

NYMEX OIL: US\$93.07
-\$0.080
January delivery
NYMEX N. Gas: US\$3.112
-\$0.015 per MMBTU
January delivery



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Weekender

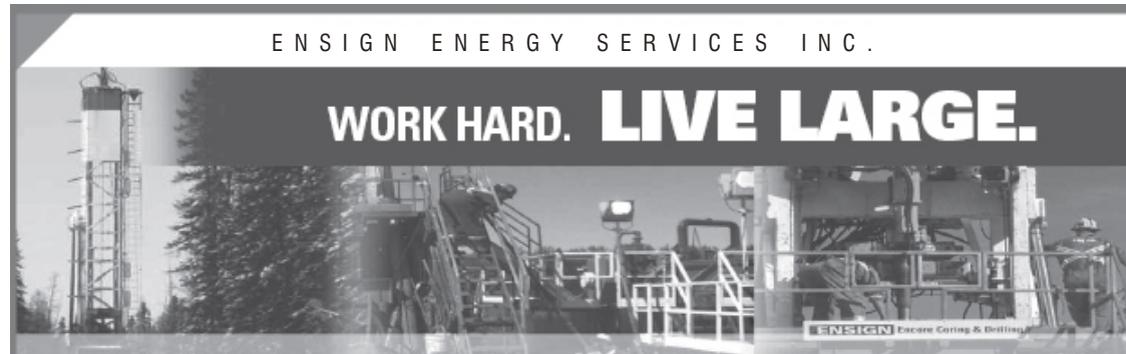
Saturday December 17, 2011

CHINA SHALE GAS BOOM COULD SURPASS U.S.

China is set for a shale gas revolution which will surpass that seen in the United States, the chairman of Sinopec, the country's second-largest oil company, said a day after Reuters revealed Royal Dutch Shell Plc had begun shale gas production in China. Fu Chengyu, chairman of state-controlled China Petroleum & Chemical Corp (Sinopec), said it could take five to 10 years but that China's output would exceed that of the United States. "I think the total reserves are even more than the U.S. so production is not less than the U.S., but it is a matter of timing," he told reporters at the sidelines of the World Petroleum Congress. U.S. energy markets were fundamentally changed by the development of shale gas. In the space of several years, the country went from natural gas shortages to a point where companies are planning to export gas to Asia, and are now looking at new uses for the abundant gas, such as auto fuel. Earlier this week, Yuzhang Liu, a senior official with Shell's partner PetroChina, a unit of the country's top energy group, state-owned CNPC, said the Anglo-Dutch oil major had begun shale gas production in China. Currently, a number of companies are exploring for shale gas potential in China but there is no commercial shale gas production. A U.S. Energy Information Administration report in April said China had 1,275 trillion cubic feet (tcf) of technically recoverable shale gas resources -- by far the largest in the world, followed by the United States with 862 tcf and Argentina with 774 tcf. Fu added China planned to learn from the U.S. experience to avoid some of the problems that arose there around water supplies and shale drilling.

FILING REQUIREMENTS FOR ARCTIC OFFSHORE DRILLING

The National Energy Board has released filing requirements for future applications to drill in the Canadian Arctic Offshore. The Filing Requirements, a companion document to *The Past is Always Present, Review of Offshore Drilling in the Canadian Arctic* report, *Preparing for the Future*, follows several months of extensive consultation carried out across the North during the NEB's Arctic Review. During the Arctic Review, many Northern residents stated that if drilling is to be authorized in the unique Arctic environment, it must be done right. The report's key findings include: 1) The root cause of most offshore accidents is the lack of a broadly shared safety culture. In other words, people don't do what they are supposed to do. 2) The NEB has the necessary tools to protect the safety of workers, the public and the unique Arctic



