NYMEX OIL: US$97.74
+$1.38
March delivery
NYMEX N. Gas: US$2.551
-$0.043 per MMBTU
February delivery

# Oilfield NEWS

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## SHELL EYES GROWTH BUT AT BIG COST

Ambitious new growth plans from Royal Dutch Shell on Thursday failed to impress investors and analysts who fretted that disappointing fourth-quarter and 2011 results pointed to ever reducing returns from the proposed new investments. Europe's largest oil company by market capitalization said it was targeting a 50 percent rise in cashflow and a 25 percent rise in oil and gas production in coming years. However, this expansion will require higher investment, which meant Shell was only able to offer a modest increase in its dividend. Hague-based Shell's London-listed B shares traded down 1.2 percent at 1606 GMT, against a 0.2 percent rise in the STOXX Europe 600 Oil and Gas index. Analysts at Investec said they were concerned about Shell's ever-rising investment expenditure, which they feared meant the company was spending "more for less." "We expect to see material downgrades to the consensus FY2012/13 earnings numbers," they wrote in a research note. Analysts at Citigroup said the company needed to convince investors it could invest money more profitably than rivals to justify the outperformance in its shares compared with rivals in the past 18 months. "The new medium-term strategy unveiled today fails to offer that differentiated story," they said. Shell's planned return to strong production growth follows a long fallow period. Apart from a 5 percent rise in 2010, the group's production has fallen every year since 2002. "Oil & gas production should average some 4 million boe/d (barrels of oil equivalent per day) in 2017-18," the company said in a statement. Production averaged 3.215 million boe/d in 2011, a 3 percent drop on 2010. Capital investment expenditure will rise to $32-$33 billion this year from $31.5 billion last year, Shell said. Analysts had previously predicted that capex would fall, as Shell completed big new projects such as the pearl gas-to-liquids plant in Qatar, which will push output higher. The high capital being invested is one reason why Shell's return on average capital employed (ROACE) failed to sparkle, at 15.9 percent, compared with levels above 20 percent a few years ago when oil prices were considerably lower. Similarly, in spite of a record average Brent crude price of $111/barrel in 2011, the full year current cost of supply (CCS) net income of $28.6 billion still lagged Shell's earnings high of $31.4 billion in 2008 when Brent was under $100/barrel. Chief Financial Officer Simon Henry said he expected the return on capital employed to rise in coming years and that all the projects Shell was invested in offered "robust" returns. However, he did not commit to returning to the previous ROACE levels. Rivals also appear to be struggling with the same problem. Chevron said its ROACE was 20 percent lower in 2011 than in 2008, while industry leader Exxon, failed to come close to its 2008 profit peak last year, even though it spent over $30 billion buying gas producer XTO in the intervening period. Shell said its fourth quarter CCS net income was $6.46 billion, helped by one-off gains from the sale of assets. Excluding one-offs, the result rose 18 percent to $4.85 billion, shy of an average forecast of $5.17 billion from a Reuters poll of nine analysts. The miss was despite the fact analysts had recently cut back their forecasts in the light of weak trading statements from Shell's rivals. A big loss in the refining unit weighed on earnings, echoing a trend across the industry. CCS earnings strip out unrealised gains or losses related to changes in the value of inventories, and as such are comparable with net income under U.S. accounting rules. The company also announced a weaker rise in its dividend than some analysts expected, adding just 1 cent to its first quarter dividend for 2012, to $0.43 per share.

