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Weekender

Saturday June 30, 2012

### OIL POSTS HUGE GAIN

Oil surged on Friday in heavy trading to the fourth biggest daily gain on record, as a deal by European leaders to shore up euro zone banks triggered frantic short-covering by funds that had been riding crude's price collapse over the last quarter. Despite the sharp gains, both international benchmark Brent and U.S. oil futures posted their biggest quarterly declines since the fourth quarter of 2008 due to weak demand, ample supply and economic worries. Oil's gains for the day came as part of a wider market rally, with the euro and world stocks rising after euro zone leaders agreed on measures to cut soaring borrowing costs in Italy and Spain and recapitalize regional banks. Brent crude oil futures rose more than \$6 a barrel to near \$98 while U.S. crude jumped by more than \$7 to settle just below \$85 a barrel -- the fourth largest daily gains in dollar terms since the contracts were. Crude drew further support from a strike in Norway that cut production of oil and natural gas liquids by 230,000 to 250,000 barrels per day, or up to 13 percent of the capacity of the world's No. 8 crude exporter. Throughout the second quarter, hedge funds and other speculators had bet big on lower oil prices. Speculators cut their net long positions by more than half over the quarter, according to data from the U.S. Commodity Futures Trading Commission. In addition to mounting euro zone worries, oil prices came under pressure in recent months from weaker demand and swelling global inventories as Saudi Arabia boosted output to quell concern about the drop in exports from sanction-hit Iran. "We had significant second-quarter trends that may all be in the process of reversing, including the risk off trade triggered by the EU instability," said Tim Evans, energy analyst for Citi Futures Perspective, adding oil demand is normally seasonally stronger in the second half of the year. "What has changed today is the market sentiment, the fundamentals may evolve at a more glacial pace." Brent crude oil rose \$6.44 to settle at \$97.80 a barrel, a gain of 7.05 percent and the biggest one day rise since April 2009. Brent started the second-quarter at \$122 a barrel. U.S. crude rose \$7.27 to settle at \$84.96 a barrel, a gain of 9.36 percent - the biggest since March 2009. U.S. crude started the second-quarter at \$103 a barrel. Brent volume was almost 20 percent above the 30-day average, while U.S. crude futures saw turnover 36 percent above the 30-day average. Front-month U.S. July RBOB gasoline rallied 4.3 percent while heating oil surged 5.7

percent. Both contracts expired on Friday.

### SAUDI ARABIA KEEPS PRODUCTION STEADY

Saudi Arabia is showing no sign of changing its policy of high oil output to support global economic growth, despite a fall in crude prices below \$90 a barrel for the first time in 18 months. Gulf and Western government sources in contact with Saudi officials said the OPEC power can tolerate oil at \$90 or below for months, price levels that hurt Iran and Russia as they face off against Riyadh over the conflict in Syria. Saudi Arabia has a built up a revenue surplus in the first half of the year and requires a much lower oil price to balance its budget than most of its fellow OPEC members and leading non-OPEC producer Russia. "If we keep producing at roughly the same rate, we're not flooding the market," said a senior oil official from a Gulf producer. "And we want to act responsibly for the sake of the world economy." Strong supporters of fellow Sunni Syrian rebels seeking to oust Syrian President Bashar al-Assad, Saudi leaders have criticised Russia for defending him. With Iran, Russia is Syria's main ally, providing most of its arms. Both Moscow and Tehran need crude at \$115 a barrel to meet budget requirements. "Russia's economy is vulnerable to a sharp drop in oil prices," said U.S. oil analyst Phil Verleger. "The Saudis may be able to exploit that vulnerability by keeping production at 10 million barrels per day." Industry sources say Saudi Arabia, the only oil producer with significant spare capacity, looks set to trim output over the next two months, but only because demand from refineries in China and the United States will dip. "We're told the Saudis are OK with lower prices, \$90 or below, for a few months," said a Western diplomat. "Even if they have to trim back because of lower demand they don't give us the impression they'll be bailing out OPEC on price any time soon," he said. Crude is down from a March peak of \$128 partly because the economic outlook has darkened but also because Saudi Arabia, pressed by major consumer countries, opened the taps in March to a 30-year high of 10 million bpd. That has made up for a slump in output from Iran because of sanctions, not only drawing criticism from Tehran but others in the Organization of the Petroleum Exporting Countries who prefer higher prices including Algeria, Iraq and Venezuela. As the group's main swing producer, Riyadh is largely responsible for the extra volumes that have taken OPEC in excess of its official 30 million bpd output



