

CANADIAN SUPERIOR ENERGY INC  
Form SC 13D/A  
March 11, 2009  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No. 5)

Canadian Superior Energy, Inc.

(Name of Issuer)

Common Shares

(Title of Class of Securities)

136644101

(CUSIP Number)

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(Name, Address and Telephone Number of Person

OMB APPROVAL

OMB Number: 3235-0145

Expires: February 28, 2009

Estimated average burden

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Authorized to Receive Notices and Communications)

March 10, 2009

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of sections 240.13d-1(e), 240.13d-1(f) or 140.13d-1(g), check the following box. [ ]

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See section 240.13d-7 for other parties to whom copies are to be sent.

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

**Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

CUSIP No. 136644101

1. Names of Reporting Persons

**Palo Alto Investors**

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

**X**

3. SEC Use Only

4. Source of Funds (See Instructions)

**AF**

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_  
 6. Citizenship or Place of Organization

**California**

Number of	7.	Sole Voting Power	<b>0</b>
Shares			
Beneficially	8.	Shared Voting Power	<b>15,752,500</b>
Owned by	9.	Sole Dispositive Power	<b>0</b>
Each Reporting	10.	Shared Dispositive Power	<b>15,752,500</b>
Person With			

11. Aggregate Amount Beneficially Owned by Each Reporting Person

**15,752,500**

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

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- |     |  |               |
|-----|--|---------------|
| 13. | Percent of Class Represented by Amount in Row (11) | <b>9.3%</b>   |
| 14. | Type of Reporting Person (See Instructions)        | <b>CO, HC</b> |

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CUSIP No. 136644101

1. Names of Reporting Persons

**Palo Alto Investors, LLC**

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

4. Source of Funds (See Instructions)

**AF**

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_

6. Citizenship or Place of Organization

**California**

Number of	7.	Sole Voting Power	<b>0</b>
Shares			
Beneficially	8.	Shared Voting Power	<b>15,752,500</b>
Owned by	9.	Sole Dispositive Power	<b>0</b>
Each Reporting	10.	Shared Dispositive Power	<b>15,752,500</b>
Person With			

11. Aggregate Amount Beneficially Owned by Each Reporting Person

**15,752,500**

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

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- |     |  |               |
|-----|--|---------------|
| 13. | Percent of Class Represented by Amount in Row (11) | <b>9.3%</b>   |
| 14. | Type of Reporting Person (See Instructions)        | <b>IA, OO</b> |

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CUSIP No. 136644101

1. Names of Reporting Persons

**William Leland Edwards**

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

3. SEC Use Only

4. Source of Funds (See Instructions)

**AF**

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_

6. Citizenship or Place of Organization \_\_\_\_\_

Number of	7.	Sole Voting Power	<b>50,000</b>
Shares			
Beneficially	8.	Shared Voting Power	<b>15,752,500</b>
Owned by	9.	Sole Dispositive Power	<b>50,000</b>
Each Reporting	10.	Shared Dispositive Power	<b>15,752,500</b>
Person With			

11. Aggregate Amount Beneficially Owned by Each Reporting Person

**15,802,500**

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) \_\_\_\_\_

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- |     |  |               |
|-----|--|---------------|
| 13. | Percent of Class Represented by Amount in Row (11) | <b>9.3%</b>   |
| 14. | Type of Reporting Person (See Instructions)        | <b>IN, HC</b> |



CUSIP No. 136644101

1. Names of Reporting Persons

**Anthony Joonkyoo Yun, MD**

2. Check the Appropriate Box if a Member of a Group (See Instructions)

- (a)
- (b)

**X**

3. SEC Use Only

4. Source of Funds (See Instructions)

**AF**

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) \_\_\_\_\_  
 6. Citizenship or Place of Organization

**U.S.A.**

Number of	7.	Sole Voting Power	<b>0</b>
Shares			
Beneficially	8.	Shared Voting Power	<b>15,752,500</b>
Owned by	9.	Sole Dispositive Power	<b>0</b>
Each Reporting	10.	Shared Dispositive Power	<b>15,752,500</b>
Person With			

11. Aggregate Amount Beneficially Owned by Each Reporting Person

**15,752,500**

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions)

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- |     |  |               |
|-----|--|---------------|
| 13. | Percent of Class Represented by Amount in Row (11) | <b>9.3%</b>   |
| 14. | Type of Reporting Person (See Instructions)        | <b>IN, HC</b> |

