NYMEX OIL: US$107.49
+$0.91
April delivery
NYMEX N. Gas: US$2.486
+$0.023 per MMBTU
March delivery

Oilfield NEWS

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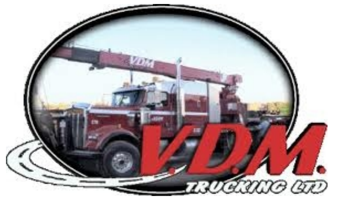
US NATURAL GAS TRADERS QUESTION CUTS

North American natural gas producers face one big problem as they pledge to cut production to bolster prices: skeptical traders. Led by No. 2 U.S. producer Chesapeake Energy, companies including Canadian producer Encana Corp and ConocoPhillips have pledged to knock a total of about 2 percent off domestic output. But with scant evidence of where or how long cuts are being implemented, traders are wary. Natural gas prices are languishing within pennies of a 10-year low hit in January. Traders say prices will likely remain depressed until reductions can be confirmed in company earnings or government data, months from now. One of the mildest winters on record and an unyielding boom in shale gas production has pummeled natgas futures this winter -- welcome news for U.S. households and industrial users like Dow Chemical but a bane for producers now struggling to break even on thousands of new wells. Substantial cuts could turn that around. Stockpiles are at record highs for this time of year and without supply reductions they may exceed capacity by the end of the summer. Such an unprecedented event would cause havoc by forcing producers to sell gas at extremely discounted levels, perhaps even to pay for someone to take it off their hands. So producers have announced swift cuts in supply, reprising a strategy that helped temporarily stem the previous price crash in 2009. But looking back, traders say, those curbs appear to have lacked the impact that they had initially expected. Chesapeake's production actually rose in the second quarter of 2009 after cuts were announced, as increasing output from new wells more than offset the cuts it made at existing facilities, company data show. The supply restrictions may have also been relatively short-lived. Chesapeake announced on April 16, 2009 that it would double the size of planned reductions to 400 million cubic feet per day -- about 13 percent of the company's output at the time. Reuters calculations, based on company data, suggest that the closures would have lasted less than a month at that rate. Now that cuts have been announced again, traders say they want to see the evidence. So far, it's been hard to find. "The market doesn't think there is a lot of production cutting going on," said Keith Barnett, executive vice-president at Springrock Production which forecasts U.S. natural gas supply. While natural gas inventories are now declining more quickly than at the beginning of the winter and pipeline flows have fallen in some places, some analysts say the figures do not prove that cuts have hit the market yet. Colder weather has helped drain inventories, and many utilities are now burning more cheap gas instead of costlier coal. Less gas flowing through some pipes can be made up by higher flows elsewhere. A Chesapeake spokesman said that more than 1 billion cubic feet per day (bcfd) of production had been cut this year by tightening the taps at producing wells, moving rigs to more lucrative oil plays and delaying the connection of freshly drilled wells to pipelines. In aggregate, Chesapeake, Encana and Conoco, announced plans in the past few weeks to take about 1.35 billion cubic feet per day (bcfd) of output off the 67-bcfd U.S. market. Chesapeake, which trades natural gas and is shouldering the lion's share of production curbs, first announced cuts of 0.5 bcfd on Jan. 23, 2012, sending prices up nearly 8 percent. But the market barely reacted on Feb. 21 when Chesapeake said it had lowered output by a total of about 1 bcfd, 16 percent of its daily production and about 1.5 percent of total U.S. supply. After a brief rally in late January, prices at the New York Mercantile