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ceiling. OPEC ministers at a meeting in mid-June said they would adhere to the collective limit, implying a 1.6 million bpd cut from actual supply for 12 members of 31.5 million. For that to happen Saudi Arabia would need to cut back sharply. The prospects of that look slim. Delegates who attended the OPEC meeting say Saudi Oil Minister Ali al-Naimi quizzed his counterparts in the 12-member cartel about what contribution they would be making to the cut. "He went round one by one and there was silence -- no-one was willing to volunteer a cut," said one delegate. Asked if Saudi Arabia would be cutting back, an OPEC delegate gave a

one word answer: "No". Unable to agree individual quota allocations under its collective limit, OPEC has no way of policing output. "It's highly dysfunctional because most of the countries within OPEC have not been investing enough, so they have little spare capacity. Saudi Arabia is the central bank of oil, much more than it ever was, and that's the reality," said Leo Drollas at the Centre for Global Energy Studies in London. Underscoring its intentions around what Saudi oil minister has called a "type of stimulus" for the world economy, Riyadh increased its exports in June from May by about 150,000 bpd, an industry source with

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knowledge of Saudi supply said. Assuming steady Saudi domestic demand, that would push its output close to 10 million bpd again in June after a dip in May to 9.8 million. Saudi exports will probably decline in July and August though, an industry source said, because Chinese refinery maintenance will cut its demand by about 350,000 bpd. The closure for repairs of the new wing of the biggest U.S. refinery, at Port Arthur in Texas, removes another 200,000 bpd of demand. Again assuming steady Saudi domestic consumption, that might mean production comes down to about 9.5 million. Saudi has banked an oil revenue surplus in the first half of the year to see it through leaner times. "Gulf countries can put up with prices of under \$90 because during the first half of the year prices were over \$100 so a lot of profits have already been made over that period," said a Gulf OPEC country official. "So don't expect the Gulf countries to instantly turn off supply just because the price goes under \$90." To date this year Saudi Arabia has earned a little over \$155 billion from oil exports, according to Reuters calculations based

on an export price for Saudi crude of \$114 on average. Riyadh is estimated to need about \$75-\$80 a barrel to balance its budget this year. Drollas said the CGES calculated that if OPEC kept output at current levels of about 31.5 million bpd, oil prices would fall to an average \$74 a barrel in the fourth quarter and \$59 a barrel in the first quarter of 2013.

### HIGH ARCTIC ANNOUNCES NEW CAMP FOR PNG

CHigh Arctic Energy Services Inc. has received a letter of award from its primary customer in Papua New Guinea to supply a new 104 man oilfield camp plus a 4 man "pioneer" camp. The heli-portable camp is a new build that will be constructed in Dubai by a supplier with considerable experience in supplying camps of this nature in PNG. A number of design changes will be incorporated to substantially reduce the footprint of the main camp and to make it easier to reassemble when moving to a new location by helicopter. These design changes were the result of a collaborative effort with the customer and should bring substantial cost savings and environmental benefits by reducing the size of the drilling locations. The pioneer camp is a self sufficient camp suitable for a small crew to set up at a new location prior to the arrival of the main camp. The total capital cost of the main camp and pioneer camp is budgeted at \$4.6 million including transportation to PNG and is being constructed under a fixed price contract. Delivery date in the field is planned for November, 2012. The award is for a firm one year term with demobilisation fees to apply if not extended beyond the one year period. With this latest commitment, High Arctic has now committed approximately \$9.6 million during 2012 for growth capital expenditures in Papua New Guinea. High

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Arctic has continued to add to its Durabase matting rental fleet with the order of a further 1,700 mats during 2012 all of which are committed to existing customers with delivery expected in the third and fourth quarters of 2012.

