WTI OIL: US$100.58
+$3.61
April delivery
NYMEX: N Gas: US$3.86
-$0.17 per MMBTU
March delivery

Oilfield NEWS

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NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was down 14 at 1,699 for the week of February 25, 2010. It is 326 rigs (23.7%) higher than last year. The number of rotary rigs drilling for oil declined 15 to 783. There are 327 more rigs targeting oil than last year. Rigs currently drilling for oil represent 46.1% percent of all drilling activity. Rigs directed toward natural gas were up 1 at 906. The number of rigs currently drilling for gas is one greater than last year's level of 905. Year-over-year oil exploration in the U.S. is up 71.7 percent. Gas exploration is up 0.1 percent. The weekly average of crude oil spot prices is 20.2 percent higher than last year and natural gas spot prices are 21.2 percent lower. Canadian rig activity was down 13 at 623 for the week of February 25, 2011 and is 47 (8.2%) higher than last year's rig count.

SAUDI ARABIA INCREASES OIL OUTPUT

Saudi Arabia has decided to increase is oil output about 8 percent to above 9 million barrel per day (bpd), to make up for a halt in Libyan exports. This moves follows reassurances from Ridyadh earlier in the week that it was prepared to act to prevent shortages as a result of the rebellion against leader Muammar Gaddafi in Libya that has severely reduced the country's 1.3 million bpd of oil exports. With Saudi Arabia increasing the oil output, prices have fallen further from the highest since 2008. A source familiar with Saudi production said: "We have started producing over 9 million barrels per day. We have a lot of production capacity." Saudi Arabia is the only country that is capable of pumping the such large amounts of extra oil on short notice. The OPEC nation occasionally steps in to meet shortages or when it feels that prices have risen to levels that could threaten economic growth or oil demand. Meanwhile, the Organization of the Petroleum Exporting Countries (OPEC) has not issued any calls for a formal increase, and is not planning to meet until June. News that Saudi Arabia was increasing its oil output came as the disruption to Libyan supplies worsened. Libya is the 12th largest oil exporter in the world, as well as a source of high quality crude oil, and most of it goes to Europe. Libya's crude exports have essentially been halted due to reduced production, security concerns, and a lack of staff at ports. Other oil producers might also see increased demand as a result of the reduced production in Libya. Other oil producers may also see increased demand as a result of the Libyan crisis. According to the International Energy Agency, between 500,000 bpd and 750,000 bpd of crude (less than 1 percen of global daily consumption had been removed from the market "at present." Italy's third largest oil refiner, Saras, is asking Russia, Iran and other Caspian countries to help replace crude oil shipments from Libya.

WORKERS LEAVING LIBYA

Workers in Libya continued to seek safety in camps and at the borders Monday. British military aircraft flew two missions over the weekend to rescue workers stranded at oil installations. Prime Minister David Cameron said one of the aircraft suffered minor damage from small arms fire on the second mission. German planes were also reported to have evacuated EU citizens Saturday in a secret military mission later disclosed by the country's Foreign Ministry. The U.K.'s HMS Cumberland has been used to evacuate mostly British personnel while two Italian cruise ships carried 4,000 Chinese workers to Malta from the eastern Libyan port of Benghazi. Prime Minister Lawrence Gonzi of Malta said Sunday that since the crisis in Libya began, his country has hosted more than 8,000 foreign workers of 89 nationalities. A St. Albert, Alta., engineer who has been trapped in Libya boarded a ferry to Malta early Sunday morning. Grant Cathrea, 48, works on six-week rotations for a gas and oil plant in the North African country. An estimated 100 Canadians have been stranded in Libya. Calgary-based oil and gas company Suncor draws about 50,000 barrels of oil daily in Libya, representing about nine per cent of the company's annual production. It inherited oil assets in Libya when it merged with Petro Canada in 2009. Suncor moved its staff from Libya to Malta between Feb. 21 and Feb. 25. It, too, is refusing to provide details of the evacuation. Suncor says its response team is continuing to support the evacuation of workers from non-Suncor oilfields. Calgary-based oil company Sonde Resources is working with Joint Oil, a company owned by Libya and Tunisia, to develop 768,000 gross undeveloped acres of potential oilfields off the coast of Tunisia and Libya. The company has approximately 36 employees in Canada, U.S., Trinidad and Tobago and Tunisia, but no staff in Libya. Montreal-based engineering firm SNC Lavalin suspended work on its three major projects because of the political unrest in Libya. The company later moved about 1,700 employees from Benghazi to Cairo. As of Feb. 28, the company reports that it is continuing to move employees out of the country. It won't release details to protect the safety of its workers as well as those who work for other companies.