## SHELL SEES LARGE GLOBAL OIL REFINING SURPLUS

Royal Dutch Shell said on Thursday the global oil refining industry is facing about 6 million barrels per day (bpd) of surplus capacity, and predicted more plants would close in Europe. Refining crude oil into fuels such as gasoline and diesel, traditionally the second-largest business for global oil firms such as Shell and rivals like BP Plc, has come under pressure from weak profit margins. Shell, Europe's largest oil company by market value, made a loss of $278 million from oil refining and marketing in the fourth quarter. The collapse of Swiss-based refiner Petroplus has raised the prospect of more plant closures in Europe. "Globally, the world has about 7 million barrels a day too much capacity. Recent events whether Petroplus or otherwise have seen about a million barrels affected globally, so that's only 6 million barrels," Shell's chief financial officer, Simon Henry, said at a news conference. "Two million barrels of new capacity came on stream last year and probably another one and a half this year. So actually, the world is still building more capacity than is going out." Seven million barrels a day is more than the entire demand of Japan, the world's third-largest consumer, and amounts to almost 8 percent of the 90 million bpd the International Energy expects the world will need in 2012. The challenges of the refining industry in Europe, a mature oil market where demand is no longer growing, were illustrated by the difficulties of Petroplus, which has closed three of its refineries after lenders froze credit lines. Shell Chief Executive Peter Voser said in Europe there were too many small refineries that are not very profitable, a legacy of an era when every country wanted its own plants. "Shell has reduced its European portfolio significantly over the last few years. We have done it from our side but some others have not done the same steps like close refineries and that shake out is still to happen," he said. "I think we will just see a few big refineries surviving in the long term and hopefully that the current slowdown will actually help to make this shakeout finally now, so that we can have the right refining industry in Europe."

### HALLIBURTON WINS RULING VS BP OVER GULF OIL SPILL

A federal judge on Tuesday said Halliburton Co is not liable for some pollution claims arising from the 2010 Gulf of Mexico oil spill, setting back BP Plc's effort to hold other companies responsible for part of the $42 billion cleanup. U.S. District Judge Carl Barbier in New Orleans said BP must indemnify Halliburton, which provided cementing services for the Macondo oil well, for third-party compensatory claims under their contract, even if Halliburton is found grossly negligent. The indemnification relates to claims arising from pollution or contamination that did not originate from Halliburton property located above the land or water. Halliburton would still be responsible for punitive damages, as well as civil fines under the federal Clean Water Act. "This is a very positive step for Halliburton, however outstanding issues still remain," wrote Angie Sedita, a UBS Securities LLC analyst who has a "buy" rating on that company. "The claim of fraud against Halliburton and thus a breach of contract does appear to leave an open issue in the court's eyes." Barbier issued a similar ruling on January 26 that required BP to indemnify Transocean Ltd, which owned the Deepwater Horizon drilling rig, on compensatory damages claims. That ruling meant BP could not shift more than $15 billion of costs for the spill. BP spokesman Daren Beaudo said the Halliburton decision sends a "strong signal" that contractors involved in critical well operations will be held accountable. He said it means BP's indemnity "could be void" if Halliburton committed fraud. Halliburton spokeswoman Beverly Stafford said that company agrees with Tuesday's decision "to the extent that it requires BP to honor its contractual indemnity obligations." Barbier oversees multidistrict litigation over the April 20, 2010, explosion of the Deepwater Horizon.

