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-\$0.09 per barrel
 July delivery
NYMEX: N Gas: US\$2.429
-\$0.139 per MMBTU
 June delivery



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Canadian Edition

Wednesday May 30, 2012

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count was down 3 at 1,983 for the week of May 25, 2012. It is 136 rigs (7.4%) higher than last year. The number of rotary rigs drilling for oil was up 1 at 1,383. There are 425 more rigs targeting oil than last year. Rigs drilling for oil represent 69.7 percent of all drilling activity reaching another all time high for the weekly data Rigs directed toward natural gas were down 6 at 594. The number of rigs currently drilling for gas is 287 lower than last year's level of 881. Year-over-year oil exploration in the U.S. is up 44.4 percent. Gas exploration is down 32.6 percent. The weekly average of crude oil spot prices is 9.8 percent lower than last year and natural gas spot prices are 40.3 percent lower. Canadian rig activity is up 35 at 158 for the week of May 25, 2012 and is 21 (11.7%) lower than last year's rig count. The number of rigs drilling for oil was up 36 to 112 and is 10 (9.8%) higher than last year. Gas directed rig count was down 1 at 46 and is 31 (40.3%) lower than a year ago.

CRUDE ENDS LOWER ON SPANISH CREDIT WOES

U.S. crude edged lower on Tuesday, retreating after a downgrade of Spain's credit rating sent the euro reeling against the dollar, while hopes that Greece will remain in the euro zone and China will move to stimulate growth limited oil's losses. Meanwhile, Brent July crude fell 43 cents, or 0.40 percent, to settle at \$106.68 a barrel, having traded from \$106.06 to \$107.95.

CANADIAN NG SPOT PRICES RISE

Canadian spot natural gas prices rose despite weaker futures on Tuesday as short-term supplies tightened in Alberta. Spot gas at the AECO storage hub in southeastern Alberta gained 3 Canadian cents from Friday to average C\$2.09 a gigajoule. Deals were done between C\$2.06 and C\$2.11 a GJ. Southern Alberta overnight lows are expected to be slightly warmer than average over the next six days, Environment Canada said. Daytime highs in Toronto are forecast at a degree or two on either side of the seasonal norm through Sunday. Alberta's main pipeline system ran at 16.56 billion cubic feet, 239 mmcf below operator TransCanada Corp's target line pack.

OPEC TO CURB SHIPMENTS AS ASIAN DEMAND FALLS

The Organization of Petroleum Exporting Countries will reduce shipments by 1 percent this month as Asian refiners complete seasonal maintenance, according to tanker-tracker Oil Movements. OPEC will export 23.96

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million barrels a day in the four weeks to June 9, compared with 24.2 million in the period to May 12, the researcher said today in an e-mailed report. Shipments have dropped since April 21, when they reached their highest level since the uprising against former Libyan leader Muammar Qaddafi began in February last year, according to the company. The data exclude Angola and Ecuador, two of OPEC's 12 members. "Eastbound

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saillings are down very sharply as we come to the end of Asia's peak maintenance period," Roy Mason, the company's founder, said by telephone from Halifax, England. "Stocks are building in China, in part to cover increased refinery capacity but also precautionary stocks to cover for any issue over Iran." OPEC's second-largest producer after Saudi Arabia, Iran faces economic sanctions over its nuclear program. The

European Union plans to embargo Iranian crude from July 1, exacerbating concern about possible shortfalls in global supply. OPEC pumped 31.41 million barrels a day in April, with output from Iran slipping by 110,000 barrels a day from March to 3.28 million barrels, according to data compiled by Bloomberg. Exports from the Middle East, including non-OPEC members Oman and Yemen, will decline 1.2 percent to 17.75 million barrels a day in the four-

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week period, according to Oil Movements. Crude on board tankers will average 484.5 million barrels, down 4.2 percent from the month to May 12, the researcher said. Oil Movements calculates shipments by tallying tanker-rental agreements. Its figures exclude crude held on board ships used as floating storage. "There has been a big switch from east to west which follows the track of refinery maintenance," Mason said. "The fall in eastbound sailings was only slightly larger than the rise in westbound sailings. That makes sense, as loadings now would be targeting July, when European refiners will look to maximize runs.