Exchange have fallen back to within a few cents of the low of $2.23 per million British thermal units (mmBtu) hit on Jan 23. Gas traded above $4 last summer. "Recently, observed pipeline flows have declined on a sustained basis, suggesting that the announced production curtailments are underway," Goldman Sachs analysts David Greely and Johan Spetz said in a note. Even assuming the shut-ins have been imposed, some analysts say the oversupply caused by the prolific development of shale deposits is still growing. The U.S. government on Tuesday increased its 2012 production forecast for the second time since the production constraints were announced; it now expects output to climb 2.6 percent versus last year to a record high. Other analysts who have poured over available pipeline flow data say it's impossible to be certain either way. While extensive analysis of pipelines shows a decline in flows in Texas and Louisiana since late January, lines elsewhere have shown increases. For instance, declining production from Chesapeake wells in the Barnett and Haynesville shales in Louisiana and Texas has been partly offset by increased output in the Pennsylvanian portion of the Marcellus shale, according to Thomson Reuters Trading Analytics in New York, which compiled the data. From the small sampling of the giant actual flows involved, it is hard to draw firm conclusions. A court in Texas -- a state which produces about 10 percent of U.S. supply -- ruled in October that from the end of 2011 pipeline operators no longer had to report volumes on intrastate pipelines, meaning only flows between Texas and other states were made public. Production cuts are currently "impossible to prove," said Jon Ecker, a natural gas expert at Genscape, which monitors natural gas pipeline flows. Based on experience, the question may not be whether cuts are being made, but how long they will last. In 2009, after Chesapeake announced cuts on March 2 and April 16, second-quarter output actually rose by 4 percent over the previous quarter as new drilling successes outweighed curbs elsewhere, according to company regulatory filings. Moreover, a Reuters analysis of the data suggests that, after cutting more that it pledged in the first quarter, Chesapeake ramped production back up just a few weeks after announcing the second reductions. A company spokesman who reviewed the Reuters calculations in this story said: "Our decisions regarding the duration of curtailments are dependent on market conditions and we retain the right to adjust our production as we deem appropriate." Chesapeake typically owns about 50 percent of a well's production while the other half goes to partners and royalty owners, the Chesapeake spokesman said. So reductions announced in company results represent about half of the total cuts. Chesapeake said its average reduction was 74 mmcf per day, a total of 6.7 billion cubic feet for the entire second quarter of 2009. About 1.5 bcf of that should have occurred between April 1 and April 16, based on Chesapeake's one-half share of the initial 200 mmcfd curbs in place since March 2. Therefore, the doubling of cuts announced on April 16, as prices continued to decline, could only have lasted 26 days at that rate, to May 12, given that the total cuts for the quarter amounted to just 6.7 bcf. By mid-May 2009, natural gas prices had risen more than 40 percent from what was then a seven-year low but the decline resumed throughout the summer, as Chesapeake resumed pumping at full throttle. Third quarter production rose three percent over the second quarter and fourth quarter production jumped another 7 percent. The company confirmed in July 2009 that it was no longer cutting production. "In the past, those that shut in typically talked up a storm ... but when the data finally came in, little had actually been shut in," said Martin King, analyst at FirstEnergy, in a report last week.

