WTI OIL: US$106.55
-$2.01 per barrel
April delivery
NYMEX: N Gas: US$2.533
-$0.014 per MMBTU
March delivery

Oilfield NEWS

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NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count was down 13 at 1,981 for the week of February 24, 2012. It is 282 rigs (16.6%) higher than last year. The number of rotary rigs drilling for oil was down 7 at 1,265. There are 482 more rigs targeting oil than last year. Rigs drilling for oil represent 63.9% percent of all drilling activity which is the highest percentage since 1998. Rigs directed toward natural gas were down 6 at 710. The number of rigs currently drilling for gas is 196 lower than last year's level of 906. Year-over-year oil exploration in the U.S. is up 61.6 percent. Gas exploration is down 21.6 percent. The weekly average of crude oil spot prices is 12.0 percent higher than last year and natural gas spot prices are 31.5 percent lower. Canadian rig activity is down 4 at 701 for the week of February 24, 2012 and is 78 (12.5%) higher than last year's rig count. The number of rigs drilling for oil increased by 10 to 526 and is 100 higher than last year while gas directed rig count was down 14 at 175 and is 21 lower than a year ago.

OIL DIPS ON DEMAND WORRY

Oil prices slipped a second day on Tuesday as investors gauged the threat to demand from high prices against supply concerns and anticipation of more liquidity injections from the European Central Bank that were expected to support petroleum futures. Analysts and traders said the string of higher settlements last week that put Brent crude's settlement near a 10-month high above $125 a barrel on Friday had sparked concerns about the effect on global demand for oil, especially in the struggling economies of Europe. "There is some concern growing that high oil prices may impact the economy and oil demand in future," said Carsten Fritsch, an analyst at Commerzbank in Frankfurt. "That is leading to profit-taking, which is not surprising given the huge build in speculative net long positions in recent weeks," he added. Fritsch was referring to U.S. Commodities Futures Trading Commission data released Friday showing that net long positions in U.S. crude futures had reached the highest levels since May 2011. Brent April crude fell 57 cents to $123.60 a barrel by 11:01 a.m. EST (1601 GMT), having swung from $122.53 to $123.95. Brent remained on pace to post an 11 percent gain for February. "We're going through a bit of consolidation," said Tony Machacek, a trader at Jefferies Bache in London. "Up until Friday we'd had five upward closes in a row and a steady climb since the last week of January." U.S. April crude was down 14 cents at $108.42 a barrel, having traded from $107.62 to $108.79, still on pace to end the month up 10 percent. U.S. consumer confidence hit a one-year high in February, according to the Conference Board's independent survey released on Tuesday, lending support to U.S. oil prices and equities on Wall Street. An earlier government report showing U.S. durable goods orders fell the most in three years in January limited the lift from the brightening consumer view, along with a separate report showing U.S. home prices declined in December.

US AG SAYS HE'S READY FOR BP TRIAL

U.S. Attorney General Eric Holder said on Tuesday that his team is prepared to go to trial against BP Plc over the mammoth Gulf of Mexico oil spill next week and said there could be developments on the criminal investigation in the coming months. The civil trial over the Macondo well blowout was scheduled to start this week but was delayed until March 5 as BP tries to reach a settlement with tens of thousands of businesses and individuals affected by the disaster. "We are prepared to go to trial. We were ready to go to trial yesterday," Holder told a House of Representatives appropriations subcommittee. He added that "we'll see what happens during the course of that week" with regard to a possible settlement. BP has also been negotiating with the Justice Department over a possible settlement regarding violations of U.S. environmental laws but there have been no signs that the two sides were close to reaching a deal. "We have a strong case. People, organizations have to be held accountable, responsible for the lives that were disrupted, the economic harm that was inflicted upon people that were innocent, totally innocent," Holder said. The Justice Department has also been looking into whether to bring criminal charges related to the disaster that led to some 4.9 million barrels of oil spilling into the Gulf of Mexico. Eleven people died in the worst offshore oil spill in U.S. history. "I'm satisfied with the progress that we are making and I would expect within months we will have something to say in that regard as well," Holder said. The attorney general also sought to assure lawmakers that if there was any settlement with the federal government over violations of the Clean Water Act and other environmental laws, that it would reflect "the harm that was perpetrated and will try to make whole people who suffered." BP is potentially facing billions of dollars in fines under environmental laws for the oil spill.