### NEXEN RELEASES 2011 SUSTAINABILITY REPORT

Nexen Inc. reported today the release of its 2011 Sustainability Report - a review of the company's health, safety, environmental, social and economic performance for the year. The report outlines Nexen's performance in 2011 and provides performance trends for the past three years. "This report summarizes our commitment to being a responsible energy company in health, safety, environmental, social and economic performance," said Kelly Kowalchuk, Vice President Health, Safety, Environment & Social Responsibility. "It offers a candid look at the opportunities and challenges our company

experienced in 2011 and our strategies to manage these going forward. At Nexen, we believe it's not just what we do that matters — it's how we get the job done. And this is ingrained in everything we do." Highlights from the report include: Achievement of a record-setting Total Recordable Injury Frequency (TRIF). Nexen achieved a TRIF of 0.22 for employees only and 0.67 for employees and contractors combined in 2011. - Improvements in reducing the volumes of spills over 2010. The volume of spills decreased by 67% and the number of crude oil, chemical and produced water spills decreased by nearly 5%. - Establishment of a data management system to centralize waste and water data across the company. - Steady investment in Nexen's three priority areas: education excellence and innovation; supporting community; and celebrating arts and culture. Nexen invested approximately \$11.3 million to communities where we operate in 2011. - Significant contribution

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to the economy. Nexen invested \$2.5 billion in goods and services and contributed approximately \$2.3 billion in income taxes and royalties. Being a responsible energy developer means continuously working to make internal process improvements and Nexen's Sustainability Report identifies improvement areas, including steps to further strengthen safety performance and manage environmental exceedances. For 2012, Nexen has set sustainability commitments which include: - Revising the company's Occupational Health and Industrial Hygiene procedures and ensuring awareness across the company. - Advancing a water monitoring program at Nexen's shale gas operations in northeast British Columbia. - Conducting a benchmark study on Nexen's approach to Aboriginal Relations and identifying improvement areas. Nexen created the 2011 Sustainability Report using the Global Reporting Initiative (GRI) G3.1 guidelines - an internationally recognized standard in sustainability reporting (Application Level B+). For the past nine years, Nexen has engaged the guidance of an External Advisory Group (EAG) to provide feedback on the company's sustainability management, performance and disclosure. Members of the EAG are representatives from a diverse group of experts. Since 2004, Nexen has had select performance indicators assured by an external verifier; 2011 data was assured by Deloitte & Touche LLP. Online

disclosure, which includes articles, photos, data tables, charts and graphs and videos featuring Nexen employees, partners and stakeholders, provides comprehensive sustainability information that complements the print report. Both are now available at [www.nexeninc.com](http://www.nexeninc.com).

**COMPTON EXTENDS CURE PERIOD FOR PAYMENT OF CREDIT FACILITY**  
Compton Petroleum Corporation has announced a further extension of the cure period to July 6, 2012 for the repayment of \$30.0 million drawn on its credit facility over the available amount of \$110.0 million; previously due June 22, 2012. The extension reflects continued progress made by the Corporation with its recapitalization, assisted by RBC Capital Markets.

**CEQUENCE CLOSES PRIVATE PLACEMENT**  
Cequence Energy Ltd. has announced that it has closed its previously announced bought deal private placement of 8,333,333 common shares at a price of \$1.20 per common share for gross proceeds of approximately \$10 million. The private placement was conducted through a syndicate of underwriters that was led by Peters & Co. Limited and included Cormark Securities Inc., National Bank Financial Inc., Stifel Nicolaus Canada Inc., Canaccord Genuity Corp., GMP Securities L.P. and TD Securities Inc. The net proceeds of the private placement

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### RIDGELINE CONSOLIDATES SUBSIDIARIES

Ridgeline Energy Services Inc. has announced that it is consolidating three of its wholly owned subsidiaries by amalgamating Ridgeline Environment Inc., Ridgeline GreenFill Inc. and Landmark Environment Ltd. with Ridgeline Energy Services Inc. The resulting consolidated company creates a simpler corporate structure, reduces administration and provides the Company with increased tax efficiencies. The services and products of Ridgeline Environment Inc. and Ridgeline GreenFill Inc. will continue to be provided in the normal course without any changes.

The businesses of these two subsidiaries will now be operated as separate divisions or business units of Ridgeline Energy Services Inc. Landmark Environment Ltd. had no active operations or business and will cease to exist. The amalgamation of these subsidiary companies is being completed in accordance with the Business Corporations Act (Alberta) and will become effective on July 1, 2012. All the assets, liabilities, undertakings and obligations of these wholly owned subsidiaries will be assumed by Ridgeline Energy Services Inc. The consolidation does not alter a shareholder's proportionate interest in the Company nor does it affect the Company's proportionate interest in its assets. The Company will be sending notices to its customers and vendors announcing the consolidation.

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