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environment. 3) Northern residents want their voices to be heard in future decisions about offshore drilling, and they want to be involved in preparing for future drilling projects, in particular in training for emergencies. 4) The NEB has re-affirmed its Same Season Relief Well Policy. Any company wishing to depart from it in a future application for a well would have to demonstrate to us how they would meet or exceed the intended outcome of the policy, which is to kill an out-of-control well in the same season in order to minimise harmful impacts on the environment. 5) During the Arctic Review, industry representatives acknowledged Northern residents' concerns and committed to engaging communities in more meaningful ways, as early as possible in their planning processes. They also spoke of developing and offering appropriate training opportunities to Northerners to help prepare them for employment and business opportunities. "Filing requirements set out the technical information we will need to see in future applications for offshore drilling in the Canadian Arctic," said NEB Chair and

CEO Gaétan Caron. "These new requirements provide clarity to future applicants and to those who will provide input into the Board's decision to approve or deny an application for a well in the Arctic." The NEB, the federal body responsible for regulating offshore drilling in the Canadian Arctic, announced on 11 May, 2010 that it would review Arctic safety and environmental offshore drilling requirements following the oil spill in the Gulf of Mexico. Through the Arctic Review, the Board examined the best available information on the hazards, risks



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and safety measures associated with offshore drilling in the Canadian Arctic. To gather information, the Board held more than 40 meetings in 11 communities across all three Northern territories. The Board also released two sets of questions for participants asking for information about the 11 topics in the scope of the Arctic Review. The review wrapped up with a week-long roundtable meeting in

Inuvik, Northwest Territories so participants could engage in face-to-face dialogue, ask questions and share their views. Nearly 200 people attended the Arctic Review Roundtable Meeting in September 2011. The Board also considered the recommendations of the U.S. Government's National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling and other reports like it to



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incorporate lessons learned. Currently, there is no offshore drilling in Canada's Arctic and there are no applications for drilling before the Board. While a number of companies hold Explorations Licenses in the Beaufort Sea, they would need to respond to the newly released filing requirements in their applications.

OPEC CUTS DEMAND RAISES PRODUCTION QUOTA

OPEC has revised down its oil demand growth forecast for next year as planned austerity measures in developed countries risk denting consumption in India and China, suggesting the organisation sees a comfortable global balance as it meets in Vienna. It revised down its forecast for 2012 demand growth by 100,000 barrels per day (bpd) to 1.1 million bpd, amid downside risks related to a slowdown in countries belonging to the Organisation of Economic Co-operation and Development (OECD). "Planned austerity measures, not only in the euro zone but also in other OECD economies; the slow-down in developing economies, particularly China and India; and the still weak economic situation in the United States are factors that warrant particular attention as downside risks," the OPEC said in its monthly oil report. "With the slowing pace of economic growth, manufacturing activities and trade are expected to be affected worldwide." OPEC decided to increase its production ceiling to 30 million barrels a day, the first change in three years, moving the group's target nearer to current output as it



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grapples with rising exports from post-war Libya. The new quota is for all members of the Organization of Petroleum Exporting Countries, including Iraq and Libya, and compares with actual November production from those 12 nations of 30.37 million barrels a day, according to OPEC estimates. The target will be reviewed at its next meeting on June 14 and replaces a previous target for 11 OPEC nations, excluding Iraq, of 24.845 million. "We have an agreement to maintain the market in balance and we're going to adjust the level of production of each country to open

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space for Libyan production," Venezuelan Energy Minister Rafael Ramirez said in Vienna after OPEC's conference ended today. OPEC is raising its quota to more closely match current production while at the same time gauging the possibility of a slowing global economy and rising Libyan supply. Its last meeting in June broke up without consensus when six members including Iran and Venezuela opposed a formal push to pump more oil. Saudi Arabia and other Gulf nations went ahead anyway and increased supply to make up for halted Libyan exports. OPEC Secretary-General Abdalla el-Badri said the group won't use individual, national production targets for its 12 member nations while Libyan oil exports are still recovering from the country's armed conflict. Nigerian Petroleum Minister Diezani Alison-Madueke also said after the meeting

ended that OPEC didn't discuss national quotas. "Ultimately, what matters is actual production and not notional quota levels," Harry Tchilinguirian, head of commodity-market strategy at BNP Paribas SA in London, said by e-mail. The new limit makes sense given that it now includes Iraq, which hitherto was outside the quota system, he said. "As such, the market be monitoring progress in the return of Libyan oil exports to the market and increases in Iraqi production" as foreign oil companies expand output at existing oil fields and develop new ones, he said. Only three out of 26 traders and analysts surveyed by Bloomberg News Dec. 6-8, expected OPEC to raise the group's quota. Of the remainder, 21 had predicted no change in official targets and two made no forecast on quotas, preferring instead to predict production levels. "It is a loose agreement"

