NYMEX OIL: US$90.72
+$0.06
July delivery
NYMEX N. Gas: US$2.561
-$0.086 per MMBTU
June delivery

Oilfield NEWS

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PRODUCERS CALL FOR CANADIAN ENERGY STRATEGY

According to a new oil & gas report from PwC, Canada needs a strategy to help it develop Western Canada's energy reserves and to increase its stature as a global energy player. The report says the energy sector has a litany of policy challenges, ranging from environmental concerns about pipeline and tanker shipments of crude oil from the pristine West Coast, to worries from the United States that it could be in danger of losing one of its most secure and reliable sources of energy to Asian markets. The report also notes that more discussion needs to take place about what Canada should do with its ever-expanding reserves of crude oil, refined products and liquefied natural gas (LNG) coming on stream over the next few years. "Canada's capacity to produce oil is coming perilously close to surpassing our ability to transport that product to markets in the U.S.," says Reynold Tetzlaff, PwC's Canadian Energy Leader. "The industry needs to overcome a daunting list of challenges, namely how to manage all of its output." Industry forecasts suggest that total oil sands output could grow to between 4.2 and 4.5 billion barrels a day between 2012 and 2020 as 28 new projects have either been commissioned or approved. At the same time, the U.S. may become less dependent on Canada as new shale gas and tight oil also comes into production south of the border, highlighting the fact that Canada should not be putting all of its resource development options in one market. In another recent report about the sector entitled, "*Nothing to fear,*" PwC lists five reasons why Canada should welcome increased foreign investment in its oil sands and shale gas resources, including: greater market diversification, increased product value, faster land development, job creation and the knowledge transfer of new technology approaches between Canada and foreign markets. "The U.S. is no longer Canada's only market for crude oil. While favoured, it's just one of many potential markets for Western Canadian producers," says Tetzlaff. "The more attractive option for producers remains diversified export markets, primarily in China where refining capacity is expected to climb to 13 million barrels a day by 2015." The diversification of China's oil grades and its corporate interests are driving investment into Canada. China is expected to become more aggressive in acquiring equity in Canadian producers over the coming years. Overall, Chinese investments in Canada have grown rapidly, from $900 million in 2005 to $14.4 billion in 2010 with almost half focused on mining and oil extraction. Both current pipeline projects, Northern Gateway and the Trans Mountain system, which are designed to ship more bitumen and synthetic crude to Pacific Rim countries (primarily China), face heavy opposition from environmental and First Nation's organizations. "While Canada's energy potential for the world stage is clear, producers are looking to the federal and provincial governments for policy leadership on the markets front, including an effective strategy for environmental reviews," says Tetzlaff. He continues, "A national energy strategy is one means that could be used to outline Canada's future energy marketing goals and strategies to achieve those objectives. Any strategy undertaken will need to align provincial interests between Alberta, Ontario, Quebec and B.C., oil sands exports, the private sector and other stakeholders including First Nations groups."

OTTAWA UPS FOREIGN TAKEOVER REVIEW THRESHOLD

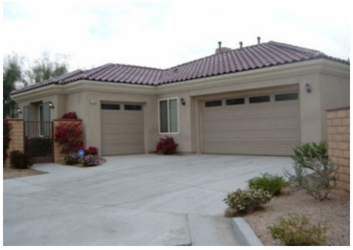
The Canadian government will boost the threshold for reviewing foreign takeovers of Canadian companies to ensure it can focus on the biggest bids, Industry Minister Christian Paradis said on Friday. The review threshold will be raised from the current C$330 million ($320 million) in asset value to C$1 billion in enterprise value over a four-year period, he said in a release. Paradis said the Conservative government was following the core recommendations of a policy review panel that concluded in 2008 that the current way of reviewing proposed foreign investments needed to be changed. "At an obvious level, increasing the threshold will reduce the number of deals that will be subject to a review. So from that point of view it is good," said John Turner, a lawyer at Fasken Martineau in Toronto. The government has been under pressure to explain the way it handles foreign takeover bids since it surprised markets in late 2010 by rejecting Australian miner BHP Billiton Ltd's attempt to buy fertilizer maker Potash Corp, on the grounds that it was not of "net benefit" to Canada. Enterprise value is equal to the sum of the price to be paid for the equity of a business and the assumption of liabilities on the balance sheet minus current cash assets. "Enterprise value better reflects the value of a business as a going concern and the increasing importance of service and knowledge-based industries," the statement said. Once the regulations are in force, the investment review threshold will rise from C$330 million in asset value to C$600 million in enterprise value for two years, then to C$800 million for two years, then to C$1 billion. "I welcome the changes, but on the other hand would have preferred if they had said something about what 'net benefit' means and when they are going to intervene," said Turner, who heads Fasken's global mining team.