CUSIP No. 136644101

**Item 1. Security and Issuer**

This statement relates to the Common Shares (the "Stock") of **Canadian Superior Energy, Inc.** (the "Issuer"). The principal executive office of the Issuer is located at **Suite 3200, 500 - 4th Avenue SW, Calgary, Alberta, Canada, T2P 2V6.**

**Item 2. Identity and Background**

The persons filing this statement and the persons enumerated in Instruction C of Schedule 13D and, where applicable, their respective places of organization, general partners, directors, executive officers and controlling persons, and the information regarding them, are as follows:

- (a) William Leland Edwards, Palo Alto Investors, LLC ("PAI LLC"), Palo Alto Investors ("PAI Corp") and Anthony Joonkyoo Yun, MD (collectively, the "Filers").
- (b) The business address of the Filers is:

470 University Avenue, Palo Alto, CA 94301

- (c) Present principal occupation or employment of the Filers and the name, principal business and address of any corporation or other organization in which such employment is conducted:

PAI LLC is an investment adviser registered with the Securities and Exchange Commission and is the general partner of, and investment adviser to, investment limited partnerships. The sole manager of PAI LLC is PAI Corp. Mr. Edwards is the controlling shareholder of PAI Corp and the controlling owner of PAI LLC. Mr. Yun is the president of PAI Corp and PAI LLC.

- (d) During the last five years, none of the Filers has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) During the last five years, none of the Filers was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.
- (f) Mr. Edwards and Mr. Yun are United States citizens.

CUSIP No. 136644101

**Item 3. Source and Amount of Funds or Other Consideration**

The source and amount of funds used in purchasing the Stock were as follows:

<u>Purchaser</u>	<u>Source of Funds</u>	<u>Amount</u>
PAI LLC	Funds Under Management	\$32,303,231

**Item 4. Purpose of Transaction**

The Filers acquired the Stock for investment purposes. On September 29, 2008, Greg Noval sent a letter to Palo Alto Investors on behalf of the Issuer's Board of Directors responding to a letter from Palo Alto Investors sent earlier in the day, and Palo Alto Investors sent a further response to the Board. A copy of that correspondence is incorporated by reference herein as Exhibit B. On November 5, 2008, PAI LLC sent a letter to the Board, a copy of which is incorporated by reference herein as Exhibit F. On February 11, 2009, PAI LLC sent a letter to the Board questioning the timing and strategy of the Issuer's proposed monetization of part of its Block 5(c) assets in Trinidad and Tobago (the February 11 Letter). On February 12, 2009, PAI LLC issued a press release including the text of the February 11 Letter and requesting additional disclosure by the Issuer with regard to its financial position and the status of that project and requesting that the Issuer hold a public conference call to update shareholders. A copy of that press release is incorporated by reference herein as Exhibit G. On February 17, 2009, PAI LLC delivered to the Issuer a requisition for a special meeting of the Issuer's shareholders for the purpose, among other things, of removing all of the directors on the Issuer's board of directors and replacing such directors with PAI LLC's nominees (the Requisition). Also on February 17, 2009, PAI LLC issued a press release announcing that it had requisitioned a special meeting of the Issuer's shareholders for that purpose (the February 17 Press Release). Once a record date and meeting date for the shareholders meeting have been established, a dissident proxy circular will be mailed to shareholders of record by PAI LLC. The dissident proxy circular will provide details regarding each of PAI LLC's nominees to the Issuer's Board of Directors. Shareholders are urged to carefully read the dissident proxy circular and other documents when they are available. A copy of the Requisition is incorporated by reference herein as Exhibit H, and a copy of the February 17 Press Release is incorporated by reference herein as Exhibit I. On March 10, 2009, PAI LLC sent a letter to the Board (the March 10 Letter) noting that no response had been provided to its February 11, 2009 inquiry regarding the Issuer's proposed monetization of part of its Block 5(c) assets in Trinidad and Tobago and requesting a meeting with the full Board to discuss strategic and financing alternatives to monetizing the Block 5(c) assets. A copy of the March 10 Letter is attached hereto as Exhibit J and is incorporated herein by reference.