US OKS FIRST DEEPWATER DRILLING PERMIT AFTER SPILL

U.S. regulators on Monday granted the first deepwater drilling permit since the massive U.S. Gulf of Mexico oil spill last April that prompted the Obama Administration to impose a drilling moratorium. The U.S. Bureau of Ocean Energy Management approved a permit for Noble Energy Inc to drill in the

Mississippi Canyon area of the Gulf, about 70 miles (110 km) south of the Louisiana coast. Shares of Noble rose nearly 4 percent to $92.66 on the New York Stock Exchange on the news of the permit. Shares of Ensco Plc , whose rig will drill the well, rose 1.2 percent. Initial drilling had started on April 16, four days before the Deepwater Horizon exploded, killing 11 workers and eventually releasing more than 4 million barrels of oil from a well owned by BP Plc. Houston-based Noble plans to use a new underwater containment system developed by Helix Energy Solutions Group Inc to help capture any oil from a potential spill. Noble plans to resume its drilling project, which is located in 6,500 feet of water, in late March. That is in deeper water than the Deepwater Horizon rig was operating in before it exploded and sank. Ultimately, Noble plans to drill to a depth of about 19,000 feet.

MORE PLAYERS IN CANADA'S OIL AND GAS TRANSACTIONS

Increased optimism will drive robust transaction activity in the Canadian oil and gas sector in 2011, with a greater range of acquirers getting in the game, says Ernst & Young. "Strategic alliances and joint ventures are on the growth agenda this year as more Canadian companies partner with foreign entities to share risk and increase financial strength and resources," said Kevan Holroyd, Executive Director in Ernst & Young's Oil and Gas practice. "We're also seeing confidence return to smaller oil-weighted companies who have been nursing their balance sheets and to financial investors who are re-establishing their interest in the sector." In 2010, Canada witnessed fewer but larger deals that included a 67% increase over 2009, (not including the $20.7 billion Suncor-PetroCanada merger,) in the value of Canadian oil and gas transactions to $35.7 billion. In terms of megadeals, the sector saw SINOPEC's acquisition of ConocoPhilips' Syncrude oil sands operation for $4.65 billion, Total SA's acquisition of certain properties from Suncor for $2.43 billion and Total Canada's purchase of UTS Energy Corporation for $1.5 billion, among others. The oil sands drove the IPO market with the two largest 2010 Canadian IPOs represented by Athabasca Oil Sands' $1.35 billion offering and MEG Energy's $700 million offering. This year, IPO activity levels are set to rise with upstream and oilfield services likely to remain the engine room of deal flow. "In oilfield services, we're seeing some big US companies sitting on large amounts of cash and looking to re-enter the Canadian market," said Holroyd. "This also rings true for Canadian services companies that have sat on the sidelines over the last few years and are now looking to consolidate and transact." High debt levels of junior oil and gas companies that are natural gas weighted mean corporate transactions will feature prominently in the deal mix this year, compared to the gas asset packages that dominated the 2010 transaction landscape. Natural gas prices, a victim of a robust supply in a time of moderate demand, will also be an important driver of the extent of transaction activity, particularly as prior opportunistic hedges come off the table and squeeze cash flows. "Despite an optimistic outlook for 2011, oil and gas companies need to prepare for the unwelcome return of rising costs, a lack of available labour, as well as project delays and budget overruns that plagued the sector leading up to the recent financial crisis," said Holroyd. " Holroyd adds that there's significant growth ahead, especially for those companies in the Western Canadian Sedimentary Basin proactively pursuing new areas of sustainability, including the application of technology to drive down costs and enhance efficiency. This includes the strides made in horizontal drilling, multi-stage fracturing and enhanced oil recoveries, along with the continued building and strengthening of strategic relationships and alliances with key global players that were so prevalent in 2010.

