CANADIAN SUPERIOR ENERGY INC
Form F-1
May 12, 2006

As filed with the Securities and Exchange Commission on May 12, 2006

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

CANADIAN SUPERIOR ENERGY INC.

(Exact name of registrant as specified in its charter)

Alberta	**1311**	**Not Applicable**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(IRS Employer Identification No.)

Suite 3300, 400 3rd Avenue, SW
Calgary, Alberta
Canada T2P 4H2
(403) 294-1411

(Address and telephone number of registrant s principal executive office)

PTSGE Corp.
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104
(206) 623-7580

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of all communications to:

Gary J. Kocher
Devin W. Stockfish

Preston Gates & Ellis LLP
925 Fourth Avenue, Suite 2900
Seattle, Washington 98104
(206) 623-7580

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering o

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	**Amount to be registered(1)**	**Proposed Maximum aggregate offering price(2)**	**Proposed Maximum Per Share Offering Price(2)**	**Amount of registration fee**
Common shares, no par value	7,200,000	$16,560,000	$2.30	$1,771.92

(1) Includes 1,200,000 common shares issuable upon the exercise of common share purchase warrants and 6,000,000 common shares issuable upon conversion of 5% US$100 cumulative convertible redeemable preferred shares issued to persons in the United States in connection with a private placement. Pursuant to Rule 416, this registration statement shall also cover any additional common shares issuable by reason of any future stock dividend, stock split, recapitalization or other similar transaction effected without receipt of consideration that increases the number of outstanding common shares of registrant.

(2) Estimated solely for the purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based on the average of the high and the low sales prices of Canadian Superior Energy Inc. common shares on the American Stock Exchange on May 10, 2006.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission acting pursuant to said section 8(a) may determine.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the United States Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Preliminary Prospectus dated May 12, 2006
Subject to Completion

7,200,000 Common Shares

This is an offering by certain shareholders of Canadian Superior Energy Inc. of common shares issuable upon exercise of common shares purchase warrants and 5% US $100 cumulative convertible redeemable preferred shares issued by us in a private placement transaction. The selling shareholders may, from time to time, sell any or all of their common shares on any stock exchange, market or trading facility on which the shares are traded or in privately negotiated transactions at fixed prices that may be changed, at market prices prevailing at the time of sale or at negotiated prices.

We will not receive any proceeds from the sale of our common shares by the selling shareholders.

Our common shares are traded on the American Stock Exchange, or AMEX, and on the Toronto Stock Exchange, or the TSX, under the symbol SNG. The reported closing price of our common shares on May 10, 2006 on AMEX was US$2.32 and on the TSX was C$2.55.

Investing in our common shares involves substantial risks which are described in the Risk Factors section beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2006.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. Unless otherwise indicated, the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the common shares.

Market data and certain industry forecasts used throughout this prospectus were obtained from market research, publicly available information and industry publications. We believe that these sources are generally reliable, but the accuracy and completeness of such information is not guaranteed. We have not independently verified this information, and we do not make any representation as to the accuracy of such information.

In this prospectus, unless otherwise indicated, all dollar amounts and references to $ are to Canadian dollars and US$ refers to United States dollars. Unless otherwise indicated, all U.S. dollar amounts referred to in this prospectus which have been converted into U.S. dollars from Canadian dollars have been so converted using the noon exchange rate on April 28, 2006 for one Canadian dollar, expressed in U.S. dollars, as reported by the Federal Reserve Bank of New York, being $0.8926.

In this prospectus, unless the context otherwise requires, references to we, us, our or similar terms, as well as references to Canadian Superior, refer to Canadian Superior Energy Inc. either alone or together with our subsidiaries.

