NYMEX OIL: US$74.08
-$2.00
March delivery
NYMEX N. Gas: US$5.81
+$0.19 per MMBTU
February delivery

Oilfield NEWS

Esso

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FRIDAY PRICES

Benchmark crude for March delivery fell US$2.00 to $74.08 on the New York Mercantile Exchange in afternoon trading. In other Nymex trading in February contracts, heating oil fell 48 cents to settle at $1.94/gal while gasoline fell 2 cents to $1.96/gal. Natural gas gained 19 cents to finish at $5.81 per 1,000 cubic feet. In London, Brent crude fell $1.60 to $71.95 on the ICE Futures exchange.

OIL FALLS OVER 2 PERCENT

Oil prices fell more than 2 percent to a 2010 low around $76 a barrel on Thursday, after government data showed a sharp drop in U.S. refining activity to nearly its lowest level in 25 years, indicating weak demand for fuels. The U.S. Department of Energy reported Thursday that refineries scaled back utilization rates by 2.9 percentage points to 78.4 percent of capacity last week. Barring occasional periods of hurricane-related refinery outages, the rate was the lowest since the 1980s, according to DOE data. "Consumer demand is weak, and it all starts from there," said Tim Evans, an energy analyst at Citi Futures Perspective in New York. U.S. crude oil for March delivery, the new front-month contract, settled $1.66 lower at $76.08 a barrel, after dipping to $75.66, the lowest price since December 23. Prices have slid sharply since crude hit a 15-month high of $83.95 on January 11. In London, Brent crude fell $1.74 to settle at $74.58 per barrel. U.S. crude oil inventories dipped by 400,000 barrels to 330.6 million barrels last week in the world's largest energy consumer, the DOE said, but the small unexpected crude decline was overshadowed by the fall in refinery rates, suggesting a fuel demand slump has continued. "Until we get refinery rates up, it looks like crude oil demand is just lackluster," optionsXpress analyst Mike Zarembski said. Oil traders shrugged off last week's drop in U.S. distillate stocks, which include diesel and heating oil. Distillates declined by 3.3 million barrels to 157.1 million barrels, while gasoline inventories rose by 3.9 million barrels to 227.4 million barrels. A proposal by President Barack Obama on Thursday to cut proprietary trading at large banks that took U.S. government bailouts over the past 18 months also led to selling of commodities like oil. Analysts said that big banks, which often invest tens of millions of dollars of their own funds daily into commodities markets, could see their trading volumes reduced if the proposal is enacted. U.S. equities also fell Thursday, and the dollar's jump to a five-month high against the euro also pressured commodities. Commodities priced in the greenback tend to fall as the dollar rises as they become more expensive for holders of other currencies. Prices were also weighed down by concerns China will take further measures to temper its booming economy, after it posted double-digit growth in the fourth quarter for the first time since 2008. China's annual gross domestic product growth accelerated in the fourth quarter to 10.7 percent -- the fastest in two years -- from a revised 9.1 percent in the third, the National Bureau of Statistics said Thursday. China's economy grew by 8.7 percent for all of 2009. "Investors will soon have to assess whether this report will be strong enough to allow the commodity rally to continue without alarming the authorities even further," MF Global analyst Edward Meir said.

SUNRISE OIL SANDS PROJECT UPDATE

Husky Energy Inc.has announce that it has completed front end engineering and design (FEED) for Phase 1 of the Sunrise Oil Sands Project and has obtained necessary approvals from the Government of Alberta, Environment Department and the Energy Resources and Conservation Board to proceed with the project. "Overall, the cost estimate for Phase 1 has been reduced by more than $1 billion through design optimization, " said John C.S. Lau, President & Chief Executive Officer of Husky. "Under the current market environment and the applied facility design for Phase 1, the Sunrise Oil Sands Project has been able to achieve a solid sustainable economic return." With the FEED work complete and regulatory approval for the amended design in place, Husky is preparing to issue requests for proposals (RFP) for the central plant and field facilities. The first five well pads are being built and site preparation work for the central facilities will be finalized this year. Pending project sanction by Husky and its partner BP, the detailed engineering, procurement, and construction phase of the project is scheduled to begin in the second half of 2010, with Phase 1 production anticipated in 2014. The Sunrise Oil Sands Project, located 60 km northeast of Fort McMurray, will use Steam Assisted Gravity Drainage (SAGD) technology. Husky estimates that Sunrise contains 3.7 billion barrels of proved, probable plus possible reserves (0.13 billion barrels proved, 1.9 billion barrels probable and 1.7 billion barrels possible, of which Husky has a 50 percent working interest), as of December 31, 2009. Capital cost for Phase I (60,000 barrels per day) is estimated at $2.5 billion, down from the earlier forecast of $3.8 billion to $4.0 billion under the original design plan. Under current regulatory approvals, production is expected to ramp up to 200,000 barrels per day once all phases have been built and are operational in the 2020 timeframe.