EXXONMOBIL FIVE-YEAR INVESTMENT PLAN ANNOUNCED

Exxon Mobil Corporation plans to invest approximately $185 billion over the next five years to develop new supplies of energy to meet expected growth in demand, Chairman and CEO Rex W. Tillerson said Thurday in a presentation at the New York Stock Exchange. "During challenging times for the global economy, ExxonMobil continues to invest to deliver the energy needed to underpin economic recovery and growth," Tillerson said in a presentation to investment analysts. Tillerson said that even with significant



efficiency gains, ExxonMobil expects global energy demand to increase by 30 percent by 2040, compared to 2010 levels. Demand for electricity will make natural gas the fastest growing major energy source and oil and natural gas are expected to meet 60 percent of energy needs over the next three decades. To help meet that demand, ExxonMobil is anticipating an investment profile of approximately $37 billion per year through the year 2016. "An unprecedented level of investment will be needed to develop new energy technologies to expand supply of traditional fuels and advance new energy sources," said Tillerson. "We are developing a diverse portfolio of high-quality opportunities across all resource types and geographies." A total of 21 major oil and gas projects will begin production between 2012 and 2014. In 2012 and 2013, the company expects to start up nine major projects and anticipates adding over 1 million net oil-equivalent barrels per day by 2016. At the meeting the company outlined its major achievements in 2011 and plans for the future. Highlights include: ExxonMobil replaced 107 percent of its 2011 production (116 percent excluding asset sales), increasing proved reserves to 24.9 billion oil equivalent barrels. It was the 18th consecutive year the company replaced more than 100 percent of its production, with proved reserve additions of 1.8 billion oil-equivalent barrels. Nine major upstream projects are expected to start-up in the next two years including four in West Africa, Kashagan Phase 1 in Kazakhstan and the Kearl Oil Sands project in Canada. Imperial's Kearl oilsands development in northern Alberta was cited Thursday by Exxon as one of nine major projects worldwide that's expected to start up in the next two years. Besides the $10.9-billion first phase of the Kearl project, Imperial announced on February 3 it has decided to go ahead with a $2-billion expansion of its Cold Lake oilsands operation — which is already's Imperial's largest producing asset. Exxon Mobil Corp expects its 2012 oil and natural gas output to drop 3 percent from 2011 levels, although production volumes should grow by an average of 1 to 2 percent annually through 2016. In a slide presentation for its annual analysts' meeting, the company said its production of liquids would grow by 2 to 3 percent on average through 2016, while its gas output would rise by 0.5 to 1.0 percent. The company saw its production rise last year by 1 percent to 4.5 million barrels of oil equivalent (BOE) per day. That modest growth came as the company spent a total of $36.8 billion, slightly less than the $37 billion per year it expects to spend annually for the next five years. Competitors such as Chesapeake Energy Corp. and ConocoPhillips have cut back on natural gas production this year in an effort to reduce a national surplus, but Exxon says it will keep its gas wells in operation.

ALTAGAS Q4 RESULTS

AltaGas Ltd. has reported a 19 percent increase in normalized earnings from its operating businesses for both the full year and fourth quarter 2011 compared to the same periods in 2010. Normalized net income before taxes increased 25 percent in 2011 to $136.5 million, compared to $108.7 million in 2010. Normalized net income for 2011 was 102.1 million ($1.21 per share) compared to $101.7 million ($1.25 per share) for 2010. Future income taxes reported in 2011 were $16.7 million ($0.20 per share) higher than 2010 as a result of recording taxes for a full year as a corporation, compared to 6 months in 2010 as a result of converting to a corporate structure from a trust structure on July 1, 2010. In fourth quarter 2011, normalized net income was $29.7 million ($0.34 per share) compared to $25.9 million ($0.31 per share) in the same quarter 2010. Normalized EBITDA for 2011 increased 13 percent to $282.1 million, from $249.6 million in 2010. Normalized funds from operations increased 16 percent to $225.7 million for 2011 compared to $195.0 million in 2010. Reported net income applicable to common shares for 2011 was $83.6 million ($0.99 per share) compared to $97.2 million ($1.19 per share) for 2010. In fourth quarter 2011, net income applicable to common shares was $29.9 million ($0.35 per share) compared to $26.5 million ($0.32 per share) for the same quarter 2010. "It has been an exciting year for AltaGas. Our base business performed very well, and we continued to grow and diversify our already strong portfolio of energy infrastructure assets," said David Cornhill, Chairman and Chief Executive Officer of AltaGas. "We remain financially disciplined and we continue to grow responsibly by adding stable assets such as PNG and SEMCO, and we continued to make significant progress on our major construction projects." In 2011, all three businesses, Gas, Power and Utilities delivered stronger results than 2010, driven by higher volumes at extraction facilities, strong frac spreads, higher power generated from the wind and gas-fired generation portfolio, as well as the addition of Pacific Northern Gas Ltd. (PNG) in fourth quarter 2011. The increases were partially offset by the impact of two major scheduled turnarounds in the Gas division, lower volumes at some field processing facilities, and transaction costs primarily related to the acquisition of PNG. In fourth quarter 2011, Gas and Power delivered stronger earnings than fourth quarter 2010 while Utilities realized lower results. These results were driven by higher volumes at extraction facilities, strong frac spreads, higher power generated at the gas-fired and wind facilities and the addition of PNG. The increases were partially offset by the impact of a scheduled turnaround and lower throughput at some field facilities, transaction costs related to acquisitions and the impact on Utilities of warmer than normal weather.

