NYMEX OIL: US$72.40
-$0.18
July delivery
NYMEX N. Gas: US$4.25
+$0.00 per MMBTU
June delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for June delivery fell $0.18 to $72.40 on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil rose 18 cents to $1.97/gal and gasoline fell 5 cents to $1.98/gal. Natural gas rose was even $4.25 per 1,000 cubic feet. In London, Brent crude rose 57 cents to $72.75 a barrel on the ICE exchange.

UPDATE ON BP GULF OF MEXICO OIL SPILL

On Tuesday, BP provided an update on developments in the response to the MC252 oil well incident in the Gulf of Mexico. This follows an announcement on May 29 to move to the next step in the subsea operations. Preparations are ongoing for deployment of the lower marine riser package (LMRP) cap containment system. Remotely operated vehicles (ROVs) are engaged in preliminary operations, including preparing for operations to cut through and separate the damaged riser from the LMRP at the top of the Deepwater Horizon's failed blow-out preventer (BOP). Deployment of the system will involve connecting the containment cap to a riser from the Discoverer Enterprise drillship and then placing it over the LMRP, with the intention of capturing most of the oil and gas flowing from the well and transporting it to the drillship on the surface. All of these operations, including the cutting of the riser, are complex, involve risks and uncertainties, and have to be carried out by ROVs at 5,000 feet under water. Systems such as the LMRP containment cap have never before been deployed at these depths and conditions, and their efficiency and ability to contain the oil and gas cannot be assured. It is currently anticipated that attachment of the LMRP cap will be attempted later this week; however, operational delays could impact anticipated timeframes. Preparations to use the Discoverer Enterprise to deploy the LMRP cap and the intended severing of the damaged riser mean that the riser insertion tube tool, previously deployed, will not be reinserted into the main leak at the end of the riser. Work on the first relief well, which started on May 2, continues and it has currently reached a depth of 12,090 feet. Work on the second relief well, which started on May 16, had reached a depth of 8,576 feet before drilling was temporarily suspended on May 26. Drilling operations on the second relief well resumed on May 30. Both wells are still estimated to take around three months to complete from commencement of drilling. Work continues to collect and disperse oil that has reached the surface of the sea, to protect the shoreline of the Gulf of Mexico, and to collect and clean up any oil that has reached shore. Over 1,600 vessels are now involved in the response effort, including skimmers, tugs, barges and recovery vessels. Operations to skim oil from the surface of the water have now recovered, in total, some 321,000 barrels (13.5 million gallons) of oily liquid. The total length of containment boom deployed as part of efforts to prevent oil reaching the coast is now over 1.9 million feet, and an additional 1.8 million feet of sorbent boom has also been deployed. So far approximately 30,000 claims have been submitted and more than 15,000 payments already have been made, totalling some $40 million. The cost of the response to date amounts to about $990 million, including the cost of the spill response, containment, relief well drilling, grants to the Gulf states, claims paid and federal costs. It is too early to quantify other potential costs and liabilities associated with the incident. Meanwhile, US Attorney General Eric Holder said Tuesday that federal authorities have opened criminal and civil investigations into BP's Gulf of Mexico oil spill. On the business side of things, the company's share price, which has fallen steadily since the start of the disaster, took a turn for the worse Tuesday, losing 15 percent to $6.13 in early afternoon trading on the London Stock Exchange.

LAUNCH OF LIVE AUCTION SITE

Energy Auctions Inc. has announced the launch of Canada's first exclusive Oil and Gas equipment live auction site - www.energyauctions.ca. The live auction site provides a virtual marketplace for buyers and sellers in the Oil and Gas Industry. The auction site features equipment from Production, Completions, Electrical & Instrumentation, Drilling and Exploration. Marlon Ellerby, President of Energy Auctions Inc. explains, 'The auction site was launched to meet a void in the Canadian Oil and Gas Industry. We provide the oil and gas industry with a marketplace that operates like the industry - 24 hours a day, seven days a week. If a need for a compressor, engine, separator or a rig component arises on the weekend, at night or during a holiday, we are there. If you cannot find what you require, we provide a sourcing service to meet your needs on your schedule. The auction site is for the oil and gas industry and is operated by people with decades of experience in the oil and gas industry.' www.energyauction.ca provides buyers and sellers with a timed online auction service. The auction is set for a predetermined amount of time. The seller has the discretion to end the auction at any given time. Energy Auctions Inc. is the owner and operator of www.energyauctions.ca.

