

NYMEX OIL: US\$81.49
-\$0.38
April delivery
NYMEX N. Gas: US\$4.52
+\$0.01 per MMBTU
April delivery



oilfield NEWS

www.oilfn.com



Published By **NEWS COMMUNICATIONS** since 1977

Canadian Edition

Wednesday March 10, 2010

TUESDAY PRICES

Benchmark crude for April delivery fell 25 cents to settle at \$81.49 on the New York Mercantile Exchange. In other Nymex trading in April contracts, heating oil fell 2 cents to \$2.09 /gal and gasoline fell 3 cents to \$2.09/gal. Natural gas fell 1 cent to finish at \$4.52 per 1,000 cubic feet. In London, Brent crude dropped 38 cents to \$79.18 on the ICE exchange.

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count rose 23 to 1,396 for the week of March 6, 2010. It is 226 rigs higher than last year. The number of rotary rigs drilling for oil was even at 456. There are 215 more rigs targeting oil than last year. Rigs currently drilling for oil represent 30.7% percent of all drilling activity. Rigs directed toward natural gas were up 21 at 926. The number of rigs currently drilling for gas is 10 more than last year's level of 916. Year-over-year oil exploration in the US is up 63.6 percent. Gas exploration is up 5 percent. The weekly average of crude oil spot prices is 111.7 percent higher than last year and natural gas spot prices are 25.2 percent higher. Canadian rig activity was up 6 at 576 for the week of February 26, 2010 and is 182 (42.1%) higher than last year's count.

SHELL JOINS PETROCHINA IN AN OFFER IN AUSTRALIA

Arrow Energy of Australia said Monday that it had received a takeover offer worth about \$3 billion from a company owned by Royal Dutch Shell and PetroChina, the government-run gas and oil giant. Arrow, which produces natural gas from coal beds, called the offer of 3.3 billion Australian dollars (\$3 billion) "nonbinding" and "conditional," and recommended that its shareholders wait before taking action. Arrow shares were at 3.48 Australian dollars (\$3.17) on Friday, but started trading above the bid Monday in Sydney. They rose 1.63 Australian dollars, or 46.8 percent, to 5.11 Australian dollars (\$4.64), suggesting that investors expect the final offer to be higher. Shell confirmed Monday that it was in talks to buy Arrow, with the exception of its international business, in which Shell already holds a small stake. Through a jointly owned company, Shell and PetroChina are offering 4.45 Australian dollars (\$4.04) for each Arrow share, as well as one share in a new company that would be made up of Arrow's international operations. In a filing last August with the Australian Securities Exchange, Arrow said it was in "discussions with parties with respect to the potential monetization options" and cited a "potential change of control." Arrow said Citigroup and UBS were acting as its financial advisers for the talks. This would

be PetroChina's first stake in the coal bed methane sector in Australia, an industry that has attracted huge investments in recent years from firms like ConocoPhillips, BG Group of Britain and Shell itself, which already owns part of Arrow's coal bed grounds. China has had

REQUIRED IMMEDIATELY

Looking for Steamer/Operator Swamper for Weyburn area. H2S and First Aid Tickets required. Please email resumes to: davar@xplornet.com

FOR SALE! TURNKEY OPERATION

In the Middle of the Oilfield
 Situated in Pink Mountain, B.C. Right off the Alaska HWY. at mile 146. 8.2 Acres with ten men camp & four men camp. Also 2 water trucks, 1 steam truck & 2 1000 gallon tanks. Clients already established. Lots of opportunity. **SERIOUS INQUIRIES ONLY**
Call (250) 264-7673

SALES MANAGER REQUIRED

Western Sales, a progressive multi-store John Deere dealership is seeking a Sales Manager.

This individual will manage the sales department in our Davidson location. Your job function will be establishing sales goals, managing sales reps, coordinating product training, handling major customer issues, and developing marketing strategies.

Ideal candidate will have previous experience in selling equipment and managing people. Prior experience in servicing equipment or strong mechanical skills is key. Ability to be calm and make good business decisions is vital. A minimum of 5 years experience is required. A University degree is an asset but is not required.

Salary is competitive with a good benefit package.