EXXON TO INCREASE SPENDING

Exxon Mobil Corp said its annual capital spending could rise to as much as $37 billion, evidence the world's largest publicly traded oil company is confident that crude demand is returning with economic growth. Exxon's annual capital spending will range from $33 billion to $37 billion during the next several years, up from $32.2 billion last year, the company said on Friday in its annual filing with the U.S. Securities and Exchange

Commission. Exxon will likely provide more detail about its planned spending increase at an analyst meeting next month, but many other oil companies, encouraged by prolonged high crude prices have raised capital expenditures.

RANGE RESOURCES TO SELL BARNETT PROPERTIES

Texas-based natural gas company Range Resources Corp said it will sell almost all of its Barnett Shale properties to a private company for $900 million, and forecast a production growth of 10 percent for this year. The sale will allow Range Resources to focus more on the Marcellus Shale play, where it plans to spend most of its capital budget. The company has set a capital budget of $1.38 billion for 2011. The sale includes 390 producing wells covering about 52,000 net acres, which produce about 113 million cubic feet of natural gas equivalent per day.

KINDER MORGAN JOINS IN STORAGE VENTURE

Kinder Morgan Energy Partners said on Monday it was buying a 50 percent stake in crude oil storage tanks in Cushing, Oklahoma, and joining a venture with Mercuria Energy Trading and Deeprock Energy Resources that will give it a lucrative toehold at a time when space at the oil hub is a premium. The joint venture will also build three new storage tanks with the incremental storage capacity of 750,000 barrels, expected to be in service by the third-quarter 2011. Trade sources said that with all the Canadian crude heading to Cushing, traders want more storage. Canada remains the number one supplier of crude oil to the U.S., sending 2 million barrels per day. Deeprock, a privately held company based in Cushing, Oklahoma, will remain the construction manager and will continue to operate the terminal. Mercuria, one of the largest global trader of energy products, will remain the anchor tenant for the next five years with an option to extend.

CALFRAC Q4 RESULTS AND OUTLOOK

Calfrac Well Services Ltd. has announces its financial and operating results for the three months and year ended December 31, 2010. During the quarter, Calfrac achieved record fourth quarter revenue of $268.7 million, an increase of 55 percent from the comparable quarter of 2009 driven primarily by strong growth in Calfrac's Canadian and the United States operations. The company reported operating income of $62.3 million versus $23.2 million in the same quarter of 2009, an increase of 169 percent, mainly as a result of high levels of fracturing activity in the unconventional plays of western Canada and the United States. Calfrac announced a total 2010 capital program of $236.0 million which is mainly comprised of equipment for Calfrac's growing operations in Canada and the United States, including the construction of two large fracturing spreads supported by long-term minimum commitment contracts with large customers focused on the Marcellus shale play in Pennsylvania and West Virginia. In the year ended December 31, 2010, the Company: increased revenue by 58 percent to $935.9 million from $591.5 million in 2009 driven primarily by strong growth in Calfrac's Canadian and United States operations and the contributions from the purchase of fracturing assets from Pure Energy Services Ltd. ("Pure") in August 2009 and the acquisition of Century Oilfield Services Inc. ("Century") in November 2009; reported operating income of $185.4 million, an increase of 161 percent from 2009, mainly as a result of high levels of fracturing activity in the unconventional resource plays of western Canada and the United States; reported net income of $53.8 million or $1.23 per share, which included the pre-tax impact of $22.7 million of refinancing costs resulting from the retirement of the Company's senior notes originally due in 2015, compared to a net loss of $5.5 million or $0.14 per share in 2009. Excluding these additional costs, net income would have been $1.46 per share; and generated funds provided by operations of $161.3 million or $3.69 per share versus $54.6 million or $1.42 per share in 2009. In Canada and the United States, exploration and development activity in the unconventional natural gas and oil plays continues to be focused on the use of horizontal wells incorporating multi-stage fracturing. As a result of this trend, strong levels of equipment utilization are expected during 2011. Strong natural gas liquids and crude oil prices are also anticipated to drive incremental completions activity in liquids-rich natural gas and oil formations throughout North America. Calfrac expects the industry trend towards multi-well pads and 24-hour operations to increase as customers remain committed to improving the economics of these plays. The Company's optimistic outlook for the Canadian market is supported by the Petroleum Services Association of Canada's encouraging drilling forecast of 12,750 wells to be drilled across Canada in 2011, of which an increasing proportion are projected to be horizontal wells. Fracturing and coiled tubing activity in the Montney and Deep Basin plays of northwest Alberta and northeast British Columbia is expected to remain strong as these regions are amongst the most economic natural gas plays in western Canada. Deep Basin activity is expected to be particularly robust due to the high liquids content in certain zones of this play as well as to the very strong recent successes a number of producers have experienced in developing several Deep Basin horizons with horizontal wells. Activity in unconventional light oil plays, such as the Cardium, Viking, Slave Point and Bakken, is expected to be strong as the price of crude oil remains at attractive levels. There are also several other emerging oil and liquids-rich plays which may provide further growth opportunities in 2011 and beyond. The Company expects that at least 70 percent of its operations in 2011 will be focused on oil and liquids-rich natural gas formations, which will provide greater commodity-based diversification to Calfrac's Canadian operations. As a result, the Company expects high levels of equipment utilization in Canada and strong financial performance during 2011.