SHELL TO SELL ORION OIL SANDS PROJECT

Royal Dutch Shell Plc has put its Orion oil sands project on the block, six years after acquiring it as part of a C\$2.4 billion (\$2.3 billion) acquisition near the height of the last Canadian energy boom. Shell aims to sell its Orion steam-driven project in northeastern Alberta. Regulators have granted Shell approval for two 10,000 bpd production phases, though current production is just 5,000 bpd, according to Scotia Waterous, the oil major's financial adviser in the sales process. Based on the current output and the potential for future production gains, Shell could garner as much as C\$200 million for the operation,

estimated Chad Friess, analyst with UBS Securities. That assumes an average unit value for such projects of C\$35,000-C\$40,000 per producing barrel a day. "They are probably getting rid of it because it's such a small part of the portfolio," Friess said. Shell said it aims to concentrate its non-mining oil sands efforts on the Peace River region, located North and West of the Cold Lake area, where the company has "a significant resource base." "We expect it could take several months to finalize a sale," a spokesman said. "It's too early to speculate on the outcome of the sale process." Orion came with the company's acquisition of Blackrock Ventures in 2006. In 2010, Shell took a \$1 billion writedown on the assets, which also included holdings in a region called Seal. According to the Scotia Waterous website, the project generated operating income of C\$15.6 million in the first quarter of this year. It has been operating for a decade, though commercial operations began in 2007. Production comes from 22 well pairs on an eight-section lease located 30 km (19 miles) northwest of Cold Lake. It is not the only asset Shell seeks to part with in Canada. Last year, it put its interest in the long-delayed Mackenzie Gas Project in the Far North on the block. It has yet to find a buyer. In oil sands production, Shell is better known for its Athabasca Oil

Sands Project, a 255,000-barrel-a-day mining and synthetic crude processing operation in which it has a 60 percent stake. Scotia Waterous said confidential operating and financial data for Orion will be available to prospective buyers next week and bids will be due by mid to late July.

OIL INDIA EYES STAKE IN OIL SANDS

State-run explorer Oil India is looking at buying stake in ConocoPhillips' oil sand assets in Canada, as well as the Gabon assets of France's Maurel et Prom, Finance Director T.K. Ananth Kumar said on Monday. "For unconventional assets, we can spend \$100 million-\$200 million. We don't want to be operators as we don't have experience in that," Kumar told reporters. "For conventional, like Maurel et Prom's assets, we can spend up to \$1.5 billion," he said. 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.

HORIZON NORTH LOGISTICS ANNOUNCES NEW CONTRACT

Horizon North Logistics Inc. has announced that it has entered into a three year contract for the provision of a 350

person camp for a large multinational operator in North East British Columbia. Working with its aboriginal partner, the Saulteau First Nation, Horizon will provide the customer a full turnkey service in exchange for a day rate per person that includes accommodation rental, catering and associated services. The contract calls for a minimum daily utilization rate of 70% over the course of the contract. The expenditure required to build and install this facility is included in Horizon's recently expanded 2012 capital budget of \$120 million.

WINALTA Q1 RESULTS

Winalta Inc. has announced record results for the three months ended March 31, 2012 with net earnings from continuing operations of \$3.3 million or \$0.08 per share fully diluted compared to a net earnings from continuing operations of \$1.6 million or \$0.04 per share fully diluted for the three months ended March 31, 2011. Revenue of \$9.0 million and EBITDA of \$4.9 million compared favourably to revenue of \$7.2 million and EBITDA of \$3.7 million for the comparative 3 month period 2011. During the Period the Company increased its fleet size by 5 Wellsite units and 4 Dedicated Geo-Lab units. Since the Comparative Period Winalta has increased by 16 Wellsite units and 15 Dedicated Geo-Lab units. The



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Company continues to expand its fleet organically with cash from operations. Utilization of Wellsite units for the Period was 85% as compared to 91% for the Comparative Period. Utilization of Camp units for the Period was 90% as compared to 91% for the Comparative Period. Utilization of Dedicated Geo-Labs for the Period was 87% as compared to 79% for the Comparative Period, which shows continued demand for these specialty units. Decreased utilization for the Period over the Comparable Period can be attributed to early spring weather in March which negatively affected demand. The Company continues to see strong fleet utilization and strengthening rental rates, which combined with continued positive Western Canadian economic activity, in both oil and gas exploration, should continue to provide opportunities for the Company.

