NYMEX OIL: US$82.15
+$0.38
April delivery
NYMEX N. Gas: US$4.34
+$0.01 per MMBTU
April delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for April delivery rose 38 cents to settle at $82.15 on the New York Mercantile Exchange. In other Nymex trading in April contracts, heating oil rose 1 cents to $2.12/gal and gasoline gained 1 cents to $2.13/gal. Natural gas rose 1 cents to finish at $4.34 per 1,000 cubic feet. In London, Brent crude gained $2.19 to $80.05 on the ICE exchange.

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count increased 11 to 1,407 for the week of March 12, 2010. It is 281 rigs (25.0%) higher than last year. The number of rotary rigs drilling for oil was up 10 at 466. There are 238 more rigs targeting oil than last year. Rigs currently drilling for oil represent 33.1% percent of all drilling activity. Rigs directed toward natural gas were up 1 at 927. The number of rigs currently drilling for gas is 43 greater than last year's level of 884. Year-over-year oil exploration in the US is up 104.4 percent. Gas exploration is up 4.9 percent. The weekly average of crude oil spot prices is 79.0 percent higher than last year and natural gas spot prices are 14.9 percent higher. Canadian rig activity was down 64 at 479 for the week of March 12, 2010 and is 259 (117.7%) higher than last year's rig count.

IEA RAISES 2010 OIL DEMAND ESTIMATE

The International Energy Agency raised its forecast for global oil demand this year for a second month as fuel consumption in Asia rises more than expected. The IEA increased its estimate for world demand in 2010 by 70,000 barrels a day to 86.6 million barrels a day. That would mean a gain of 1.6 million barrels a day, or 1.8 percent, from 2009 levels, it said. Economies outside the Organization for Economic Cooperation and Development continue to lead the recovery in consumption, the IEA said. “Global oil demand resumed growth on a yearly basis in the fourth quarter of 2009 after five consecutive quarters of decline,” the Paris-based agency said in its monthly oil market report today. “This year’s global oil demand growth will be driven entirely by non-OECD countries, with non-OECD Asia alone representing over half of total growth.” China will account for almost a third of global oil demand growth this year, according to IEA estimates, offsetting stagnant consumption in developed economies, particularly Europe. This growth could be revised upward as the Chinese government signals it will continue to foster economic growth as long as inflation pressures remain moderate, according to the agency. Oil consumption in non-OECD countries is forecast to average 41.2 million barrels a day in 2010, an increase from last year of 1.7 million barrels a day, or 4.3 percent, according to the IEA. That is 190,000 barrels a day more than the agency estimated last month. Preliminary data indicate Chinese apparent demand surged by an “astonishing,” 28 percent year-on-year in January, with the biggest increase in naphtha demand, according to the IEA. The agency raised its 2010 demand forecast for China by 130,000 barrels a day to 9 million barrels a day, representing an increase of 6.2 percent from 2009. In contrast, the IEA cut its forecast for oil consumption in OECD countries by 120,000 barrels a day from last month to 45.4 million barrels a day. That means it now expects demand in those economies to shrink 0.3 percent this year. Even as consumption rises globally, the IEA also cut the estimate for the amount of crude OPEC will need to pump to balance demand and supply as production estimates from outside the group rise. The agency estimates that the Organization of Petroleum exporting countries will have to produce 29.3 million barrels a day this year, 100,000 barrels a day fewer than it estimated last month. OPEC, which accounts for more than a third of global supply, will meet in Vienna next week to decide on production quotas. Members pumped the most in 14 months in February, according to the IEA, with Iraq accounting for more than half the monthly increase. Non-OPEC production is now estimated at 51.8 million barrels a day in 2010, an increase of 330,000 barrels a day from 2009, a stronger outlook from the North Sea, Egypt, Russia, Thailand and Colombia, as well as revisions to Canada's production data, the IEA said. That is 205,000 barrels a day more than it forecast last month.