CODA CLOSES INITIAL FINANCING

Coda Petroleum Inc. has completed an initial private capital financing of $75 million. Coda was formed by the management team of Rondo Petroleum Inc. which was sold to PetroBakken Energy Ltd in March 2010. The management, board and employees of Coda have invested a total of $8.28 million with the remainder being raised from private equity funds and private investors. Coda's management team is Andrew Hogg, President and CEO, Kevin Wright, Vice President Engineering, Steve Lamb, Vice President Exploration, Glen Glass, Vice President Operations, Brenda Galonski, Vice President Finance and CFO, Frank Cortese, Vice President Land, and Paul Poscente, Chief Geologist. The board of directors consists of John Brussa, Andrew Hogg, Kaush Rakhit, Jim Smith, Tobin Webb and Kevin Wright. Coda's strategy will be to pursue a disciplined and highly focused exploration and acquisition strategy in the Western Canadian Basin focussed on new and emerging resource plays.

PETRODORADO CLOSES BOUGHT DEAL FINANCING

Calgary-based Petrodorado Energy Ltd. has announced that it has closed its previously announced bought deal prospectus offering. The Company, through a syndicate of underwriters led by Canaccord Genuity Corp. and including Raymond James Ltd. and TD Securities Inc. (collectively, the "Underwriters"), issued a total of 53,900,000 common shares in the capital of the Company ("Common Shares") at a price of $0.65 per Common Share for aggregate gross proceeds of approximately $35 million. The Underwriters have the option to purchase up to an additional 8,085,000 Common Shares, exercisable in whole or in part at any time prior to 30 days after the date hereof, at the same price and terms as the Offering for additional gross proceeds of up to $5,255,250. The net proceeds from the Offering will be used to fund the exploration and development of the Company's petroleum assets in Colombia, Peru and Paraguay and general business development, acquisitions and working capital purposes.

ALBERTA OILSANDS ANNOUNCES FLOW-THROUGH FINANCING

Alberta Oilsands Inc.has announced that it has entered into an agreement with Canaccord Genuity Corp. as lead underwriter on behalf of a syndicate of underwriters (the "Underwriters"), for the sale of 20,000,000 flow-through common shares in the capital of the Company , on a bought deal basis, at a price of $0.50 per Flow- Through Share for gross proceeds of $10 million. The net proceeds from the Offering will be used to incur eligible Canadian Exploration Expenses on its properties. These qualifying expenditures will be renounced to subscribers for the 2011 tax year. The Offering is scheduled to close on or about March 22, 2011 and is subject to certain conditions including, but not limited to, the receipt of all necessary approvals including the approval of the TSX Venture Exchange and the securities regulatory authorities.

TWO COMPANIES FACING CHARGES FOR DUMPING

Devon Canada and All-Can Engineering and Surveys Ltd. face charges for allegedly releasing drilling fluid into water bodies near Rocky Mountain House. Alberta Environment charged the companies under the Water Act for two separate incidents where drilling fluid was released into two unnamed tributaries of Jackfish Creek, about 50 kilometres west of Rocky Mountain House. Both companies also allegedly failed to provide information to Alberta Environment required under the code of practice for watercourse crossings, which outlines the rules companies must follow when pipelines cross water bodies. Alberta Environment launched an investigation in December 2009 after receiving reports detailing the release of drilling fluids into nearby creeks during the installation of a pipeline. The first court appearance is set for April 6 in Rocky Mountain House.