PRODUCTION BEGINS FROM HUSKY NORTH AMETHYST FIELD

John C.S. Lau, President & Chief Executive Officer of Husky Energy Inc., is announced Monday that that oil production has been achieved from the North Amethyst field offshore Newfoundland & Labrador. Oil began flowing from the field on May 31. North Amethyst is the first satellite field development at Husky's White Rose project and was brought on production less than four years after discovery. It is also the first subsea tieback project in Canada. Located approximately 350 kilometres offshore Newfoundland, the North Amethyst field is the first step in the staged development of the White Rose satellite fields. North Amethyst holds an estimated 90 million barrels of reserves (34.7 proven, 35.3 probable, 20 possible) as of December 31, 2009. Wells in the subsea North Amethyst Drill Centre will be "tied back" to the *SeaRose FPSO* through flexible underwater flowlines. The *SeaRose FSPO* is stationed approximately six kilometres away from the North Amethyst field. Production from North Amethyst is anticipated to rise to a peak of approximately 37,000 barrels of oil per day as the remaining wells are drilled and brought on line. Husky has been active on the East Coast of Canada for more than 25 years and holds a significant land base with 14 Exploration Licences and 23 Significant Discovery Areas. Husky is the operator of White Rose and its satellite fields, holding a 72.5 percent working interest in the main White Rose field and a 68.9 percent interest in the satellites, which include North Amethyst and West White Rose. Suncor Energy holds 27.5 percent interest in the core White Rose field, and 26.1 percent interest in the satellite fields. The Government of Newfoundland & Labrador, through Nalcor Energy – Oil and Gas, holds a five percent working interest in the satellite fields.

NOVUS Q1 RESULTS

For the three months ended March 31, 2010, Novus' gross revenue increased 228% to $2,986,670 compared to $911,220 recorded in the comparative period in 2009. Funds flow used in operations was $78,731 in the first quarter of 2010, versus the comparative three month figure of $1,379,121. Novus' capital program for the first quarter of 2010 was $5,937,958, versus $220,158 spent in the first quarter of 2009. As at March 31, 2010, the Company had no bank debt and had approximately $23 million cash on hand. At the time of writing this report, the Company has no bank debt and cash on hand of approximately $34 million. Average daily production for the first quarter increased 132% to 710 boe/d compared to 306 boe/d recorded in the corresponding period in 2009. Average crude oil and liquids production for the first three months of the year was up 264% to 273 bbls/d versus 75 bbls/d in the comparative quarter. Natural gas production averaged 2,620 mcf/d, an 89% increase from 1,385 mcf/d a year ago. Current production is approximately 875 boe/d. During the first quarter of 2010, Novus participated in the drilling of 11 wells (9.5 net). Nine of the wells (8.45 net) targeted oil, and of these, six (6.0 net) were Viking horizontal wells in the Dodsland area. Novus started its 2010 drilling program in the latter half of the first quarter and has drilled 19 wells to date, including casing its fourteenth, 100% working interest, Viking horizontal oil well. Two additional horizontal wells are in the current phase of drilling and shall be done over the next ten days, weather permitting. This drilling program has proven to be very effective utilizing monobore technology and controlled drilling in the horizontal section. This has enabled the well paths to stay in the target zone for the vast majority of the lateral leg. Drilling costs for these wells have averaged approximately $400,000 per well to date, with lateral lengths of approximately 600-700 meters. Completion operations have been ongoing. Eight of the first 14 horizontal wells have been successfully fraced, while the remaining wells will be fraced using two crews. Temporary field facilities will be installed to allow these wells to be brought on production over the course of the next month. Plans are also underway to build and install two Company owned batteries in strategic locations to enable the Company to treat its oil and conserve associated solution gas production. Additionally the Company has recently completed its 3D seismic program on its Forgan lands in Dodsland. The Company is currently surveying an additional twenty-five new drilling locations in the greater Dodsland area. Novus will be drilling a minimum of 35 wells this year in the Dodsland area. This number is expected to increase with continued drilling success and as further acquisitions and farm-ins warrant.

MONTREAL SHELL REFINERY DEADLINE LOOMS

Shell Canada is keeping the door open for last-minute offers to buy its troubled Montreal plant, even as the deadline for its closure approaches fast, leaving hundreds of employees at the waterfront refinery in the lurch. Shell told employees earlier this year it planned to shut down the east-end refinery on June 1 at 5 p.m. because it wasn't profitable. On Monday, the Calgary-based petroleum company said it had recently received a purchase offer from an unnamed company, but the terms were "unacceptable, and far from our expectations," said Shell spokesman Larry Lalonde. Two other unnamed companies are said to be interested in the refinery, but Shell wouldn't provide any details before the Tuesday deadline. A teleconference between Shell and the potential buyers, was slated for Tuesday, but the oil company said it didn't want to create false hope that a solution could be achieved. About 300 employees at the refinery are meeting with union representatives before the Tuesday deadline arrives, hoping another offer will materialize. Union president Jean-Claude Rocheleau said workers who gathered at a meeting Monday were nervous about what could transpire. Under union pressure, a committee headed by former senator Michael Fortier contacted about 100 potential buyers for the refinery from around the world. Montreal Mayor Gérald Tremblay urged Shell to give potential partners the extra time needed to conclude a deal for the site in the city's east end. Quebec Premier Jean Charest said his government took steps to help find a new buyer in order to keep the refinery in business. About 800 people work at the 76-year-old refinery, which is the largest one operated by Shell in Canada and processes at least 130,000 barrels of crude oil every day. Shell said it wants to transform the plant into a distribution centre.

