NYMEX OIL: US$68.75
-$1.46
July delivery
NYMEX N. Gas: US$4.09
+$0.04 per MMBTU
June delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for June delivery fell $1.31 to $68.10 on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil rose 2 cents to $1.89/gal and gasoline rose 3 cents to $196/gal. Natural gas rose 4 cents to $4.09 per 1,000 cubic feet. In London, Brent crude dropped 36 cents to $69.77 on the ICE exchange.

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count increased 12 to 1,518 for the week of May 21, 2010. It is 618 rigs (68.7%) higher than last year. The number of rotary rigs drilling for oil was down 6 at 538. There are 358 more rigs targeting oil than last year. Rigs currently drilling for oil represent 35.4% percent of all drilling activity. Rigs directed toward natural gas were up 18 at 969. The number of rigs currently drilling for gas is 258 greater than last year's level of 711. Year-over-year oil exploration in the US is up 198.9 percent. Gas exploration is up 36.3 percent. The weekly average of crude oil spot prices is 14.9 percent higher than last year and natural gas spot prices are 13.8 percent higher. Canadian rig activity was up 52 at 173 for the week of May 21, 2010 and is 99 (133.8%) higher than last year's rig count.

OPEC MINISTERS PLAY DOWN OIL PRICE FALL

Gulf oil ministers on Tuesday played down the slide in oil prices below $70 a barrel and said OPEC had no plans to call an emergency meeting to discuss supply policy. U.S. crude tumbled below $68 on Tuesday and has fallen by nearly $20 in three weeks on growing fears that Europe's debt crisis would derail the global economic recovery. The price is below the $70 to $80 range that top oil exporter Saudi Arabia and others in OPEC have said is fair for both producers and consumers. "Not yet, so what?" Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al Sabah told reporters at the country's parliament when asked if he was worried about the price drop. United Arab Emirates Oil Minister Mohammed al-Hamli also downplayed the recent fall. "We have had lower prices many many times before...the price reflects market conditions," Hamli told reporters on the sidelines of an industry event in Qatar's capital city. The top energy official of Libya on Monday was less sanguine than his Gulf colleagues. He said the group was very concerned about the fall in oil prices and was watching the market closely, although it was too early to say if the group needed to take action. Sheikh Ahmad himself said earlier in May that $65 would ring alarm bells for OPEC. Algeria's oil minister has also said that a price in the $60s would be uncomfortable for OPEC members. Both Sheikh Ahmad and Hamli said on Tuesday OPEC had no plans to meet before its next scheduled gathering in October. An oil price below $70 would be too low to encourage the investment needed in boosting future energy capacity, Hamli said. "$70 to $80 would really help maintain the momentum for investment," he said. "It's very important to keep that price going for investment... You don't want to see a sudden change in investment, you want to keep increasing capacity because demand will pick up one day... We need a price that is fair to producers." The Kuwaiti minister on Tuesday called on fellow OPEC members to stick more closely to the group's output targets. Core Gulf OPEC members Saudi Arabia, the UAE, Kuwait and Qatar have stuck closely to their targets, but rising oil prices have encouraged some other members to relax adherence to OPEC's production curbs. Most estimates suggest production from the Organization of the Petroleum Exporting Countries has been rising since early 2009. The group's compliance with 4.2 million bpd of pledged cutbacks has fallen to around 51 percent, according to Reuters estimates. U.S. crude stockpiles rose 250,000 barrels in the seven days ended May 21 from 362.7 million the previous week, according to the median of 13 analyst estimates before tomorrow's Energy Department report. Seven of the respondents forecast a gain and six estimated a decline

