Oilfield NEWS

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NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count was unchanged at 1,979 for the week of April 6, 2012. It is 197 rigs (11.1%) higher than last year. The number of rotary rigs drilling for oil was up 11 at 1,329. There are 443 more rigs targeting oil than last year. Rigs drilling for oil represent 67.2 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 647. The number of rigs currently drilling for gas is 242 lower than last year's level of 886. Year-over-year oil exploration in the U.S. is up 50.0 percent. Gas exploration is down 27.2 percent. The weekly average of crude oil spot prices is 5.6 percent lower than last year and natural gas spot prices are 52.3 percent lower. Canadian rig activity is down 69 at 187 for the week of April 6, 2012 and is 4 (2.1%) lower than last year's rig count. The number of rigs drilling for oil fell 48 to 108 and is 9 (9.1%) higher than last year. Gas directed rig count was down 21 at 79 and is 12 (13.2%) lower than a year ago.

BIO-ECONOMY CONFERENCE

On April 25-26, CanBio will be holding a major conference and trade show in Edmonton, Alberta to explore options to develop the bio-economy and to form partnerships between the bioenergy industry and the oil and gas, forestry, and agricultural industries. It will also look at bioenergy in a proposed overall National Energy Strategy. CanBio has partnered with Alberta Innovates Bio Solutions, Alberta Innovates Energy and Environmental Solutions, and Edmonton Economic Development to deliver a top-rated conference programme, enlightening site tours, and a trade show with leading suppliers showcasing their innovative products and services. The theme of the conference is *Advancing the Bio-Economy: Biomass in a Canadian Energy Strategy.* The line-up of speakers is impressive and many informative and useful topics affecting Alberta and Canadian stakeholders will be covered. The speakers will: Showcase the bio-economy progress in Alberta to the rest of Canada; Explore biomass investment opportunities in the forestry and agriculture sectors; Look at biomass volumes available, the exponential growth in bioenergy, and the socioeconomic impact on Canadian communities; Illustrate gasification technology and pyrolysis oil in developing bio-products; Address higher value bio-product options; Demonstrate the benefits of community clustering; and Explore partnership opportunities to accelerate growth. The two-day conference will be preceded by a tour on Tuesday, April 24. Participants will visit the Drayton Valley "Biomile", an example of a community cluster project, and the Edmonton Waste Management Centre, where Enerkem is constructing a major facility that will convert MSW to 35 million litres/ year of lignocellulosic ethanol. Participants will also visit the pilot gasification facility at the Edmonton Waste Management Centre of Excellence. This conference offers a unique opportunity for participants to meet and network with key players involved in the development of the bio-economy, and for companies to showcase their projects to developers actively looking for partners. For more information, go to www.canbio.ca

TOTAL TO BEGINNING CAPPING LEAKING GAS WELL

French oil major Total said it would pump mud into a well to stop a gas leak at its Elgin platform in the North Sea, after a reconnaissance team found that conditions were safe enough to allow the operation. Operations to inject mud into the well before plugging it are likely to start at the end of next week and last several days, a source close to the matter said. "The reconnaissance mission to the Elgin complex by a team of Total experts and specialist contractors has confirmed that planning for a well intervention operation to bring the leaking G4 well under control can continue as planned," Total said in a statement on Friday. The leak is spewing an estimated 200,000 cubic metres of natural gas into the air per day, forming a highly explosive cloud around the platform. Workers on the platform were evacuated when the leak was first reported on March 25. The reconnaissance team of experts was flown in by helicopter and found no presence of gas on the main platform, which houses workers' living quarters, and no gas on the 90-metre bridge that connects to the production platform, where the wellhead has been leaking. The structural condition of the platform was found to be unchanged since the complex was evacuated, Total added. The team of experts will now give Total management a detailed debriefing, enabling them to further develop plans for the well intervention. The French company, meanwhile, is still planning to carry out a parallel operation of drilling of two relief wells, a longer and more expensive option that could take up to six months. The leak began after pressure rose in a well that had earlier been capped. Total has said the leak is costing it $2.5 million a day so far, and it stock has dropped by almost 7 percent since the leak was reported, knocking billions of euros off its outstanding share value.

