Oilfield NEWS

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TUESDAY PRICES

Benchmark WTI crude for February was down 20-cents to USD$90.57 a barrel. In Nymex trading, heating oil was even at $2.75 /gal while gasoline slipped 4-cents to $2.51/gal. Natural gas was even at $4.35 per 1,000 cubic feet. In London, Brent crude was was 73-cents to $101.74 a barrel on the ICE exchange.

CNRL ALLOWED ON BLAST SITE

Officials with Canadian Natural Resources Ltd. have been allowed onto the site of an oilsands upgrader badly damaged in a fire nearly a month ago. Alberta Occupational Health and Safety has lifted a stop-work order at the Horizon mine that prevented the company from assessing the damage and removing ice from the area. But Alberta Employment Minister Thomas Lukaszuk says the investigation is far from over. He says a stop-use order will be issued to prevent the cokers — the part of the facility where the blaze started — from being operated until it's clear what caused the incident. Canadian Natural has said it may be possible to restart two of the four coker drums in the plant that were not damaged in the fire, but that has not been confirmed. Company officials declined to comment on plans for gauging the damage and making repairs. "Now that the stop-work order has been lifted they can assess the damage not only to the coker where the explosion was but the other coker that was right beside it," Alberta Occupational Health and Safety spokesman Barrie Harrison said. "They would determine if there are any repairs needed, and once they feel they are good to go and they have their start-up plans available to us, then we would review and approve them." Last week, Canadian Natural said it expected no production from the project in February, extending a force majeure -- which frees it from supply obligations -- through the month. Canadian Natural shares rose 30 Canadian cents to C$44.95 on the Toronto Stock Exchange. They are up 11 percent since the explosion and fire.

MARCH SYNTHETICS SURGE ON MAINTENANCE TALK

Canadian synthetic crude prices surged on Tuesday on market talk that Suncor Energy Inc had advanced planned maintenance at its oil sands upgrader by a month, adding to an already-tight market, trading sources said. March synthetic prices were quoted at $4 to $4.50 a barrel above benchmark West Texas Intermediate, compared with as much as $2.75 above WTI on Monday. A Suncor spokesman declined comment on the talk, saying the company is in a quiet period prior to the release of its fourth-quarter results on Wednesday. Suncor has been planning a major, seven-week turnaround of its Upgrader 2 beginning in mid-April.

OPTI PROVIDES UPDATE ON STRATEGIC ADVISORS

OPTI Canada Inc. has announced that its Board of Directors has retained Lazard Frères & Co. LLC to assist in its ongoing review of strategic alternatives. Strategic alternatives may include capital market opportunities, asset divestitures, and/or a corporate sale, merger or other business combinations. Lazard will supplement the strategic review by providing advice on capital structure alternatives to address the Company's overall leverage position. Scotia Waterous Inc. and TD Securities Inc, engaged as financial advisors to OPTI in November of 2009, will work with Lazard in a coordinated manner to review the full range of strategic options open to the Company. OPTI's Board of Directors remains committed to pursuing all available strategic options in the best interests of the Company. The shares of Opti lost more than a third of their value on the Toronto Stock Exchange on Tuesday falling from 69-cents a share to 45-cents a share. Opti owns a 35-per cent stake in the Long Lake oilsands project, with Calgary-based Nexen Inc. controlling the rest. The companies have had trouble ramping up production from the steam-driven project due to a number of operational issues. Operational problems at the C$6.1 billion ($6.2 billion) Long Lake project have kept output from coming close to its design rate of 72,000 barrels a day. In 2011, it is expected to produce 38,000-45,000 bpd. The poor production performance has hampered Opti's cash flow, and hurt its ability to service its debt.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 19 at 1,732 for the week of January 28, 2010. It is 415 rigs (31.5%) higher than last year. The number of rotary rigs drilling for oil incerased by 11 to 809. There are 365 more rigs targeting oil than last year. Rigs currently drilling for oil represent 46.7% percent of all drilling activity. Rigs directed toward natural gas were up 7 at 913. The number of rigs currently drilling for gas is 52 greater than last year's level of 861. Year-over-year oil exploration in the U.S. is up 82.2 percent. Gas exploration is up 6.0 percent. The weekly average of crude oil spot prices is 17.3 percent higher than last year and natural gas spot prices are 18.5 percent lower. Canadian rig activity was up 16 at 637 for the week of January 28, 2011 and is 106 (20.0%) higher than last year's rig count.

BP REFINING PROFITS HIT BY TRADING LOSSES

BP's refining and marketing operations were hit by trading losses and fell by 46 percent to $964 million in the fourth quarter from the previous three months, the company said on Tuesday. The British oil company blamed both gas and oil trading units, saying a lack of price volatility in the latter had contributed to losses. "The results were particularly impacted by a fourth-quarter loss from supply and trading resulting in a significantly lower contribution from this activity," the company said in a statement. "On the oil side, markets have been very flat," a BP spokesman said. Looking to the first quarter, BP expected refinery maintenance to increase while a downward trend in oil production was set to continue after a 4 percent decline over 2010. BP said that the sale of upstream assets and the drilling moratorium in the Gulf of Mexico were the principal causes for the loss of output. BP's global indicator margins were little changed in the fourth quarter at $4.64 a barrel but stood far above the 15-year low of $1.49 a barrel reached in the same period of 2009. But margins were weaker in the second half of the year after rising to $5.49 a barrel in the April-June period. A near $10 a barrel jump in Brent and WTI crude oil prices between October and December helped offset shrinking production, but fourth-quarter replacement cost income missed analysts' estimates at $4.61 billion. BP said it will become the smallest international refiner in the United States after the sale of two refineries in Texas and Carson, to be completed by 2012. Its U.S. refining operations returned to profit over the year but slowed in the fourth quarter, breaking even, while gains in 2010 totalled $935 million.

