

**NYMEX OIL: US\$77.15**  
**+ \$2.20**  
**August delivery**  
**NYMEX N. Gas: US\$4.37**  
**+ \$0.02 per MMBTU**  
**August delivery**



# ilfield NEWS



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## TUESDAY PRICES

Benchmark crude for August delivery jumped \$2.20 to \$77.15 on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil rose 5 cents to \$2.05/gal while gasoline gained 4 cents to \$2.08/gal. Natural rose 2 cents to \$4.37 per 1,000 cubic feet. In London, Brent crude gained \$2.43 to \$75.93 a barrel on the ICE exchange.

## NORTH AMERICAN RIG COUNT

The U.S. rotary rig count increased 10 to 1,567 for the week of July 9, 2010. It is 651 rigs (71.1%) higher than last year. The number of rotary rigs drilling for oil was up 5 at 592. There are 358 more rigs targeting oil than last year. Rigs currently drilling for oil represent 37.7% percent of all drilling activity. Rigs directed toward natural gas were up 4 at 964. The number of rigs currently drilling for gas is 292 greater than last year's level of 672. Year-over-year oil exploration in the US is up 153.0 percent. Gas exploration is up 43.5 percent. The weekly average of crude oil spot prices is 20.1 percent higher than last year and natural gas spot prices are 42.9 percent higher. Canadian rig activity\* was up 25 at 348 for the week of July 9, 2010 and is 178 (95.5%) higher than last year's rig count.

## BP IN TALKS TO SELL ALASKA OIL FIELD

BP is in talks to sell up to 12 billion dollars (9.5 billion euros) of assets, including a substantial stake in a giant Alaskan oil field, to Apache Corporation, the Sunday Times reported. Apache approached the beleaguered British oil company several weeks ago with the plan which would include a stake in Prudhoe Bay, the largest oil field in North America, the newspaper said. BP has been trying to offload assets as it seeks to build up a disaster fund of 20 billion dollars to cover the clean-up costs for the disastrous oil spill in the Gulf of Mexico. Apache, a company worth 29 billion dollars, has done smaller deals with its British rival in the past but acquiring a stake in Prudhoe Bay would be a major coup. The field produces 390,000 barrels a day, equivalent to 15 percent of Britain's output from its North Sea fields. The Sunday Times also reported that BP wants to sell its 60-percent share in the Pan American Energy, an Argentinian oil producer. Chinese oil group CNOOC and Bidas, a rival Argentinian firm, are considering paying part or all of BP's 60-percent holding, the newspaper said. The report also said Exxon, the world's largest oil company, has been given the green

light by the US government to "take a look" at BP with a view to launching a bid for the under-fire company while its share price is depressed.

## BP INTEGRITY TESTING NEW GULF WELL CAP

BP was still preparing Tuesday evening for crucial "integrity tests" to determine whether a new cap can completely seal its well in the Gulf of Mexico that has been spewing oil for 85 days. The oil company had been expected the tests, to check pressure in the well, would get under way Tuesday afternoon. Cameras some 5,000 feet below the surface were showing oil gushing from the well's capping stack, indicating that valves have not been closed to begin testing pressure. It's hoped that even if the cap can't completely seal the well, it at least will allow oil to be diverted through riser pipes to ships on the surface. Retired Adm. Thad Allen, who is leading the federal response to the oil disaster, talked about the importance of the testing process at a briefing Tuesday. The well cap placement is part of what he calls a "very complex, nuanced and broad-based response" to the rupture of the underwater well in April, an accident that caused worst environmental disaster in U.S. history. The test will measure pressure inside the well and will last anywhere from six to 48 hours. It will involve incrementally closing three valves on the new cap, a process that would allow BP to do its pressure measurements. Workers completed seismic surveys around the well site earlier Tuesday to see if any hazards exist on the sea floor. Higher pressure readings would mean the leak is being stopped, while lower pressure indications would mean oil is escaping from other parts of the well. Allen said that if low pressure readings persist for around a six-hour time frame, that could signal problems with the new cap. The cap could contain all of the oil; it could contain some of the crude while ships on the water's surface collect the rest; or, under a worst-case scenario, there could be more damage to the well's casing, meaning that capping the well would not stop the oil from flowing. If oil collection is still necessary, the oil-gathering ship, the Helix Producer, was put in place Monday to recover the crude, joining the Q4000, which is already active. Meanwhile, Anadarko Petroleum Corp. says it won't help BP pay for the worst oil spill in U.S. history. The Houston company, which owns 25 percent of BP's blown-out well in the Gulf of Mexico, said Friday it has