In pursuing their investment purposes, the Filers may from time to time further purchase, hold, vote, trade, dispose of, engage in option, swap or other derivative securities transactions with respect to or otherwise deal in the Stock at times, and in such manner, as they deem advisable to benefit from changes in the Stock's market price, changes in the Issuer's operations, business strategy or prospects, or from sale or merger of the Issuer. To evaluate such alternatives, the Filers routinely will monitor the Issuer's operations, prospects, business development, management, competitive and strategic matters, capital structure and prevailing market conditions, as well as alternative investment opportunities, the Filers' liquidity requirements and other investment considerations. Consistent with their investment research methods and evaluation criteria, the Filers may discuss such matters with the Issuer's management, Board of Directors, other shareholders, industry analysts, existing or potential strategic partners or competitors, investment and financing professionals, sources of credit and other investors. Such factors and discussions may affect materially, and result in, the Filers' modifying their ownership of the Stock, exchanging information with the Issuer pursuant to appropriate confidentiality or similar agreements, proposing changes in the Issuer's operations, governance or capitalization, or in proposing or taking one or more of the actions described in paragraphs (a) through (j) of Item 4 of Schedule 13D. The Filers may reconsider and change their plans or proposals relating to the Stock at any time.

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**Item 5. Interest in Securities of the Issuer**

(a), (b), (d) Each Filer's beneficial ownership of the Stock on the date of this report is reflected on that Filer's cover page. PAI LLC is an investment adviser with the power to invest in, vote and dispose of the Stock on behalf of its clients. Its clients have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Stock. No client individually holds more than 5% of the outstanding Stock. Mr. Edwards is the controlling shareholder of PAI Corp, which is the sole manager of PAI LLC, and is the controlling owner of PAI LLC. Mr. Yun is the president of PAI Corp and PAI LLC. The Filers are filing this Schedule 13D jointly, but not as members of a group, and each of them expressly disclaims membership in a group. Each Filer disclaims beneficial ownership of the Stock except to the extent of that Filer's pecuniary interest therein.

(c) There were no transactions in the Stock by the Filers during the 60 days before the date on the cover page.

**Item 6. Contracts, Arrangement, Understandings or Relationships with Respect to Securities of the Issuer**

PAI LLC is the general partner of investment partnerships pursuant to agreements of limited partnership that grant to PAI LLC the authority, among other things, to invest the funds of such investment partnerships in the Stock, to vote and dispose of the Stock and to file this statement on behalf of such investment partnerships. Pursuant to such agreements, PAI LLC is entitled to allocations based on assets under management and realized and unrealized gains.

In addition, 750,000 shares of the Stock are represented by warrants, the form of which is incorporated by reference herein as Exhibit C. In addition, those warrants are governed by and subject to the terms of a Securities Purchase Agreement and Registration Rights Agreement, the forms of which are incorporated by reference herein as Exhibits D and E.

**Item 7. Material to Be Filed as Exhibits**

**Exhibit A** Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G

**Exhibit B** Correspondence dated September 29, 2008 between the Issuer's Board of Directors and Palo Alto Investors incorporated by reference to the Filers' initial Schedule 13D and Amendment No. 1 thereto both filed September 30, 2008

**Exhibit C** Form of Warrant to Purchase Shares of Common Stock incorporated by reference to the Issuer's Form F-3 filed September 26, 2008

**Exhibit D** Form of Securities Purchase Agreement incorporated by reference to the Issuer's Form F-3 filed September 26, 2008

**Exhibit E** Form of Registration Rights Agreement incorporated by reference to the Issuer's Form F-3 filed September 26, 2008

**Exhibit F** Letter dated November 5, 2008 from PAI LLC to the Issuer's Board of Directors incorporated by reference to Amendment No. 2 to this Schedule 13D filed November 6, 2008

**Exhibit G** Press Release by PAI LLC dated February 12, 2009 including the text of the February 11 Letter incorporated by reference to Amendment No. 3 to this Schedule 13D filed February 12, 2009

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**Exhibit H** Requisition delivered by PAI LLC to the Issuer dated February 17, 2009 incorporated by reference to Amendment No. 4 to this Schedule 13D filed February 17, 2009

**Exhibit I** Press Release by PAI LLC dated February 17, 2009 incorporated by reference to Amendment No. 4 to this Schedule 13D filed February 17, 2009

**Exhibit J** Letter dated March 10, 2009 from PAI LLC to the Issuer's Board of Directors

SIGNATURES

After reasonable inquiry and to the best of my knowledge, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 10, 2009