SHELL TARGETS GROWTH ASSET SALES AND JOB CUTS

Royal Dutch Shell PLC said Tuesday it will boost production by 11 per cent by 2012, more than it had previously forecast, and at the same time cut costs by selling operations and slashing 1,000 more jobs. The targeted output rise, to 3.5 million barrels of oil per day, would reverse a decade of production declines at Europe's largest oil company and sharply boost cash-flow from operations. Shell had previously estimated production would increase by just 6-9 per cent through 2012. "All this is underpinned by a new wave of project startups," said Chief Executive Peter Voser in a discussion of the company's strategic plans. "Beyond that we have an upstream portfolio that can grow to at least 2020." Shell has been investing heavily in new production since a major accounting scandal forced it to slash its estimates of proven reserves by around a third in 2004. Shell's 2009 net profit of $12.5 billion fell by more than 50 per cent from $26.3 billion in 2008, due to declining oil prices and slimmer refining margins. Yet Shell said it expects its capital expenditures to remain high by industry standards, at least $25 billion per year for years to come. As a result, the company said Tuesday it will freeze its 2010 dividend at the 2009 levels to keep its balance sheet strong while waiting for the production and cash-flow increases to materialize. Shell said it added around 3.4 billion barrels of oil to proven reserves in 2009, and 2.4 billion of new resources, a less rigorous category, "including new barrels in the Gulf of Mexico, North America tight gas, and Australia," Shell said in a statement. It called 2009 "the best year for exploration in a decade." Shell will try to raise an average of $3 billion a year by selling 15 per cent of its refining assets and 35 per cent of its retail outlets. "Although oil companies have been cushioned from the recession by OPEC's action on quotas and oil prices, Shell has been disadvantaged recently, due to our higher exposure to refining," Voser said, explaining the move. "The global refining industry may be in oversupply for some time," he said. Analyst Gray said Shell's sales plan "looks like a fairly aggressive approach to improving the underlying profitability of this business" In addition, the company announced plans to cut 2,000 jobs before 2012, 1,000 more than previously announced. In the year ended in December, Shell laid off around 5 per cent of its work force of roughly 100,000.

BP SELLS OILSANDS PART INTEREST TO DEVON

Oil giant BP PLC is paying $7 billion US to U.S.-based Devon Energy for exploration rights in the Gulf of Mexico, offshore Brazil and in the Caspian Sea, the two companies announced Thursday. The deal includes the sale by BP, for $500 million, of a 50 per cent stake in its Kirby oilsands interests in Alberta to Devon. Andy Inglis, BP's chief executive of exploration and production, said the joint venture in Canada will give BP a partner that is "an experienced operator in the Canadian oilsands with a proven track record of in situ development and production." In situ production is used when oilsands are too deep to be mined, and heat is used to extract the oil so it can be pumped to the surface. "We expect this transaction will accelerate the development of the Kirby assets," Inglis said. BP will get interests in 10 offshore exploration blocks covering 560,000 hectares off Brazil and will consolidate its place as the dominant producer in the Gulf of Mexico. Oklahoma City-based Devon's plan is to focus on onshore oil and natural gas in North America. "These sales, combined with our previously announced divestitures of $1.3 billion of deep-water Gulf of Mexico assets, put Devon well on the way to completing its strategic repositioning," said Devon CEO Larry Nichols. Devon sold stakes in three development projects in the Gulf in December to Maersk Oil for $1.3 billion. "This is a good deal for BP and is consistent with its recent comments that it sees more asset based deals than corporate transactions," said Richard Griffith, analyst at Evolution Securities. Griffith said the Kaskida discovery in the Gulf of Mexico, which BP now owns in full after buying Devon's 30 per cent stake, could be worth $6 billion.

NEB APPROVES KEYSTONE XL PIPELINE PROJECT

The National Energy Board has approved an application from TransCanada Keystone Pipeline GP Ltd. to construct and operate the Keystone XL Pipeline Project, as well as the proposed tolls for the pipeline once it becomes operational. The NEB found the proposed pipeline to be in the public interest and accepted that the project would connect a large, long term and strategic market for Western Canadian crude oil with the U.S. Gulf Coast in a manner that would bring economic and other benefits to Canadians. The Canadian portion of the project involves the construction and operation of approximately 529 kilometres of new pipeline and related facilities. The $1.7 billion project will transport crude oil from Hardisty, Alberta to the Canada/U.S. border at Monchy, Saskatchewan. It will have an initial capacity of approximately 111 300 m(3)/d (700 000 barrels per day (b/d) of crude oil and is designed to be expandable to 143 100 m(3)/d (900 000 b/d). The NEB's approval to proceed with this project includes 22 conditions, all of which must be met before TransCanada will be granted permission to open the pipeline. Key conditions target safety, protection of the environment and landowner rights. The Board also imposed an obligation to monitor greenhouse gas (GHG) emissions. In addition the company must outline the methodology it used, what variables might affect those results, and describe mitigation measures to reduce emissions.

MACKENZIE PIPELINE PROJECT REMAINS ON HOLD

The companies proposing to build the $16.2-billion Mackenzie Gas pipeline again delayed its proposed startup date on Monday. The consortium has yet to make its final decision on whether to go ahead. Imperial Oil said in a letter to the National Energy Board that the companies would likely make their decision on whether to proceed in late 2013. The update included a market analysis that suggested there will be a long-term need for Arctic gas, despite new technology that has opened up previously inaccessible shale formations in the south. When the companies filed their application in 2004, the start date was 2009. Several delays have been announced since then, while the companies have awaited clearance from regulatory agencies. The panel reviewing the project's environmental and social effects conditionally approved it on Dec. 30, 2009, and the National Energy Board issued draft conditions for its approval earlier this month. There is no update to the Mackenzie project's most recent cost estimate of $16.2 billion, established in 2007. Shell Plc, ConocoPhillips, Exxon Mobil Corp and the Aboriginal Pipeline Group.