To apply to this position e-mail: Rome Molsberry @romem@westernsales.ca or fax: Attn: Rome @ 306-882-3389



COMPLETE WELDING & FABRICATION SERVICE



- B-PRESSURE, SMALL BORE & CWB CERTIFIED
 - PORTABLE/ON-SITE FABRICATION
 - FACILITY & PLANT MAINTENANCE
- W47.1/W59 WELDING SUPERVISOR**
H₂S • WHMIS • TDG • FIRST AID • IRP16



403-352-0734
fullfusionwelding@telus.net

trouble with previous deals in Australia, which may explain the collaboration with Shell. In the last few months, talks collapsed between PetroChina and Woodside Petroleum over a deal for the Chinese company to buy up to \$40 billion in liquefied natural gas, and last summer, Rio Tinto abandoned a deal worth almost \$20 billion with Chinalco, which was seeking access to its copper and iron ore. The Rio Tinto deal showed the cautious approach of Australians, who worry about ceding too much control of their natural resources to Chinese state-run companies. In Australia, the Foreign

Investment Review Board examines all major acquisitions by foreign companies and advises the government on whether they conform to its investment policy.

CHEVRON ANNOUNCES JOB CUTS

Chevron Corp, the second-largest U.S. oil company, put some of its downstream operations up for sale, including its Pembroke refinery in the UK, and said it would eliminate 2,000 jobs this year. As it concentrates increasingly on extracting oil and natural gas, Chevron expects 1 percent annual production growth through 2014, and 4 percent to 5 percent growth in



- Fewer Strokes = Less Maintenance**
- ➔ Double the stroke with half the energy output
 - ➔ Dryer System removes all moisture from the Hydraulic Systems
 - ➔ Moves 3x amount of liquid in one stroke
 - ➔ 25 - 40% saving on shipping and installation
 - ➔ Automated Pump off control
 - ➔ Extended rod life due to lower SPM's

TUNDRA
Boiler & Instrumentation Ltd.

www.tundrasolutions.ca
1-800-265-1166

HEAT HAWG Keep Your Wells From Freezing This Winter With the **HEAT HAWG HEAT TRACE SYSTEM**
NEGATES THE NEED FOR STEAM TRUCKS
www.heathawg.com 1-866-568-4294

Chinook Scaffold Systems Ltd.
INDUSTRIAL - COMMERCIAL
Innovative Scaffolding to meet your needs
(888) 562-0600
201, 149 Wallace St. Nanaimo, BC V9R 5B2
www.chinookscaffold.ca

the three years after that, driven by two big Australian gas projects. John Watson, in his first full presentation to analysts since becoming chief executive this year, affirmed his support for refining and marketing on Tuesday, even as that downstream side of the business undergoes wrenching changes. U.S. and European refiners have been hit hard as the economic slump left them with too much capacity while demand for fuel declined, hammering their profit margins. Mike Wirth, Chevron's executive vice president for global downstream, expects the tough market conditions to last several years and said growing competition from refineries in Asia and the Middle East will threaten U.S. and European operations. "Good refineries, competitive refineries in those markets will continue to exist, but the refineries at the margin and the weaker ones are the ones that are under the most pressure and the most vulnerable," he said at the meeting in New York. "The less competitive facilities over time are likely to drop out of the market." Watson told reporters after the meeting that he did not expect to have to close any refineries, as France's Total SA said on Monday it is doing in Dunkirk. "Our refineries are competitive. The issue for us has been the industry conditions are very difficult right now," he said. The company will seek bids for some downstream operations in Europe, the Caribbean and Central America, and review operations in Hawaii and Africa outside South Africa. Asked about the Hawaii refinery, already

under review since May, Watson said that after making some improvements, Chevron does not plan to shut it or convert it to a fuel terminal. Chevron had already received unsolicited expressions of interest in the Pembroke refinery in Wales, which has capacity to refine about 210,000 barrels per day. But the refineries up for sale will join many others already put on the market by rivals, including Royal Dutch Shell Plc and Total. Chevron said it ultimately wants its downstream business to be in fewer than 40 countries, versus 93 last year, and to own 1,900 filling stations, down from 3,200 in 2009. Along with 1,900 jobs already cut, the downstream workforce will be reduced by a fifth by the end of 2010. Wirth expects after-tax severance charges of \$150 million to \$200 million this quarter, and Chevron will continue to cut jobs into 2011. Watson, a 30-year Chevron veteran who became vice president in charge of mergers and acquisitions in 1998, said the company had been reducing its downstream exposure for the past decade, selling off nearly \$1 billion in assets per year on average. He said Chevron has been reshaped, with capital employed in upstream rising to a 65 percent share from about half in 1999, and that share should grow further in the years ahead. Watson told reporters that oil prices will rise eventually as supply dries up. "We don't expect sharp spikes in the near future; but in the years ahead when that surplus capacity diminishes, the potential for an increase in prices is



