NYMEX OIL: US$68.10
-$1.31
June delivery
NYMEX N. Gas: US$4.31
-$0.03 per MMBTU
June delivery

Oilfield NEWS

ESSO

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TUESDAY PRICES

Benchmark crude for June delivery fell $1.31 to $68.10 on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil fell 2cents to $1.94/gal and gasoline fell 2 cents to $2.02/gal. Natural gas fell 3-cents to $4.31 per 1,000 cubic feet. In London, Brent crude dropped 67-cents to $69.41 on the ICE exchange.

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count increased 14 to 1,506 for the week of May 14, 2010. It is 588 rigs (64.1%) higher than last year. The number of rotary rigs drilling for oil was up 16 at 544. There are 363 more rigs targeting oil than last year. Rigs currently drilling for oil represent 36.1% percent of all drilling activity. Rigs directed toward natural gas were down 2 at 951. The number of rigs currently drilling for gas is 223 (30.6%) greater than last year's level of 728. Year-over-year oil exploration in the US is up 200.6 percent. Gas exploration is up 30.6 percent. The weekly average of crude oil spot prices is 30.6 percent higher than last year and natural gas spot prices are 1.1 percent lower. Canadian rig activity was up 18 at 121 for the week of May 14, 2010 and is 53 (77.9%) higher than last year's rig count.

OIL DIPS BELOW OPEC'S COMFORT ZONE

Oil prices fell below OPEC's comfort zone as crude futures in New York dipped below $70 a barrel Monday for the first time since February. Organization of Petroleum Exporting Countries Secretary- General Abdalla El-Badri has repeatedly said prices between $70 and $90 are reasonable to encourage producers to expand exploration, and Saudi Arabian Oil Minister Ali al-Naimi, representing the group's biggest exporter, said on March 30 he hoped prices would remain in a $70 to $80 a barrel range. Oil below $70 "does not give them an incentive to invest" in deepwater production, Qatari Energy Minister Abdullah bin Hamad al-Attiyah said today at a forum in Doha. Prices near $75 would be "reasonable," al-Attiyah said, adding that OPEC does not have any official price target. The June contract expires on May 20. In London, July North Sea Brent crude futures are trading near $78 a barrel. OPEC agreed in March to uphold output quotas for a fifth time. The group slashed production quotas at a meeting in December 2008, after energy demand fell during the worst recession since World War II. Crude oil prices slumped from a record $147 a barrel in July that year to $32 in December. Members are currently exceeding those allocations by about 2 million barrels a day, meaning they're completing 53 percent of a promised 4.2 million barrel-a-day cutback, according to Bloomberg estimates. The group uses production levels, set by quotas, as a tool to move oil markets, when ministers agree that prices are too low or too high. Kuwaiti Minister Ahmad Al-Abdullah Al-Ahmad Al-Sabah said on May 8 that oil priced below $65 a barrel would "ring a bell" for OPEC to hold a meeting before its next scheduled one on Oct. 14. On April 28, when oil was trading near $83 a barrel, Saudi Arabia's al-Naimi said at a conference in Chicago that prices were at "sustainable levels."

BP DOUBLES ESTIMATE FOR OIL CAPTURED

BP Plc said it doubled the amount of oil it's able to collect from the leak in the U.S. Gulf of Mexico off the coast of Louisiana to about 2,000 barrels a day. About two-fifths of the gushing oil is being captured after a 4-inch (10.2 centimeter) diameter tube was inserted into the leaking 21-inch pipe. BP said yesterday it was capturing about 1,000 barrels of oil a day from the mile-long pipeline to the well. Doug Suttles, BP's chief operating officer for exploration and production, said yesterday he would be "extraordinarily pleased" if the amount captured was doubled and that the company is "carefully and slowly" trying to increase the rate. BP said it has spent $625 million on the response to the spill following the April 20 explosion on the Deepwater Horizon drilling rig that killed 11 crew members. That is $175 million more than it had spent as of Thursday, outpacing estimates that the efforts would cost the company $10 million a day. The latest tab includes grants announced Monday — worth $70 million — to promote tourism in Florida, Alabama, Louisiana and Mississippi. Florida will receive $25 million; the other states are to receive $15 million each.

