NYMEX OIL: US$78.05
+$1.38
February delivery
NYMEX N. Gas: US$5.64
-$0.18 per MMBTU
January delivery

Oilfield NEWS

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OIL CLOSES 2009 WITH BEST YEAR IN A DECADE

Crude-oil futures ended Thursday slightly higher and marked their biggest annual gain in 10 years, helped by a weaker dollar and hopes for an economic recovery. Natural gas fell after data showed inventories fell less than expected last week. Helping to improve economic confidence, government data showed initial jobless claims fell last week to a level lower than expected. In currencies trading, the U.S. dollar was weaker versus most major rivals, pressured by an apparent round of year-end position squaring. Crude futures for February delivery ended up 0.1% at $79.36 a barrel on the New York Mercantile Exchange, after hitting $80.05 earlier in the session. Futures ended the year up 78%, the biggest gain since 1999. "Part of this year's gain is a correction from last year's big drop," said James Williams, an economist at energy research firm WTRG Economics. "And there are some hopes for economic recovery, plus a fairly substantial cut by OPEC right at the beginning of the year." Crude futures slumped more than 50% last year amid the worst economic downturn in decades, their biggest yearly loss since oil futures started trading in New York in 1983. The Organization of Petroleum Exporting Countries cut its production quota by 4.2 million barrels a day starting at the beginning of 2009. In 1999, oil had surged more than 110%, rebounding from big losses incurred in the previous two years, during the Asian financial crisis. Despite oil futures' nearly 80% gain, the United States Oil Fund, the biggest oil exchange-traded fund, ended the year up less than 20%. The way the fund is structured and a special trading pattern on Nymex crude futures cut into the ETF's gains. In other energy trading Thursday, natural-gas futures erased earlier gains after the Energy Information Administration reported U.S. inventories fell 124 billion cubic feet in the week ended Dec. 25. Analysts polled by Dow Jones expected a drop of 147 billion cubic feet. At 3,276 billion cubic feet, stocks were 379 billion cubic feet higher than last year at this time and 391 billion cubic feet above the five-year average. Natural gas for February delivery was down 2.4% at $5.572 per million British thermal unit. Gas futures fell 0.9% in the year. The United States Natural Gas Fund, the biggest gas ETF, dropped more than 50% this year.Also in energy trading, January gasoline rose 1.5% to $2.0406 a gallon, and January heating oil rose 0.3% to $2.1093 a gallon.

OPEC OUTPUT ROSE IN DECEMBER

OPEC increased crude-oil production in December to the highest level in a year as members took advantage of rising prices, a Bloomberg News survey showed. Output averaged 28.965 million barrels a day this month, up 65,000 barrels from November, according to the survey of oil companies, producers and analysts. The 11 countries with quotas, all except Iraq, pumped 26.615 million barrels a day, 1.77 million above their target. All members exceeded their production goals. OPEC cut output quotas by 4.2 million barrels to 24.845 million barrels a day last year as fuel demand tumbled during the worst global recession since World War II. The group left the targets unchanged at a Dec. 22 meeting in Luanda, Angola. Compliance was at about 60 percent, according to the survey. "It looks like OPEC production will continue to rise in coming months," said Michael Lynch, president of Strategic Energy & Economic Research in Winchester, Massachusetts. "OPEC is counting on increased demand. They will be in trouble if their assumptions turn out to be incorrect." Crude oil futures have more than doubled from a four-year low of $32.40 a barrel touched in December 2008, which caused OPEC to curb production. Prices rose 8 cents to settle at $79.36 a barrel today on the New York Mercantile Exchange, a six-week closing high. Oil futures climbed 78 percent this year and tripled over the past decade. Nigeria's output rose 100,000 barrels a day to an average 2.005 million, the biggest increase of any member and the highest level since March 2008. The country exceeded its target by 332,000 barrels a day. A cease-fire and amnesty agreement with the Movement for the Emancipation of the Niger Delta, the country's main militant group, allowed Nigeria to pump more oil before an attack on Dec. 19. Kuwaiti output climbed 35,000 barrels to 2.25 million barrels a day. The country produced 28,000 barrels a day more than its quota, exceeding its target by the least of any member. Only Iraq, which isn't subject to a quota, and Saudi Arabia, OPEC's largest producer, cut output. Iraq pumped 2.35 million barrels a day, 50,000 barrels a day less than last month and the lowest level since April. Saudi Arabia, the group's biggest producer, trimmed output 40,000 barrels to 8.15 million barrels a day. The kingdom exceeded its quota by 99,000 barrels a day. Output in Iran, OPEC's second-biggest producer and the largest over-producer, was flat at 3.795 million barrels a day, 459,000 barrels a day above its quota. The United Arab Emirates, OPEC's fourth-largest producer, boosted output by 10,000 barrels to 2.27 million barrels a day, putting the country 47,000 barrels a day above its target.

MACKENZIE PIPELINE UPDATE

A proposed $16.2-billion natural gas pipeline through the Northwest Territories moved closer to reality Wednesday after winning approval from a regulatory panel. The Joint Review Panel, a federally appointed group that for five years has been examining the socio-economic and environmental impact of the proposed Mackenzie Gas Project, released its long-awaited findings. The pipeline proposal is backed by a consortium led by Imperial Oil Ltd., and includes ExxonMobil Corp., ConocoPhillips, Royal Dutch Shell PLC and the Aboriginal Pipeline Group. The review panel's recommendations include: Establishing project targets for greenhouse gas emissions; Creating wildlife protection plans in the region; Ensuring government protection against development, at least on an interim basis, for lands identified for protected status. The Joint Review Panel's report has been handed over to the National Energy Board, which will hold a final round of its own hearings in April. The board will then have to decide if the Mackenzie Gas Project can go ahead. The board's decision will then be subject to final approval from the federal cabinet. The panel report has been anxiously awaited by the proponents of the pipeline, which would transport processed natural gas 1,196 kilometres from Inuvik, N.W.T., south through the Mackenzie Valley to a facility to be built in northwestern Alberta. The natural gas would come from three gas fields, identified as the anchor fields, located near the Beaufort Sea in the Mackenzie Delta. According to Imperial spokesman Pius Rolheiser the release of the Joint Review Panel's report is "an encouraging step, but only one of the steps remaining." Among the groups and stakeholders that began reviewing the report Wednesday was the Northwest Territories government, which will forward its official response in June to federal Environment Minister Jim Prentice. The federal government is also expected to respond to the report's findings.