MAPLE LEAF METALS
(a Partnership) a Scaw Metals Group business
Buyers of All Types of Scrap Metal, Batteries and Brass

A Member of the Ferrous Metals and Industries Division of Anglo American plc

**Keeping Our Customers Satisfied Since 1979
With Today's Most Advanced
Scrap Metal Handling Equipment**

**"HELPING CLEAN UP THE ENVIRONMENT
BY RECYCLING FOR TODAY'S NEEDS"**

Buyers of All Qualities of Scrap Metal

BEST PRICE PAID FOR WE SELL - NEW & USED

- BRASS
- ALUMINUM
- RADIATORS
- BATTERIES
- CAR BODIES
- COPPER
- LEAD
- STEEL
- CAST IRON
- STAINLESS

Mon - Fri
8:00 A.M. - 5:00 P.M.
Sat.
8:00 A.M. - 12:00 P.M.
Closed Holidays

**No Minimum Amount
We Cut To Size**

- ANGLES
- CHANNELS
- PLATE
- PIPE
- TUBING
- BEAMS



**FULL CONTAINER SERVICE
STEEL BROKERS FOR ALTA STEEL (SCAW)**

www.mapleleafmetals.com
4510 - 68 AVENUE 780-468-3951

there." Like its rivals, Chevron sees natural gas as a growing part of its future. Liquid reserves fell to 62 percent of its total in 2009, down from 66 percent a year before. Chevron said on Tuesday it expects natural gas to represent 41 percent of production by 2017, up from 31 percent now. The company highlighted two huge gas projects off the coast of Western Australia: Gorgon, which should start up in 2014 and hit peak production of 450,000 barrels of oil equivalent per day (boepd), and Wheatstone, starting two years later and expected to reach peak production of 260,000 boepd. In the next three years, Chevron is set to approve or start 25 upstream projects that cost at least \$1 billion. One, due to begin early engineering work in 2011, is an expansion of the Tengiz project in Kazakhstan, which should grow production by 250,000 to 300,000 barrels per day to about 900,000. Exxon Mobil Corp will outline its 2010 plans for analysts at a meeting in New York on Thursday.

OIL COMPANIES TAKE MORE RISKS WITH PRICE REBOUND

rebound in oil prices has encouraged oil and gas companies to take more risks in their quest for reserves, drilling deeper in more remote waters or finding new

sources of energy, top executives said on Tuesday. After the trauma of oil's 2008 collapse and tentative recovery last year, oil executives at the CERAWEEK annual conference brimmed with confidence in the future of oil, particularly in the wake of high-profile successes in the ultradeep waters in the U.S. Gulf of Mexico and offshore Brazil. Crude oil prices are trading around \$80 per barrel, well up from the late 2008 lows near \$30 a barrel, which has prompted more energy companies to again start looking at ways to grow output after a year where many projects were shelved because of the recession. Barriers to offshore exploration like the earth's salt layer have been torn down by advances in seismic technology and drilling and companies are looking for oil in places they have never been. BP's new frontier is in the U.S. Gulf of Mexico, where it struck a potentially billion-plus barrel field last year with the industry's deepest well ever -- Tiber -- at 35,050 feet (1,300 meters) -- in over 4,000 feet of water. "We are looking for oil and gas in evermore testing conditions," said Andy Inglis, chief executive, exploration and production at BP. SaudiAramco, state firm of the world's top oil exporter and guardian of the world's largest reserves, plans to drill "some very deep offshore wells" for the first time in the

Red Sea in 2012, CEO Khalid Al-Falih told the conference. "We hope to find both oil and gas," he said. That campaign is part of Aramco's pledge to increase upstream spending by nearly 50 percent from the previous period to \$90 billion over the next five years, with a growing share spent on natural gas, an increase that Falih urged other companies to emulate to ensure the world's needs are met. ConocoPhillips, the third largest U.S. oil company, is looking to produce methane hydrates, which had never been commercially produced, from beneath the ocean floor in the Arctic.