CONOCO SEES LOWER QUARTERLY OUTPUT

ConocoPhillips said on Thursday its first-quarter oil and natural gas production dropped about 5 percent from a year earlier. The company, which is splitting its oil and gas production arm from its refinery operations at the end of the month, said its oil and gas output averaged 1.62 million barrels of oil equivalent (BOE) per day during the quarter. That is slightly above its forecast for full-year output of 1.55 million and 1.60 million BOE per day, but below the 1.7 million BOE figure from the first quarter a year ago. Conoco's refineries saw pressure on profit margins because of the grades of crude oil it uses, the company said. Its U.S. refineries operated in the upper 80s percentage of their capacity during the quarter, while its refineries outside the country operated in the high 90s percentage area, it said. The company expects to record $10 billion in proceeds from asset sales this year as part of its long-running effort to cut debt. Conoco is scheduled to release its first-quarter earnings report on Apirl 23.

JAPAN MAY BE OIL MARKET'S FOCUS IN APRIL

The showdown between Iran and the West over Tehran's nuclear program remains the overarching risk facing oil markets but in the near term, nuclear power in Japan may well become the short term focus for traders. The near total shutdown of Japan's nuclear power industry since last year's devastating earthquake and tsunami turned the Japanese electricity sector into a surprise source of oil demand growth in Asia last year. Japanese utilities have turned to low sulfur fuel oil and sweet crude oil as they scramble to meet power demand, outbidding regional refiners for some crude grades. Only one of the country's 54 reactors remains operational and this plant is slated to shut down for a scheduled inspection and maintenance in May. If all reactors are closed this summer, peak oil consumption by Japanese power generators this summer could reach 1 million barrels per day, or four times the level posted in 2010, according to J.P. Morgan oil analysts. However, there is no guarantee that the entire industry will remain shut down this summer. Three reactors have passed first-stage stress tests, theoretically allowing them to be restarted. But now, the question becomes political. Will the Japanese government allow the restart of some reactors? And if so, how quickly will they come on line? And will they start in time to take up some of the burden of meeting peak power demand during the hot summer? The government is widely believed to be anxious to restart the plants to avoid possible power shortages this summer and reduce the oil bill, but is also under pressure to respect the wishes of local communities. Not surprisingly, many Japanese regional politicians are reluctant to endorse reactor restarts without fresh safety assurances, according to a Reuters poll of Japanese mayors and governors. The Japanese government's success or failure in its bid for support for nuclear restarts over the next few weeks may well set the tone for the summer given the time needed to restart reactors, as well as utilities' need to assure themselves of fuel supplies in time to meet demand. The key decisions may well come from the town of Ohi in Fukui prefecture, where two reactors belonging to Kansai Electric Power are awaiting permission to restart. Ohi Mayor Shinobu Tokioka has backed a restart on condition of a thorough probe of the accident at the tsunami-hit Fukushima plant. But this investigation, which has no set date for completion, may not be wrapped up until the summer. That could make a quick restart politically impossible and may well set a precedent for other mayors and regional politicians uncomfortable with nuclear power. If so, that would easily dash hopes for even a modest reduction in expected Japanese oil demand this summer. That will do oil markets few favors heading into a summer period fraught with the risk of lost Iranian oil exports. But even if the plants are allowed to restart, oil demand from the Japanese power sector will almost certainly be very heavy. Each restart will be a political minefield. And increasingly traders', and Japanese businesses' thoughts will turn to the 2013 oil market. Already the slow pace of nuclear restarts and public opposition to the industry in Japan suggests that extraordinary oil demand from Japan may well be a big factor again in the summer of 2013. A successful restart of a few reactors that helps to restore public trust in nuclear power at least in the short term while a new energy policy is crafted will be crucial to avoiding a repeat of this summer's pressures on oil markets. But a failed restart effort, or one that flies in the face of public opinion would be a forewarning of another challenging summer next year.

