DAILY OIL BULLETIN

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Amount Of Production For Sale Up Considerably

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The amount of oil and natural gas publicly for sale in Western Canada, measured in barrels of oil equivalent per day "boe/d" (using a 6 Mcf:1 bbl ratio) has increased substantially year over year. The amount of production on the market in the first quarter of 2012 was up approximately 47% over the amount that was up for sale in the first quarter of 2011. In the first quarter of 2012 there was approximately 140,000 boe/d publicly known to be available for sale through property dispositions, CCAA, receiverships, corporate sales or strategic alternative processes. This compares to approximately 95,000 boe/d in the first quarter of 2011.

Of the 140,000 boe/d available on the market in the first quarter of this year, approximately 78,500 boe/d consisted of property packages (including CCAA and receivership sales) and approximately 61,500 boe/d consisted of corporate divestitures or strategic alternatives processes. This compares to approximately 66,000 boe/d in asset packages and 29,000 boe/d in corporate dispositions and strategic alternatives processes in the first quarter of 2011.

The corporate divestiture and strategic alternatives category is responsible for the large increase in the amount of product on the market in 2012. On a year-over-year basis the total production for sale from this category increased 112%. The number of companies that were put up for sale or were seeking strategic alternatives grew approximately 26% year-over-year.

A few of the notable companies that announced strategic alternatives processes in the first quarter of 2012 were: **Anderson Energy Ltd.**, **Connacher Oil and Gas Limited**, **Cutpick Energy Inc.** and **Fairborne Energy Ltd.** Cutpick subsequently announced a deal with **Crescent Point Energy Corp.** while Fairborne announced the sale of its assets in the greater Sinclair area of Manitoba and Saskatchewan while continuing its strategic alternatives process.

In the first quarter of 2011, some examples of companies that entered into strategic alternatives processes were: **Caltex Energy Inc.**, **Culane Energy Corp.** and **Aspect Energy Partnership**. All three of these companies that went through a strategic alternatives process resulted in a sale of the company.

On a year-over-year basis, the amount of production from the asset disposition category increased approximately 22%, rising to 78,500 boe/d from 66,000 boe/d. Many of the major oil and natural gas companies in Calgary put assets up for sale throughout 2011, some of which were still sitting on the market in the first quarter of 2012.

Some of the companies that had large packages of assets for sale in the first quarter of 2012 were: **ConocoPhillips Canada**, **Talisman Energy Inc.**, and **Bonavista Energy Corporation**.

The oil to natural gas ratio, measured by production available on the market, increased from the first quarter of 2011 to the first quarter of 2012. Approximately 37% of the total production in the first three months of this year consisted of oil or natural gas liquids, compared to 29% in the same time period in 2011.

Despite the overall increase in oil and natural gas liquids on the market, the percentage of oil and natural gas liquids in the corporate divestiture and strategic alterative category decreased in the first quarter of 2012 compared to the first quarter of 2011. Approximately 55% of the production in 2012 consisted of oil and natural gas liquids compared to 62% in 2011. This suggests that some natural gas weighted companies decided to sell oil properties in order to raise capital, while other natural gas weighted companies have decided to try to sell out completely.

This rise in the amount of product on the market is not surprising with the decline of the price of natural gas early in 2012. This led to some casualties such as **Stone Mountain Resources Ltd**., which entered into receivership early in the second quarter of 2012. Stone Mountain's core assets are located in the Horn River Basin of northeastern British Columbia.

Selling assets is an alternative to selling stock at a significant discount to net asset value. A majority of the companies are unable to raise equity in market conditions like what we have seen so far in 2012. If companies can sell assets as an alternative to issuing equity, it gives them a source of capital which they can use to pay down debt or focus on core assets, among other things. The sale of assets may even result in premium metrics relative to a company's current trading metrics.

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