WARM WEATHER BAD NEWS FOR DRILLERS

Above-average temperatures that are expected to continue in Alberta may be good news for those who hate long winters in Western Canada, but it's bad news for companies who want to extend their winter drilling programs into March. As of Monday morning, the Government of Alberta's Transportation Department implemented road bans for the southern half of the province. The rig count is still in the 570s, as it had been through February. However, as the rigs working south of Edmonton finish their wells, road restrictions will make it increasingly difficult for the rigs to relocate, according to Raymond James analyst Andrew Bradford. That means the rig count will begin its seasonal decline. The region includes the newly popular Cardium play southwest of Edmonton. It should see a seasonal slowdown, followed by a pickup in activity when road bans are lifted later this spring, Mr. Bradford told clients. He points out that while most Western Canadian rigs work north and west of Edmonton, weather forecasters are also calling for above-average temperatures in Grande Prairie in the coming weeks. As a result, Alberta's thaw line should continue to move northward in the next few days, impacting more and more oil and gas drillers in the region.

NO OPEC QUOTA CHANGES LIKELY

The global oil market is oversupplied and OPEC will not change production quotas when its members next meet in Vienna on March 17, the head of Libya's National Oil Company said on Friday. "There is an excess of supply in the market," Shukri Ghanem said. "We do not foresee a change in OPEC (production) quotas." Ghanem added that, "before considering an increase or a cut in production, (existing) quotas should be respected." At its last meeting in Angola on December 22, the Organisation of Petroleum Exporting Countries left its total production unchanged at 24.84 million barrels a day. OPEC ministers say they are content with oil prices where they are and analysts say they are unlikely to do anything to alter the current trading range between US\$70 and US\$85 per barrel. Iran's OPEC governor was quoted on Tuesday as saying the 12-country grouping may not necessarily increase

output if oil demand rises, as other producers might boost their production. The U.S. Energy Information Administration on Tuesday raised its forecast for non-OPEC crude oil production growth this year by 550,000 barrels-per-day this year to 50.82 million bpd. In its monthly report, the agency also said it expected world oil demand to rise by 1.47 million barrels per day in 2010 from a year earlier.

CEPA WELCOMES CHANGES TO PIPELINE APPROVALS PROCESS

The Canadian Energy Pipeline Association (CEPA) applauds the federal government's decision to eliminate red tape in pipeline projects which are federally regulated, and replace them with simpler processes that offer improved environmental protection. The 2010 Speech from the Throne indicated that the government plans to "untangle the daunting maze of regulations that needlessly complicates project approvals"; to continue to invest in clean energy technologies; and to reform the northern regulatory regime to help expedite key pipeline projects. "CEPA welcomes this decision, which will help our member companies' pipeline projects avoid duplicative procedures and unnecessary red tape, while ensuring a better process for protecting our environment," said Brenda Kenny, president of CEPA. "Delaying decisions on these projects does not make them safer or more environmentally sound and in fact delays can move projects to construction times that are less ideal for the environment." The 2010 federal budget reads that: Responsibility for conducting environmental assessments for energy projects will be delegated from the Canadian Environmental Assessment Agency to the National Energy Board and the Canadian Nuclear Safety Commission for projects falling under their respective areas of expertise. The National Energy Board (NEB), which has been in operation for more than 50 years, is accountable for large pipeline projects and international power-lines. This does not affect resource projects within provinces, such as oilsands. "The changes in processes provide greater certainty to the industry. Well-coordinated and consolidated management and oversight is the best way to deliver results," said Kenny. "In terms of quality of evidence, quality of decision-making, focus on environmental results, and inspection and monitoring, the NEB will adhere to the same rigorous standards."