### SUNCOR Q4 RESULTS

Suncor Energy Inc. recorded fourth quarter 2011 net earnings of $1.427 billion ($0.91 per common share), compared to net earnings of $1.286 billion ($0.82 per common share) for the fourth quarter of 2010. Operating earnings, which adjusts net earnings for significant items that are not indicative of operating performance, increased to $1.427 billion ($0.91 per common share) in the fourth quarter of 2011 from $808 million ($0.52 per common share) in the fourth quarter of 2010. The increase in operating earnings was due primarily to higher average upstream price realizations. As a result, return on capital employed (ROCE) for the twelve months ended December 31, 2011 reached 13.8%, the highest level since the merger with Petro-Canada. Cash flow from operations was $2.650 billion ($1.69 per common share) in the fourth quarter of 2011, compared to $2.132 billion ($1.36 per common share) in the fourth quarter of 2010. The increase in cash flow from operations was primarily due to the same factors that impacted operating earnings. Production volumes from Suncor's Oil Sands business (excluding the company's proportionate production share from the Syncrude joint venture) averaged 326,500 barrels per day (bbls/d) in the fourth quarter of 2011, a slight increase compared with fourth quarter 2010 production of 325,900 bbls/d. Production in the fourth quarter of 2011 consisted of a greater percentage of sweet synthetic crude due to strong upgrading reliability. Suncor's total upstream production during the fourth quarter of 2011 averaged 576,500 barrels of oil equivalent per day (boe/d), compared to 625,600 boe/d during the fourth quarter of 2010. The decrease in production volumes reflected the divestiture of non-core assets throughout 2010 and 2011, lower output from Libya during the restart of production following the lifting of sanctions and operational outages at Syncrude. "Our ongoing focus on operational excellence in 2011 led to impressive gains in reliability company-wide and record levels of oil sands production," said Rick George, chief executive officer. "Following our largest ever turnaround at our second upgrader, we had our two highest quarters on record for oil sands production, capped by a single month record of 345,000 barrels per day in December." Bitumen production from the company's in situ operations averaged 101,400 bbls/d in the fourth quarter of 2011, compared to 85,800 bbls/d in the fourth quarter of 2010, and increased mainly due to the ramp up of production from the first well pad for the Firebag Stage 3 expansion and recently completed infill wells on existing Firebag well pads. Bitumen production from Suncor's in situ operations exited the year at 111,000 bbls/d. At the company's mining operations, the mining of ore from the North Steepbank Extension started in late December. Cash operating costs for Oil Sands (excluding Syncrude) were $39.60 per barrel in the fourth quarter of 2011, compared to $36.70 per barrel during the fourth quarter of 2010. The increase was primarily a reflection of higher total in situ cash operating costs as new assets ramp up production from the Firebag Stage 3 expansion. Suncor's proportionate share of production from the Syncrude joint venture contributed an average of 30,300 bbls/d of production during the fourth quarter of 2011, compared to 37,900 bbls/d in the same quarter of 2010. Syncrude operated at lower rates for much of the quarter due to maintenance on a hydrogen plant and operating issues with a coker unit. The Exploration and Production business contributed 219,700 boe/d of production in the fourth quarter of 2011, compared to 261,800 boe/d in the same period of 2010. The production decrease primarily reflected the divestiture of non-core assets over the past year, which had contributed incremental production of approximately 26,000 boe/d in the fourth quarter of 2010, and lower output from Libya during the restart of production following the lifting of sanctions. In Suncor's downstream Refining and Marketing business, total refined product sales averaged 81,600 cubic metres per day ($m^3/d$) during the fourth quarter of 2011, compared to 89,200 $m^3/d$ in the fourth quarter of 2010. The decrease in sales volumes primarily reflected lower throughput at the Edmonton refinery associated with a third-party hydrogen supply outage and lower demand for heating oil in Eastern Canada due to warmer weather. Suncor recorded net earnings of $4.304 billion ($2.74 per common share) for the year ended December 31, 2011, compared to $3.829 billion ($2.45 per common share) for the year ended December 31, 2010.

Operating earnings increased to $5.674 billion ($3.61 per common share) in 2011 from $2.634 billion ($1.69 per common share) in 2010. Cash flow from operations increased to $9.746 billion ($6.20 per common share) in 2011 from $6.656 billion ($4.25 per common share) in 2010. In early December, Rick George, Suncor's chief executive officer, announced his plan to retire after more than 20 years at the helm. Steve Williams, Suncor's chief operating officer, was appointed as president and a member of the company's Board of Directors, and will assume the role of CEO upon Mr. George's retirement in May 2012.

## HIGH ARCTIC ANNOUNCES 2012 CAPITAL BUDGET

High Arctic Energy Services Inc. has announced that its Board of Directors has approved a total capital budget of $23 million for 2012, an indication of the Company's positive outlook for growth opportunities and anticipated continued strong cash flows. Growth capital expenditures are expected to be $16 million, and maintenance capital expenditures are budgeted at $7 million. Capital expenditures are anticipated to be funded from operating cash flow. Growth capital spending is intended to be focused primarily on adding to the Corporation's equipment rental fleet as well as the expansion of existing service offerings. Capital spending plans may be adjusted in accordance with changes in market conditions or on the ability to secure contracts with acceptable returns. High Arctic has experienced strong activity levels in its Canadian operation in the fourth quarter. Revenue in Canada is expected to range between $15 million and $16.0 million, or more than a 30% increase over the fourth quarter of 2010. For the year, revenue in Canada is anticipated to range between $46 million to $48 million. The improvement in revenue reflects the strong demand for the Corporation's services in the unconventional shale gas and liquid rich plays and the benefit of improved day rates. Adjusted EBITDA(1) for the fourth quarter on a consolidated basis is anticipated to range between $11 million and $12 million, which would result in total Adjusted EBITDA(1) for 2012 of $33 million to $34 million. These results are based on management's review of the internally prepared preliminary operating results for the year ended 2011 and are subject to the review and approval of the Corporation's auditor and Board of Directors. The Corporation is expected to release its year end audited Consolidated Financial Statements on or about March 15, 2012.