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refused to send the \$272 million contribution that BP requested in June. As part owner, Anadarko was on the hook to help pay to corral and clean up the spill. The company believes it should be excused from payments because of BP's reckless handling of the failed deepwater operation. "Multiple proceedings and independent investigations are under way into BP's actions and decisions on the rig," spokesman John Christiansen said in a statement. "Although we have notified BP that we are withholding reimbursement to BP at this time, we remain committed to working with BP in good faith." BP says it is disappointed by the announcement and will evaluate its options about what to do next. "They have failed to live up to their obligations," BP spokesman Mark

Salt said in a statement. He said BP was notified of Anadarko's decision on Wednesday. Another minority owner, Mitsui Oil Exploration Co., also hasn't responded to BP's request to help pay for the spill. Mitsui has until July 12 to pay. In June, Anadarko CEO Jim Hackett put the two companies on course for what could be a high stakes battle over how much each should pay. Hackett issued a statement blaming BP for "reckless decisions and actions" in its handling of the well, particularly its failure to "react to several critical warning signs" as it drilled below the sea floor. Legal experts say it could take years to decide if Anadarko and Mitsui should be excused from the payments. Their joint operating agreement puts the decision in the hands of an out-of-court arbitrator. Analysts have put the cost of the gusher anywhere between \$17 billion and \$60 billion. However, Goldman Sachs said last month that costs could rise as high as \$40,000 a barrel, more than \$163 billion if the spill ended today.

#### **PEMBINA RECEIVES APPROVAL FOR TWO PIPELINE PROJECTS**

Pembina Pipeline Corporation, a wholly-owned subsidiary of Pembina Pipeline Income Fund has announced that it has received approval from the Energy Resources Conservation Board to construct and operate two pipeline projects that will support Northern Alberta's heavy oil industry. The Nipisi Pipeline, designed to initially transport 100,000 barrels per day (bbls/d) of diluted heavy oil, is proposed to originate north of Slave Lake and run south to Judy Creek. From there it would connect to an existing pipeline system that delivers products to the Edmonton area. The Nipisi Pipeline is designed such that it can ultimately be expanded to a capacity of approximately 200,000 bbls/d. The Mitsue Pipeline is being designed to transport approximately 20,000 bbls/d of condensate (a light hydrocarbon used to dilute the heavy oil) from Whitecourt, Alberta to producers operating north of Slave Lake. The Mitsue Pipeline is designed such that it can ultimately be expanded to a capacity of 45,000 bbls/d. "Project planning is complete and reflects the needs of our customers and community neighbours," said Bob Michaleski, President and Chief Executive Officer. "Our next priorities are to fulfill the commitments we've made to our customers as well as those made during the consultation process and constructing the pipeline in a safe and environmentally responsible manner." The approvals to proceed with construction of the pipeline projects were granted by the ERCB without a public hearing, as all stakeholder objections were resolved through the consultation process. Both projects, which Pembina estimates to cost a combined total of \$440 million, are scheduled to be placed into service in mid-2011. Pembina has