**PALO ALTO INVESTORS**

**PALO ALTO INVESTORS, LLC**

By: /s/ Mark Shamia  
Mark Shamia, Chief Operating Officer

By: /s/ Mark Shamia  
Mark Shamia, Chief Operating Officer

-

/s/ Anthony Joonkyoo Yun

/s/ William Leland Edwards

Anthony Joonkyoo Yun, MD

William Leland Edwards

CUSIP No. 136644101

EXHIBIT A

AGREEMENT REGARDING JOINT FILING

OF STATEMENT ON SCHEDULE 13D OR 13G

The undersigned agree to file jointly with the Securities and Exchange Commission (the "SEC") any and all statements on Schedule 13D or Schedule 13G (and any amendments or supplements thereto) required under section 13(d) of the Securities Exchange Act of 1934, as amended, in connection with purchases and sales by the undersigned of the securities of any issuer until such time as the undersigned file with the SEC a statement terminating this Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G. For that purpose, the undersigned hereby constitute and appoint Palo Alto Investors, LLC, a California limited liability company, as their true and lawful agent and attorney-in-fact, with full power and authority for and on behalf of the undersigned to prepare or cause to be prepared, sign, file with the SEC and furnish to any other person all certificates, instruments, agreements and documents necessary to comply with section 13(d) and section 16(a) of the Securities Exchange Act of 1934, as amended, in connection with said purchases and sales, and to do and perform every act necessary and proper to be done incident to the exercise of the foregoing power, as fully as the undersigned might or could do if personally present, until such time as the undersigned file with the SEC a statement terminating this Agreement Regarding Joint Filing of Statement on Schedule 13D or 13G.

Dated: September 29, 2008

**PALO ALTO INVESTORS**

**PALO ALTO INVESTORS, LLC**

By: /S/ Mark Shamia, Chief Operating Officer

By: /S/ Mark Shamia, Chief Operating Officer

-

/S/ Anthony Joonkyoo Yun, MD

/S/ William Leland Edwards

CUSIP No. 136644101

**EXHIBIT J**

March 10, 2009

Board of Directors

c/o Mr. Alexander Squires, Director and Chair of the Audit Committee

Canadian Superior Energy Inc.

3200, 500 4 Ave S.W.

Calgary, Alberta T2P 2V6

To the Board of Directors of Canadian Superior,

On February 11, we requested information on Canadian Superior Energy Inc. (Canadian Superior or the Company) plans to monetize a portion of its Block 5(c) assets in Trinidad and Tobago. We have received no response to our request, and the Company's shareholders have not been updated in any material way on the Company's financial position or its plans since the issuance of the September 30 financial statements on November 18, 2008, notwithstanding several significant recent developments. Since our letter, the Company's Trinidad and Tobago assets have been placed in receivership by one of its development partners, the Company has received a repayment demand from its lender, Canadian Western Bank, and both Canadian Superior and its partner in Trinidad and Tobago, Challenger Energy Corp., have been granted protection under the *Companies Creditors Arrangement Act* in Canada.

In order to seek options on behalf of the Company and its shareholders, we have held discussions with various entities that could provide the capital required to cure the Company's outstanding defaults. We are encouraged by these discussions and believe they represent realistic and viable options for the Company. We further believe these financing alternatives provide for a better solution for Canadian Superior shareholders and creditors than those publicly indicated by the Board as under consideration. We caution however that based on our views and feedback from other capital providers, such financing alternatives will require significant changes in the governance and management of the Company. We believe that such changes would be in the best long term interests of the Company and must be properly evaluated by the Board. In order for the Company to avail itself of these options in the current circumstances, the Company needs to act extremely expeditiously and move beyond the current misguided sole focus on monetizing Block 5(c).

We confirm that we have solidified the recruitment of our director candidates in advance of presenting our slate to the Company's Annual General and Special Meeting of Shareholders on June 26, 2009.



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**Palo Alto Investors requests a meeting with the Board of Directors to discuss our plans to recapitalize the Company, satisfy outstanding obligations, and ensure the retention of the strategically important Block 5(c) assets in Trinidad and Tobago.** We would also share with you our views on critical governance and management changes at that time.

In light of current circumstances, we request a phone meeting with the Board no later than Monday, March 16, 2009. We look forward to your response.

Sincerely,

David J. Anderson

Palo Alto Investors, LLC

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