ABBREVIATIONS

Oil and Natural Gas Liquids		Natural Gas	
bbl	barrel	mcf	thousand cubic feet
bbls	barrels	MMcf	million cubic feet
Bcf	billion cubic feet		
Mbbls	thousand barrels	mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day	MMcf/d	million cubic feet per day
bbl/d	barrels of oil per day	M³	cubic metres
Mmbbls	million barrels	MMBTU	million British Thermal Units
AOF	absolute open flow	gj	gigajoule (trillion joules)
API	American Petroleum Institute	TCF	trillion cubic feet
ARTC	Alberta Royalty Tax Credit	MMscf	million standard cubic feet
MSTB	thousands of Stock Tank Barrels of oil (oil volume at 60º F and 14.65 PSIA)	NGLS	natural gas liquids

Other:

boe	Barrel of oil equivalent of natural gas and crude oil on the basis of 1 Bbl of crude oil for 6 Mcf of natural gas (this conversion factor is not based on either energy content or current prices).
$M	Thousands of dollars
$MM	Millions of dollars

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial units to the International system of units (or metric units).

To Convert From	To	Multiplied By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471
Gigajoules	MMBTU	0.950

PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all the information that you should consider before investing in our common shares. You should read the entire prospectus carefully before making an investment decision.

BUSINESS OF THE COMPANY

We are a crude oil and natural gas exploration and production company with primary emphasis on the exploration for, and production of, crude oil and natural gas in Western Canada, offshore Nova Scotia, Canada and offshore Trinidad and Tobago.

Trinidad and Tobago

We were awarded the right to explore on Block 5(c), which we have named Intrepid , in the Government of Trinidad and Tobago Ministry of Energy and Energy Industries 2003/2004 Offshore Competitive Bid Round in May 2004. Our Intrepid Block 5(c) covers 80,041 gross acres. We have obtained detailed 3D seismic data of the Intrepid Block from the Government of Trinidad and Tobago and are interpreting that data to confirm drilling locations.

On July 20, 2005, we signed a production sharing contract with the Government of Trinidad and Tobago for Block 5(c), which provides us the right to explore on Block 5(c), which covers 80,041 gross acres.

We submitted our Application for a Certificate of Environmental Clearance to the Trinidad and Tobago Environmental Management Authority, or EMA, for exploration drilling on Block 5(c) within the East Coast Marine Area. We have conducted two Public Consultation Meetings in Mayaro, on December 17, 2005 and on February 13, 2006, to discuss the proposed project with affected stakeholders. An Environmental Baseline Survey was conducted in Block 5(c).

On March 20, 2006, we announced that we had entered into a firm multi-well contract for the Kan Tan IV Semi-Submersible Drilling Rig, managed by A. P. Moller - Maersk A/S, of Copenhagen, Denmark and owned by Beijing Zhiyuan Industries Company Limited, of Beijing, China to drill our first two exploration wells on our Intrepid Block 5(c) offshore Trinidad. We plan to commence drilling on the first of two Canadian Superior operated back-to-back wells in September and October 2006 to evaluate two separate large 3D seismically defined potential natural gas structures with the Kan Tan IV rig as soon as the Kan Tan IV has completed a scheduled refurbishment currently underway in Brownsville, Texas.

We continue to make steady progress in preparing for exploration and development on our offshore Trinidad and Tobago holdings.

In addition, in Trinidad and Tobago, we continued to prepare for the first phase of operations on our Mayaro/Guayaguayare (M/G) Tradewinds project, a joint venture with the national oil company, the Petroleum Company of Trinidad and Tobago Limited, or Petrotrin. This joint venture encompasses securing two near-shore Blocks (55,000 gross acres) off the east coast of Trinidad where there is the potential to establish significant oil reserves in the heart of a known producing hydrocarbons-bearing structural trend. On the M/G Block, we are working on the design of a seismic program to evaluate the near-shore block and plan to conduct this program after this license is transferred to us by the Trinidad and Tobago Government.

East Coast, Offshore Nova Scotia, Canada

Our holdings offshore Nova Scotia consist of 100% interests in six exploration licences totaling 1,293,946 acres. We are involved in the three main play types in the basin.

