WTI OIL: US$106.87
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April delivery

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NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count was down 16 at 1,968 for the week of March 23, 2012. It is 230 rigs (13.2%) higher than last year. The number of rotary rigs drilling for oil was down 4 at 1,313. There are 462 more rigs targeting oil than last year. Rigs drilling for oil represent 66.7 percent of all drilling activity which is the highest percentage since Baker Hughes started reporting oil and gas separately in 1988. Rigs directed toward natural gas were down 11 at 652. The number of rigs currently drilling for gas is 228 lower than last year's level of 880. Year-over-year oil exploration in the U.S. is up 54.3 percent. Gas exploration is down 25.9 percent. The weekly average of crude oil spot prices is 6.1 percent higher than last year and natural gas spot prices are 45.0 percent lower. Canadian rig activity is down 165 at 362 for the week of March 23, 2012 and is77 (17.9%) lower than last year's rig count. The number of rigs drilling for oil fell 135 to 235 and is 64 (21.4%) lower than last year. Gas directed rig count was down 30 at 117 and is 11 (8.6%) lower than a year ago.

OTTAWA TO REDUCE RED TAPE FOR BIG PROJECTS

In a move set to help the oil industry, the federal government will unveil new rules this week designed to cut the time it takes for environmental assessments of major energy and industrial projects. The government says the current complex system of regulations means it can take far too long to approve pipelines and mines, thereby putting at risk up to C$500 billion ($505 billion) in new investment over the next 10 years. Beneficiaries could well be Enbridge Inc and Kinder Morgan Energy Partners, which are both seeking to build pipelines from the oil-rich tar sands of northern Alberta to the Pacific Coast, where tankers would take crude to booming Asian markets. Critics charge the government's approach will relax standards and could help trigger an environmental calamity. The federal government's budget this Thursday will outline moves to simplify what Natural Resources Minister Joe Oliver calls "a needlessly complex, duplicative regulatory system". Ottawa shares responsibility for regulation with the country's 10 provinces, which means some major projects are examined twice. Often lengthy public hearings into proposed mines and pipelines can drag out the approval process for years. "The system should not take years and years to review a project. It's possible to make regulatory decisions in a reasonable amount of time without compromising the rigor or the standards of the process," Oliver said on Tuesday. "Our ultimate goal is simple but not necessarily easy to achieve: one project, one review, in a clearly defined time frame," he told the House of Commons natural resources committee. Ottawa is particularly keen to speed up development of the Alberta oil sands, which contain 170 billion barrels of crude and are the world's third-largest oil resource. Oliver says the sands could contribute C$3.3 trillion to Canada's gross domestic product over the next 25 years and describes the current regulatory regime as "a huge disincentive to investment in a highly competitive market for capital". "We have got to make sure the actual review is pragmatic and doesn't risk getting hijacked by people who are just interested in extending the delay with the ultimate objective of seeing the projects economically undermined," Oliver told Reuters late on Monday. He points to the seven years it took to approve Imperial Oil Ltd's Mackenzie Valley Arctic gas pipeline project as an example of what he wants to avoid. By the time the final permits arrived, costs had soared and other cheaper sources of gas had been discovered. Work on the pipeline never started.