AOS SUBMITS CLEARWATER APPLICATION

Alberta Oilsands Inc. has announced that it has submitted a Clearwater West Low Pressure Steam Assisted Gravity Drainage Pilot Project application to the Energy Resources Conservation Board and Alberta Environment for approval. The project is located in the southwest quarter of Section 22 Twp 088 R08W4, approximately one mile southeast of the Fort McMurray Regional Airport. The location is ideally situated as it is in close proximity to abundant services and infrastructure that would facilitate the rapid construction of the facilities, following the approval of the application by the ERCB and AE. The application is a comprehensive document that is designed to address all of the rigorous requirements to be met prior to approval of a project of this size. These include geological data from the drilling of 22 core holes, detailed cap rock studies, reservoir simulation studies, horizontal well designs, front-end engineering design for the project facilities and infrastructure, environmental impact and emergency response, including surface environmental and brackish source water studies, and public consultation plan. The project has a design production capacity of 715 m3/day (4,500 barrels per day (bpd)) of bitumen, coming from six (6) horizontal well pairs. The "stacked" well pair configuration comprises two layers of three parallel horizontal well pairs each, one layer located near the base of the McMurray

Formation and the second layer located approximately halfway in the depth of the reservoir. A low pressure solvent co-injection scheme is planned for the lower layer of wells. The upper layer of wells is intended to have low pressure steam injection only with the potential application of electro-magnetic heating technology. The objectives of the project are to demonstrate the producability and operating characteristics of the thick, bitumen saturated McMurray Formation in the project area. It is also to demonstrate feasibility and operational safety aspects of in-situ bitumen recovery in the Clearwater area and in proximity to the Fort McMurray Regional Airport. The original submission date of Q3 2009 was deferred due to the inclusion of the "stacked" well pair configuration. The doubling of the number of well pairs in the pilot required recalculation and re-engineering of the pilot surface facilities, reservoir simulation model, process parameters and the air and noise modeling related to the environmental assessment work.

CONOCO SEES Q4 REFINING LOSS

ConocoPhillips, the third-largest U.S. oil major, says its refining business will report a loss in the fourth quarter as the global economic slowdown depresses demand for fuel. Refining margins around the world have been hit hard as the cost of input, crude oil, rises faster than demand. Both Chevron Corp and Marathon Oil Corp have already warned of weakness in fourth-quarter refining margins. Conoco's refinery utilization rates have also been hurt by maintenance work, the company said. Conoco's average worldwide crude oil refining capacity utilization rate for the fourth quarter is expected to be upper 70-percent range. Domestic utilization is expected to be in the lower 80 percent range, while international utilization is seen in the upper 50 percent range, ConocoPhillips said. Maintenance costs are estimated at about $140 million for the fourth quarter. Fourth-quarter oil and gas output, excluding the Houston company's 20 percent interest in LUKOIL, is expected to be about 1.83 BOE per day, Conoco said in its interim update. Full-year 2009 output is expected to be 1.85 million BOE per day, than 3 percent higher than 2008. Results in the company's chemicals business are expected to be significantly lower than the third quarter of 2009, hurt by lower volumes and margins. The oil major also plans to take about $575 million in charges, after-tax, in part to reflect changes in royalty rates, foreign exchange and natural gas prices. In October, Conoco said it planned to sell $10 billion in assets over the next few years to reduce debt and improve its financial position. Conoco will report earnings on Jan. 27.

CHEVRON TO SCALE BACK REFINING

A lingering recession and a sharp downturn in demand for gasoline and diesel fuel are forcing U.S. oil giant Chevron Corp. to overhaul its global refining business in a sweeping plan that includes laying off workers and possibly closing or selling some refineries around the world. In a video message to employees, Mike Wirth, executive vice president for Chevron's global downstream business, announced a restructuring of the company's refining business that will include trimming its work force by a yet-to-be-determined number. Wirth did not discuss the fate of assets or markets. Further details about the reorganization will come in March and the plan will be fully in place by the third quarter, company spokesman Lloyd Avram said Tuesday. "There is excess capacity and shrinking demand, so to make our downstream operations more profitable long-term we are reducing the size and complexity of our downstream operation. That means fewer positions and fewer employees," Avram said. The company's downstream business employs 18,000 worldwide. That includes 8,200 in the U.S., 900 in Texas and 700 in Houston's supply and trading group. Downstream typically refers to operations after oil and natural gas is extracted, such as transmission, refining and retail marketing. Chevron, the second-largest U.S. oil company after Exxon Mobil Corp., employs more than 60,000 in all its operations worldwide and does business in more than 100 countries. The announcement of the restructuring comes on the heels of an earnings update last week in which Chevron warned that income from its downstream operations would be sharply lower. The company said refining margin were down in some markets by as much as 59 percent. Chevron releases its fourth-quarter earnings Jan. 29.