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with no new figures for individual member quotas, said Torbjørn Kjus, an oil-market analyst at DnB NOR ASA in Oslo, said in an e-mail. Kjus said Saudi Arabia is unlikely to cut its own production by as much as would be needed to keep the group total under 30 million barrels a day and "we hence maintain our view that oil prices will fall below \$100 a barrel during the first quarter of 2012." Brent crude for January delivery plunged \$3.55, or 3.2 percent, to \$105.95 a barrel as of 5:21 p.m. London time on the ICE Futures Europe exchange. Prices are up 12 percent this year after gaining 8 percent in 2010. OPEC last set a quota in December 2008 at a meeting in Oran, Algeria, when the group announced record supply cuts. The 11 members that are subject to limits last month pumped 2.81 million barrels a day more than the 24.845 million-barrel agreed ceiling, a Bloomberg survey showed. Iraq is not bound by quotas. All 12 OPEC members collectively produced 30.37 million barrels a day last month, according to OPEC's own monthly report published yesterday. Excluding Iraq, the 11 nations previously subject to quotas pumped 27.69 million barrels a day, according to OPEC, which uses

secondary sources, such as analysts and news agencies, for its survey.

PACIFIC RUBIALES ENERGY CLOSES OFFERING

Canadian-based Pacific Rubiales Energy Corp. has announced that it has successfully closed an offering of U.S.\$300 million in senior unsecured notes at a rate of 7.25% due 2021. The net proceeds from the sale of the Notes will be used by the Company for general corporate purposes, which may include acquisitions and investments in oil and gas sector assets and related infrastructure. The Notes have been assigned ratings of BB by Fitch Ratings and Standard & Poor's Corporation, and Ba2 by Moody's Investors Services. The Notes were placed through a syndicate of underwriters, led by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Joint Lead Manager and Sole Bookrunner, and including J.P. Morgan Securities LLC and RBC Capital Markets, LLC, as Joint Book-running Managers, and GMP Securities L.P., as Co-Manager. The Notes were placed with Qualified Institutional Buyers in the United States pursuant to the registration exemptions provided by Rule

144A of the Securities Act of 1933, and on a private placement basis in certain provinces of Canada, as well as internationally as permitted by applicable securities laws in such jurisdictions. Ronald Pantin, the Company's Chief Executive Officer commented: "We are extremely pleased with the success of this offering. The order book for the offering was over 5 times oversubscribed and there was broad participation from over 130 investors in the United States, Canada, Latin America (including Colombia), Europe and Asia, thereby demonstrating the confidence of international investors in Pacific Rubiales and its business model."

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Transaction, Compass shareholders will receive, at their election, for each Compass share held, either: (i) 0.205 of a Whitecap common share; or (ii) \$1.60 in cash, subject to an aggregate cash maximum of \$20 million and a maximum distribution of approximately 10.9 million Whitecap common shares. Whitecap will also assume the positive working capital of Compass, estimated at \$1.3 million, after accounting for costs and severance associated with the Transaction, as at November 30, 2011. Compass does not currently have any bank debt. Based on the closing market price of the Whitecap common shares on the Toronto Stock Exchange on December 14, 2011, the exchange ratio represents a 33% premium to the closing market price of the Compass common shares on the TSX Venture Exchange (the "TSXV") on December 14, 2011 and a 23% premium to the volume weighted average trading price of the Compass common shares for the 20 trading days ending December 14, 2011. The total value of the Transaction is approximately \$97.8 million, including the assumption of positive working capital, option and warrant exercises and estimated transaction costs.