TRANSOCEAN CHARGE POINTS TO MACONDO SETTLEMENT

Transocean Ltd took a $1 billion charge related to the 2010 Gulf of Mexico oil spill, the clearest indication yet that the contract driller is preparing to settle the case. Shares of Transocean, owner of the world's largest offshore drilling fleet, rose 5 percent on its solid quarterly results, out on Monday, and the prospect of closing out a liability that has loomed for nearly two years. The long-awaited trial over the Macondo well blowout that destroyed the company's Deepwater Horizon rig, which had been working for BP, was delayed by a week on Sunday so the parties could work toward a settlement. "Though we're still interested in finding an acceptable resolution that allows us to put all of the remaining uncertainty behind us, we are well prepared to argue the merits of our case at the trial which is currently scheduled to begin next week," Chief Executive Steven Newman said on a conference call to discuss the fourth-quarter results. The $1 billion loss contingency associated with the Gulf of Mexico spill will be adjusted to reflect new information and future developments as they become known. Barclays analysts said the market had expected a charge of about $3 billion and, like many others, anticipated a settlement amount emerging in the days ahead. "We had thought there was a 50/50 chance for a settlement before the trial but view the delayed trial start date as highly encouraging," UBS analyst Angie Sedita said. Transocean also took an estimated non-cash charge of $5.2 billion, or $15.83 per share, in the fourth quarter resulting from goodwill impairment associated with its contract drilling services unit. Its fourth-quarter net loss widened to $6.12 billion, or $18.62 per share, from $799 million, or $2.51 per share, last year. Excluding one-time items, it had a profit of 24 cents a share, 4 cents above the average estimate among analysts polled by

Thomson Reuters I/B/E/S. It was Transocean's first earnings beat since the Deepwater Horizon disaster. Fourth-quarter revenue rose 14 percent to $2.4 billion, partly due to two semi-submersible rigs that Transocean added when it bought Aker Drilling last year. The company cited higher utilization, mainly for its deepwater fleet, which had many rigs in the shipyard a year ago. Transocean expects ample demand to absorb the few dozen new rigs being built industrywide, with Brazil's Petrobras likely to seek more soon and estimates for another 20 needed off West Africa. Transocean said revenue efficiency, a measure of how much was actually earned against what could have been earned, rose to 92 percent in the fourth quarter after dropping below 90 percent in the third quarter. The company expects a gradual improvement back toward the 94 percent level of 2009, though it said that could take several years. Transocean said last week it would drop its dividend to keep its finances in order, in the face of increasing downtime for its rigs as they face tighter regulatory scrutiny following the Macondo disaster. Last week, rival Ensco Plc posted a higher-than-expected quarterly profit while warning of rising costs. Transocean expects average operating costs to rise 6 percent in 2012. Transocean shares, which have lost 37 percent of their value in the last year, rose 5.3 percent to $53.41 in midday trade on Monday.

LINN TO BUY KANSAS ASSETS FROM BP

U.S. oil and gas company Linn Energy LLC said it will pay $1.2 billion to buy natural gas assets in Kansas from BP Plc. BP is selling assets as part of an effort to raise $45 billion to pay for its Gulf of Mexico spill in 2010. The British oil company is currently in settelement talks with tens of thousands of businesses and individuals affected by the disaster, delaying a planned trial by a week. Linn said it is buying assets with proved reserves of about 730 billion cubic feet equivalent of natural gas in the state's Hugoton basin. The assets current production is about 110 million cubic feet equivalent per day, about 37 percent is natural gas liquids. They are expected to generate earnings before interest, taxes, depreciation and amortization of around $160 million in 2012, Linn said. Linn said it has hedged all of the natural gas production and 68 percent of the liquids production through 2016. It said it will use its revolving credit facility to pay for the deal. It also plans to sell $1.5 billion of senior unsecured notes due 2019 to pay back those borrowings.