In 2005, we were advised by the Canada-Nova Scotia Offshore Petroleum Board, or CNSOPB, that the consolidation of its deepwater Mayflower exploration licence (EL 2406) and the shallower water Mariner exploration licence (EL 2409) had been approved by the Government of Canada and the Province of Nova Scotia. This consolidation will come into effect upon the drilling of the next Mariner exploration well and will allow the work commitments and related work commitment deposits for these two exploration licences (EL 2406 and EL 2409) to be combined, allowing the existing work deposit for our deepwater Mayflower Project, approximately $10 million, to be applied directly against the costs of drilling our next Mariner well; in effect, this provides us with $10 million of additional capital to be applied to drilling the next Mariner well.

The Mariner Project lands are located approximately nine kilometres northeast of Sable Island, offshore Nova Scotia. The first exploration well, Mariner I-85, was drilled on this block in 2003/2004 (November 2003 to March 2004). Furthermore, upon consolidation, the exploration term for our 100% deepwater Mayflower license (EL 2406) will be extended for 2 additional years, from the current expiry date of December 31, 2006 to December 31, 2008; and, thereafter, 50% of the licence area will be extended for an additional two years to December 31, 2010. Our Mayflower deepwater project exploration licence covers approximately 712,000 acres.

In addition to our Mariner exploration project targeting Cretaceous and Jurassic gas bearing sands, we continue to monitor drilling activities near our Abenaki Reef Marquis 100% prospects. Our Marquis Project lands encompass two exploration licenses with approximately 111,000 contiguous acres located in shallow water depths close to the existing Sable Offshore Energy Project producing infrastructure and EnCana s Deep Panuke discoveries. We also have identified several other large Cretaceous and Jurassic prospects on our 100% Marauder and 100% Marconi exploration lands which cover an additional 371,000 acres offshore Nova Scotia, offsetting the Sable Island area, and in the fourth quarter of 2005, we initiated the environmental impact assessment work required prior to conducting seismic and drilling on these properties.

Western Canada

Concerted emphasis and effort continues to be applied to Western Canada through our exploration and operations teams to maintain and grow our cash flow and production, focusing on developing our Drumheller, Alberta core area and several other drilling opportunities.

All of our current production is located in Western Canada where we have interests in several key areas including Drumheller, Windfall, Boundary Lake, East Ladyfern, Giroux Lake and Teepee. During 2005, we drilled or participated in 67 gross (28.22 net) wells which included 17 gross (14.42 net) operated wells and 50 gross (13.8 net) non-operated wells. We completed or tied in 63 wells for a success rate of 94%. We maintained our extensive land holdings in Western Canada. At December 31, 2005, we held 275,710 gross acres (193,576 net acres) of land at an average working interest of 70%.

The Drumheller Area accounts for approximately 90% of our production and consists of both conventional and non-conventional (coal bed methane) play types. In 2005, 64 gross (26 net) wells were drilled in the Drumheller area consisting of 18 gross (13.2 net) conventional wells and 46 gross (12.8 net) Horseshoe Canyon coal bed methane wells. We acquired or purchased five 3-D seismic programs, which are critical in continuing the success that we achieved in 2005.

The Drumheller area offers a multitude of opportunities that include both oil and gas play types and are contained in four distinct stratagraphic zones.

The shallow targets include the Belly River and the Edmonton Groups and range in depth from 300 700 meters (980 2300 feet). Well production in these zones range from 50 750 mcf/d with associated reserve size of .1 2 Bcf.

Our current activities in coal bed methane are centered on the Horseshoe Canyon in which we drilled or participated in 46 wells during 2005. All of these wells have been successful and we will continue to develop these assets in to 2006. We hold 157 gross (81 net) sections of Horseshoe Canyon rights. The Horseshoe Canyon coal depths range from 200 400 meters (650 1300 feet) and are typically found in 8 10 coal seams with thicknesses averaging from .75 1.5 meters (2.5 5 feet). These coals contain dry gas and produce little or no water.