SHELL TO CONSERVE FOREST IN NORTHERN ALBERTA

Shell Canada Has announced it purchased a 1,820 acre (740 ha) tract of land in northern Alberta to conserve boreal forest habitat near its oil sands operations. The conserved area, now called the Shell True North Forest, was privately owned land previously used for cattle grazing and hay production. Its purchase on behalf of Shell's oil sands business will conserve an area almost twice the size of Stanley Park in British Columbia. "Shell has a land and reclamation strategy in place to guide environmental performance in our oil sands business and the Shell True North Forest is part of that continuous effort," says John Abbott, Shell's Executive Vice President, Heavy Oil. "As oil sands reclamation takes decades to complete, conserving land allows us to address the impacts of our land disturbance in the short term." Land conservation plays a key role in managing biodiversity. The Shell True North Forest contains mixed woodlands, grasslands, wetlands and habitat along the Ksituan River which runs through the property. The property has excellent road access and will allow for many different recreational opportunities such as hiking and bird watching. The Shell True North Forest is located 70 km north of Grand Prairie, Alberta and lies less than one km south of Moonshine Provincial Park. The land was secured through an arrangement with the Alberta Conservation Association. Together, both parties will manage the area for biodiversity conservation and low impact recreational use. "Over the next decade we plan to accelerate the pace of land reclamation at our mines and develop technologies to reduce future land disturbance," says Abbott. "Including the Shell True North Forest, we've conserved land equivalent to nearly 14 per cent of our Jackpine and Muskeg River mines."

INDIA EYES CHESAPEAKE'S MISSISSIPPI ASSET-SOURCE

Indian oil and gas producer Oil India Ltd is looking at buying a stake in Chesapeake Energy Corp.'s Mississippi Lime formation in Oklahoma, a source with knowledge of the matter said on Tuesday. "Oil India is examining this and will shortly send a team to the U.S.," the source said, adding it is too early to comment on the size of the stake that Oil India could buy. Oil India wants to invest between $1 billion and $1.2 billion for acquiring overseas oil and gas producing assets, its finance director said in October. Chesapeake last month said it expects to strike a joint venture in this quarter for its unconventional liquid-rich Mississippi Lime play covering 2 million acres. The source said Oil India may partner other state-run firms like Oil and Natural Gas Corp in buying a stake in the Mississippi Lime play. Oil India and Chesapeake could not be reached for comment. Oil India, whose assets in India's northeast account for its entire crude oil production and the bulk of gas production, has been aggressively scouting for overseas assets in discovered and producing areas. The U.S. No. 2 gas producer needs money to close a funding gap. The government allowed state-run Oil India to go global in December 2005 and since then it has acquired stakes in assets in countries including Venezuela, Libya, Gabon, Iran, Egypt, Yemen, Nigeria and Sudan. India, the world's fourth-largest oil importer, imports about 80 percent of its crude needs. It is scouting for oil and gas assets abroad to meet rising local demand and to feed its expanding refining capacity. In the United States, Indian gas utility GAIL India has agreed to buy a 20 percent stake in one of Carrizo Oil & Gas Inc's shale gas assets while top Reliance Industries has sealed three shale gas joint ventures.

WESCORP UPDATE

Wescorp Energy Inc. reports that the previously disclosed Schedule 13D group of shareholders has ceased all communication regarding the financing commitment and governance change proposal that was made by the group in the fall of 2011. Wescorp has obtained no financing during the last several months, and is in urgent need of funding. While there are discussions with at least one other group to obtain funding to go forward, there is no commitment from any source to provide such funding at this time. If the Company does not meet the April 16 SEC deadline for the filing of its Form 10K, the Company's stock will be removed from trading on the OTCBB and thereafter could be traded on the OTC Pink Sheets. If sufficient funding is obtained, of which there is no assurance, the Company could have its stock considered for preapproval of trading on the OTCBB. The fall 2011 Saskatchewan trials of the Company's second generation 10,000 bpd H2Omaxx technology did not deliver satisfactory results for the oil and gas industry. K-Line Trailers, the manufacturer of the second-generation unit, is continuing work on the unit, to assess whether it can reliably achieve commercial oil and gas industry oil-water separation standards. There is no assurance this will occur. The Company also needs additional financing to pursue the marine application of its technology.