## PALLISER 2012 CAPITAL BUDGET

Palliser Oil & Gas Corporation has announced its capital budget and production guidance for 2012 and an increase in the Company's credit facility. Palliser's budgeted capital expenditures for 2012 is $30 million, to be spent entirely in the greater Lloydminster area. This includes $13.5 million allocated to the drilling, completing, and equipping of heavy oil wells, including the drilling or reactivation of 26 (26.0 net) heavy oil wells. In addition, budgeted capital expenditures include $9.3 million allocated to salt water disposal facilities and infrastructure, $6.3 million allocated to land, seismic, and minor property acquisitions, and $0.9 million of capitalized overhead and office equipment. The Company's average production guidance for 2012 is between 2,250 to 2,350 boe/d, and exit production guidance (December 2012 average) is between 2,600 to 2,800 boe/d, both with a 98% heavy oil weighting. The Company has achieved production growth in each of the last twelve consecutive quarters and is budgeting to continue to achieve quarter over quarter production growth in 2012. The Company's budget continues to show strong production per share growth in 2012. The 2012 capital expenditure program is budgeted to be funded by cash flow and bank debt. The Company's credit facility is being increased from a total of $28 million to a total of $38 million. The increased credit facility will consist of a revolving operating demand loan of $28 million and an acquisition and development demand loan of $10 million.

## PETROCHINA BUYS CANADA SHALE STAKE FROM SHELL

PetroChina Co Ltd said on Thursday it has signed an agreement to buy a 20 percent stake in a shale gas project in Canada from Royal Dutch Shell Plc, the latest in a series of overseas acquisitions by Chinese state energy giants. The deal to buy into Shell's 100 percent-owned Groundbirch assets was completed on Wednesday, PetroChina spokesman Mao Zefeng told Reuters, declining to reveal the value of the acquisition. Citing market talk, FinanceAsia said in a report on Wednesday that PetroChina was planning to buy the Groundbirch stake for more than $1 billion. The transaction, the latest in a string of investments by Chinese oil companies in North American shale gas and oil sands, had been approved by both the Chinese and Canadian authorities, Mao said. According to Shell's website, the Groundbirch project, located in British Columbia, has the potential to produce 1 billion cubic feet equivalents (bcfe) per day and an estimated producing life of 40 years. PetroChina and other Chinese state oil giants, including China Petroleum & Chemical Corp (Sinopec) and CNOOC Ltd have been scouring the world for reserves to fuel China's rapidly-growing economy. Shale gas and oil sands assets in North America have been a focus in the past year as Chinese companies seek operational experience in the relatively frontier area. CNOOC completed a C$2.1 billion ($2.04 billion) acquisition of Opti Canada Ltd in November, giving China's top offshore oil company its second stake in a Canadian oil sands property. China Petrochemical Corp, parent of Sinopec, signed a deal to buy Canadian oil and gas explorer Daylight Energy Ltd for C$2.2 billion ($2.1 billion) in October. In June, PetroChina and Canada's Encana Corp called off an announced $5.6 billion deal that would have given the Chinese group a 50 percent stake in some of Encana's shale gas assets.

# Workforce development focus of Strike Energy

At Strike Energy you are getting more than a job, you are getting an education.

The Alberta-based oilfield service company credits its commitment to workforce development as a key factor in its success. Through both classroom-style courses and hands-on training, Strike offers its employees the chance to steadily rise through the career ranks from the field to the corporate office.

"It's a battle for people out there right now, and often the money companies are offering is pretty much the same — but what sets us apart is that we offer many opportunities for learning and development," says Kurtis Grenkow, Vice-President of Human Resources for Strike Energy.