INSIGNIA Q4 DRILLING RESULTS

Insignia Energy Ltd. has providiedan operational update with respect to its fourth quarter 2009 drilling program. At Pouce Coupe, Alberta, the Company has drilled, cased and completed a 100% owned horizontal well at 13-29-77-11 W6M (the "13-29 well") to a total depth of 3,450 meters which includes a 1,285 meter horizontal section in the Lower Doig formation. Sample and background gas analysis indicated high quality reservoir for the entire length of the horizontal. The well was successfully completed through a cemented liner with 9 separate multi stage fracture completions. Following completion, the well produced up 4 1/2" casing for a clean-up and test period of 140 hours. The final flow rate was approximately 4 mmcf/d at a flowing wellhead pressure of approximately 600 pounds per square inch. The 13-29 well is currently shut in pending the recovery of downhole pressure recorders and, once retrieved, it is anticipated that the well will be tied in and placed on production prior to the end of February 2010. The Company has approximately 29 net sections of land in the immediate area. This land is prospective for both the Montney and Doig formations and Insignia has identified in excess of 80 net drilling locations. At Caroline, Alberta, the Company has drilled, cased, completed and tied in a 100% owned vertical well at 16-13-34-7 W5M (the "16-13 well") to a total depth of 3100 meters. The 16-13 well was successfully completed in six separate intervals including the Glauconitic, Ostracod and Ellerslie formations. The well has been on production since early January 2010, at an average rate of approximately 2 mmcf/d of liquids rich gas plus 25 bbls/d of free condensate for a total production rate of approximately 350 boe/d. The Caroline area is an emerging area for Insignia and, at present, the Company has 15 net sections of prospective lands and has identified in excess of 15 net drilling locations on these lands. At Grand Prairie, Alberta, the Company has drilled, cased and completed a 100% vertical well at 16-1-72-7 W6M (the "16-1 well") to a total depth of 1,120 meters. The 16-1 well was targeting the Dunvegan formation and this formation has been completed and is pending further analysis. As previously disclosed, the Company is advancing its drilling and capital program for the first half of 2010 which presently includes follow up drilling at each of its Pouce Coupe and Caroline areas with an additional 100% owned horizontal well planned at Pouce Coupe and up to 2 (1.5 net) vertical wells at Caroline. As well, in the Pembina area, Insignia holds 4.5 net sections in Twp 48 Rge 5 W5M. These lands are highly prospective for the Cardium oil development. The Company has identified approximately 24 net drilling locations on these lands and is currently moving forward to drill the first of these wells in mid 2010. The Company exited 2009 at a rate of 2,050 boe/d and is currently producing approximately 2,350 boe/d.

STELMACH SIGNS TWO AGREEMENTS IN THE UAE

Alberta Premier Ed Stelmach capped off his mission to the United Arab Emirates (UAE) with the signing of a Memorandum of Understanding on economic cooperation with the government of Abu Dhabi. "This agreement marks a new era of economic cooperation with Abu Dhabi," said Stelmach. "Our strong energy sectors have given a solid foundation to our partnership and we're moving forward with new trade and investment opportunities. This will bring benefits to both economies." Stelmach signed the agreement with His Excellency Nasser Ahmed Alsowaidi, Chairman of Abu Dhabi Department of Economic Development. The agreement will set the stage for stronger economic relations between Alberta and Abu Dhabi through closer cooperation in a number of areas, including energy, environmental protection, agriculture, education, technology and innovation. Earlier in the week, Stelmach was a panelist at the prestigious World Future Energy Summit. The four-day summit is one of the world's leading conferences on responsible energy development and production. "I was truly honoured to attend the summit and meet one-on-one with a number of influential decision-makers from around the world, including the Minister of Economic Affairs for the Kingdom of Netherlands, South Korea Vice Minister of Trade and Energy, and Minister of New and Renewable Energy for India," said Stelmach. "It was great to share Alberta's story with so many international dignitaries. I certainly made clear that Albertans are serious about how we develop our energy resources - we are leaders in clean energy research and development, and our policies set the bar in environmental management." During the summit, Stelmach also signed an MOU on Carbon Capture and Storage (CCS) with Masdar - a wholly owned company of the Government of Abu Dhabi. "Carbon capture and storage is at the heart of Alberta's plan to combat climate change and there is much we can share with Abu Dhabi," said Stelmach, who notes Abu Dhabi is also making tremendous strides in developing CCS technology. "This agreement will help both of our jurisdictions to further advance energy research and innovation." The agreement commits Alberta and Abu Dhabi to share information on CCS technologies and policies, support projects of mutual interest, and explore opportunities for collaboration between public and private partners in both jurisdictions.While in Abu Dhabi, Stelmach also met with a number of public and private sector leaders, including Ministers of Energy and Foreign Trade for the UAE, CEO of Abu Dhabi National Oil Company, and CEO of Etihad Airways. In addition, the Premier attended the announcement of a new sour gas conference that will alternate yearly between Abu Dhabi and Alberta. The Government of Alberta has a clear plan for a strong economic recovery. *The Way Forward* will bring Alberta back into a surplus position in three years by trimming government spending; using cash reserves to protect key programs; continuing to invest in public infrastructure; and ensuring that our province's industries are competitive and continue to attract investment to provide jobs and prosperity.