

**NYMEX OIL: US\$79.81**  
 +\$0.75  
 March delivery  
**NYMEX N. Gas: US\$5.04**  
 -\$0.13 per MMBTU  
 March delivery



# ilfield NEWS



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### FRIDAY PRICES

Benchmark crude for March delivery rose 75 cents to \$79.81 on the New York Mercantile Exchange in afternoon trading. In other Nymex trading in March contracts, heating oil rose 18 cents to settle at \$2.07/gal while gasoline gained 2 cent to \$2.09/gal. Natural gas lost 13 cents to finish at \$5.04 per 1,000 cubic feet. In London, Brent crude gained \$1.18 to \$77.91 on the ICE Futures exchange.

### 10TH ANNUAL ARCTIC GAS SYMPOSIUM

The Arctic Gas Symposium is the gathering place for those involved in northern projects. Now in its 10th year, this annual event continues to bring together the who's who of the northern gas delivery world, and the communities involved. The 2010 conference covers a broad range of important issues, including new hot spots for Arctic exploration, pipeline project updates, northern infrastructure, and community partnership best practices. This year's speaker faculty features over 20 high level decision makers, community leaders and government officials, including: - Admiral Tom Barrett, Deputy Federal Coordinator, Alaska Natural Gas Transportation Projects - Tim Coleman, Director, Mackenzie Valley Pipeline Office,

Government of Northwest Territories - Richard Edjericon, Chair, Mackenzie Valley Environmental Impact Review Board - Bob Bleaney, General Manager, Denali Canada - Tony Palmer, Vice President Alaska Development, TransCanada - Kimberly Fairman, Regional Director, Canadian Northern Economic Development Agency (CanNor) - Dr. Martin Fowler, Geo-Mapping for Energy and Minerals, Energy Component Program Manager, Natural Resources Canada - Bob Reid, President, Aboriginal Pipeline Group (APG) - Ron Sumanik, Oil & Gas Resources, Ministry of Energy, Mines and Resources, Yukon Government. 2010 Conference Co-Chairs: - Benoit Beauchamp, Executive Director, Arctic Institute of North America, University of Calgary - Phil Fontaine, Former National Chief, Assembly of First Nations For a full list of speakers and conference agenda, visit [www.ArcticGasSymposium.com](http://www.ArcticGasSymposium.com). Date: March 2 & 3, 2010. Location: Hyatt Regency, Calgary.

### NEXEN Q4 RESULTS AND UPDATE

Nexen Inc. Thursday announced a profit of \$259 million in the last three months of 2009. That reversed a loss of \$181 million it incurred in the same period a year earlier as it increased oil and gas production and

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overcame problems at its Long Lake amounted to 30 cents per share compared  
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were \$1.55 billion, compared with \$1.27 billion. Production after royalties in the quarter was 235,000 barrels of oil equivalent per day, up from 198,000. Production increased from offshore operations in the North Sea and Gulf of Mexico. Nexen reported fourth quarter cash flow of \$836 million (\$1.60/share), an increase of 50% over 2008. For the year Nexen generated cash flow of \$2.2 billion (\$4.25/share) and earnings of \$536 million (\$1.03/share). Results were lower than the previous year as WTI averaged US\$61.80/bbl in 2009 compared to US\$99.65/bbl in 2008. In addition, the impact of scheduled downtime at several of our facilities reduced production volumes for the year. The fourth quarter delivered their strongest quarterly production volumes since early 2008, averaging 265,000 boe/d (235,000 boe/d after royalties) compared to 214,000 boe/d (184,000 boe/d after royalties) in the previous quarter. This increase reflects more production in the North Sea from Ettrick and Telford as well as the start up of Longhorn in the Gulf of Mexico. In addition, Nexen saw production return from scheduled downtime during the previous quarter for maintenance and turnaround activities at Buzzard, Scott/Telford, the Gulf of Mexico and Long Lake. Buzzard continues to perform well and contributed 86,500 boe/d (200,000 boe/d gross) in the quarter. We expect our North Sea volumes to remain strong in 2010 with Buzzard producing at plateau rates, Ettrick ramping up and additional development drilling at Telford. In 2009, Nexen invested \$2.8 billion on oil and gas activities and added 184 million boe of proved and 349 million boe of probable reserves, before the year-end transition to new SEC reserve rules. They are not carrying any proved or probable reserves for their discoveries in the Eastern Gulf, at Knotty Head or for their shale gas lands. Nexen's conventional reserve replacement ratio is the best in three years at approximately 90% and excludes any potential proved reserve additions relating to our discoveries in the Golden Eagle area, at Owowo, Vicksburg and Knotty Head. In the North Sea, Nexen added 34 million boe of proved and 33 million boe of probable reserves. At Buzzard, they added 22 million boe of proved reserves. For the Golden Eagle area, we added 32 million boe of probables which brings their total booked probable

reserves for this area to 50 million boe. At Long Lake, Nexen added 107 million bbls of proved and 336 million bbls of probable reserves. Following the acquisition of an additional 15% interest in the Long Lake project and joint venture lands, Nexen increased its proved and probable reserves by 86 million bbls and 220 million bbls, respectively. In addition, core hole drilling and ongoing delineation of the reservoir increased their proved and probable reserves by 21 million bbls and 116 million bbls, respectively.