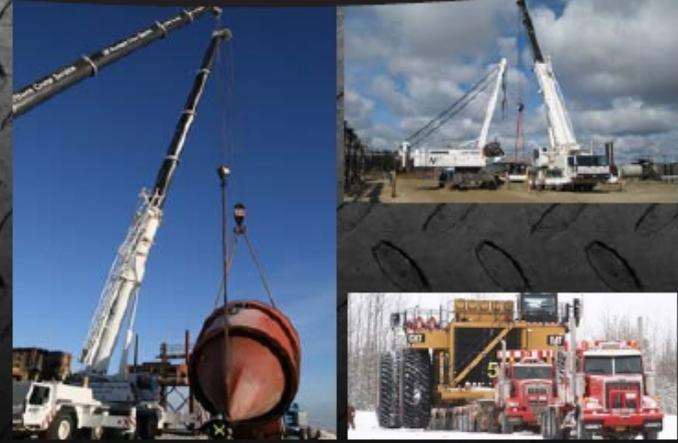
KALLISTO ACQUISITIONS AND DRILLING UPDATE

Kallisto Energy Corp. (formerly Arrow Energy Ltd. - AOF) has announced that Glenn Gradeen, P. Eng. has been appointed a director of the Company. Mr. Gradeen is currently Chief Operating Officer of Cirrus Energy Corporation and previous positions have included President and CEO of Berkana Energy Corp. and President and Chief Operating



Cranes from 8 ton to 1200 ton
All Terrain Cranes
Rough Terrain Cranes
Crawler Cranes
Boom Trucks

NORTHERN CRANE SERVICES
"GIVING SAFETY A LIFT"



**THE LIFTING AND HEAVY HAUL
SOLUTIONS PROVIDER OF CHOICE**

GRANDE PRAIRIE	FORT ST. JOHN	EDMONTON	FORT MCMURRAY
780.532.8212	250.787.0930	780.447.4440	780.791.0424



Officer at Ocelot Energy Inc. Mr. Gradeen is also a director of Caltex Energy Inc., a private Canadian E&P company. The Company also announced that it has completed the acquisition of an additional working interest in two of its three producing Pembina, Alberta Cardium horizontal oil wells. These interests were acquired pursuant to options exercised under the terms of farmout agreements whereby the Company farmed out a portion of its interest in the two wells. The acquisitions completed are as follows: 1. An 8.333% working interest in the 6-4-48-3W5 well for cash consideration of \$390,296 (subject to certain purchase price adjustments), effective as of February 1, 2010. Following the acquisition, Kallisto has a 25% working interest in this well; and 2. A 3.0% working interest in the 6-33-47-3 W5 well for cash consideration of \$265,000, effective as of December 1, 2009. Following the acquisition, Kallisto has a 16.667% working interest in this well. The Company has additional options to increase its working interest in 6-33-47-3 W5 and 16-34-47-3 W5 to 25% on terms similar to those of the 6-4-48-3 W5 well. Management expects to exercise those options within the next few weeks. In addition, completion operations on the fourth horizontal well of its Pembina drilling program located at 13-33-47-3 W5, which included 14 multi-stage fracture stimulations, have been successfully concluded. Flow-back operations to recover completion fluid have commenced and it is expected that the well will be placed on production within the next few weeks. Kallisto has a

30% working interest in this well. The Company is reviewing several financing alternatives to fund a portion of its 2010 acquisition and drilling programs.

VERO 2009 FINANCIAL RESULTS AND UPDATE

Vero Energy Inc. has announced its 2009 financial and operating results. Highlights: Total Proved finding, development, and acquisition costs including change in future development capital of \$6.17 per boe. Proved plus probable finding, development, and acquisition costs including change in future development capital of \$6.98 per boe. Net asset value of \$9.67 per share at December 31, 2009. Increased average daily production by 10% to 6,941 boe/d. Drilled 16 (13.9 net) wells with a 100% success rate. 13 (11.4 net) of these wells were horizontal and 9 (7.4 net) were drilled in the second half of the year in several new plays. Funds flow was \$27.6 million (\$0.69 per basic and diluted share). Net debt was \$88.9 million at year-end or 2.3 times annualized fourth quarter cash flow. This represents a 14% decrease from \$103.9 million of net debt at the end of 2008. 2010 Update: Current production is exceeding first quarter exit guidance of 9,000 boe/d (80 % natural gas) on the strength of exceptional horizontal drilling in multiple zones. Drilled 7 (6.5 net) horizontal wells to date; completed and started up 3 (2.5 net) wells; 1 (1.0 net) completed and waiting tie-in; waiting to complete 3 (3.0) wells in the next few weeks. Currently drilling 3 (2.1 net) horizontal wells expected to be completed and brought on prior to quarter end or early in the second quarter.