NYMEX OIL: US$107.00
+$1.65 a barrel
May delivery
NYMEX N. Gas: US$2.292
+$0.023 per MMBTU
April delivery

# Oilfield NEWS

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### TRANS MOUNTAIN OVERBOOKED

Kinder Morgan Energy Partners said on Thursday its Trans Mountain oil pipeline system to Canada's West Coast from Alberta is overbooked again for April, but to a lesser extent than has been the case over the past four months. Kinder Morgan said the 300,000 barrel-a-day pipeline was overnominated by 61 percent for next month, meaning shippers will be able to deliver just 39 percent of hoped-for volumes. That compares with a limit of 30.6 percent for March.

### OBAMA WANTS FASTER KEYSTONE REVIEW

U.S. President Barack Obama, speaking at the TransCanada Stillwater pipe yard in Cushing, Okla., Thursday, said he is set to fast track the approval process for one leg of the Keystone XL pipeline that runs from Oklahoma to the Texas coast. In a speech in the oil hub of Cushing, Ok., Obama said that building the southern portion of the pipeline would create jobs and perhaps even put an end to spikes in the price of gasoline. "Producing more oil and gas here at home has been, and will continue to be, a critical part of our all-of-the-above strategy," he said. Normally, the approval process for a pipeline can stretch for as long as a year. However, Obama said he wants to see several months slashed from that timeline. Cushing will serve as the starting point for the southernmost portion of the pipeline. When built, the portion will carry unrefined crude oil to refineries in Texas. Currently, crude from oil-rich states such as North Dakota and Montana runs into what Obama called a "bottleneck" at Cushing because of a lack of pipeline capacity and a limited number of rail cars that can transport the oil south. The announcement comes as Obama faces criticism over his handling of America's energy needs. The average price of gasoline continues to rise across the United States, fuelling fears that rising energy costs will hurt economic growth. Obama defended his administration's policies, saying that the rising price of gasoline is due to Middle East tensions, not a lack of oil supply in America. He also noted that during his tenure as president, the amount of crude the country is importing has fallen each year, production has increase and the number of operating rigs has quadrupled to an all-time high. A proposal that would see a pipeline built to Cushing from Alberta was rejected late last year. The U.S. State Department says it needs more time to conduct a thorough environmental review of a new route around an environmentally sensitive aquifer in Nebraska that supplies drinking water to millions of people, a decision endorsed by state legislators and the governor. It is unclear whether Obama's call would actually speed up the approval process. The Army Corps of Engineers, one of the agencies that is likely to be involved, said on Wednesday it could not estimate how long approval would take since it had not yet seen an application from TransCanada.