LAVALIN CEO RESIGNS AFTER PAYMENTS PROBE

he head of SNC-Lavalin, one of the world's biggest engineering and construction companies, has stepped down after an internal investigation found he had acted unethically by authorizing tens of millions of dollars in mysterious payments. SNC announced Chief Executive Pierre Duhaime's resignation as it reported a steeper-than-expected 52 percent drop in quarterly profit and forecast little change in earnings for all of 2012. The company had delayed releasing its quarterly and full-year results pending the findings of the independent probe, carried out by Canadian law firm Stikeman Elliot. The century-old Canadian company disclosed the payments, worth around C$35 million ($35 million), on Feb. 28, just weeks after it suspended two executives, who Canadian newspapers said had ties with the family of former Libyan dictator Muammar Gaddafi. On Monday, the company said that based on the findings of the investigation, it does not believe the payments were related to Libya, where SNC had several projects, including building a prison for the now-deposed Gaddafi regime. "We have not been able to get to the bottom of where the money went to," SNC chairman Gwyn Morgan said on a conference call. SNC's share price, which started the session down more than 4.5 percent, rebounded after a company conference call. By early afternoon it was up 4.5 percent at C$41.04. But the stock is still down more than 20 percent since the start of the year. The company is in the process of handing over its findings to Canadian police but Morgan said it has no knowledge if law enforcement authorities, or any regulatory agencies, will launch investigations. Morgan is the former CEO of Encana Corp. He sits on SNC's board with several well-known Canadian business figures, including Claude Mongeau, the CEO of No.1 railroad Canadian National Railway. Ian Bourne, a director since 2009, will take over as the interim CEO. A search for a new CEO is set to begin immediately and will consider both internal and external candidates. SNC's audit committee, which probed the payments matter, said the dealings highlight weaknesses in its internal control over financial reporting. Its code of ethics requires that no transaction or other financial information is concealed from management or from internal and external auditors. The review found that the payments authorized by the CEO and the former head of its construction, Riadh Ben Aissa, who was one of the two executives who left SNC in February, were not properly disclosed. Canadian newspapers have unveiled close ties between Ben Aissa and Gaddafi's son, Saadi Gaddafi. SNC said it had no plans to back away from business in Libya or North Africa and was in fact looking for new opportunities there.

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ENBRIDGE TO EXPAND FLANAGAN PIPELINE

Calgary-based pipeline builder Enbridge Inc. is investing nearly $4 billion in a new round of construction that will increase the flow of oilsands crude to the U.S. Gulf and help ease a bottleneck that has led to a glut of supply in the Midwest. Enbridge announced Tuesday that it is upsizing the capacity of its U.S. Gulf Coast Access projects. The Flanagan South Pipeline from Flanagan, Illinois to Cushing, Oklahoma will be upsized to a 36- inch diameter line with an initial capacity of 585,000 barrels per day (bpd). Enbridge and its partner Enterprise Products Partners L.P. indicated that they will twin their jointly owned Seaway Pipeline from Cushing to the U.S. Gulf Coast at Houston, with an extension to Port Arthur/Beaumont, adding 450,000 bpd of capacity to that system. The total

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estimated cost of the Flanagan South Pipeline project, as a result of the larger capacity and pipeline size, has increased from the original $1.9 billion to $2.8 billion. In addition, the Enbridge share of the cost of the Seaway Pipeline twin line and extension is expected to be approximately $1.0 billion. The increased Flanagan South Pipeline and Seaway Pipeline capacity is required to accommodate additional commitments for Gulf Coast service, originating from both Flanagan and from Cushing, received through recently completed second open seasons. Commitments for service from Flanagan have terms of 10, 15 or 20 years. The full initial capacity of the Flanagan South Pipeline is contracted for these terms apart from the mandatory 10 percent minimum required by the Federal Energy Regulatory Commission. Should additional needs arise, the line can be expanded to 800,000 bpd through the addition of low cost pumping capacity. The Flanagan South Pipeline is xpected to be in service by mid-2014. Upon completion of the reversal and expansion of Seaway, shippers can secure seamless transportation rates on the Enbridge and Seaway systems to reach refineries along the U.S. Gulf Coast. "Enbridge's Gulf Coast Access projects give Bakken and western Canadian producers timely, economical and reliable options to deliver a variety of crudes to refinery hubs throughout the heart of North America and now as far as the Gulf Coast," said Patrick D. Daniel, Chief Executive Officer, Enbridge Inc. "The upsized new Flanagan South Pipeline, combined with our existing Spearhead Pipeline System, will offer shippers 775,000 bpd of capacity from Flanagan to Cushing, with the Seaway Pipeline System reversal and expansion offering capacity of 850,000 bpd from Cushing to the Gulf Coast. The commitments secured in these open seasons will support additional infrastructure to meet the growing transportation needs of these producers and the U.S. Gulf Coast refiners, contributing to North America's energy security into the foreseeable future." The Flanagan South Pipeline will be constructed along the route of Enbridge's existing Spearhead Pipeline between the Flanagan Terminal, southeast of Chicago, to Enbridge's Cushing Terminal in Oklahoma. "Enbridge has been committed to safe and reliable operation of our pipelines for more than 60 years," said Mr. Daniel. "This same commitment will be inherent in the design, installation, and operation of our expansion projects. Communities located along the pipeline routes will benefit from property taxes over the life of the pipeline, as well as from the creation of high-paying construction and manufacturing jobs, and associated economic activity during construction."