JAPAN'S IRAN CRUDE IMPORTS FALL

Japan's customs-cleared crude imports from Iran fell 12.2 percent in January from the same month a year ago, a much sharper decline than for overall imports, as Japan strives to avoid U.S. sanctions, Ministry of Finance data showed on Monday. The cuts were much sharper than the fall of 2.1 percent in the nation's total crude imports last month. But crude imports from Iran were higher in January than December, as January and February tend to be the two peak months of imports in the winter season. Crude imports from Iran in January totalled 1.70 million kilolitres (345,000 barrels per day), up nearly 30,000 bpd from December imports of 1.56 million kl (317,000 bpd). The December figure was down 14.7 percent from December 2010. Crude imports by Japan, Iran's No.3 customer, totalled 92.07 billion yen ($1.14 billion) in January in value terms, up from 85.2 billion in December, the data showed.

PEMEX WIDENS Q4 LOSS

Mexico's state oil monopoly Pemex widened its loss in the fourth quarter due to higher taxes and a depreciation of the Mexican peso, the company said on Monday. State-run Pemex said it lost 23.83 billion pesos ($1.7 billion) compared with a net loss of 23.56 billion pesos in the fourth-quarter of 2010, in a filing with the Mexican stock exchange. The company said it paid 58 percent of its total earnings in the quarter in taxes to the government, which relies heavily on crude revenues to fund the federal budget. Pemex said sales jumped to 420 billion pesos in the October to December period compared with 343 billion pesos earned in the same quarter a year earlier, helped by higher oil prices. Pemex posted a massive loss of 81 billion Mexican pesos in the third quarter of last year, its worst quarterly performance in nearly three years. Mexico, the world's No. 7 oil producer, has struggled to increase oil output after a dramatic decline at its largest oil fields but said on Sunday it had reached a reserve replacement rate of 100 percent for the first time. Pemex's troubles have prompted calls for reform of the oil giant to allow for more private investment in the industry, and the company awarded its first private oil operating contracts for operating three small mature fields last year.

TRANSCANADA SET TO RE-APPLY FOR KEYSTONE XL PERMIT

TransCanada Corporation has announced it has sent a letter to the U.S. Department of State (DOS) informing the Department the company plans to file a Presidential Permit application (cross border permit) in the near future for the Keystone XL Project from the U.S./Canada border in Montana to Steele City, Nebraska. TransCanada would supplement that application with an alternative route in Nebraska as soon as that route is selected. The company also informed the DOS that what had been the Cushing to U.S. Gulf Coast portion of the Keystone XL Project has its own independent value to the marketplace and will be constructed as a stand-alone Gulf Coast Project, not part of the Presidential Permit process. The approximate cost is US$2.3 billion and subject to regulatory approvals, we anticipate the Gulf Coast Project to be in service in mid to late 2013. "Our application will include the already reviewed route in Montana and South Dakota," said Russ Girling, TransCanada's president and chief executive officer. "The over three year environmental review for Keystone XL completed last summer was the most comprehensive process ever for a cross border pipeline. Based on that work, we would expect our cross border permit should be processed expeditiously and a decision made once a new route in Nebraska is determined." U.S. crude oil production has been growing significantly in States such as Oklahoma, Texas, North Dakota and Montana. Producers do not have access to enough pipeline capacity to move this production to the large refining market at the U.S. Gulf Coast. The Gulf Coast Project will address this constraint. Reapplying for the Keystone XL permit is supported by words used in President Obama's statement January 18, 2012 when he said the denial of the permit was not based on the merits of the pipeline but rather on an imposed 60-day legislative timeline to make a decision on the project. TransCanada's commitment is to treat landowners with honesty, fairness and respect. The company has negotiated over 99 per cent of voluntarily easements in Texas and close to 100 per cent in Oklahoma. TransCanada says it plans to construct the Cushing, Okla., to Gulf Coast leg of its controversial Keystone XL oil pipeline as a standalone project at a cost of $2.3 billion US. The standalone leg would be reviewed outside of the State Department's presidential permit process, Calgary-based TransCanada says, because it does not cross a U.S. border. Building the $2.3 billion Gulf Coast leg would help reduce a glut of oil at the Cushing storage hub. That glut has built up behind insufficient pipeline capacity that has kept refineries on the coast paying higher prices for imported crude. TransCanada says the Gulf Coast leg should be in service by mid- to late 2013.

