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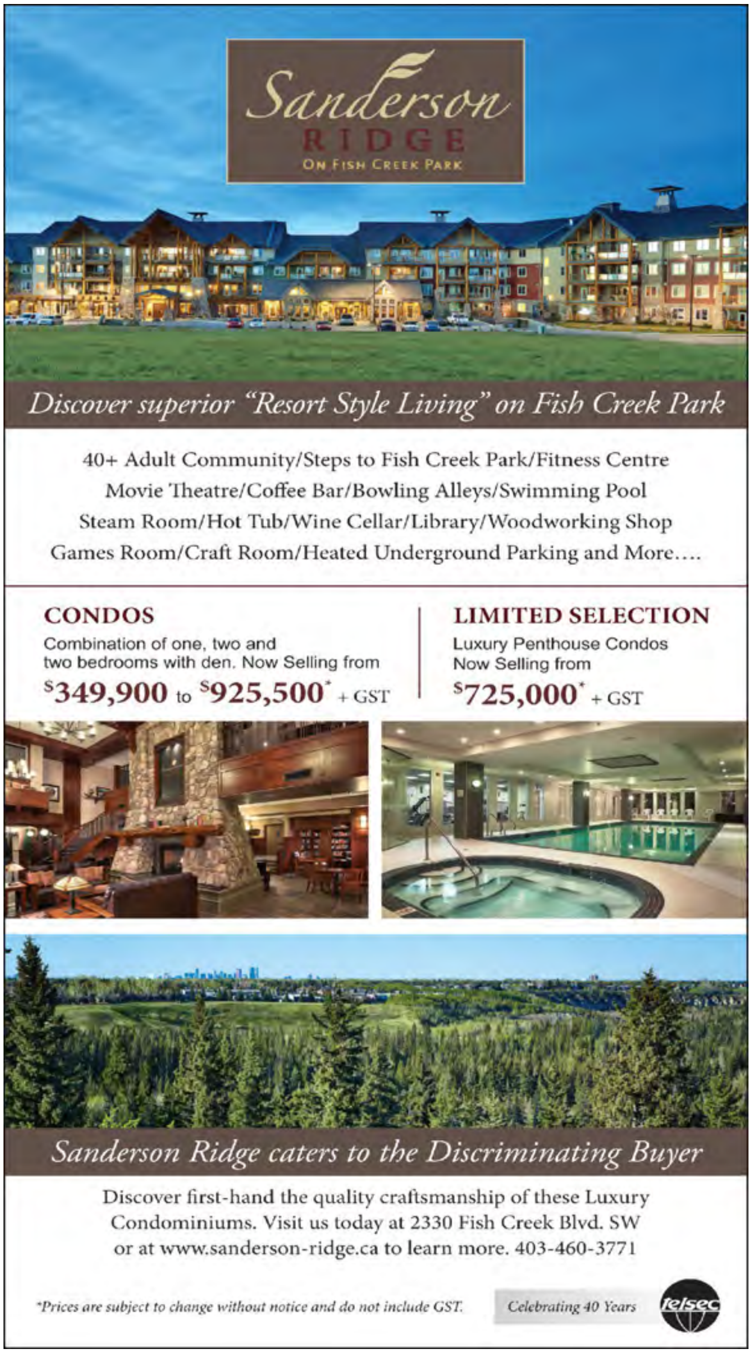
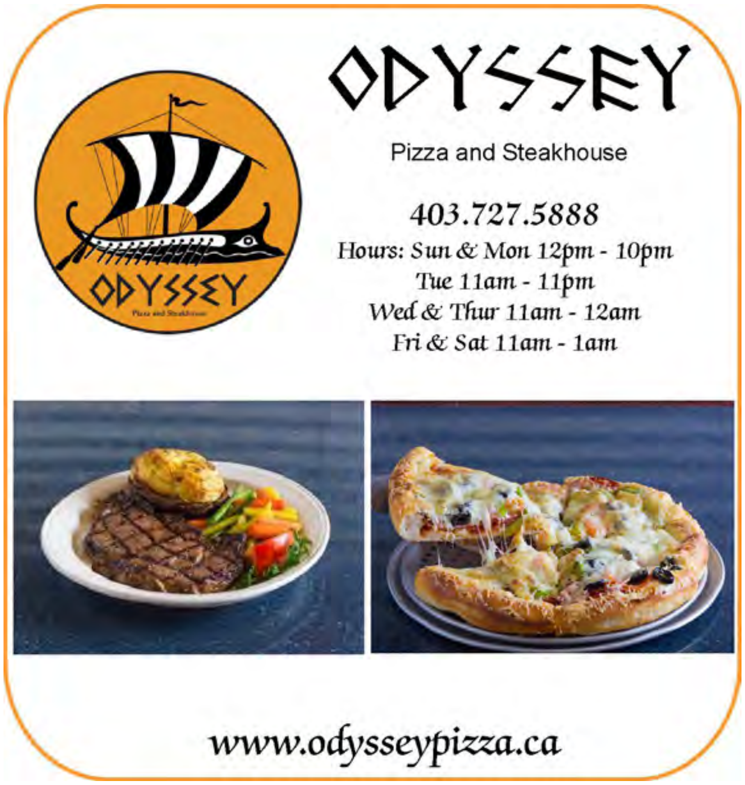