We have 42 gross (41 net) sections of land in the Mannville coal bed methane fairway. Our total acreage for coal bed methane is 185 gross (108 net) sections of which 14 gross (13.4 net) sections have both Horseshoe Canyon and Mannville coal bed methane potential.

The Boundary Lake / Teepee area is a high reward medium risk area and was a major focus area for us in 2005. At the end of 2005, this property represented a minor portion of our total production, but renewed emphasis has been placed on this year round access area. We purchased additional lands, 2D and 3D seismic data. We also have several follow-up locations based on the success of the initial drilling.

We drilled or participated in two wells in the Windfall area in 2005. Both these wells were successful and have been tied in. Both wells are producing between 750 1000 mcf/d.

In 2005, we followed up our Slave Point play in the East Ladyfern area with the addition of 2D seismic and the drilling of the 1-26-91-11W6 well. This well was drilled in late January 2005 due to delayed freeze-up and rig availability. Because of early break-up, no testing could be done at the time. The logs over the Slave Point have been subsequently further evaluated and we have now determined that they show gas over water. At this time, because of high costs associated with completing this type of sour natural gas, further testing of this formation is not justified. However, the shallower Cretaceous zones in the 1-26 and other wells in the area show promise. We plan, together with our partner, to complete the 12-27-91-11W6 and the 1-26-91-11W6 well bores and to drill a new shallow location in the first half of 2006. With success in the shallower non-sour lower cost Cretaceous resource play, the needed infrastructure will be brought into the area and may allow economic tie-ins of the Slave Point gas in this area at a later date.

We are now also focusing our exploration in Western Canada towards the foothills of Alberta, Canada. This area represents an area of high risk - high reward exploration and production with year round access. In this area, well reserves can range to over 10 Bcf/well with associated natural gas liquids and can produce at rates of over 5 10 mmcf/d.

Strategy

We have been successful in implementing our strategies for creating high impact opportunities, value and growth with the support of our shareholders. We continue to strive to deliver shareholders a growth strategy based on continued development in Western Canada of cash flow and production focusing on our Drumheller core area, and on other opportunities that we have developed in Western

Canada, including our evolving Coal Bed Methane, or CBM, opportunities. We plan to commence drilling in Trinidad and Tobago on our Intrepid Block 5(c) later in 2006 and to proceed with further drilling offshore Nova Scotia on our Mariner Block in due course.

RECENT DEVELOPMENTS

On February 1, 2006, we completed a private placement of US$15 million of preferred share purchase units to West Coast Opportunity Fund, LLC. Each preferred share purchase unit consists of ten 5% US$100 cumulative convertible redeemable preferred shares and eighty common share purchase warrants. The common share purchase warrants comprising part of the preferred share purchase units are exercisable for our common shares for a period of thirty-six months from the date of issue, which was February 1, 2006, at an exercise price of US$3.00 per common share. Each convertible redeemable preferred share comprising part of a preferred share purchase unit is convertible at the election of the holder thereof into forty of our common shares, subject to certain adjustments. Pursuant to the terms of a registration rights agreement entered into in connection with the private placement, we were obligated to file a registration statement with the Securities and Exchange Commission, or the Commission, within 30 days of the closing of the private placement to register the common shares issuable upon exercise of the common share purchase warrants and upon conversion of the convertible redeemable preferred shares. We are required to have the registration statement declared effective within 180 days of the closing of the private placement. To the extent that we fail meet either of the foregoing requirements, we will be required to pay West Coast Opportunity Fund, LLC one-thirtieth of one percent of the US$15 million aggregate purchase price for each day that such requirement is not met, up to a maximum amount of six percent of the aggregate purchase price.