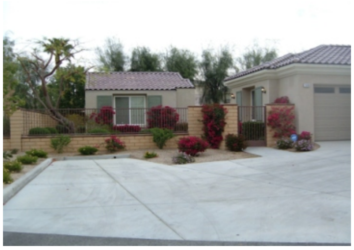
BP REACHES DEAL ON CANADA CRUDE AT US REFINERY

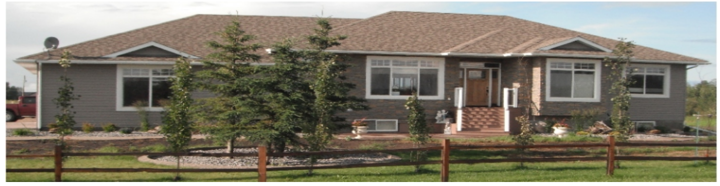
BP Plc, the U.S. Environmental Protection Agency and Indiana regulators have reached an agreement that will allow the use of Canadian oil sands crude oil at the company's 405,000 barrel per day (bpd) Whiting, Indiana, refinery, according to sources familiar with the deal. As part of a settlement with EPA and local environmental groups, BP will install an estimated $400 million of pollution-control equipment at the refinery. BP is within a year of finishing a $4 billion upgrade to enable the refinery to run crude from Canadian oil sands.

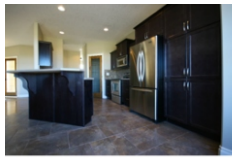
NEBRASKA RESIDENTS CHALLENGE KEYSTONE PIPELINE LAW

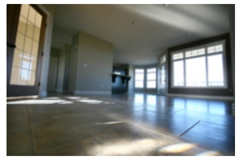
Three Nebraska landowners on Wednesday challenged a state law aimed at speeding up approval of a new route for TransCanada's proposed Keystone XL oil pipeline from Canada to Texas around

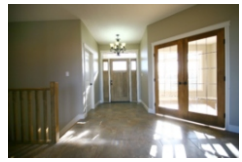


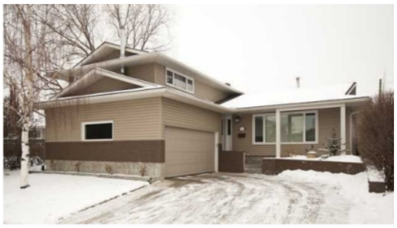












environmentally sensitive areas of the state. The Nebraska law approved in April aims to speed the pipeline process by giving the decision on the route to the state environmental quality department, with final approval by Governor Dave Heineman. The law "largely eviscerated" actions the legislature took in a special session last year, violating the state constitution by stripping the authority over pipeline decisions from a state public service commission, the lawsuit said. Under the April law, the commission would only review a pipeline proposal if the governor rejects the environmental quality department decision. Landowners Randy Thompson, Susan Luebbe and Susan Dunavan filed the lawsuit in a Nebraska district court and asked the Nebraska Supreme Court to take the case directly. It named Heineman, the state treasurer and environmental quality department director as defendants, but not TransCanada. The lawsuit asks the courts to overturn the law and enter a permanent injunction, but does not ask for the law to be enjoined temporarily while the case is considered. David Domina, an attorney representing the landowners, said it could take 10 months for a decision if the state Supreme Court takes the case directly, or a year longer than that if the case is heard first in Lancaster County district court.

US OIL SANDS CLOSES PRIVATE PLACEMENT

US Oil Sands Inc. has announced the closing of an $11 million brokered private placement financing led by Dundee Securities Ltd. on behalf of a syndicate of agents including FirstEnergy Capital Corp. Total funds raised represented an upsizing from the previously announced target of $9 million. Including the Agents' 15% over-allotment option, the Company issued 61,224,735 units, at a price of $0.18 per Unit for gross proceeds of approximately $11 million. Each Unit consisted of one common share of US Oil Sands and one full common share purchase warrant. The proceeds of this financing will be used to progress the development of our Utah-based PR Spring Commercial Bitumen Mining Project", said Cameron Todd, CEO of US Oil Sands, "With full field mobilization starting next year and production expected to come on stream in late 2013, it was important for us to secure funding that allows for timely execution."

IROC INCREASES CAPITAL BUDGET

IROC Energy Services Corp. has announced it has approved an increase of $8.4 million to the previously announced 2012 capital budget, bringing the total 2012 capital budget to $29.4 million. The additional capital is expected to be used to construct three new service rigs with delivery of the first rig expected in third quarter and the last two expected for delivery in the fourth quarter 2012. With the addition of these rigs, IROC, through its Eagle Well Servicing division, will exit the year with 50 rigs, operating from bases in Alberta and Saskatchewan. Tom Alford, President and CEO of IROC stated, "Due to continuing customer demand we feel it is prudent to increase our service rig construction program, meeting those needs with build to suit equipment."