NORTH AMERICAN AMENDS CONTRACT WITH CNRL

Canadian mining services company North American Energy Partners Inc said its unit amended a contract with Canadian Natural Resources Ltd for the Horizon oil sands project in Alberta. Canadian Natural will pay C$34 million to North American Construction Group Inc under the new agreement, which finalizes certain past costs under the original contract, North American Energy said in a statement. "The amended agreement helps ensure that we will be profitable on our work at the Horizon site," North American Energy CEO Rod Ruston said in a statement. Canadian Natural's Horizon Project is located 70 kilometres north of Fort McMurray in the Alberta oil sands. Canadian Natural will also accelerate the buyout of about 30 percent of contract-related assets used by North American at the site. North American intends to use the proceeds of the settlement and asset buyout to reduce the draw on its revolving credit facility. The company also said it received lenders' approval to extend the maturity date of its credit agreement by six months to Oct. 31, 2013. North American does not expect to record any additional revenue writedown associated with this contract.

PENGROWTH TO BUY NAL

Oil and gas producer Pengrowth Energy Corp will buy NAL Energy Corp for about C$1.30 billion in stock to boost its light oil properties in western Canada. Pengrowth, which has been focusing on developing oil and liquids-rich assets, will now have access to more than 730 locations across Swan Hills, the central Alberta Cardium and southeast Saskatchewan. "The larger inventory of high netback light oil opportunities of the combined asset base enables us to high grade our investment opportunities," Chief Executive Derek Evans said in a statement on Friday. Pengrowth, which would acquire two new light-oil plays in Alberta and Saskatchewan from NAL, said the combined entity would produce about 100,000 barrels of oil equivalent a day. The deal is the latest in a string of light-oil asset buyouts. In December, Whitecap Resources Inc said it will buy Compass Petroleum Ltd to boost its light oil assets. Crescent Point Energy, in January, said it would acquire Wild Stream Exploration to add assets in the oil-rich southwest Saskatchewan. "NAL is about 50 percent oil and 50 percent gas. Natural gas assets have very low

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value these days, so I think it is a good price," said analyst Gordon Currie of Salman Partners. Pengrowth said it was paying NAL about C$67,000 per flowing boe/d of production. Pengrowth expects the deal to also strengthen its ability to fund the Lindbergh SAGD oil sands project, which is estimated to contain 783 million barrels of bitumen. An increasing number of North American energy companies, including second-largest U.S. natural gas producer Chesapeake Energy, have swerved toward oil and liquids-rich gas projects to fend off weak natural gas prices. Calgary-based Pengrowth now expects production for 2012 of 86,000 barrels of oil equivalent (boe/d) to 89,000 boe/d, compared with its prior forecast of 74,500 boe/d to 76,500 boe/d. The acquisition of NAL, whose production averaged 28,338 boe/d in 2011, is expected to add to Pengrowth's funds from operation and production on per share basis. Post closing, Pengrowth will have an enterprise value of C$6.6 billion, CEO Evans said. The company plans to sell about 10 percent of existing non-core assets from the combined portfolio 12 to 18 months from now and use the proceeds to fund existing oil projects. Salman Partners' Currie expects no rival bids. "NAL has been quietly for sale for some time now and I think if there were any other bids they would have surfaced by now." NAL shareholders will receive 0.86 of a Pengrowth share for each share held. The offer of C$8.56 per share represents a premium of about 10 percent to NAL's Thursday closing. NAL shareholders will own about 26 percent of Pengrowth on completion of the deal. Including debt, the deal is valued at about C$1.9 billion. The transaction, which is expected to close on May 31, involves a termination fee of C$45 million. Scotiabank is advising Pengrowth, while BMO Capital Markets is NAL's adviser.