BP PREPS UNTESTED MANEUVER TO CAP OIL LEAK

With the Gulf of Mexico oil slick growing thick and public patience growing thin, BP put equipment in place Tuesday for a "top kill," a procedure that has never been tried under a mile of water. All of BP's previous attempts to cap the Gulf oil spill have failed. There's a 30 or 40 percent chance that the top kill won't work. Nevertheless, it's a pivotal moment for the London-based oil giant. After diagnostic testing that could take up to 12 hours, BP plans to pump 50,000 pounds of thick, viscous fluid twice the density of water into the site of the leak to stop the oil flow. The well can then be sealed for good with cement. Depending on the pressure readings, the top kill could start as early as today said BP Senior Vice President Kent Wells. "Normally you'd spend months to do what we've done in days and weeks," Wells said Tuesday in a conference call with reporters. It's a method that has succeeded on above-ground oil wells in the Middle East but has never been done on the ocean floor. Wells said a team of experts will examine conditions inside the five-story blowout preventer to ascertain how much pressure the injected mud will have to overcome. If the top-kill procedure fails, BP will try to fit a second, smaller containment dome over a ruptured pipe. A first containment dome did not succeed in stopping the leak. The company said it has other options, too: One of those options would be to install a second blowout preventer at the leak site. Meanwhile, in Jackson, Mississippi, the 11 men who died in the oil rig explosion were remembered Tuesday in a poignant memorial service. Some of them have sued BP and Transocean, owner of the Deepwater Horizon oil drilling rig. Meanwhile Transocean Ltd. said on Tuesday that it will pay a dividend to shareholders that would not affect its legal obligations over the stricken Deepwater Horizon oil rig that it owned and operated in the Gulf of Mexico. The offshore drilling contractor also said it has insurance coverage for the Deepwater Horizon, including for the fair market value of the rig at the time of the April 20 explosion. The company has insurance coverage for the

Deepwater Horizon. Other insurance is in place for claims asserted following the April 20 accident, it said. Transocean's statement was in response to "erroneous reports relating to its shareholders' approval of a dividend and its intent to avoid liability arising from the Deepwater Horizon incident or to profit from such incident."

DEEPSEA DRILLING REGULATOR GRILLED BY FEDERAL MPS

Federal MPs raised questions Tuesday about whether an exploratory drill off Newfoundland's east coast is safe. Chevron Canada began work this month on a well north of the Grand Banks, just weeks after the Deepwater Horizon oil blowout. At a hearing Tuesday of the standing committee on natural resources, New Democratic MP Nathan Cullen questioned whether appropriate oversight has been given to the Chevron Canada drill, which is aimed at sea floor about 2,600 metres under the ocean surface. "If there's some piece of that malfunction being employed in deepwater drilling in Canada, would it not be prudent or conservative to suggest a pause to the company drilling an even deeper well than in the Gulf? We certainly gave that some consideration," said Cullen, a B.C. MP. The question was aimed at Max Ruelokke, the chief executive officer of the Canada-Newfoundland and Labrador Offshore Petroleum Board, which regulates the offshore oil industry and last week tightened the rules that Chevron Canada must follow on the Orphan Basin drill. Ruelokke told MPs that the regime governing Newfoundland and Labrador's oil industry already includes governance measures that have been suggested in the U.S., and that blowout preventers in Canada are subject to more rigorous testing. The Canada-Newfoundland and Labrador Offshore Petroleum Board (CNLOPB) said Thursday it will use greater oversight in managing Chevron's exploration for oil in the Orphan Basin on the Grand Banks. The company started sinking a well about 2,500 metres below the ocean surface, in the deepest drill in Canadian history. The CNLOPB will hire a crew to audit Chevron's work in the Orphan Basin, with meetings to be held every two weeks to review data. As well, Chevron will have to take something of a time-out from drilling before they hit target areas, and the company will have to demonstrate that everything is in place before it can proceed. Sean Kelly, public relations manager with the board said the board's decision will mean greater work and expense for Chevron, but the effort will be worth it.