ENBRIDGE OPEN SEASON FOR SANISH PL AND EXPANSION

Enbridge Energy Partners and Enbridge Income Fund Holdings Inc, have announced a second Open Season for the Bakken Expansion Program in conjunction with an Open Season for EEP's proposed Sanish Pipeline. The Sanish Pipeline will transport crude oil production from Johnson's Corner to Beaver Lodge, North Dakota. The Bakken Expansion Program Open Season will offer pipeline capacity on Enbridge's system from Beaver Lodge into Enbridge's terminal at Cromer, Manitoba where it connects with the Enbridge Mainline System, which offers access to refineries throughout the Upper Midwest, eastern Canada, Mid-Continent and as far as the U.S. Gulf Coast. The two open seasons are being conducted jointly to provide shippers with the option of contracting for capacity from Johnson's Corner to Enbridge's Beaver Lodge and Berthold Stations as well as to Cromer. EEP's proposed Sanish Pipeline is a new 36-mile, 12" crude oil line capable of transporting a minimum 67,000 barrels per day (bpd) from Johnson's Corner into EEP's existing facilities at Beaver Lodge. The Bakken Expansion Program, currently under construction by EEP in the US and by Enbridge Income Fund in Canada, will provide a total of 145,000 barrels per day (bpd) of incremental pipeline capacity from Beaver Lodge to Cromer when it comes into service in Q1 2013. At Berthold, EEP is constructing a new 80,000 bpd rail export facility which is planned to be in-service at the same time. "The Bakken and Three Forks formations have catapulted North Dakota into the position of being one of the leading oil producing states in the U.S. Along with this proposed Sanish Pipeline, we have increased the export capacity of our North Dakota system by almost 350% since 2008," said Stephen J. Wuori, President, Liquids Pipelines, Enbridge. "Sanish provides customers located South of the River with an entrance to Enbridge's expanded systems to access a total of 475,000 bpd of capacity out of North Dakota in 2013. Through the open seasons, shippers will have the opportunity to secure space on the Sanish Pipeline, including 15,000 bpd of service from Johnson's Corner to Cromer. The binding Open Seasons began February 2 at 5 p.m. MT on April 11, 2012. More information about the Sanish Project and the binding Open Seasons is available at Bakken.EnbridgeUS.com The Board of Directors of Enbridge also announced that Patrick D. Daniel, President & Chief Executive Officer, will retire on or before the end of 2012. The Board also announced the appointment of Al Monaco, currently President, Gas Pipelines, Green Energy and International, to Enbridge's Board of Directors and to the position of President effective immediately. Mr. Daniel will continue as CEO and a member of the board until his retirement.

WHITECAP RESOURCES TO BUY MIDWAY ENERGY

Whitecap Resources Inc has announced it will buy light-oil explorer Midway Energy for about C$450 million in cash and stock to boost its conventional assets in Alberta. Whitecap, whose operations are mainly in northwest central Alberta and southwest Saskatchewan, said it will pay C$4.85 in cash or 0.4802 Whitecap share for each

Midway share. The cash payment is limited to about $111.2 million, while the maximum number of Whitecap shares to be issued will be about 33.5 million. Whitecap said it will also assume Midway's debt of about C$100.8 million. Whitecap said the deal is expected to add 3.1 percent to its cash flow per share and 5.5 percent to production per share. The company now expects average production of about 15,500 barrels of oil equivalent per day (boe/d), up from its prior estimate of 10,800 boe/d, for the year. The company said it will partly fund the deal via a C$120 million bought deal.