GLOBAL PETROLEUM SHOW LARGEST SHOW TO DATE

Global Petroleum Show (GPS), one of the world's largest energy exhibitions, will be taking place June 12 -14 at Calgary's Stampede Park. Since 1968, the biennial event has united the world's most prominent energy leaders. This year, GPS

will welcome over 60,000 registered attendees from 95 different countries and will feature more than 2,000 exhibiting companies showcasing the latest in emerging technology. Expanding to over 700,000 square feet, GPS 2012 will see delegations, presentations and exhibits from Bahrain, China, Colombia, France, Germany, Indonesia, Japan, Korea, Kuwait, Mexico, Nigeria, Norway, Oman, Peru, Poland, Qatar, Russia, Saudi Arabia, UAE, United Kingdom and the USA. Notable exhibitors include Aggreko, Kuwait Oil Company, Sanjel Corporation, Stewart & Stevenson, Strad Energy Services, Stream-Flo Industries Ltd., OilCareers.com and many more. "GPS is increasingly becoming the epicenter for National Oil Companies (NOC's), suppliers and independent oil companies to come to Canada to do business," said Wes Scott, Executive Vice President of dmg :: events, organizers of Global Petroleum Show. "We have seen significant growth since 2010 and are eager to welcome energy leaders from around the globe." Providing a platform for governments, corporations, local organizations and individuals to explore business opportunities both in Canada and around the world, the International

Energy Marketplace has been introduced as a new feature for 2012. This dedicated area offers one-on-one introductory opportunities with governments and national oil companies, free International Market Presentations, Global Business Development Workshops, World Energy Cities Partnership Pavilion, Industry Associations Pavilion and networking events. Global Petroleum Show 2012 runs Tuesday, June 12 and Wednesday, June 13 from 10:00 a.m. to 6:00 p.m. and Thursday, June 14 from 10 a.m. to 5 p.m.

REPSOL MAY LEAVE CUBA

Spanish oil firm Repsol is considering pulling out of Cuba after its first well in an oil exploration project off the island came up dry, its chairman said. "We're not going to drill any more ... I'm almost certain we won't do any more activities there," Chairman Antonio Brufau said at a news conference to present the firm's 2012-2016 strategy.

BP TO RESUME OPERATIONS IN LIBYA

BP is to resume exploration activities in Libya that it suspended because of last year's uprising. BP closed down operations in Libya and withdrew its expatriate workers in February last year, days after

protests broke out in eastern Libya which with help from NATO warplanes and missiles eventually forced Gaddafi from power. The oil firm follows other majors, including Eni and Total in restarting Libya operations, despite lingering worries about security and the possibility the new authorities will try to re-negotiate contracts signed under Gaddafi. The head of Libya's National Oil Corporation, Nuri Berruien, and Michael Daly, BP's executive president for exploration, agreed in Tripoli on Tuesday to lift force majeure, the legal mechanism under which BP suspended its operations last year. The agreement was a "significant milestone in BP's plans to return to the exploration of onshore and offshore blocks," Daly said in a statement. BP's then chief executive Tony Hayward travelled to Tripoli in 2007 to sign a \$900 million contract giving the company the right to explore onshore and offshore fields in Libya, home of Africa's largest proven crude reserves. Libya now is preparing for its first ever democratic elections, but the new government is weak and struggling to keep in check armed volunteer militias. A BP spokesman said security was going to be "the determining factor on how quickly we move." "At the moment we feel security and safety is sufficiently manageable." It

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was likely to be months before BP had everything in place to re-start its exploration work, the spokesman said. "The first thing we need to do is re-establish the contracts for drilling and logistics," he said. "We need to get contractors back in for the onshore and offshore drilling .. Then it's back to work as soon as possible."