STATOIL EXITS PRODUCTION IN CANADIAN OIL SANDS

Norway's state-owned oil giant to take write-off of at least $500 million

Norway's state-owned oil giant. Statoil ASA. said Wednesday it is exiting its business in the Canadian oil sands, selling off its assets to Athabasca Oil Corp.and taking a loss of at least $500 million.The move ends Statoil's nearly decadelong foray into oil sands production and comes two years after the company canceled plans to develop a major oil sands project, citing concerns about profitability. It signals the challenges faced by Canada's oil sands, which are some of the world's highest-cost and most greenhouse gas intensive sources of crude oil."This transaction corresponds with Statoil's strategy of portfolio optimization to enhance financial flexibility and focus capital on core activities globally," Lars Christian Bacher, the company's executive vice president for international development and production, said in a statement. Even with a recent uptick in crude-oil prices to above $50 a barrel, oil sands producers in Canada have been squeezed by high upfront investment costs, tough new regulations on carbon emissions and limited pipeline access to markets.Last year, Royal Dutch Shell canceled a major oil sands project and took a $2 billion write-down. In October, Exxon Mobil said it may remove billions of barrels of oil sands crude from its books, citing low oil prices.The deal includes Statoil's 100% ownership of two key oil sands leases, a 24,000 barrel a day test project called Leismer and an undeveloped project known as Corner. Statoil indefinitely postponed plans in September of 2014 to develop Corner, which was expected to produce 40,000 barrels of oil a day.The 832 million Canadian dollars ($626 million) deal is structured to give Statoil a nearly 20% stake in Athabasca.That Calgary-based company said the Leismer project can break-even on an operating income basis with West Texas Intermediate crude prices as low as $44 a barrel. "Athabasca has the financial strength to drive oil-weighted growth at competitive metrics in the current nvironment," CEO Robert Broen said in a statement.The government of Alberta, where Canada's oil sands are concentrated, said it welcomed Athabasca's acquisition of Statoil's assets. "We are pleased to see that a strong Alberta-based company has taken over these assets and we look forward to the continued development of our oil sands," said Brad Hartle, a spokesman for the province's energy minister.Statoil entered the oil sands in 2007 when it bought North American Oil Sands Corp. in a deal then valued at $C2.2 billion. It then sold a 40% stake to Thailand's state-run PTT Exploration and Production Public Co., or PTTEP, which spun off those assets into a separate entity in 2014.The sale of its remaining operations to Athabasca will trigger a balance sheet impairment of $500 million to $550 million, Statoil said. Environmental critics that have long pressured Statoil to divest its oil sands holdings hailed the decision. "This is a victory for common sense," said Keith Stewart, the head of Greenpeace Canada's climate and energy campaign. "Any serious attempt to meet the Paris climate commitments will turn this kind of high carbon oil into a stranded asset," he said.Oil sands wells like those at Leismer are more costly and energy-intensive than shale or conventional oil wells. They require steam injections to leach out underground deposits of oil embedded in sand. Natural gas is burned to generate steam at a rate of about 1000 cubic feet per barrel of crude.The process, called steam-assisted gravity drainage, or SAGD, has exposed the oil sands industry to higher carbon taxes and an absolute cap on greenhouse gas emissions introduced by Alberta's new left-leaning government.The Norwegian oil giant said its offshore operations in Canada wouldn't be affected by the sale of its oil sands assets. Statoil has minority stakes in two producing assets off the coast of Newfoundland and two developmental projects. Statoil's business in North American also includes shale oil production in the Eagle Ford formation of Texas and North Dakota's Bakken Shale, as well as Marcellus basin shale gas on the U.S. east coast and Gulf of Mexico operations.



CANADIAN NATURAL TO SPEND LESS ON HORIZON OIL SANDS IN 2017, MORE ON EXPLORATION

Canadian Natural Resources (CNQ.TO 0.27%) is planning to complete the last major component of its Horizon oil sands expansion by the end of next year as part of a $3.9-billion capital spending program.The Calgary-based oil and gas company says the 2017 capital budget — which is marginally higher overall than this year's forecasted spending — will allocate about $1.71 billion to Horizon, down from $2.74 billion forecast for this year. However, spending on exploration and production projects will rise by $465 million, to $1.79 billion, and spending on thermal oil sands projects apart from Horizon will rise by $195 million to $365 million.The company says next year's capital spending program will be well within the company's ability to generate cash from operations.It says there's room to increase exploration and production even further or, alternatively, to reduce the capital program by about $900 million if commodity prices or economic conditions dictate.Canadian Natural estimates it will generate between $2.6 billion and $3 billion of free cash flow, before paying US$1.1 billion in dividends at the current rate, and it will take a balanced approach to allocating available funds.