NEGOTIATIONS BEGIN FOR NEW BITUMEN REFINERY PROJECT

Negotiations are underway to build a new bitumen refinery project in Alberta's Industrial Heartland, northeast of Edmonton, as part of the government's Bitumen royalty-in-kind (BRIK) initiative. The 150,000 barrels-per-day refinery proposed by North West Upgrading, to be built in three stages, will also include the application of newer technologies and an integrated carbon capture and storage capability to reduce CO2 emissions. "This project has significant potential for Alberta to support the Provincial Energy Strategy goals of increased value-added production and clean energy production," said Alberta Energy Minister Ron Liepert. "It's not a done deal but I am committed to pursuing an agreement that's in the best interests of Albertans." Processing of the bitumen will go beyond upgrading to synthetic crude oil to include higher value products such as diesel fuel. Once completed, North West Upgrading would process 75,000 barrels per day of royalty in-kind-bitumen on behalf of the province. Construction of the upgrader's first 70,000 barrel-per-day phase is expected to begin in 2011 and could be ready for use by 2013. The initial phase is expected to cost more than $4 billion and the entire project could total as much as $18 billion. Negotiations are set to begin "in earnest" on June 1, with the expectation that they'll wrap up some time toward the end of the year, said Real Cusson, Canadian Natural's senior vice-president of marketing.

CONNACHER SUBMITS APPLICATION FOR GREAT DIVIDE EXPANSION

Connacher Oil and Gas Limited has announced that it has submitted an Environmental Impact Assessment application to the Energy Resources Conservation Boar and Alberta Environment for the expansion of steam assisted gravity drainage bitumen production capacity at the company's principal 100 percent-owned Great Divide oil sands lease block in Northeastern Alberta from 20,000 bbl/d to 44,000 bbl/d . Connacher is the owner of two existing SAGD developments. The first development is known as the Great Divide Pod One project). The second development is known as the Algar project. The Pod One and Algar projects are within company's Great Divide lease block, a 58 section (approximately 37,120 acres), located in the Divide region near Mariana Lake, Alberta. The Great Divide SAGD Expansion Project will involve expanding the central processing facility ("CPF") at Algar from 10,000 bbl/d of bitumen processing capability to 34,000 bbl/d. The Pod One CPF will not be altered as part of the Project. Subject to receipt of regulatory approvals, which is expected to require up to approximately 18 months, construction on the expansion of the Algar CPF could commence in early 2012. Connacher anticipates it would require approximately one year from approval to finish the Project, assuming the Project is completed as one 24,000 bbl/d module, at an initial estimated capital intensity of approximately $25,000 per flowing barrel of bitumen. The Project could also be completed in consecutive 12,000 bbl/d modules over a longer period of time, at a similar estimated cost per flowing barrel, if circumstances and economics warrant. The Project has an estimated 25 year life, during which 40 well pads and 215 SAGD well pairs would be required to allow for full development and production from the identified reserve base. Once fully operational, the Project is expected to employ 80 additional persons and including initial capital costs, will contribute several billion dollars of both direct and indirect economic benefit, largely to the Alberta and Canadian economies, including royalties payable to the Province of Alberta.

EOG TO ACQUIRE GALVESTON LNG INC.

EOG Resources Inc, a U.S. independent oil explorer with a stake in the Horn River shale gas field in northern British Columbia, agreed on Tuesday to buy the backer of a Canadian liquefied natural gas project for an undisclosed price. EOG said its Canadian unit will acquire all the shares of Galveston LNG Inc, which is proposing to build a gas liquefaction plant near Kitimat on British Columbia's northern coast. EOG said in a release the offer is conditional on Galveston meeting unspecified commercial and regulatory milestones. However EOG did not say what those targets were or when the acquisition was expected to close. EOG was one of the first companies to explore for gas in the Horn River shale field. The company said last month that its holdings in the remote area could have reserves of 9 trillion cubic feet of gas. Apache Corp, which also operates in the Horn River field, holds the majority interest in the Kitimat LNG plant. Apache, one of the largest independent U.S. oil and gas producers, acquired the stake in January. "EOG is pleased to partner with Apache in the development of this new market opportunity for natural gas from our Canadian operations, Mark Papa, EOG's chief executive, said in a statement. The Kitimat plant was originally conceived as an LNG import terminal, but plans for the facility changed as it became clear that shale gas plays were boosting gas production and the Horn River discovery promised a big new source of supply far from traditional markets. The proposed plant is expected to handle 700 million cubic feet of gas per day, with construction costs pegged at C$3 billion ($2.9 billion). The acquisition includes a 24.5 percent stake in Pacific Trail Pipelines, a C$1 billion, 300 mile (463 km) project originating at Summit Lake, British Columbia, that will bring gas to the facility.

SHELL INVESTORS REJECT CHALLENGE TO OIL SANDS

Royal Dutch Shell Plc' shareholders have rejected a resolution challenging the company's multi-billion dollar investments in Canadian oil sands projects. A group of ethical investors, environmentalists and indigenous groups had urged Shell to reconsider its plans to squeeze crude from Alberta's bitumen-drenched tar sands fields. Oil sands production produces more carbon dioxide than traditional oil production, uses more water and typically involves greater damage to the landscape. Charges for emitting carbon dioxide can also prove costly for projects. But Shell, Europe's largest oil company by market capitalisation, had urged investors to vote against the resolution, saying it had already considered potential charges for carbon dioxide in its initial business plans. At the company's annual shareholders meeting, a provisional 94.26 percent of investors voted against the proposal, which had challenged Shell on the financial risks that oil sands projects might pose. BP Plc beat off an identical challenge to its Canadian oil sands project last month.