ENSIGN 2009 RESULTS

Ensign Energy Services Inc. recorded net income of $125.4 million ($0.82 per common share) for the year ended December 31, 2009, a 52 percent decrease from $260.0 million ($1.70 per common share) recorded in 2008. Operating earnings, expressed as EBITDA (defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation), for 2009 were $309.0 million, a 38 percent decrease from EBITDA of $497.1 million for the twelve months ended December 31, 2008. Funds from operations similarly decreased 37 percent to $257.4 million ($1.68 per common share) in 2009 from $406.8 million ($2.66 per common share) in the prior year. The decrease in the Company's financial results is directly attributable to the impact of the unprecedented global economic crisis that weakened oil and natural gas supply and demand fundamentals for much of the year. The oilfield services industry experienced a significant reduction in demand, particularly in North America, as the exploration and production companies, the Company's customers, reacted to weak oil and natural gas demand and commodity prices. Net income of $22.6 million ($0.15 per common share) for the fourth quarter of 2009 decreased 69 percent from net income of $73.8 million ($0.48 per common share) recorded in the fourth quarter of 2008. Net income for the fourth quarter of 2009 was negatively impacted by lower levels of demand for oilfield services and reduced margins resulting from a general over-supply of oilfield service equipment, particularly in North America. Gross margin was 28.8 percent for the fourth quarter of 2009 compared with 29.5 percent in the fourth quarter of 2008. The gross margin was negatively impacted by fourth quarter maintenance expenditures in preparation for the Canadian winter drilling season and reduced margins from United States operations as price reductions associated with contract renegotiations were implemented during the fourth quarter. Despite the challenging environment, the Company's established geographic diversification and strong balance sheet allowed it to take advantage of opportunities to continue to grow. The 14 Automated Drill Rig ("ADR(TM)") and seven well servicing rig new build program that commenced in 2008 was completed in December 2009, continuing the enhancement of the Company's technical capabilities and bolstering its presence in key markets. Two of the newly constructed ADR(TM)-1500 drilling rigs marked the entry of the Company into the promising Haynesville shale gas play in Louisiana. The Company also took advantage of an opportunity to enter the oilfield services market in Mexico, acquiring FE Services Holdings, Inc. ("Foxxe Energy") and its fleet of six drilling rigs in December 2009. A total of $185.1 million was spent on acquisitions and the purchase of additional equipment in 2009, down 33 percent from the $274.3 million invested in new equipment in 2008. The Company increased its quarterly dividend declared in the fourth quarter of 2009 to a rate of $0.0875 per common share, an increase of three percent from the 2009 third quarter rate of $0.0850 per common share. This modest increase maintains the Company's annual dividend increase trend dating back to the first dividend paid in 1995. Additionally, the Company extinguished its long-term debt in 2009 by the early repayment of a promissory note payable with a face value of $20.0 million. This promissory note was issued in July 2008 in connection with the purchase of 12 specialty drilling rigs and related equipment. The Company utilized existing cash resources to extinguish the debt which bore interest at a rate fixed above current market rates of interest. Working capital at December 31, 2009 was $107.9 million compared to $107.0 million at December 31, 2008. Positive working capital and no long-term debt means that the balance sheet remains a source of strength for the Company. A strong balance sheet, financial discipline, commitment to safety, geographic diversification and the drive to be a technological leader are the cornerstones of a proven strategy that will enable Ensign to continue to grow opportunistically and generate positive returns throughout the challenges of a cyclical industry.

SUPERIOR PLUS COMPLETES FINANCING

Superior Plus Corp. has announced the successful closing of the previously announced issue of $150,000,000 million aggregate principal amount of 5.75% convertible unsecured subordinated debentures at a price of $1,000 per Debenture. The Debentures were offered to the public through a syndicate of underwriters co-led by TD Securities Inc. and CIBC, and including National Bank Financial Inc., Scotia Capital Inc., BMO Capital Markets and Cormark Securities Inc. . The Underwriters maintain an over-allotment option to purchase up to an additional $22,500,000 aggregate principal amount of Debentures at the same price, exercisable in whole or in part at any time for a period of up to 30 days following March 16, 2010. As previously announced, Superior intends to use the net proceeds to repay existing revolving term bank debt and for general corporate purposes. Wayne Bingham, Executive Vice-President and Chief Financial Officer stated "Superior continues to have excellent access to the capital markets; the closing of this Debenture financing further strengthens Superior's balance sheet, providing Superior with the financial flexibility to execute on future opportunities." The Debentures bear interest from the date of issue at 5.75% per annum, payable semi-annually in arrears on June 30 and December 31 each year commencing June 30, 2010. The Debentures have a maturity date of June 30, 2017 (the "Maturity Date"). The Debentures are convertible at the holder's option at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date specified by Superior for redemption of the Debentures into fully paid and non-assessable common shares of Superior at a conversion price of $19.00 per Common Share, being a conversion rate of approximately 52.6316 Common Shares for each $1,000 principal amount of Debentures, subject to adjustments as provided in the indenture governing the Debentures.