SECOND WAVE MAY SELL

Calgary basedSecond Wave Petroleum Inc said it will initiate a strategic review of its operations, including a potential sale of the company, after receiving certain unsolicited proposals. The oil and gas company also said the alternatives may also include a merger or a partial sale of its assets. The Calgary, Alberta-based Second Wave, which also reported an 87 percent increase in its proved and probable reserves, named RBC Capital Markets as its financial advisor to assist in the process.

CALFRAC Q4 RESULTS

Calfrac Well Services Ltd. has announced its financial and operating results for the three months and year ended December 31, 2012. For the three months ended December 31, 2011, the Company recorded: record fourth-quarter revenue of $490.0 million versus $268.7 million in the comparable quarter of 2010, led by higher year-over-year activity in Canada, the United States, Russia and Latin America; operating income of $150.4 million versus $62.2 million in the comparable period in 2010, resulting primarily from strong activity and improved pricing in Canada and the United States, combined with a continued focus on cost control; and net income of $78.9 million or $1.79 per share diluted compared to net income of $16.1 million or $0.37 per share diluted in the fourth quarter of 2010. Revenue from Calfrac's Canadian operations during the fourth quarter of 2011 was $237.3 million versus $161.0 million in the comparable three-month period of 2010. The 47 percent increase in revenue was primarily due to the completion of more and larger fracturing and coiled tubing jobs in the Deep Basin, Montney, Cardium, Bakken and Viking plays of western Canada, combined with higher pricing. Operating income in Canada increased by 80 percent to $98.2 million during the fourth quarter of 2011 from $54.5 million in the same period of 2010. The increase in Canadian operating income was mainly due to higher overall fracturing activity levels, improved pricing, and the completion of larger fracturing and coiled tubing jobs in the unconventional oil and natural gas resource plays of western Canada. Revenue from Calfrac's United States operations increased during the fourth quarter of 2011 to $202.5 million from $84.2 million in the comparable quarter of 2010. The increase was due primarily to the commencement of fracturing operations in the Bakken play of North Dakota during the fourth quarter of 2010, combined with higher fracturing activity in the Marcellus shale formation in Pennsylvania and West Virginia and the Fayetteville shale play in Arkansas, as well as improved pricing. The Company also operated a larger number of fracturing fleets in North Dakota and Pennsylvania. The Company deployed two additional fracturing fleets into each of these markets from the second quarter to early in the fourth quarter of 2012. In addition, the Company commenced cementing operations in the Marcellus shale play late in the second quarter of 2011, which increased cementing activity and average job sizes. Revenue also increased from the commencement of coiled tubing operations in North Dakota during the fourth quarter of 2011. Operating income in the United States was $60.3 million for the fourth quarter of 2011, an increase of 186 percent from the comparative period in 2010. The increase in operating income was primarily due to higher equipment utilization in the Bakken oil shale play in North Dakota and the Marcellus natural gas shale play of Pennsylvania and West Virginia, partially due to the expanded use of 24-hour operations. In addition, improved pricing combined with the completion of larger fracturing jobs augmented operating income in the United States during the fourth quarter of 2011. These factors were offset slightly by the use of higher cost ceramic proppant in the Bakken play of North Dakota. During the fourth quarter of 2011, the Company's revenue from Russian operations increased by 61 percent to $30.7 million from $19.1 million in the corresponding three-month period of 2010. The increase in revenue was mainly due to the completion of larger fracturing and coiled tubing jobs combined with higher fracturing activity as a result of a larger equipment fleet deployed to Russia. This increase was offset slightly by lower coiled tubing activity. Operating income in Russia in the fourth quarter of 2011 was $3.8 million compared to $1.5 million in the corresponding period of 2010. The increase in operating income was primarily due to the higher revenue base and lower fuel prices. The increase was offset partially by the provision of proppant and additional services for a new customer in Western Siberia. Calfrac's Latin America operations generated total revenue of $19.5 million during the fourth quarter of 2011 versus $4.5 million in the comparable three-month period in 2010. The increase in revenue was primarily due to higher fracturing activity and job sizes in Mexico as well as higher cementing activity in Latin America combined with a $2.9 million non-recurring reduction in revenue that was recorded in the fourth quarter of 2010. This increase was offset partially by lower pricing and the depreciation of the Mexican and Argentine pesos versus the Canadian dollar. Operating income in Latin America for the three months ended December 31, 2011 reversed from the comparable period's loss and amounted to $1.4 million, a change of 135 percent. The improvement in operating performance was primarily due to improved fracturing margins in Latin America and a $2.0 million reduction in operating income that was recorded in the fourth quarter of 2010 related to the non-recurring revenue adjustment discussed above. This increase was offset slightly by the impact of the decline in the Mexican and Argentine pesos against the Canadian dollar.