CORPORATE INFORMATION

We were incorporated as 297272 Alberta Ltd. by Articles of Incorporation under the Business Corporations Act (Alberta) on March 21, 1983. We changed our name to Kapalua Gold Mines Ltd. on April 27, 1993 and then to Prize Energy Inc. on November 16, 1993. We subsequently changed our name to Canadian Superior Energy Inc. on August 24, 2000. Our main offices are located at 3300, 400 - 3rd Avenue S.W., Calgary, Alberta, T2P 4H2 and our registered office is located at 3300, 421 - 7th Avenue S.W., Calgary, Alberta, T2P 4K9. Our east coast office is located at 1409, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2. Our telephone number is (403) 294-1411 and our website address is www.cansup.com. The information contained on our website does not constitute part of, nor is it incorporated into, this prospectus.

RISK FACTORS

Investing in our common shares involves a high degree of risk. In addition to the other information included in this prospectus, you should carefully consider the risks described below before purchasing our common shares. If any of the following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our common shares could decline, and you might lose all or part of your investment.

An investment in our common shares is speculative due to the nature of our business.

An investment in our common shares is speculative due to the nature of our involvement in the exploration, development and production of oil and natural gas and our present stage of development. Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration by us will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions, such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Our long-term commercial success depends upon our ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that we will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, we may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

In addition, oil and gas operations are subject to the risks of exploration, development and production of oil and natural gas properties, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, cratering, sour gas releases, fires and spills. Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

We might have difficulty obtaining additional capital, which could prevent us from achieving our business objectives. If we are successful in raising additional capital, it may have a dilutive effect on our shareholders.

We anticipate that we will make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. If our revenues or reserves decline, we may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations, will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to us. Failure to obtain such financing on a timely basis could cause us to forfeit our interest in certain properties, miss certain acquisition opportunities and reduce or terminate our operations. Moreover, future activities may require us to alter our capitalization significantly. Our inability to access sufficient capital for our operations could have a material adverse effect on our financial condition, results of operations or prospects. Also, if we raise funds by issuing additional common shares or debt securities convertible into common shares, our shareholders will experience dilution, which may be significant, to their ownership interest in us. If we raise funds by issuing shares of a different class of stock other than our common shares or by issuing debt, the holders of such different classes of stock or debt securities may have rights senior to the rights of the holders of our common shares.

We may incur debt to finance the acquisition of assets and other companies. This may impair our ability to obtain future financing to fund our operations or future business opportunities.

From time to time we may enter into transactions to acquire assets or the securities of other companies. These transactions may be financed partially or wholly with debt, which may increase our debt levels above industry standards. Neither our articles nor our bylaws limit the amount of indebtedness that we may incur. The level of our indebtedness may impair our ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise or to fund our operations.

Declines in the world prices of oil and natural gas may have a material adverse effect on our revenues and net income.

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond our control. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could result in a reduction of net production revenue and income. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the volume of our oil and natural gas reserves. We might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in our future net production revenue, causing a reduction in our oil and natural gas acquisition and development activities. In addition, bank borrowings available to us are in part determined by our borrowing base. A sustained material decline in prices from historical average prices could limit our borrowing base, therefore reducing the bank credit available to us, and could require that a portion of our then existing bank debt be repaid.

In addition to establishing markets for our oil and natural gas, we must also successfully market our oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by us will be affected by numerous factors beyond our control. We will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by us. Our ability to market our natural gas may depend upon our ability to acquire space on pipelines which deliver natural gas to commercial markets. We will also likely be affected by deliverability uncertainties related to the proximity of our reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and other aspects of the oil and natural gas business.

The nature of our business exposes us to substantial risks. To the extent that we incur liability in excess of our insurance coverage, our financial position, results of operations or prospects could be materially affected.

Our involvement in the exploration for and development of oil and natural gas properties may result in our becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Although we have obtained insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, we may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to us. The occurrence of a significant event that we are not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on our financial position, results of operations or prospects.

Future litigation could adversely affect our business and cash position.

From time to time, we may become involved in litigation relating to claims arising from our ordinary course of business. While we are not currently a party to any outstanding litigation, there can be no assurance that claims will not arise in the future. Litigation can be time consuming, expensive, and distract our management from the conduct of our business. To the extent we incur expenses in connection with litigation or regulatory proceedings in the future, which expenses may include substantial fees of attorneys and other professional advisors and potential obligations to indemnify officers and directors who may be parties to such actions, such expenses could adversely affect our cash position if they are not otherwise covered by available insurance.