CAPP SAYS ALBERTA FISCAL DETAILS POSITIVE

The Canadian Association of Petroleum Producers (CAPP) said last weeks Alberta government royalty announcement largely delivers on the positive direction established with the release of the competitiveness review report in March."The new fiscal details are particularly positive for the competitiveness of Alberta's natural gas and will enhance the industry's ability to strengthen the economy and create jobs for Albertans," said CAPP president David Collyer. "On the oil side, changes are not as significant. We are encouraged by the broader application of the lower up-front royalty rate, which will stimulate new oil drilling activity." A review of Alberta's position as a competitive place for oil and gas investment relative to other North American jurisdictions was completed in March 2010. The review considered the role of Alberta's fiscal regime, the regulatory framework, technology and innovation and the overall business climate. As a first step to improving Alberta's oil and gas investment climate, maximum royalty rates were lowered and an existing up-front five per cent royalty rate feature was made permanent. CAPP believes the Government of Alberta's announcement of fiscal details today will help restore investor confidence in Alberta's oil and gas industry. Increased oil and gas investment in Alberta translates to increased activity, jobs and public revenues, all of which contribute to quality of life in Alberta. The oil and gas industry makes up about 50 per cent of the Alberta economy and employs one in six Albertans, with substantial related employment created in sectors such as hospitality, transportation, food services, consultation, construction and real estate. Each dollar invested in the oil and gas sector creates three dollars of value in Alberta's economy across the province, particularly in rural communities. The next important step is to address the regulatory competitiveness of the province and take steps to improve the regulatory system. "An improved regulatory framework must maintain environmental standards while improving the efficiency of the system. At the same time the oil and gas industry must continue to improve environmental performance," Collyer said. "We are encouraged by the process the government has established and the ambitious timeline adopted for addressing regulatory reform." CAPP represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 90 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a $110-billion-a-year national industry that provides essential energy products. CAPP's mission is to enhance the economic sustainability of the Canadian upstream petroleum industry in a safe and environmentally and socially responsible manner, through constructive engagement and communication with governments, the public and stakeholders in the communities in which we operate. Alberta's resources make up the foundation of our economy. Being competitive, stable and predictable encourages the investment that equals jobs, strong GDP and a high quality of life for all Albertans. A recent University of Alberta study (see footnote) indicates the Canadian economy was technically in recession for the fourth quarter of 2008 and the first quarter of 2009 over which GDP growth rates were -6.6% and -8.5%, respectively. Alberta unemployment peaked in August 2009 at 7.7 per cent, a 13-year-high. At the same time investment in conventional oil and gas fell from $21 billion in 2008 to current levels of $13-14 billion, creating a negative impact of over $20 billion in the Alberta economy. Each dollar invested in the province's oil and gas industry creates three dollars of value in Alberta's economy. The more attractive our province is for investment, the more Albertans benefit. Restoring investor confidence does not mean instant prosperity. However, a reputation for strength and stability positions Alberta for positive and long-term economic growth and benefits. A steep drop in business capital spending in Alberta's energy sector has had a significant direct impact on the oil and gas industry and also a depressing impact on other sectors of Alberta's economy, especially manufacturing and wholesale sales. In the Alberta oil and gas sector 19,000 jobs have been lost since July 2008. For the construction, manufacturing, wholesale trade, and professional services sectors these figures are 23,400, 34,600, 12,600, and 19,200, respectively. In 2008, the petroleum industry invested $54 billion in Canada, including $39 billion in Alberta. Additionally, our industry paid $8.5 billion to the federal and provincial governments in corporate income taxes and $10.7 billion in royalties to Alberta. Historically, natural gas has been the largest source of resource development revenue for Alberta, accounting for more than $55 billion in royalties paid to the Alberta government over the last decade. This amounts to about 56 per cent of all provincial revenue from non-renewable resources over that period. To date, 2010 Alberta land sales for conventional oil and gas leases total $739 million, already surpassing the total ($732 million) for all of last year.