"We have the programs in place to offer that 20- or 30-something person out there who is out there looking for work."

At present, Strike Energy provides its employees with two in-house professional programs — a two-year superintendent training program and the Strike School of Business.

Both are considered innovative, leading-edge programs in the oil and gas world, something Strike works hard to encourage and maintain.

"We believe that by encouraging and helping our workforce to educate themselves everyone will ultimately benefit — the individual, the company and our clients. It really is a holistic approach to business," says Grenkow.

This is an approach that is in keeping with Strike's early days. Eight years ago, Strike Energy emerged on the scene as an aggressive, entrepreneurial oilfield service company.


Strike Energy works hard to encourage and maintain innovative leading-edge programs for its employees.

*"We believe that by encouraging and helping our workforce to educate themselves everyone will ultimately benefit — the individual, the company and our clients. It really is a holistic approach to business."*

— Kurtis Grenkow, Vice-President of Human Resources for Strike Energy

Today, it is a well respected, high-performance, professional organization specializing in pipeline construction and maintenance, facility construction and maintenance, electrical and instrumentation, HDPE and fabrication services. Including its core group of about 450 employees, Strike is poised to break the 1,000-member workforce mark for the first time this year. With 13 operating and service locations across three provinces, Strike handles everything from oil-and-gas-service basics up to special projects worth upwards of $40 million.

One hundred per cent Canadian and employee-owned, Strike has on three occasions been named one of Canada's 50 best-managed companies.

In 2008, it was fifth on the list of Alberta's 50 fastest-growing companies over $20 million.

A key to that success, says Grenkow, is the company's commitment to training and education.

The two-year superintendent training program grooms employees to become future superintendents from the field up.

"This program is the lifeblood of our company, it allows us to offer training not only in the field, but in business acumen too," says Grenkow.

The program runs the gamut, exposing workers to everything from field operations, quality control and health and safety, to more corporate-based tasks like handling estimates, financial statements and marketing.

At the end of the two-year training period, superintendent opportunities are available to graduates in the areas of field management and beyond.

"We live and work in a very competitive environment. This program helps attract some of the best and brightest starting out in the business and it helps them rise through the ranks — we're pretty proud of it," says Stephen Smith, President and CEO of Strike Energy.

Strike's other marquee program is its School of Business, currently being formalized into a corporate university. With a strong focus on instilling leadership qualities in its employees, the School of Business offers opportunities to study communication, leadership, behavioural studies and character development, among other themes.

"We're finding that this program is increasing our company's communication abilities and leadership qualities, and we're also finding that it is having a positive impact on people's personal lives, too," says Grenkow. "Ultimately, it benefits our clients as well."

One of the many rewards of a self-aware, valued workforce that is geared toward leading is that they are also geared toward giving.

Community involvement is a significant priority at Strike, where giving back to the communities that support it is a way of business. By offering educational bursaries and scholarships, sponsoring sports teams, tournaments and recreation facilities, Strike shows that it knows the importance of being a good corporate citizen.

"It is important to give where you live," says Smith. "Since the company started we have followed this belief and will continue to do so. Our people are proud of Strike's community involvement."

Charitable initiatives are chosen based on how they best represent the company's values and add to the community at large. The list of recipients that have benefited from Strike's generosity is long and ranges from schools, sports teams, parent advisory councils, Christmas hamper drives and even 4-H Club livestock purchases.

Strike also takes its generosity beyond the local level, tackling broader social causes like the Children's Wish Foundation, the Calgary Inter-Faith Food Bank and the Canadian Cancer Society.

Headquartered in Calgary, Strike operates field business units in Alberta (Calgary, Crossfield, Bonnyville, Edson, Grande Cache, High Level, Grande Prairie and Whitecourt), in Saskatchewan (Saskatoon and Battleford) and in Dawson Creek, B.C.

With its commitment to creating a well-trained and valued workforce through its professional training programs, Strike is among those leading the pack in the oil and gas industry.

