NYMEX OIL: US$74.84
-$0.53
June delivery
NYMEX N. Gas: US$4.16
+$0.03 per MMBTU
June delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for June delivery fell $0.53 to $75.84 on the New York Mercantile Exchange. In other Nymex trading in May contracts, heating oil fell 1 cents to $2.13/gal and gasoline fell 8 cents to $2.18/gal. Natural gas gained 3-cents to $4.16 per 1,000 cubic feet. In London, Brent crude dropped 13-cents to $79.91 on the ICE exchange.

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count increased 9 to 1,492 for the week of May 7, 2010. It is 564rigs (52.9%) higher than last year. The number of rotary rigs drilling for oil was up 4 at 528. There are 338 more rigs targeting oil than last year. Rigs currently drilling for oil represent 33.9% percent of all drilling activity. Rigs directed toward natural gas were down 5 at 953. The number of rigs currently drilling for gas is 223 (28.0%) greater than last year's level of 740. Year-over-year oil exploration in the US is up 146.8 percent. Gas exploration is up 28.0 percent. The weekly average of crude oil spot prices is 69.9 percent higher than last year and natural gas spot prices are 15.3 percent higher. Canadian rig activity was down 5 at 103 for the week of May 7, 2010 and is 410 (40%) higher than last year's rig count.

NEB TO REVIEW ARCTIC DRILLING REQUIREMENTS

The National Energy Board has announced it is starting a review of Arctic safety and environmental offshore drilling requirements in light of the oil spill in the Gulf of Mexico. "We need to learn from what happened in the Gulf," NEB Chair Gaétan Caron said. "The information taken from this unfortunate situation will enhance our safety and environmental oversight." Full details of the review will be announced in the near future, when the focus in the Gulf of Mexico shifts from stopping the leak and protecting the environment to understanding what happened. The process will be public and consultative. The NEB will welcome the participation of other regulators in this process. With this decision, the Board cancelled its process that was looking into same season relief well capability in the Arctic. Currently, there is no offshore drilling in Canada's Arctic and no applications before the NEB.

OIL SPILL COST $350 MILLION SO FAR

BP PLC said Monday that the Gulf of Mexico oil spill has cost the company $350 million so far as it outlined renewed efforts to contain the leak. BP said the tally included the cost of the immediate response, containment, relief well drilling, commitments to the Gulf Coast states, and settlements and federal costs. The company did not speculate on the final bill, which most analysts expect to run into tens of billions of dollars. BP shares slipped 0.5 percent to 551.4 pence ($8.26) after the report, bucking an upward trend across the rest of the London Stock Exchange. The London-based company said that it was preparing a second, smaller containment box to lower over the main leak point at the Deepwater Horizon drilling rig after attempts to do the same with a larger box last week were foiled by icy slush. BP said the smaller dome was designed to mitigate the formation of the "large hydrate volumes" that clogged the bigger dome. However, it acknowledged that the maneuver, which is designed to siphon up to 85 percent of the leaking oil to a tanker at the surface, had never been done before in more than 5,000 feet (1,525 meters) of water. The blown-out well, which is gushing at least 200,000 gallons (750,000 liters) of crude each day, is a mile (two kilometers) underwater. BP added that further work on the well's blow out preventer, the device that was supposed to shut off the flow of oil after a deadly April 20 oil rig explosion but failed, meant the company was in a position to attempt a "top kill" to stop the flow of oil. That technique involves shooting mud and concrete directly into the blow out preventer. The company said that work on the first relief well, which is considered a permanent fix and began a week ago, continues and is expected to take three months to complete. "All of the techniques being attempted or evaluated to contain the flow of oil on the seabed involve significant uncertainties because they have not been tested in these conditions before," the company said in a statement. "BP continues to do everything it can, in conjunction with governmental authorities and other industry experts, to find a solution to stem the flow of oil on the seabed," it added. An estimated 3.5 million gallons (13.25 million liters) of oil have spilled since the explosion at the Deepwater rig, about 50 miles (80 kilometers) off the Louisiana coast. At that pace, the spill would surpass the 11 million gallons (42 million liters) spilled in the Exxon Valdez disaster by next month.