## LUKOIL FAILS TO FULLY REPLACE RESERVES

Russia's second biggest oil firm LUKOIL replaced 95 percent of its 2009 production with new reserves, trailing behind its top rival Rosneft. Analysts closely watch reserves replacement ratio as a sign the company can grow production in the future and maintain output year to year. LUKOIL, 20 percent owned by ConocoPhillips said on Friday its proved reserves rose by 782 million barrels of oil equivalent due to geological exploration, production drilling and acquisitions in 2009, slightly below the amount it produced. Its total stood at 17.5 billion barrels of oil equivalent by the end of last year, including 13.7 billion barrels of oil and 22.9 trillion cubic feet of gas. The figure could have been 1.8 billion barrels of oil equivalent higher if LUKOIL was not forced to transfer them from the category of proved reserves into lower categories citing new stricter rules by U.S. Security and Exchange Commission. "The company expects that these volumes will be returned into the proved reserves category as their development start date draws nearer or some new technologies are applied," it said. Rosneft said earlier this month it had increased its reserves by 2.5 percent last year, or 163 percent by different reporting standards, maintaining its position as the biggest of the world's publicly traded oil companies.

## SCHLUMBERGER IN TALKS TO BUY SMITH

Oilfield service leader Schlumberger Ltd. is in advanced talks to buy rival Smith International Inc. The report of the talks, citing people familiar with them, sent shares of Smith up more than 13 percent. Shares of Schlumberger, which would extend its clear global lead over Halliburton Co with the purchase, fell 3 percent. Such a

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takeover would represent a homecoming for Smith Chief Executive John Yearwood, who was senior adviser to Schlumberger CEO Andrew Gould for more than two years before moving to Smith early last year. It would also be the latest consolidation in oilfield services, a sector that saw its profits shrink as oil and natural gas companies cut spending on projects when the boom collapsed in 2008. The third-largest oil field services company, Baker Hughes Inc., is expected to close its \$6 billion takeover of smaller peer BJ Services Co this quarter. Weatherford Ltd, the No. 4 U.S.-listed player, bought the services unit of BP Plc affiliate TNK-BP last year. Outside those top four players, who are the best-placed to compete in a world where oil and gas companies increasingly seek one-stop shopping for oilfield services, Smith looked the most in need of adding to its arsenal. Similarly sized FMC Technologies Inc and Cameron International Corp have both seen strong

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demand for their subsea products as deepwater drilling booms in places like Brazil, led by state-controlled Petrobras. Smith's market capitalization at Thursday's close was about \$7.5 billion, and a typical premium of about 20 percent would put the price of the deal near \$9 billion. Smith is one of the largest providers of products and services used by operators during the drilling, completion and production phases of oil and gas development activities. Schlumberger and Smith operate a 60-40 joint venture called M-I SWACO that supplies drilling fluids and specialty tools to the oil and gas sector. A potential bid for Smith would likely get a hard look from antitrust regulators, one analyst said, and likely require the companies to divest some assets. While the acquisition would give Schlumberger access to Smith's strong drill bit business, that benefit would be much smaller than those resulting from Baker's strategic move to buy BJ, according to analyst Joe

Hill with Tuder, Pickering Holt Energy Research in Houston. "There's no such imperative for Schlumberger to do this. That's why it's a bit of a head-scratcher," he said. Still, Schlumberger is not likely to face another potential suitor for Smith, since few other companies would see a better fit for their business, he said.

**IVANHOE TAMARACK DRILLING UPDATE**

David Dyck, President and Chief Executive Officer of Ivanhoe Energy Canada Inc. today announced that Ivanhoe Energy has completed over 50% of its 30-well delineation drilling program at the Tamarack project in the Athabasca region of northern Alberta, and expects to complete drilling by mid-March. In addition, engineering tasks related to the Tamarack Heavy-to-Light (HTL) upgrading facility and the upstream facilities are firmly on schedule. Ivanhoe Energy has three drilling rigs on-site, drilling 24 hours per day. Drilling operations are focused on the centre of the Tamarack lease, the area Ivanhoe Energy has targeted for Phase I development. This area contains top quality, thick, clean oil sands with net pay in the 30 to 45 meter range. The well logs that have been obtained are consistent with data from earlier delineation drilling which indicated that the lease contains clean, very thick oil sands with high oil saturation. Delineation drilling consists of drilling core-holes in sufficient density to accurately map the characteristics of the reservoir. This program will complete all drilling requirements for Phase I before steam assisted gravity drainage (SAGD) well drilling takes place. "This delineation drilling program is an important milestone for us," said David Dyck. "Once this program is completed, we will have fulfilled a key requirement to file our regulatory application in mid-2010 for the development of the Tamarack integrated heavy oil project." Submitting the

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regulatory application is a key stage-gate, under new US SEC reporting guidelines, to allow Ivanhoe Energy to sequentially migrate portions of its Tamarack asset base in 2010 from the current 441 million barrels of "best estimate contingent resource" category to categories of reserve recognition, such as probable and possible reserves. The results from this drilling program will be utilized by Ivanhoe Energy's independent evaluator, GLJ Petroleum Consultants, to generate an updated resource report. Based on current resource estimates, Tamarack could ultimately be capable of supporting

production of up to 50,000 barrels per day from an integrated HTL facility for approximately 30 years.

**HUSKY'S JOHN C.S. LAU ANNOUNCES RETIREMENT**

Husky Energy announced today that Mr. John C.S. Lau has advised the Board of Directors of his intention to retire as President & CEO of the Company. The Board will make an announcement regarding the appointment of a successor in due course prior to Mr. Lau's retirement taking effect. Following his retirement, Mr. Lau will relocate to Hong Kong, where he

will assume responsibility for leading the development of the Company's businesses in the Asia-Pacific Region including existing businesses in Indonesia and the South China Sea. Husky has made significant progress in its objective to create a material oil and natural gas business in the region. It is leading the development of a deepwater natural gas discovery in Block 29/26 of the South China Sea, one of the largest discovered gas fields offshore China. In Indonesia, Husky has an approved Plan of Development to produce natural gas from the BD gas field in the Madura Strait.

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