CANELSON TO BUY TOTEM

CanElson Drilling Incsays it is acquiring Totem Drilling Ltd, a private drilling rig operator, for C$40 million in cash and stock, in a bid to expand into the oil-rich Bakken shale. Alberta-based CanElsonsaid Totem sharehoders will receive C$2 in cash and 0.7407 of CanElson share each and the total cash consideration would not exceed C$10 million. Peters & Co Ltd and Lightyear Capital Inc are acting as financial advisers to CanElson. Totem has agreed not to solicit further offers or initiate discussions or negotiations with any third party and CanElson expects the acquisition to close by June 7. Totem operates in the Bakken area of south east Saskatchewan.

LEGACY CLOSES SASKATCHEWAN ACQUISITION

Legacy Oil + Gas Inc. has announced the closing of its previously announced acquisition of Villanova Resources Inc. , a Saskatchewan based private oil company. Through the Acquisition, Legacy acquired high quality, high netback, light oil assets focused in its southeast Saskatchewan core area for total consideration of $18 million in cash, approximately 8.1 million Legacy common shares and the assumption of approximately $7.2 million of net debt. Macquarie Capital Markets Canada Ltd. and GMP Securities L.P. acted as financial advisors and FirstEnergy Capital Corp. acted as strategic advisor to Legacy with respect to the Acquisition. National Bank Financial acted as financial advisor to Villanova.