### BAKER HUGHES SEES Q1 HIT

Baker Hughes Inc expects first-quarter profit margins to fall sharply as the disruption of North American clients bailing out from natural gas fields proves rougher than expected for the third-largest oilfield services company. Shares of Baker Hughes fell 4.8 percent. The stock, down 30 percent in the last year, touched its lowest point in about a year and a half at $45.50 on the New York Stock Exchange. Costs are rising industry-wide and oilfield services companies are struggling to move their rigs swiftly to fields producing liquids, where activity is increasing in response to high oil prices amid a U.S. natural gas glut. While there is ample services demand in oil basins in Texas and North Dakota, getting equipment and skilled people to those areas has caused a near-term squeeze of Baker Hughes profits. After disappointing fourth-quarter numbers, Baker Hughes had characterized these transition problems as largely internal ones, and investors have tended to agree. Shares of larger rival Halliburton Co were down only 1.4 percent on Wednesday. Simmons & Co analyst Bill Herbert said in a note to clients on Wednesday that most of Baker's burden was unique to the company. "Thus, if (Halliburton) gets slammed today, buy it." Natural gas prices touched a decade-low of $2.22 per million British thermal units in January, and are only 10 cents above that now, which has forced companies like Chesapeake Energy Corp to cut back on gas drilling. Baker Hughes, having previously said margins may even improve slightly on the fourth quarter, forecast on Wednesday a first-quarter North America operating margin of 13.2 percent to 14.2 percent, down from 18.7 percent in the fourth quarter. Raymond James analysts said the forecast was 3 percentage points below their expectation. The company said its pressure pumping business -- which does hydraulic fracturing to tap shale fields -- is seeing lower pricing and raw material shortages. The business squeezed the company's fourth-quarter margins. "Pressure pumping in North American markets will continue to experience pricing pressures, supply chain and raw material constraints, and execution issues will weigh on North American markets results through the second half of 2012," Global Hunter Securities analysts said in a note. The brokerage, which downgraded Baker to "neutral" from "accumulate", cut its price target on the stock to $40 from $60. Halliburton warned in January that its response to the U.S. natural gas price slump would cause some near-term disruptions. Baker Hughes and Halliburton have relatively more exposure to the United States than industry leader Schlumberger, which saw its shares fall 1.6 percent. New technology has opened up vast new fields for production, creating a glut that may keep gas prices low for years. The boom has also led to logistical challenges and shortages in certain fracking materials such as proppants. Global Hunter said Baker's seasonally strong Q1 operations in Canada were also experiencing weakness due to lower gas-directed pressure pumping activity and an early spring break-up. For operations outside North America, the company expects operating profit margin at 12.2 percent to 13.2 percent, down from 15.6 percent in the fourth quarter. This represents a big setback from the first quarter a year ago, when its overall oilfield margins were 16 percent.

### SIEMENS DELAYS LAUNCH OF UNDERWATER POWER GRID

Siemens has delayed plans by a year to unveil the first subsea power grid to tap growing demand by oil and gas producers for power at depths of 3,000 metres. The delay was revealed after Siemens announced its acquisition of Scottish oil service business Expro's Connectors and Measurements division for $630 million on Tuesday, which will provide the final technology for the project. A spokeswoman for Siemens, whose oil and gas business competes with General

Electric, said on Wednesday the proto-type subsea power grid was originally set to be unveiled late this year but its development was a "little bit delayed". Adil Toubia, CEO of Siemens Oil and Gas Division, said on Tuesday the proto-type would be deployed at the end of 2013 and would be available to the market at the end of 2014. The Expro unit purchase by Europe's biggest engineering conglomerate is the largest transaction Siemens has made since it bought Dade Behring for around $6.3 billion in 2007. Atle Stromme, Global Head of Subsea, a unit of Siemens Oil and Gas, said the Connectors and Measurements business would complete what Siemens needs to develop the subsea power grid, a first ever for water depths of at least 3,000 meters in the oil and gas processing industry. "We now have in-house to develop the power grid," he said. Toubia, who worked for oilfield services provider Schlumberger for 22 years before joining Siemens last month, did not rule out further acquisitions in the area. "If there's a need, we'll examine it," he said. Siemens' subsea power grid -- which includes transformers, compressors, switchgears and variable speed drives -- will provide the power to transport the oil and gas from the wellhead to a processing facility. Siemens anticipates the subsea market will double by 2020 from $23 billion last year and the subsea power grid market, estimated at 600 million euros in 2009 will be around 2 billion euros by 2020. It hopes to capture 10-15 percent market share by then.

### IMPERIAL OIL DOESN'T THINK ARCTIC PROJECT IS DEAD

Imperial Oil does not believe depressed natural gas prices have closed the door on the C$16.2 billion ($16.3 billion) Mackenzie gas pipeline in Canada's Far North and the company still hopes to strike a financial deal with Ottawa to make it viable, its chief executive said on Wednesday. However, the surge in costs and a major shift in North American gas markets during the seven years it took Imperial and its partners to get approval for the development show the need for Ottawa to reform its regulatory process for major projects, CEO Bruce March told reporters following a company-sponsored investor meeting.

