunshine Oilsands has an advantage over its competition.

"With Muskwa already producing, it makes us quite unique," Kowal says. "The production and the associated cash flow makes us a rarity because that provides sustainability at this early stage."

The production at Muskwa will help finance the development of the cretaceous sandstone project areas, which will use steam assisted gravity drainage to extract the bitumen.

West Ells – part of the Ells area – is the first project to be developed, according to Kowal. The company applied for a 10,000-barrel-per-day development permit



Sunshine Oilsands boasts more than 1 million acres of land in Alberta's oil sands region. Since its executive team began acquiring land in February 2007, the company has assessed or delineated 110,000 acres while partially assessing or delineating the remaining acreage.

COMPANY PROFILE

Sunshine Oilsands Ltd.
www.sunshineoilsands.com
 2010 market capital: \$589.5 million
 HQ: Calgary
 Employees: 48
 Specialty: Oil sands exploration
 John Kowal, co-CEO: "In the oil sands, it's the company that makes the fewest mistakes that wins."

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in March, and Sunshine Oilsands anticipates receiving regulatory approval in the second quarter of 2011. For Legend Lake – the other portion of the Ells play – Sunshine Oilsands expects the first phase of commercial development to be submitted in 2011, with regulatory approval expected in 2012.

The company says the initial phase represents the first 10,000 barrels per day of a planned capacity of 60,000 barrels per day for Legend Lake. Sunshine Oilsands maintains that Legend Lake can sustain this capacity for more than 30 years.

The Harper play contains 618.75 contiguous sections and is located 12 miles north of Shell Canada’s oil sands leases. As of July 2010, the partial assessment of these lands indicates the area contains more than 17 billion barrels of petroleum initially in place in the high-case scenario.

To date, four wells have been drilled in the Harper area. In addition, the company applied for

and received approval for a pilot project, which will allow the company to assess mobility and how the reservoir responds to the steam unit. “This will provide us with information to help assess any new technologies we can use to unlock the commerciality of our carbonate reservoir,” Kowal says.

Additional Opportunities

Among Sunshine Oilsands’ other properties is Thickwood, which the company acquired in 2007. The company says the application for the first phase of the Thickwood commercial development is expected to be submitted in 2012, and the management team anticipates receiving regulatory approval in 2013. According to Sunshine Oilsands, the initial phase represents the first 10,000 barrels per day of a planned capacity of 50,000 barrels per day, which can be sustained for more than 30 years.

Portage/Pelican Lake is another play for Sunshine Oilsands. The company says this offers conventional heavy oil production potential and further carbonate bitumen opportunities.

“Sunshine Oilsands is focused on developing strong relationships with all stakeholders, including regulatory partners and those with whom we share environmental and land use values within the Regional Municipality of the Athabasca and Peace River areas,” the company says.

Adapting to Changes

It’s no secret that the drastic decline of the price of a barrel of oil that started at the end of 2008 hurt the oil industry from top to bottom. However, now that the price has stabilized around \$70 to \$75 a barrel, Kowal expects good things in the future for the oil sands industry.

“In terms of heavy oil differentials, those have significantly come down over the last 18 months,” he says. “We expect that to remain at current levels for a number of reasons.”

The first reason Kowal offers is the increase in upgrading capacity in the United States that can handle Canada’s heavy crude. Secondly, the expansion of pipeline infrastructure will mitigate any transportation bottlenecks. Also, the supply of oil originating from Venezuela and Mexico has declined over the last few years, and experts believe it will continue to decline.

“The Canadian oil sands is a natural fit to fill the void that this has created,” Kowal adds. ■

+ Now that the price of a barrel of oil has stabilized since the volatile pricing of late 2008, Co-CEO John Kowal says he expects the oil sands industry to bounce back sooner than later.



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