We are subject to numerous environmental regulations that have become more stringent in the recent past and may result in increased liabilities and increased capital expenditures by us.

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and natural gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. We believe that we are in substantial compliance with existing legislation. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect our financial condition, results of operations or prospects.

We will encounter competition in all areas of our business and may not be able to successfully compete with our competitors.

We actively compete for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than us. Our competitors include major integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. The oil and natural gas industry is highly competitive. Our competitors for the acquisition, exploration, production and development of oil and natural gas properties, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than we do. Certain of our customers and potential customers are themselves exploring for oil and gas, and the results of such exploration efforts could affect our ability to sell or supply oil or natural gas to these customers in the future. Our ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with our future industry partners and joint operators and our ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Our reserves will be depleted over time and we may be unable to develop or acquire additional reserves.

Our future oil and natural gas reserves, production, and cash flows to be derived therefrom are highly dependent on our successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any of our existing reserves and the production therefrom will decline over time as such existing reserves are exploited. A future increase in our reserves will depend not only on our ability to develop any properties we may have from time to time, but also on our ability to select and acquire suitable producing properties or prospects. There can be no assurance that our future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Our success depends on our ability to retain the current members of our senior management team and other key personnel.

Our success depends to a significant extent on the continued services of our core senior management team and other key personnel. If one or more of these individuals were unable or unwilling to continue in his present position, our business would be disrupted and we might not be able to find replacements on a timely basis or with the same level of skill and experience. Finding and hiring any such replacements could be costly and might require us to grant significant equity awards or other incentive compensation, which could adversely impact our financial results. We do not maintain key-person life insurance for any of our management personnel or other key employees.

Our production and revenues may to some extent be dependent on the ability of third party operators.

To the extent we are not the operators of our oil and natural gas properties, we will be dependent on such operators for the success of those properties and we will largely be unable to direct or control the activities of the operators. If, in situations where we are not the operator, the operator fails to perform adequately or becomes insolvent, our revenues may be reduced. Payments from production generally flow through the operator and, where we are not the operator, there is a risk of delay and additional expenses in receiving such revenues. Additionally any delay in payment along the production chain could adversely impact your dividends.

We may not be able to secure the required licenses and permits for the conduct of our business.

Our operations generally require licenses and permits from various governmental authorities. There can be no assurance that we will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at our projects.

Increases in royalties and taxes payable by us will adversely affect our profitability.

In addition to federal regulations, each province has legislation and regulations which govern land tenure, royalties, production rates, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by government regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date and the type or quality of the petroleum product produced.

From time to time, the Governments of Canada, Alberta, British Columbia and Saskatchewan have established incentive programs which have included royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration or enhanced planning projects. Oil and natural gas royalty holidays and reductions for specific wells reduce the amount of Crown royalties paid by us to the provincial governments. In Alberta, the Alberta Royalty Tax Credit program provides a rebate on Alberta Crown royalties paid in respect of eligible producing properties. Both of these incentives have the effect of increasing our net income. Producers of oil and natural gas in the Province of British Columbia are also required to pay annual rental payments in respect of Crown leases and royalties and freehold production taxes in respect of oil and natural gas produced from Crown and freehold lands, respectively. The amount payable as a royalty in respect of oil depends on the vintage of the oil (whether it was produced from a pool discovered before or after October 31, 1975), the quantity of oil produced in a month and the value of the oil. In specific circumstances, oil produced from newly discovered pools may be exempt from the payment of a royalty for the first 36 months of production.

We may not be able to guarantee that title to certain of our properties is free from defect.