### JAPAN WANTS IRAN CRUDE IMPORTS CUT

he Japanese government probably wants Idemitsu Kosan to continue cutting Iranian crude imports as before, which is by 10 to 20 percent a year, the oil refiner's chairman said on Wednesday, a day after the United States exempted the Asian nation from financial sanctions. Each oil firm in Japan that buys Iranian oil has been in separate talks with the government on curbing oil imports from the Middle East nation, but the government has not instructed them to attain a detailed percentage figure for cuts. "I know only about my own firm, but I think (the government) wants us to continue the level of reduction that we have done up to now," Akihiko Tembo, head of the Petroleum Association of Japan and chairman of Idemitsu Kosan Co, told reporters. "Simply put, I think it means to reduce (imports) by 10 to 20 percent (per year that Idemitsu has reduced over the years)." Tembo also said Idemitsu would cut its Iran imports from April in line with the government's policies, but added it has not decided on a specific percentage for cuts. Tembo welcomed the U.S. decision on the waiver, but said the problem with the European Union's proposed ban on EU insurers and reinsurers from indemnifying vessels carrying Iran's oil anywhere in the world still remains unresolved, saying that he would carefully watch the developments over the matter. Japan is estimated to have reduced oil purchases from Iran by 15-22 percent in the second half of last year, a move lauded by the United States, which on Tuesday decided to give a six-month reprieve to banks in Japan and 10 EU nations from the threat of being cut off from the U.S. financial system. "We have told the U.S. side that the trend of decrease would accelerate and Iranian crude imports will be reduced substantially from now on," Chief Cabinet Secretary Osamu Fujimura told a news conference on Wednesday. Showa Shell Sekiyu KK, the nation's top buyer of Iranian crude, on Wednesday issued a statement, saying that the company will respect the agreement between Japan and the United States and reduce its Iran imports in line with that. JX Nippon Oil & Energy Corp, Japan's biggest refiner, said the U.S. announcement was encouraging as the worst case scenario of a full-scale embargo of Iran crude resulting in a hike in oil prices has been avoided, but several unsolved issues remained. These issues include uncertainty over Tehran's nuclear programme, Washington's review on an exempted country's status every 180 days, insurance and other problems related to actual oil delivery, a JX Nippon spokesman said. On Tuesday, representatives in Brussels of EU governments debated a proposal to allow all insurance on Iranian crude bound for countries outside the EU to be extended until July 1.

### CHINA CRUDE IMPORTS FALL FROM IRAN

China slashed its crude oil imports from Iran by half in February from December levels to pressure Tehran in a contract dispute, while increasing its purchases from Iran's rival Saudi Arabia to a record level to fill the gap. February was the first month to reflect the full scale of the cuts in China's imports of Iranian oil after top refiner Sinopec Corp decided in December to chop purchases in an attempt to force Iranians to back off from the tougher terms they had proposed for the 2012 contract. The February imports at about 290,000 barrels per day are about half of December's 572,800 bpd, 41 percent less than the January level and down 40 percent from February 2011, data from China General Administration of Customs showed on Wednesday. The sharp drop in Chinese imports adds to trade pressures on Iran stemming from U.S. and European Union sanctions over