SOUTH KOREA IRAN OIL IMPORTS RISE IN APRIL

South Korea imported almost 60 percent more crude from Iran in April than in March, pushing purchases to their highest level this year and reversing a decline that began in January after the United States announced sanctions against Tehran. At more than 7.5 million barrels, April's imports were the highest since November 2011, and were also 42 percent more than the same month a year ago, data from the state-run Korea National Oil Corp. (KNOC) showed on Tuesday. In March, imports were down 40 percent on the year. Some analysts said South Korea, one of Iran's biggest customers, was stockpiling crude ahead of a European Union ban on shipping insurance which takes effect on July 1, and which would make it extremely difficult to ship Iranian oil. Industry sources had said the two refiners that import Iranian oil would stop purchases when the ban takes effect, making South Korea the first of Iran's major customers to completely halt imports. "This increase in Iran crude oil imports in April might be because they are importing more in advance due to notice about halting Iran crude oil imports," said Yoo Young-kook, senior analyst at KTB Investment &

Securities Co. Ltd. "Another scenario is that there might be an expectation that Iran sanctions will be resolved positively so the purchases are increasing," Yoo said. Iran and world powers agreed to meet again next month to try to ease the standoff over Tehran's nuclear programme despite achieving scant progress at talks in Baghdad. Government officials and industry sources declined to comment on the rise in imports, saying the issue was politically sensitive. April's imports bucked a downtrend that had decreased cumulative crude imports from Iran since the beginning of the year by 10 percent versus the same period a year ago. South Korea is seeking a waiver from U.S. financial sanctions against Iran that were announced on Dec. 31 and which take effect end-June, but Washington has said exemptions will be granted only to countries that make big cuts to their crude imports. Japan, which has already won a waiver from the United States for slashing its imports from Iran, is also seeking a similar exemption. South Korea's government has shied away from officially declaring a position on whether it will stop or reduce its Iranian oil imports. The United States and Europe are trying to squeeze the revenues Iran makes from oil exports in order to force it to halt a nuclear programme they fear will be used to make weapons, but which Tehran says is for power generation. China, the world's second biggest oil consumer and another major Asian buyer of Iranian crude, increased its oil imports from Iran by 50 percent in April compared to March after both sides resolved a pricing dispute. Japan is expected to have maintained its

steep cuts in Iranian oil imports in April, traders said, while India cut its purchases from Iran by a third in April compared with March.

OHIO OKS BILL ON ENERGY FRACKING RULES

The Republican-led Ohio legislature approved a bill setting rules for drilling and related activities in the state's shale gas industry, in a vote late on Thursday, responding to a series of small earthquakes in Ohio last year that experts linked to fracking. Republican State Representative Peter Stautberg said the new measure will ensure safe development of Ohio's shale gas reserves while allowing the energy industry to prosper. "There is a balance that is to be struck between the industry and the administration ... without hampering the industry to such an extent that it destroys the efforts of this state to take advantage of the natural resources," he said. The bill, which now goes to Republican Governor John Kasich for his signature, requires increased disclosure of chemicals and water used in the fracking process. The bill also requires water sampling within 1,500 feet of proposed water wells. It mandates that oil and gas wells be tracked between the time they are drilled and the time they are capped. It requires that waste fluids from other states be disclosed before they can be injected into wells in Ohio. And the legislation requires increased inspection of wells, and forces well owners to hold liability insurance coverage. Kasich said he will sign the legislation. Critics say that the high-pressure injection of the liquid into rock causes seismic activity. A series of 11

small earthquakes culminating in a New Year's Eve tremor with a magnitude of 4.0 in the Youngstown, Ohio, area prompted the state to place a drilling moratorium on five wells. The Ohio Department of Natural Resources said in March that the high-pressure injection of fluid underground related to fracking caused the earthquakes. Ohio has nearly 200 deep wells in 41 counties, with 177 of those wells used primarily for oil and gas waste disposal.

KUWAIT TO TAKE STAKE IN UK NORTH SEA

Kuwait's state oil firm will pay around \$500 million for a stake in a North Sea oil field owned by oil and gas explorer EnQuest Plc, the London-listed firm said. EnQuest said on Tuesday it will farm out a 35 percent interest in its Alma and Galia oil field developments to the Kuwait Foreign Petroleum Exploration Company (KUFPEC), a unit of the Kuwait Petroleum Corporation. Chief Secretary to the Treasury Danny Alexander said in a statement that the move was "good news for North East Scotland". "Today's deal between EnQuest and KUFPEC, bringing up to 300 million pounds of foreign investment into the North Sea, proves that the UK continental shelf remains an attractive prospect," he said. Production has been falling in the region since 1999 and Britain has recently made moves to shore up investment by introducing tax relief clarity and tax breaks. Alma, the first oil field to be developed in the UK North Sea, was previously abandoned but has been redeveloped with new technology, with production expected in 2013.