CHINOOK Q4 RESULTS

Calgary based oil and natural gas explorer Chinook Energy Inc posted a wider fourth-quarter loss, and said 2012 production revenue would be hurt by lower gas prices. The company has shut in about 2.5 million cubic feet per day of dry natural gas production in northeast Alberta during the first quarter, it said in a statement. For October-December the company's loss from continuing operations widened to C$58.1 million, or 27 Canadian cents a share, from C$12.2 million, or 6 Canadian cents a share, a year ago. Petroleum and natural gas revenue rose about 21 percent to C$57.3 million. Quarterly production averaged 15,119 barrels of oil equivalent per day (boe/d), down from an average of 15,354 boe/d, a year ago. 2011 annual production averaged 14,602 barrels of oil equivalent per day generating $238 million of revenue and $85 million of cash flow compared to production of 9,795 barrels of oil equivalent per day, revenue of $132 million and cash flow of $52 million in 2010. Cash flow per share grew by 25 percent to $0.40 per share. Average revenue per barrel of oil equivalent was $44.84 per barrel of oil equivalent up 22 percent from $36.76 per barrel of oil equivalent in 2010. Operating netbacks in 2011 increased two percent to $20.99 per barrel of oil equivalent as operating expenses increased to $17.13 per barrel of oil equivalent and cash general and administrative expenses averaged $2.84 per barrel of oil equivalent. Canadian netbacks averaged $16.15 per barrel of oil equivalent and Tunisian netbacks averaged $82.39 per barrel of oil equivalent. In Canada, we continue to focus on improving the gross revenue per barrel of oil equivalent which in the foreseeable future means, shifting capital away from natural gas projects. Operating costs in Canada have the potential to improve as new production in core areas replaces production from some higher cost properties that have been sold. The increased contribution from premium Brent-priced Tunisian crude production was a significant contributor to the improved financial results in 2011 and will continue to strengthen our per barrel metrics and cash flow in 2012. The growth from the Tunisian business segment offset the natural production declines in the Canadian segment and the loss of production associated with the non-core asset sales in the year. Through 2011, revenue derived from liquids increased to 75 percent as a result of the shift in asset focus and was a major contributing factor to cash flow increasing over the same period. Canadian operations provided 92 percent of Chinook's production, 68 percent of the Company's cash flow and consumed 74 percent of our capital program. Tunisian operations contributed 8 percent of our volumes, 32 percent of our cash flow and attracted 26 percent of our capital as we focused on commercializing our onshore light oil discovery at Sud Remada. Looking forward to 2012, we expect over 50 percent of our cash flow to be generated from Tunisia as its projected production is expected to increase to 15-20 percent of our total production as a result of directing over 50 percent of our capital program to the light oil projects in the Ghadames Basin.

GIBSON CLOSES SECONDARY OFFERING

Gibson Energy Inc.has announce the completion of the previously announced "bought deal" secondary offering of common shares of Gibson held by R/C Guitar Coöperatief U.A., pursuant to which the Selling Shareholder sold 28,107,781 common shares at a price of $20.70 per common share for total gross proceeds to the Selling Shareholder of $581,831,066.70. The offering was conducted through a syndicate of underwriters co-led by BMO Capital Markets and Scotiabank. Gibson did not receive any proceeds from the Secondary Offering. Following closing, the Selling Shareholder no longer holds any common shares of Gibson.

OILSANDS QUEST CLOSES EAGLES NEST ASSET SALE

Oilsands Quest Inc closed the previously disclosed sale of the Company's non-core Eagles Nest asset to Cavalier Energy Inc., an unrelated third party, on March 23, 2012, for CDN$7.005 million. On March 26, 2012, Oilsands Quest signed the definitive loan agreements for the previously announced debtor-in-possession financing in the amount of CDN$2.85 million (the "DIP Facility"). Funds from the DIP Facility are now available to the Company for the purposes of funding operating costs and other expenses while proceeding with the solicitation process. The DIP Facility will terminate on the earlier of March 26, 2013 or the termination of the Order from the Alberta Court of Queen's Bench providing creditor protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA"). Oilsands Quest continues to operate under the protection of the CCAA with the assistance of a Court-appointed monitor. The Company's common shares remain halted from trading until either a delisting occurs or until the NYSE permits the resumption of trading.

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