its nuclear enrichment programme. The United States on Tuesday exempted Japan and 10 EU nations from financial sanctions, because they have significantly cut purchases of Iranian crude. But it left Iran's top customers China and India exposed to the possibility of such steps. The 491,000 bpd level recorded for January factored in a small part of the planned cuts because of the delay due to the roughly three-week tanker voyage between Iran and Chinese ports. China boosted imports from Saudi Arabia, the only big oil producer with a significant amount of spare capacity, to a record 1.39 million bpd in February, 260,000 bpd higher than January and nearly 40 percent above the year-earlier level. Saudi oil minister Ali al-Naimi said the kingdom had met all its customer's requests for oil and stood ready to raise output to full capacity of 12.5 million bpd, if needed. "My only mission is to convey to you that there is no supply shortage in the market," Naimi told reporters on Tuesday. "We are ready and willing to put more oil on the market, but you need a buyer." China's record Saudi imports are also largely in line with comments from industry sources that the world's top oil exporter had been sending some 200,000 bpd of extra oil to Asia, the bulk of which was destined for China. Riyadh has also quietly raised shipments to the United States to the highest level since mid-2008. Sinopec reduced Iranian imports for lifting through the first quarter of this year to protest tougher payment terms and higher prices proposed by Tehran, Reuters has reported. Under an annual contract that concluded in late February after nearly three months of talks, China will buy 10 to 15 percent less crude from Iran this year versus 2011, with the cuts mostly already made in the first three months. The sharp scale-back in February knocked Iran's ranking to China's seventh-biggest supplier from third-biggest last year. China, the world's second-largest oil consumer, is Iran's largest trading partner and biggest oil client, buying up to 20 percent of the Islamic Republic's total crude exports. China has been scouring the world for crude to make up for the lost Iranian oil. Its extra imports in February from Saudi Arabia, other Middle East countries and Russia more than offset the loss of imports from Iran, the data showed. Imports from Iraq jumped 135 percent year-on-year to 473,634 bpd and were up 26 percent from the level of imports in January, the data showed. Crude imports from other Gulf countries also rallied, with those from Kuwait up nearly 50 percent on the year to 242,092 bpd and from United Arab Emirates up 45 percent to 195,707 bpd. Imports from Russia were 602,714 bpd in February, 3.6 percent higher than in January and 52 percent higher versus February 2011. Crude imports from Sudan, however, fell nearly 60 percent from a year earlier to 164,238 bpd, the data showed, after South Sudan in January stopped production in a row over transit fees with Sudan.

**IROC 2011 RESULTS**

IROC Energy Services Corp. has presented a summary of its operating and financial results for the three months and one year periods ended December 31, 2011. Total revenue increased 44% to $26.7 million for the three months ended December 31, 2011 as compared to $18.5 million in the comparable quarter of the prior year. Gross margin increased 53% to $10.8 million for the three months ended December 31, 2011 as compared to $7.1 million in the comparable quarter of the prior year. EBITDAS increased 62% to $8.6 million for the three months ended December 31, 2011 as compared to $5.3 million in the comparable quarter of the prior year. Net income from continuing operations increased 77% to $4.8 million for the three months ended December 31, 2011 as compared to $2.7 million in the comparable quarter of the prior year. For the year, total revenue increased 60% to $85.7 million for the year ended December 31, 2011 as compared to $53.6 million in 2010. Gross margin increased 90% to $35.3 million for the year ended December 31, 2011 as compared to $18.5 million in 2010. EBITDAS increased 125% to $26.9 million for the year ended December 31, 2011 as compared to $12.0 million in 2010. Net income from continuing operations increased 324% to $13.4 million for the year ended December 31, 2011 as compared to net income of $3.2 million in 2010. Successfully completed the $27.6 million 2011 capital program through the addition of six new service rigs, three new coil tubing units, and the addition of $6.6 million of rental equipment.

**PETROWEST 2011 RESULTS**

Petrowest Corporation has announced its consolidated financial results for the three and twelve month periods ended December 31, 2011. Rick Quigley, Chief Executive Officer, stated that "we are very pleased with the 2011 financial results. They represent a significant improvement over 2010 in terms of both revenue and operating margins." Mr. Quigley further stated that "the business activity is trending positively, both in the energy and infrastructure sectors. We are also very encouraged by the level of our backlog heading into 2012." Key 2011 and fourth quarter financial highlights include: 2011 - Revenue from continuing operations of $190.0 million compared to $136.0 million, an increase of 40%. EBITDA from continuing operations of $28.9 million compared to $12.8 million, an increase of 126%. EBITDA margin of 15% compared to 9% Net loss before revaluation of financial instruments and trust and subordinated units of $6.4 million compared to $19.3 million, an improvement of $12.9 million. Fourth Quarter : Revenue from continuing operations of $53.3 million compared to $34.6 million, an increase of 54%. EBITDA from continuing operations of $7.3 million compared to $0.8 million, an increase of $6.5 million EBITDA margin of 14% compared to 2%. Net income before revaluation of financial instruments and trust and subordinated units of $0.4 million compared to a net loss of $7.2 million, an improvement of $7.6 million