We have not obtained a legal opinion as to the title to our freehold properties other than the properties that we obtained in our acquisition of assets of El Paso Corporation in 2004 and cannot guarantee or certify that a defect in the chain of title may not arise to defeat our interest in certain of such properties. Remediation of title problems could result in additional costs and litigation. If title defects are unable to be remedied, we may lose some of our interest in the disputed properties resulting in reduced production. Although title reviews were conducted prior to the purchase of the El Paso Properties and may be conducted prior to the purchase of other oil and natural gas producing properties or the commencement of drilling wells, such reviews may not discover unforeseen title defects that could adversely affect our title to or proportionate interest in the property or entitlement to revenue from the property.

Certain of our directors and officers may have conflicts of interest.

Certain of our directors and officers are also directors and officers of other oil and natural gas companies involved in natural resource exploration and development, and conflicts of interest may arise between their duties as officers and directors of Canadian Superior and as officers and directors of such other companies. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies as apply under the *Business Corporations Act* (Alberta).

FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus relating to future results, events and expectations are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, or Securities Act, and Section 21E of the Securities Exchange Act, or Exchange Act. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or the actual results, performance or achievements of our industry, to be materially different from any future results, performance or achievements expressed or implied by such statements. All statements in this document, other than statements of historical fact, including statements regarding estimates of reserves, estimates of future production as well as other statements about anticipated future events or results are forward looking statements. Forward looking statements often, but not always, are identified by the use of words such as seek, anticipate, believe, continue, plan, estimate, expect, target, and intend, and statements that an event or result may, will, shou occur or be achieved and other similar expressions. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- The future commercial success of our oil and natural gas exploration, development and production activities;
- The stability of world-wide oil and natural gas prices;
- Our ability to make necessary capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future;
- Competition with and among other oil and natural gas companies for the acquisition, exploration, production and development of oil and natural gas properties;
- Our oil and natural gas reserves;
- Our ability to obtain the required licenses and permits from governmental authorities for our exploration, development and production activities; and
- Our ability to successfully defend against pending or future litigation.

Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward looking statements are discussed in the section Risk Factors and elsewhere in this document and to those that may be discussed as part of particular forward looking statements. We qualify all of our forward-looking statements by these cautionary statements. We assume no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements.

USE OF PROCEEDS

All of the net proceeds from the sale of the common shares by the selling shareholders will go to them upon sale of such shares. We will not receive any proceeds from the sales of our common shares by the selling shareholders. If all of the common share purchase warrants are exercised we will receive an aggregate of US$3,600,000 in payment of the exercise prices therefore. We will not receive any additional consideration in connection with the conversion of the 5% US$100 cumulative convertible redeemable preferred shares. The proceeds received from the exercise of the warrants, if any, will be used for drilling and development of our holdings offshore Trinidad and Tobago, and for general working capital.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The statement of operations data and cash flow data for the years ended December 31, 2005, 2004 and 2003, and the balance sheet data as of December 31, 2005 and 2004, are derived from our audited consolidated financial statements and related notes thereto, which have been included elsewhere in this prospectus. Our selected consolidated financial information for the years ended December 31, 2002 and 2001 and our balance sheet data as of December 31, 2002 and 2001 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The balance sheet data as of December 31, 2003 is derived from audited consolidated financial statements, which have not been presented in this prospectus.

We prepare our consolidated financial statements in Canadian dollars in accordance with Canadian GAAP. See Note 15 to our annual consolidated financial statements, which are included elsewhere in this prospectus, for a description of the principal differences between Canadian GAAP and U.S. GAAP. The information set forth below is not necessarily indicative of the results of future operations and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes thereto included elsewhere in this prospectus.

