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Osum Oil Sands gains \$275M in financing Investment to fuel Cold Lake project

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The privately held Calgary company whose Marie Lake oilsands lease was yanked by the Alberta government last fall after protests from cottage owners has landed \$275 million in private equity financing.

Osum Oil Sands Corp. announced Wednesday it had sold 26.2 million shares at \$10.50 per share in a financing led by Warburg Pincus LLC that included a "substantial investment" by Blackstone Capital Partners.

Osum chairman and chief executive Richard Todd said in a news release the investment will fuel the company's plan for a 35,000-barrels-per-day Cold Lake in-situ oilsands bitumen project and help advance proposed Saleski region carbonate-hosted bitumen projects near Wabasca that could ultimately produce more than 150,000 bpd.

Last October, an Osum executive said it was considering suing the Stelmach government for millions of dollars in damages after it cancelled its lease to extract bitumen from under the lake, thus nixing plans for seismic testing.

"This kind of thing happens in South America, not Canada," fumed Osum vice-president Andrew Squires at the time.

Osum spokesman Justin Robinson said Wednesday the government has not returned the lease and Osum has not decided on a lawsuit.

"We feel ours is not the next move," he said.

Osum plans to file its commercial application for the Cold Lake project in late 2009, with first production anticipated in 2013.

Marie Lake is in the northeast Alberta region where Osum has leases covering 7,400 hectares but is not considered central to the project. The company has yet to choose a project site or technology, although it is leaning toward a combination of steam-assisted gravity drainage and cyclic steam stimulation to soften the bitumen for recovery, Robinson said.

An application for the first of the Saleski projects awaits pilot results, expected in early 2010, the company said.

"The closing of this most recent financing is a positive endorsement of our quality asset base and management team," said Todd in a release. "The calibre of private equity firms committed to this financing suggests a solid base of

access to capital going forward for our company."

On its website, Osum notes it had raised \$100 million of equity and had about \$47 million in working capital at the end of 2007, with 45 million basic or 56 million fully diluted shares outstanding. Management and directors control 25 per cent of the fully diluted shares.

It also stated it has a total of 11 billion barrels of oil in place with 1.5 billion barrels recoverable, verified by independent engineers. In the Cold Lake area, it has 1.8 billion barrels of oil in place with 305 million recoverable.

International private equity provider Warburg Pincus, with \$35 billion of assets currently under management, has invested more than \$3.4 billion in more than 30 companies in the energy-sector worldwide, including Athabasca oilsands junior MEG Energy Corp.

New York-based Blackstone is an investment and advisory firm with assets under management of \$119 billion.

Two serving Osum directors will step down to make room on its board for two Warburg Pincus appointees and one from Blackstone.

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