**SURGE 2011 RESULTS**

Surge Energy Inc. has announced financial and operating results for the year ended December 31, 2011. Highlights: Surge drilled at each of its light oil plays during 2011 with continued excellent results. The Corporation drilled a total of 38 gross (35.36 net) wells, achieving a 100 percent success rate and averaged more than 7,500 boe per day in the fourth quarter. As a result of this successful drilling, Surge more than tripled funds from operations, almost doubled production and achieved leading capital efficiencies in 2011. Funds from operations more than tripled to $57.8 million during 2011 from $18.8 million during 2010. Increased funds from operations per share by 96 percent to $1.00 during 2011 from $0.51 during 2010. Increased production by 97 percent to 5,960 boe per day during 2011 from an average of 3,026 boe per day during 2010. Increased production per basic share by 25 percent during 2011 as compared to 2010. Increased estimated Net Asset Value (NAV) by 20 percent to $8.75 per basic share at December 31, 2011 based on the NPV10 BT value of its Proved plus Probable reserves. Increased Proved plus Probable Reserves per share by 32 percent (fully diluted). Increased Proved plus Probable reserves by 52 percent to 32.2 million boe over December 31, 2010 reserves of 21.2 million boe. Increased Surge's operating netback by 41 percent to $38.55 for the fourth quarter of 2011 as compared to $27.31 in the fourth quarter of 2010. Achieved a recycle ratio of 2.7 with Proved plus Probable F&D costs of $14.02 per boe, including the change in FDC and based on Surge's fourth quarter 2011 netback of $38.55 per boe. Increased production by 88 percent to 7,514 boe per day in the fourth quarter of 2011 from an average of 4,005 boe per day in the fourth quarter of 2010. Surge exceeded its upwardly revised 2011 exit production rate of 7,800 boe per day, a 73 percent increase over the 2010 exit of approximately 4,500 boe per day. In the fourth quarter of 2011, approximately 87 percent of revenue resulted from oil and natural gas liquids production. Achieved Proved plus Probable finding, development and acquisition costs (FD&A) of $16.65 per boe, including the change in FDC, resulting in a recycle ratio of 2.3 based on Surge's fourth quarter 2011 netback of $38.55 per boe. Achieved a Proved plus Probable reserves replacement ratio of 6.1 based on 2011 average production for the year of 5,960 boe per day. Achieved a Proved plus Probable Reserve Life Index (RLI) of 11.7 years based on 2011 fourth quarter average production rate of 7,514 boe per day. Achieved a 100 percent success rate drilling 15 gross (13.11 net) wells in the fourth quarter of 2011. During 2011, Surge achieved a 100 percent success rate drilling 38 gross (35.36 net) wells. In the fourth quarter of 2011, Surge issued 6,897,000 shares at a price of $8.70 per share for gross proceeds of $60 million. The increase in bank line during the third quarter to $150 million (currently $175 million), combined with the equity issue, gives Surge considerable financial flexibility as it begins to execute on its 2012 capital program. Surge obtained a Toronto Stock Exchange (TSX) listing and began trading on the TSX under the symbol SGY on October 21, 2011. During the fourth quarter of 2011, Surge announced the accretive acquisition of a private company with 1,200 barrels per day of light oil production. The acquisition and the increase in its bank line from $150 million to $175 million closed in January of 2012.



**BELLAMONT APPROVES PLAN OF ARRANGEMENT**

Bellamont Exploration Ltd. has announced that the shareholders of Bellamont have today voted to approve the previously announced plan of arrangement (the "Arrangement") which provides for the acquisition of all of the outstanding common shares of Bellamont by Storm Resources Ltd. The Arrangement was approved by 88.4% of the Bellamont shares voted at the meeting and 88.0% of the votes cast by Bellamont shareholders after excluding the votes of a director and officer of Bellamont in accordance with Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions*. The completion of the Arrangement requires the final approval of the Court of Queen's Bench of Alberta. A hearing before the Court of Queen's Bench to obtain final approval is scheduled for 1:30 p.m. (Calgary time) on March 22, 2012. Assuming the final approval is obtained, the Arrangement is anticipated to close on March 23, 2012.