PERPETUAL PROGRESS ON ASSET DISPOSITION PROGRAM

Perpetual Energy Inc. has announced definitive agreements have been signed for the sale of non-core oil and gas assets in southern Alberta and the disposition of 90 percent of the Corporation's interest in its Warwick gas storage business ("WGSI") for total net proceeds of $84.3 million, prior to any customary closing adjustments. These Transactions are expected to close on or prior to April 30, 2012. As part of the partial 90 percent sale of WGSI, which is being acquired by a partnership sponsored by Brookfield Asset Managemen, Perpetual will have the option, exercisable within one year of closing, to buy back from the Acquiror up to a 30 percent additional ownership interest in WGSI at the same price as the initial sale plus adjustments, for a final ownership interest post any exercise of the buy-back option of up to 40 percent. In addition, Perpetual has entered into a Management Services and Operations Agreement ("MSA") pursuant to which Perpetual will continue to provide management and operational services to WGSI for an annual fee, over an initial two-year term. BMO Capital Markets acted as Perpetual's exclusive advisor for the WGSI disposition. With the reduction of future revenues to Perpetual following closing of the disposition Transactions, offset by lower interest expense and the fees to be collected by Perpetual under the MSA, Perpetual expects funds flow in 2012 will be reduced by $2 to $3 million as a result of these Transactions. In November 2011 Perpetual announced that initiatives were underway for the sale of certain assets in the fourth quarter of 2011 and 2012 targeting proceeds of $75 to $150 million to be used to strengthen the Corporation's balance sheet and provide for the repayment of Perpetual's $75 million 6.5% convertible debentures on June 30, 2012. Upon closing of these Transactions, coupled with income from previously announced asset dispositions, proceeds from the asset disposition program will total $151.1 million by April 30, 2012. Although the previously announced target has been met, Perpetual intends to continue to pursue further asset dispositions to continue to strengthen the Corporation's balance sheet. Operational results on Perpetual's commodity diversification strategy continue to be positive. Production from the second well at West Edson began with commissioning of the newly constructed compressor station in late March. In combination with the original discovery well, gross initial production rates through the new facility from the two wells are extremely strong, totaling 17 MMcf/d plus 600 bbl/d of natural gas liquids ("NGL") recovered though the deep cut Edson facility. Production is choked back as the new compressor and dehydration facility is handling gas at maximum capacity, with additional high pressure initial production bypassing the new facility. With the high flowing pressures and strong gas rates, it is expected the wells will maintain production at or above the maximum throughput capacity of the facility of 12 MMcf/d for the remainder of 2012. Perpetual has a 50 percent working interest in the West Edson area and is operator of these joint venture activities. With recent production start-up from two additional Mannville oil wells in eastern Alberta and the new Wilrich well at West Edson, Perpetual's oil and natural gas liquids ("NGL") production capability has now surpassed 4,000 bbl/d, representing 19 percent of the Corporation's current production mix. Three final Mannville heavy oil wells drilled late in the first quarter are undergoing completions operations and are expected to commence production in early April. Trucking operations impacted by spring break-up will likely curtail production volumes below this current capacity for the start of the second quarter. Perpetual further advises that its semi-annual credit facility borrowing base review scheduled for April 30, 2012 was accelerated at the Corporation's request to provide certainty with respect to bank credit availability for the repayment of its maturing Debentures. As a result of this review, the lenders have established a revised borrowing base of $140 million. The $31 million reduction from the previous borrowing base of $171 million is due to lower natural gas price forecasts used in lender evaluations, offset by increased lending values attributable to higher oil and NGL reserves. Assuming proceeds with respect to closing of the pending disposition Transactions announced above, Perpetual expects to be drawn less than $20 million immediately prior to June 30, 2012. As part of the borrowing base review, Perpetual's lenders have also provided their consent to repay the maturing Debentures on June 30, 2012 in cash, as is the Company's current intention. The next semi-annual redetermination of the Corporation's borrowing base remains scheduled for October 31, 2012. Exploration and development capital spending to the end of the first quarter is estimated to total $34 million. Perpetual's Board of Directors have approved an exploration and development capital spending budget of $65 million for 2012, therefore exploration and development capital expenditures for the remaining three quarters of 2012 are expected to total $31 million. Capital spending activities for the remainder of the year will be focused primarily on exploration and development drilling for heavy oil at Mannville.