CNRL Q4 RESULTS

Canadian Natural Resources Limited generated record quarterly cash flow from operations of $2.16 billion representing an increase of 31% from Q4/10 and an increase of 22% from Q3/11. The increase in cash flow from Q4/10 was primarily related to higher North America crude oil and NGL sales volumes and higher crude oil and NGL netbacks. The increase in cash flow from Q3/11 was primarily a result of increased production from Horizon. Adjusted net earnings from operations for Q4/11 was $972 million, compared to adjusted net earnings of $585 million in Q4/10 and $719 million in Q3/11. Changes in adjusted net earnings reflect the changes in cash flow from operations. The Company has finalized its Horizon coker fire business interruption insurance claim for $333 million and its property da mage insurance claim for $393 million for a total of $726 million. To date, the Company has received total combined insurance proceeds of approximately $400 million, and expects to receive the remaining balance by the end of Q1/12. Total crude oil and NGLs production for the year averaged 389,053 bbl/d representing a decrease of 8% from 2010. Increased production from primary heavy crude oil, thermal in situ and light crude oil and NGL was more than offset by reduced production from Horizon and the Company's international operations. Total natural gas production for the year averaged 1,257 MMcf/d representing an increase of 1% from 2010. The increase in production was a result of natural gas producing properties acquired in 2010 and 2011 and strong results from a modest, liquids rich drilling program offset by expected production declines. The acquired properties provide opportunities to lower operating costs and capture synergies with existing infrastructure. Canadian Natural drilled 86 net natural gas wells in 2011, a reduction of 12% from 2010 reflecting the Company's strategic decision to allocate capital to higher return crude oil projects. Cash flow from operations was approximately $6.5 billion in 2011 compared to approximately $6.3 billion in 2010. The increase in cash flow was primarily a result of higher crude oil and NGL netbacks and higher North America exploration and production crude oil and NGL sales volumes offset by reduced production from Horizon. Adjusted net earnings from operations in 2011 increased to $2.5 billion compared to $2.4 billion in 2010. Changes in adjusted net earnings reflect the changes in cash flow from operations. Total net exploration and production reserve replacement expenditures totaled approximately $5.0 billion in 2011, including acquisitions and excluding Horizon. Horizon project capital (including capitalized interest, share-based compensation and other) totaled approximately $530 million and sustaining and turnaround capital totaled approximately $250 million. Commenting on fourth quarter and year end results, Canadian Natural's Chairman, Allan Markin stated, "In Q4/11 we drilled a record number of crude oil wells and achieved record quarterly production of over 657,000 BOE/d. We increased our barrel of oil equivalent reserves on a Company Gross proved plus probable basis by 9% to 7.54 billion barrels, replacing 390% of our 2011 production. Our vast, diverse asset base continues to grow economically and will provide value and upside to shareholders for years to come. John Langille, Vice-Chairman of Canadian Natural continued, "In Q4/11 we generated record cash flow from operations of approximately $2.2 billion representing an increase of 31% from Q4/10. We exited 2011 with improved balance sheet metrics, increased financial liquidity and a strengthened ability to create value for our shareholders through the development of our diverse asset base. This strong financial position contributed to the Company's decision to increase the quarterly dividend to $0.105 per common share, an approximate 17% increase over 2010 representing the twelfth consecutive year of increases for the Company." Steve Laut, President of Canadian Natural concluded, "Canadian Natural's well balanced and diverse asset base, in combination with our ability to optimize capital allocation to maximize value, sets us apart from our peers. Canadian Natural's diverse production base allows us to withstand swings in commodity pricing and occasional production outages, while maintaining a strong balance sheet and ensuring cost effective development of our vast asset base. Although the current Horizon outage is significant for our oil sands mining area, on a company basis, the outage impacts full year production by less than 2%, highlighting the soundness of our strategy and the strength of our asset base.." The start up of Horizon is tracking to our original schedule of mid to late March and with our third Ore Preparation Plant ready for operations, we expect steady reliable production from Horizon going forward."