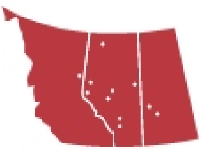
*as published in The Calgary Herald January 21, 2012*

# STRIKE JOIN A WINNING TEAM

## 100%

### WE'RE 100% EMPLOYEE-OWNED

Which is just one of the many reasons to Strike is a great place to work.



### 11 LOCATIONS IN WESTERN CANADA

Simply put, we're everywhere you need to be.

### BEST MANAGED COMPANY

We have been amongst the top 50 on Canada's list three times.

### OUR VALUES

- Ensure every employee comes home safe.
- Provide quality work at competitive prices
- Treat others as we would wish to be treated.
- Strive to continually improve.
- Reward people for their commitment, energy, enthusiasm and results.
- Demonstrate leadership, drive, creativity and initiative,
- Support communities in which we live and work.
- Minimize our impact on the environment.

Strike is an industry leader that invites top notch, high caliber people to join our team. Our strength is our people and we know they are what set us apart from our competitors. We provide a safe, challenging and rewarding work environment for people focused on excellence, who bring diverse experience, skills and passions to our team.

We are an employee owned, privately held company that is head quartered in Calgary, with 13 field offices in 11 locations across Western Saskatchewan, Alberta and Eastern B.C.

It is our Mission to execute exceptionally in all of our fields of service:

- Pipeline and facility construction
- Electrical and Instrumentation
- Fabrication services
- Maintenance and Turnarounds

If you enjoy a fast-paced, challenging and deeply rewarding work environment, we'd like you to consider these opportunities at Strike;

## REWARDING CAREERS START HERE

**Working in Strike's projects group on projects in Western Canada**

### Project Manager

Provides on-site managerial, administrative and technical management for industrial construction projects in Western Canada. Familiar with all aspects of contract planning, scheduling, procurement and change order management. The Project Manager ensures the total construction effort is in accordance with design, budget and schedule. The incumbent must be willing to travel as the project demands.

### Cost Controller

Responsible for cost control activities on construction projects of all sizes. The Cost Controller analyzes and forecasts project costs as well as provides detailed project information related to contractual schedule, scope and cost, recommending improvements or corrective actions for the project.

### Planner/Scheduler

Responsible for planning, developing and coordinating the scheduling program including tracking issues and actioning items, analyzing data and providing reports, the Planner/Scheduler also maintains the master schedule for each project, identifying and recording the impact of work performed to schedule, monitoring compliance and initiating corrective measures as necessary.

**Working in Strike's projects group on projects in Western Canada**

### Fabrication Shop Manager / Supervisor

Responsible for managing and growing the company's business for the Fabrication Group, the Fabrication Shop Manager / Supervisor leads all business functions and disciplines to assist in the growth of the business unit and ensure budgets are achieved. They also promote and maintain a safe work environment, and monitoring the workplace to ensure a high standard of compliance to all occupational health and safety regulations and procedures.

**Working in one of Strike's field or project locations in Western Canada**

### Construction Superintendent

Responsible for managing and growing the company's business for the Fabrication Group, the Fabrication Shop Manager / Supervisor leads all business functions and disciplines to assist in the growth of the business unit and ensure budgets are achieved. They also promote and maintain a safe work environment, and monitoring the workplace to ensure a high standard of compliance to all occupational health and safety regulations and procedures.

### Site Health, Safety & Environment Advisor

Responsible for providing safety support to operations management and employees on various pipeline and facility construction projects, the Site Health, Safety & Environment Advisor ensures that incident and injury prevention is an integral part of our business. They also help identify, assess and control hazards and assist with pre-job hazard assessments and mitigation strategies, including development of site specific safety plans.

### Site Quality Assurance/Quality Control Advisor

Responsible for ensuring that all construction work and turn-over documentation is completed in accordance with Strike's applicable Quality System Manual(s), the Site Quality Assurance/Quality Control Advisor coordinates quality inspections with sub-contractors and vendors and works with the customer's representatives on all quality matters.

**Email your resume to**
**careers@strikeenergy.com**
**Include the position for which you wish to be considered**

***All applicants are thanked for their interest, however, only those short-listed are contacted.***

STRIKE

**www.strikeenergy.com**

*as published in The Calgary Herald January 21, 2012*