SECOND WAVE Q1 REVIEW

Second Wave Petroleum Inc. has announced its financial and operating results for the three months ended March 31, 2010. the first quarter of 2010, the Company completed an active drilling and disposition program as it continued to focus its efforts on its internally developed Pekisko oil resource play in Judy Creek. During the quarter the Company drilled 9 (8.4 net) wells comprised of 7 (6.4 net) horizontal oil wells and 2 (2 net) vertical oil wells. In Judy Creek, the Company drilled 6 (6 net) horizontal oil wells and 2 (2 net) vertical oil wells with 7 (7 net) of these wells being successfully drilled into the Pekisko G oil pool and 1 (1 net) vertical well being successfully drilled into the Ellerslie A oil pool. As at March 31, 2010, 4 (4.0 net) wells from the first quarter drilling program had been brought on stream with the remaining 5 (4.4 net) wells being placed on production in April 2010. In January of 2010, the Company disposed of 130 boe/d of non-core production for total proceeds of $8.9 million or $68,000 per boe/d. Subsequent to the successful first quarter drilling program and the above noted disposition the Company achieved a first quarter production average of 1,206 boe/d with a March 2010 monthly production average of 1,410 boe/d. This represents a 20% increase on a quarter over quarter basis with the March average production being 40% higher than the average rate achieved in the fourth quarter of 2009. The Company is currently producing approximately 1,550 boe/d as it enters into its second quarter drilling program. Revenues from production for the first quarter increased 81% on a year over year basis and 33% on a quarter over quarter basis to $6.0 million. Netbacks per boe increased 165% on a year over year basis and 42% on a quarter over quarter basis to $25.98 per boe. Increases in revenues and netbacks can be attributed to higher commodity prices and continued improvements in costs from operating efficiencies. General and administrative ("G&A") costs were reduced on a year over year basis by 22% on aggregate and by 37% to $4.58 per boe or $0.5 million of non-capitalized G&A per quarter. The Company has increased its staffing levels in 2010 to accommodate its capital program and although the aggregate G&A costs are expected to increase in 2010 management believes that the per unit costs will continue to trend downwards as additional production is added from its drilling program. In the first quarter of 2010, the Company spent $24.4 million of capital incurring $10.0 million for drilling, completion and surface equipment on six horizontal wells in Judy Creek, $4.8 million for two vertical drills, conversion of five water injectors and an exploration well in Milo. Facility and infrastructure expenditures totaled $6.8 million including $1.0 million for the Battle Creek CO2 pilot project and $5.8 million in Judy Creek. Approximately $2.8 million was spent on land, seismic and capitalized G&A in the quarter. Taking into account the above noted property disposition the Company's net capital program for the quarter totaled $18.9 million. During the quarter, the Company invested $5.8 million in facilities and infrastructure in its Judy Creek core area. These facility investments were designed to accommodate the development of the Company's Pekisko G pool in 2010 and 2011. As a result of these capital expenditures the fluid capacity for the battery was increased from 4,000 bbl/d to 11,000 bbl/d with the ability to expand this capacity to 22,000 bbl/d with an additional investment of $1.8 million. Currently the Company is producing 4,000 bbl/d of fluids in Judy Creek with sufficient capacity for the remainder of the 2010 and 2011 drilling program. The Company has also initiated a project to run electrical power into the Judy Creek field which will serve to reduce capital expenditures on new drilling projects and improve operating efficiencies in the field on a long term basis. The electrification of the field and the battery is expected to be completed by the end of 2010. Over the long term these facility investments will substantially increase the operating efficiencies in the area by reducing fixed costs and capital associated with each boe produced at Judy Creek. Management believes that the operating costs in Judy Creek and in turn its Corporate operating costs will continue to trend downwards as its Pekisko development drilling program continues over the remainder of 2010 and 2011. To facilitate the acceleration of its drilling program the Company completed an equity financing of 10 million shares in the first quarter at $2.00 per share for total proceed of $20 million. The Company has also arranged hedges for the second quarter of 2010 for 500 bbl/d of oil at $85.15 per bbl and 1,800 Gj's of gas at $5.37 per Gj. In the third quarter the Company has hedges covering 300 bbl/d of oil at $86.90 per bbl and 1,800 Gj's of gas at $5.45 per Gj. Subsequent to the first quarter ending the Company has also negotiated an increase in its credit facilities from $20.0 million to $30.0 million. The total capital budget for 2010 has been set at approximately $49.7 million with $30.8 million being spent in the last three quarters of the year. The capital program plans for an additional 10 to 15 horizontal Pekisko oil wells in Judy Creek for the remainder of the year resulting in a budgeted production rate of 2,500 boe/d in December of 2010.Subsequent to the end of the quarter Second Wave has invested $5.1 million in the acquisition of an additional 19,650 acres (31 sections) of undeveloped Pekisko mineral rights in Judy Creek. The Company now holds 91,000 net undeveloped acres with 90,000 undeveloped acres of Pekisko mineral rights and 60,000 undeveloped acres of Beaverhill Lake mineral rights. The Company has utilized 29 square miles of proprietary 3-D seismic, 152 miles of 2-D seismic and 30 vertical well bores to map the Pekisko G pool over an area exceeding 60 sections or 38,400 acres. The Company now holds 95% of this prospective acreage at a 100% working interest.

CONNACHER COMMENCES STEAM CIRCULATION AT ALGAR

Connacher Oil and Gas Limited has announced it has completed the commissioning of its central processing and steam generating plant at the Algar oil sands project, on schedule and without any major complications. First steam is being circulated in the seven steam assisted gravity drainage ("SAGD") well pairs on well pad 203. Algar is located within Connacher's principal Great Divide oil sands lease block approximately 80 km southeast of Fort McMurray, Alberta. All of Algar's 17 SAGD well pairs, distributed among three well pads, were drilled, completed and are now prepared to accept steam into the injector and producer well bores. Starting with the SAGD well pairs on well pad 203, each of the well pairs will be brought into circulation on a staged basis, over the next several weeks. Connacher plans to circulate steam into each pair of well bores for approximately 60 to 90 days prior to the planned start-up of bitumen production. The process will be closely monitored to determine the optimum production start-up date, based on individual well response. The Algar project has a design steam generation capacity of 30,000 bbl/d, which, at its forecast long-term target peak operating steam:oil ratio ("SOR") of 3.0, is anticipated to facilitate production of 10,000 bbl/d of bitumen over a project life of more than 25 years. First production is anticipated in the third quarter of 2010.