PETROWEST AMENDS CREDIT FACILITY

Petrowest Energy Services Trust has announced today that it has entered into an Amended and Restated Credit Agreement with a syndicate of Canadian chartered banks and other financial institutions , which amended and restated the Trust's existing credit facilities in their entirety. The Amended and Restated Credit Agreement provides for credit facilities in an initial aggregate principal amount of $70.0 million, consisting of a revolving credit facility in the amount of $63.0 million and a working capital facility in the principal amount of $7.0 million, subject to scheduled reductions over the term of the facility of $2.5 million on June 30, 2010, $3.75 million on September 30, 2010, $3.75 million on December 31, 2010 and $2.5 million on March 31, 2011. The obligations of the Trust under the credit facilities are secured by a lien on substantially all of the assets of the Trust and each of its direct and indirect subsidiaries. The amended credit facilities contain customary covenants, and require the maintenance of the following financial ratios at all times on a consolidated basis: (i) a funded debt to EBITDA ratio to be no greater than 10.0:1.0 for the first fiscal quarter of 2010, 5.5:1.0 for the second fiscal quarter of 2010, 5.0:1.0 for the third fiscal quarter of 2010, and 4.0:1.0 thereafter; and (ii) a fixed charge coverage ratio to be at least 1.0:1.0 at the end of each fiscal quarter. The term of the credit facilities expires on April 30, 2011 and all outstanding borrowings are repayable on that date, unless that date is extended by an agreement with the Lenders. The Amended and Restated Credit Agreement also provides that all outstanding borrowings will effectively be due on demand upon the occurrence of an event of default. Among other events of default, it is an event of default under the Amended and Restated Credit Agreement if the Trust does not receive gross proceeds of $7.5 million from the Trust's previously announced rights offering on or before June 15, 2010.

NOVUS COMPLETES BOUGHT DEAL FINANCING

Novus Energy Inc. has announced that it has closed its previously announced bought deal financing of 22,730,000 common shares of Novus at a price of $1.10 per Common Share for aggregate gross proceeds to Novus of approximately $25.0 million. The Offering was completed through a syndicate of underwriters, led by Cormark Securities Inc. and including GMP Securities L.P., Canaccord Genuity Corp., Haywood Securities Inc., Mackie Research Capital Corporation, CIBC World Markets Inc., Clarus Securities Inc., Raymond James Ltd., Desjardins Securities Inc., Jennings Capital Inc., Jacob Securities Inc. and Thomas Weisel Partners Canada Inc. Novus intends to use the proceeds of the Offering to develop and expand its core areas of operations, to pursue acquisition opportunities and for general corporate purposes. Novus is a well positioned, junior oil and gas company with a proven management team committed to aggressive, cost-effective growth of high netback light oil reserves and production. With the closing of the Offering, management believes Novus' financial position will allow for the exploitation of its drilling inventory and expansion of its opportunity suite through internally generated prospects and strategic light oil acquisitions.

KALLISTO ANNOUNCES FINANCING

Kallisto Energy Corp. has announced that it has entered into an agreement with a syndicate of underwriters led by Acumen Capital Finance Partners Limited pursuant to which the Underwriters have agreed to purchase on a bought deal basis for resale 9,090,910 common share special warrants of the Company at an issue price of $0.825 per Common Share Special Warrant and 1,578,948 flow through special warrants at a price of $0.95 per Flow Through Special Warrant (collectively, the "Special Warrants") for aggregate gross proceeds of $9.0 million . The Company has also granted to the Underwriters an over-allotment option) exercisable at any time prior to the closing of the Offering, to increase the Offering by up to an additional 3,636,364 Common Share Special Warrants at a price of $0.825 per Common Share Special Warrant for further gross proceeds of approximately $3,000,000 which would increase the Offering to approximately $12,000,000, if fully exercised. Each Special Warrant will entitle the holder to receive, for no additional consideration and without further action on the part of the holder, one common share of the Company. The Special Warrants will be exercisable by the holder at any time after the Closing and all unexercised Special Warrants will be deemed to be exercised on the earlier of (a) four months and a day following the Closing, and (b) the 5th business day following the day that a Receipt is issued by the securities regulatory authorities in the Provinces of Alberta, British Columbia and Ontario for a final prospectus qualifying the Common Shares to be issued upon the exercise of the Special Warrants.