IMPERIAL OIL Q4 RESULTS

Imperial Oil has announced Q4 profits of 799 million, compared with $534 million for the fourth quarter of 2009, an increase of 50% or $265 million. Bruce March, chairman, president and chief executive officer of Imperial Oil, commented: "The 50 percent earnings increase resulted primarily from improved downstream margins, higher crude oil commodity prices and improved refinery operations. These factors were partially offset by unfavourable foreign exchange effects of the stronger Canadian dollar." Cash generated from operating activities was $1,004 million, compared with $927 million in the same period last year when changes in working capital also contributed cash flow. Capital and exploration expenditures were $1,065 million, up 28% from the fourth quarter of

2009, as a result of progressing the Kearl oil sands and other growth projects. Gross oil-equivalent barrels of production averaged 302,000 barrels a day, compared with 297,000 barrels a day in the same period last year. Higher production volumes in the fourth quarter were primarily due to increased Cold Lake bitumen production, a result of improved facility reliability and the cyclic nature of production at Cold Lake. Earnings for the full year 2010 were $2,210 million or $2.59 per share, up from $1,579 million in the full year 2009, an increase of 40 percent.

LEGACY INCREASES FINANCING

Legacy Oil + Gas Inc. has announced that it has agreed with the underwriters for its bought deal financing announced Monday to increase the size of the offering from 6,700,000 common shares to 8,350,000 common shares at a price of $14.95 per common share for gross proceeds of approximately $125 million. The additional proceeds from the increase in the size of the financing will be used will used to fund the cash portion of its oil assets acquisition in southwest Manitoba from Molopo Energy Canada Ltd. and for general corporate purposes. Legacy, which would pay C$93 million in cash and the remaining in stock for the assets, said the assets exited 2010 with production of 800 barrels of oil per day. All other terms of the financing, including the option to the underwriters to purchase an additional 1,005,000 common shares at the offering price within 30 days of closing and the anticipated closing date, remain unamended. If the option is exercised in full, the total gross proceeds of the offering to Legacy will be approximately $140 million. The financing is being underwritten by a syndicate of underwriters co-led by GMP Securities L.P. and Macquarie Capital Markets Canada Ltd., and including FirstEnergy Capital Corp., BMO Capital Markets, National Bank Financial Inc., Scotia Capital Inc., CanaccordGenuity Corp., Cormark Securities Inc. and Raymond James Ltd.

ONE TO AQUIRE CIRRUS

Cirrus Energy Corporation has announces today that it has entered into an Arrangement Agreement whereby Oranje-Nassau Energie B.V. will acquire Cirrus in a transaction valued at approximately C$102 million. Under the terms of the Agreement, the Purchaser will acquire all of the issued and outstanding common shares of Cirrus at a price of C$1.15 per share in cash pursuant to a plan of arrangement . The parties to the Transaction are arm's length from one another. The offered per share price under the Transaction represents a 7% premium over the closing price of the Cirrus shares on the TSX Venture Exchange ("TSXV") on January 31, 2011, a 31% premium over the volume weighted average price of the Cirrus shares on the TSXV over the last thirty trading days and a 43% premium to Cirrus' three month weighted average share price of C$0.81 per share. Cirrus's President and CEO, David Taylor, comments: "Over the past 12 months, we have streamlined the company into a predominantly Netherlands focused gas company and this has made Cirrus attractive to Netherlands-based ONE. After an extensive process of evaluating strategic alternatives, including thorough consideration of our ability to create value as an independent company, the Board has concluded that the proposed transaction with ONE is in the best interests of shareholders." The Transaction is to be carried out by way of a statutory plan of arrangement. It is anticipated that the Transaction will have to be approved by 66 2/3% of the votes cast by Cirrus' shareholders at a special meeting of shareholders to be held in late March, 2011. Closing is subject to certain other conditions, including court approval. The Board of Directors of Cirrus has unanimously recommended approval of the plan of arrangement by its shareholders. Each director and senior officer of Cirrus, collectively holding approximately 4.1% of the issued and outstanding shares of Cirrus, has indicated that they intend to vote all Cirrus shares beneficially owned or controlled by them in favour of the Transaction, subject to the terms and conditions of the firm support agreements entered into with ONE in support of the Transaction. FirstEnergy Capital LLP is acting as exclusive financial advisors to the Board of Directors of Cirrus to evaluate strategic alternatives. FirstEnergy has provided the Board of Directors of Cirrus an opinion, subject to review of the final documentation, that the consideration to be received by the Cirrus shareholders in connection with the Transaction is fair, from a financial point of view, to Cirrus shareholders.

GARTH WONG APPOINTED PRESIDENT OF OILSANDS QUEST

The Board of Directors of Oilsands Quest Inc. has announced the appointment of Garth Wong as President and Chief Executive Officer (CEO) of Oilsands Quest Inc., effective immediately. Mr. Wong replaces Brian MacNeill, who has served as Acting CEO since September 2010. Mr. MacNeill will remain a member of the Board. Mr. Wong joined Oilsands Quest in February of 2009 as Chief Financial Officer. He has over 25 years of varied experience in the energy sector in a range of general management and financial positions. Mr. Wong has a Bachelor of Commerce degree from the University of Calgary and holds a professional designation as a Chartered Accountant. Related to these changes, the Board has also appointed Annie Lamoureux as Vice-President and Controller of Oilsands Quest Inc., effective immediately. Ms. Lamoureux is a Chartered Accountant and Certified Public Accountant, and a graduate of the University of Montreal. Ms. Lamoureux was in senior financial roles in Canada, the United States and Europe prior to joining the Company in August 2009.