	Year Ended December 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Revenue					
Oil and gas	$ 54,545	$ 38,684	$ 31,618	$ 7,741	$ 4,945
Royalties net of royalty tax credit	(9,716)	(5,805)	(6,050)	(1,734)	(867)
	44,829	32,879	25,568	6,007	4,078
Expenses					
Production and operating	7,239	7,151	5,992	2,542	1,054
General and administration	5,398	4,614	4,849	2,898	2,291
Interest	1,015	1,104	1,456	158	0
Depletion, amortization and accretion	23,539	22,177	14,291	48,894	1,055
Stock based compensation	3,657	2,612	771	0	0
	40,848	37,658	27,359	54,492	4,400
Earnings (loss) from operations	3,981	(4,779)	(1,791)	(48,485)	(322)
Other income (expense)	(715)	493	364	454	13,499
Earnings (loss) before income taxes	3,266	(4,286)	(1,427)	(48,031)	13,177
Income taxes (reduction)					
Capital	129	261	288	64	140
Future reduction	81	(1,523)	(763)	(19,922)	4,928
	210	(1,262)	(475)	(19,858)	5,068
Net earnings (loss)	3,056	(3,024)	(952)	(28,173)	8,109
Retained earnings (deficit), beginning of year, as previously reported	(4,462)	(312)	(17,057)	11,116	3,007
Accounting changes	0	(1,126)	(486)		
Retained earnings (deficit), beginning of year, as restated	(4,462)	(1,438)	(17,543)	11,116	3,007
Reduction in stated capital	0		17,057	0	
Retained earnings (deficit), end of year	(1,406)	(4,462)	(1,438)	(17,057)	11,116
Earnings (loss) per share	0.03	(0.03)	(0.01)	(0.51)	0.20
Diluted earnings (loss) per share	0.03	(0.03)	(0.01)	(0.51)	0.19
Balance Sheet Data					
Cash and short term investments	11,798	1,725	9,328	0	8,190
Current assets	21,540	8,126	23,436	5,978	11,954
Total assets	186,345	151,011	144,749	49,956	68,588
Current portion long-term debt:	12,851	10,750	12,550	5,150	0
Total liabilities	45,545	37,461	42,379	17,086	25,691
Total shareholders equity	140,800	113,550	102,370	32,870	42,897

13

PRICE RANGE OF COMMON SHARES

Our common shares are traded on AMEX and the TSX under the symbol SNG. The following tables set forth, for the periods indicated, the reported high and low sales prices of our common shares on AMEX.

Period	American Stock Exchange High (U.S.$)	Low
Year ended December 31, 2005	2.50	1.46
Year ended December 31, 2004	3.54	1.00
Year ended December 31, 2003	2.58	0.88
Year ended November 30, 2002	1.06	0.68
Year ended November 30, 2001		
Calendar 2006		
First Quarter	2.57	2.15
Calendar 2005		
Fourth Quarter	2.38	1.93
Third Quarter	2.50	1.60
Second Quarter	1.76	1.46
First Quarter	2.12	1.58
Calendar 2004		
Fourth Quarter	2.25	1.43
Third Quarter	1.90	1.30
Second Quarter	1.69	1.00
First Quarter	3.54	1.22
April 2006	2.42	2.23
March 2006	2.40	2.15
February 2006	2.57	2.16
January 2006	2.63	2.05
December 2005	2.18	2.00
November 2005	2.14	1.98

The following table sets forth, for the periods indicated, the reported high and low sales prices of our common shares on the TSX.

Period	Toronto Stock Exchange High (C$)	Low
Year ended December 31, 2005	2.92	1.82
Year ended December 31, 2004	4.70	2.18
Year ended December 31, 2003	3.40	1.25
Year ended November 30, 2002	3.39	1.05
Year ended November 30, 2001	1.73	1.20
Calendar 2006		
First Quarter	2.95	2.49
Calendar 2005		
Fourth Quarter	2.80	2.23
Third Quarter	2.92	1.90
Second Quarter	2.20	1.82

Period	**Toronto Stock Exchange** **High** **(C$)**	**Low**
First Quarter	2.74	1.94
Calendar 2004		
Fourth Quarter	2.84	1.77
Third Quarter	2.43	1.71
Second Quarter	2.29	1.36
First Quarter	4.70	1.62
April 2006	2.81	2.52
March 2006	2.75	