OPEC INCREASES 2010 OIL DEMAND FORECAST

The Organization of Petroleum Exporting Countries raised estimates for global oil demand in 2010 on optimistic outlook for economic growth in China. OPEC boosted its forecast for worldwide crude consumption this year by 180,000 barrels a day, or 0.2 percent, to 85.38 million barrels per day. It also raised projections for supplies from outside the organization. "The recovery in the world economy appears to be continuing at a steady pace," the Vienna-based secretariat said its monthly report. "China has been among the main drivers behind oil demand growth so far this year, which should continue for the rest of the year." OPEC, which announced a record series of supply cuts in late 2008 as demand crumpled, is unlikely to alter output quotas this year, Algerian energy ministry Chakib Khelil said in Doha May 9. The 11 nations, excluding Iraq, pumped 29.25 million barrels a day last month, according to the report. Producers outside the organization will provide 51.67 million barrels a day this year, about 140,000 barrels per day more than OPEC forecast in last month's report. That equates to growth of 53,000 barrels a day, or 1 percent from 2009. The world's demand for OPEC crude will be 28.8 million barrels a day in 2010, about 40,000 barrels per day more than the organization forecast last month. Still, this "call-on- OPEC" will be 100,000 barrels a day lower this year than in 2009, according to the report. Global oil demand growth this year will amount to 950,000 barrels a day, or 1.1 percent, according to OPEC. It raised its forecast for Chinese consumption by 50,000 barrels a day to 450,000 barrels a day. The International Energy Agency, due to update its outlook tomorrow, estimated in its April 13 report that global demand will expand by 1.7 million barrels a day, or 2 percent, to 86.6 million barrels per day in 2010.

CONNACHER Q1 RESULTS

Connacher Oil & Gas posted a quarterly profit that beat analysts estimates, helped by higher commodity prices. Net earnings for the first quarter was C$5.5 million, or 1 cent a share, compared to a loss of $46.8 million, or 22 cents a share, a year ago. Revenue almost doubled to C$118.4 million. Analysts on average were expecting the company to post 0.3 Canadian cents, on revenue of C$128.1 million. Cash flow for the first quarter was C$3.9 million. The company said its realized crude price rose 79 percent, while the realized price for bitumen more than doubled. The period was highlighted by the continuing successful construction of Algar, the company's second 10,000 bbl/d SAGD oil sands project on its Great Divide acreage in the Alberta oil sands. The plant is currently being commissioned and is expected to start up in the second half of May 2010. First production is anticipated during August 2010 after the normal 90 day steam circulation phase of the startup procedures. Thereafter ramp up will occur through the end of 2010 and into 2011 and new production will materially impact on Connacher's financial and operating results for the balance of this year and into

2011. During the first quarter the company conducted an extensive and successful core hole drilling program on its 100 percent owned Great Divide and 50 percent-owned Halfway Creek acreage blocks. Results will be incorporated along with the results of conventional drilling programs in a reserve report update to be prepared by GLJ Petroleum Consultants Ltd. for release in early July 2010. They recently installed the first high temperature electrical submersible pump ("ESP") at one of our wells at Great Divide Pod One. Production levels are increasingly stable at this site and expected to average over 8,500 barrels per day in 2010, supplemented by new production from Algar. Their full year capital budget for 2010, including outlays for Algar, now stands at $247 million. Based on their outlook, it is management's opinion that we have sufficient cash balances, anticipated cash flow from operations and unutilized and available lines of credit to meet all our capital and financial requirements for 2010. As much of their capital program is now complete, their focus turns to the prospect of further expansions at Algar. To this end, they will shortly file their formal application ("EIA") with a view to securing regulatory approval to increase capacity at Algar to 34,000 bbl/d of bitumen, thus increasing total plant design capacity to 44,000 barrels per day. Connacher anticipates this process will take approximately 18 months, such that our 300 day construction cycle may be initiated as early as late 2011. They anticipate a much lower level of capital outlays for their basic business activities in 2011 and plan the Algar expansion primarily for 2012, with possible startup in 2013.

PETROBAKKEN Q1 RESULTS

PetroBakken Energy Ltd. a 58% owned subsidiary of Petrobank Energy and Resources Ltd. Has announced first quarter 2010 financial and operating results, highlighted by closing two corporate acquisitions and three non-core property dispositions, an active Bakken drilling program and the issuance of US$750 million of convertible debentures. Strong operating netback of $52.93 per boe and average production of 43,098 barrels of oil equivalent per day resulted in funds flow from operations of $189.1 million ($1.00 per diluted share), a 158% improvement over the first quarter of 2009. Additionally in April 2010 the company closed the acquisition of Result Energy Inc. and completed a further non-core property disposition. Post spring break-up we will be active with a 17 rig drilling program focusing primarily on the company's Bakken and Cardium light oil resource plays. Capital expenditures for the quarter of $185.1 million related mainly to their drilling program, slightly less than their funds from operations. Net debt was reduced from the fourth quarter primarily due to proceeds from US$750 million convertible debenture offering, proceeds from non-core dispositions less the cash portion of our acquisitions. At March 31, 2010,their financial position remained strong with $557.2 million of available credit and a bank debt to first quarter annualized earnings before interest, taxes and non-cash items ratio of 0.4 to 1. Chief executive officer John Wright on a conference call with analysts Tuesday said "We're about to embark on our most active drilling program ever, with 17 rigs running in Western Canada" It plans to drill 120 gross wells in the Bakken resource play in southeast Saskatchewan, 100 wells in the Cardium oil pool in west-central Alberta and 55 conventional wells in Saskatchewan and Manitoba.