GRAN TIERRA Q4 RESULTS

Calgary-based Gran Tierra Energy Inc., a company focused on oil exploration and production in South America, announced financial and operating results for the quarter and year ended December 31, 2011. All dollar amounts are in United States dollars. In 2011, oil and natural gas production net after royalty and inventory adjustments averaged 17,408 barrels of oil equivalent per day , an increase of 20% over 2010; Estimated proved oil and natural gas liquids reserves, NAR, as at December 31, 2011, were 30.9 million barrels , a 31% increase from Gran Tierra Energy's estimated proved reserves as at December 31, 2010; Estimated proved gas reserves, NAR, as at December 31, 2011, were 18.3 billion cubic feet compared with 1.2 Bcf as at December 31, 2010; Revenue and other income increased by 60% to $597.4 million in 2011 compared with $374.5 million in 2010; Net income grew by 241% from the prior year to $126.9 million, representing basic net income per share of $0.46 and diluted net income per share of $0.45. This compares with net income of $37.2 million, or $0.15 per share basic and $0.14 per share diluted, in 2010; Funds flow from operations increased 57% to $319.0 million in 2011 from $203.1 million in 2010; Cash and cash equivalents was $351.7 million as at December 31, 2011 compared to $355.4 million as at December 31, 2010. "2011 was another year of success strategically, operationally and financially. Strategically, we added new exploration acreage and drilling prospects to the portfolio in all four countries of operations, and established partnerships with strategic players in the region. Operationally, we attained record levels of production and reserves through a combination of superior reservoir management of existing reserves, appraisal success of recent exploration discoveries, and the acquisition of Petrolifera. Financially, revenues, net income and funds flow from operations reached record levels due to record production levels and robust oil markets," said Dana Coffield, President and CEO of Gran Tierra Energy. "Although we had a number of exploration disappointments last year, this year is starting with positive indications at Ramiriqui-1 in Colombia, and we have several other very exciting exploration wells to be drilled this year in Peru and Brazil. As before, our balance sheet remains strong, with our 2012 capital program expected to be funded out of cash flow and cash at current oil prices, as we diligently execute on the continued growth of Gran Tierra Energy." Cash and cash equivalents was $351.7 million as at December 31, 2011 compared to $355.4 million as at December 31, 2010. The change in cash and cash equivalents during 2011 was primarily the result of $333.2 million of capital expenditures offset by funds flow from operations of $319.0 million and a decrease in non-cash working capital of $37.8 million. Gran Tierra is debt free.

PINECREST TO INCREASE BOUGHT DEAL FINANCING

Pinecrest Energy Inc. has announced that, in connection with the previously announced offering of common shares, the Company and the syndicate of underwriters led by Canaccord Genuity Corp. and including GMP Securities L.P., Cormark Securities Inc., Scotia Capital Inc., Peters & Co. Limited, Paradigm Capital Inc., Desjardins Securities Inc., and Dundee Securities Ltd. have agreed to increase the size of the offering to an aggregate of 18,500,000 Common Shares at a price of $3.25 per Common Share for aggregate gross proceeds of $60,125,000. Proceeds of the Offering will be used primarily to fund Pinecrest's 2012 capital program, reduce bank debt and general corporate purposes. The Common Shares will be offered in all provinces of Canada, with the exception of Quebec, by way of a short form prospectus. Closing is expected to occur on or about March 14, 2012.