executed long-term transportation services agreements which will govern operations on the Nipisi and Mitsue Pipelines once they have been completed. Founding customers, Canadian Natural Resources Ltd. and Cenovus Energy Inc. have, subject to certain conditions, contracted 80 percent of the 100,000 bbls/d capacity on the Nipisi Pipeline and 50 percent of the 20,000 bbls/d capacity on the Mitsue Pipeline. Pembina Marketing Ltd., a subsidiary of Pembina Pipeline Corporation, has contracted for the balance of available capacity on these pipelines. The agreements are designed to provide Pembina with a fixed return on invested capital and allow for the full recovery of operating expenses. Based on certain assumptions, as discussed in more detail below, Pembina's internal projections estimate the two projects combined will generate approximately \$45 million per annum in net operating income. Project construction is expected to proceed immediately. Piping

fabrication for the pump stations will commence later in July and the pump station construction is expected to begin in August. Right-of-way clearing is anticipated to begin in September in preparation for pipeline construction which is planned to start in early December. Approximately 800 to 1,000 temporary positions are expected to be created during construction. All engineering, construction and procurement contracts have been awarded.

#### **EXXON PULLING OUT OF SABLE BASIN**

Nova Scotia Energy Minister Bill Estabrooks says the news that ExxonMobil will not extend the life of its Sable offshore energy project is a "huge concern" for the government. "We're looking at the fact that we have had some good income over the last couple of years, but it's something that we're going to address in a timely fashion and we're going to continue to make some of the

tough budgetary decisions ahead," he said. The project has generated \$1.3 billion in royalties for the Nova Scotia government since production began in 1999. A senior policy analyst with the Atlantic Provinces Economic Council said the loss of hundreds of million of dollars of revenue will have a significant impact on the province's finances. ExxonMobil made its decision after evaluating significant untapped discoveries in the Sable Basin. In March, the company applied to conduct seismic testing to explore two previously identified gas fields under the seabed east of Sable Island. The decision not to proceed was based on "project economics," said ExxonMobil spokesperson Merle MacIsaac. He said the company considered factors such as the cost of development and assumptions around price before deciding not to develop other discoveries near Sable Island. A second, smaller offshore project is expected to go into production at Deep Panuke in 2011. EnCana will produce natural gas from the



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### SURGE CLOSES ACQUISITION

Surge Energy Inc. has announced that it has completed its previously announced acquisition of a private oil and gas company PrivateCo-1. Total consideration is approximately 16.0 million Surge shares (0.4 Surge shares for each PrivateCo-1 share) and the assumption of approximately \$11.3 million in net debt at the closing of the Acquisition. National Bank Financial Inc. acted as exclusive financial advisor, while Macquarie Capital Markets Canada Ltd. and GMP Securities L.P. acted as strategic advisors to Surge with respect to the Acquisition. FirstEnergy Capital Corp. acted as exclusive financial advisor to PrivateCo-1 with respect to the Acquisition. Surge is also pleased to

announce that it has acquired the remaining 25 percent unit interest in Waskada Unit No. 15, which adds nine net (unbooked) light oil horizontal multi-frac well locations and gives Surge 100 percent ownership of the unit. Additionally, it is expected that Surge's bank line will increase from \$50 million to \$80 million post closing the Acquisition of PrivateCo1. The increase in bank line is expected to close on or before July 16th, 2010.

### EQUAL ENERGY CLOSES SALE OF NON-CORE ASSETS

Equal Energy has now closed the sale of non-core assets in west central Alberta for net proceeds of \$24.3 million. Equal's Bank Syndicate has also increased the Company's borrowing base to \$125.0 million following the annual credit facility renewal. On July 7, 2010, Equal



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completed the previously announced, sale of non-core, non-operated deep sour gas assets and related infrastructure at Ricinus in west central Alberta for net proceeds of \$24.3 million. This transaction combined with the net proceeds of \$35.9 million from the closing of the equity financing increased Equal's cash position by approximately \$60.2 million, which the Company anticipates using to fund ongoing capital expenditures and for general corporate purposes. Equal's Bank Syndicate, comprised of the Bank of Nova Scotia (Lead Agent), HSBC Bank Canada, and Union Bank, completed the annual credit facility renewal and increased Equal's borrowing base to \$125.0 million from the previous \$110.0 million. This higher borrowing base takes the disposition of the Ricinus assets into account. The credit facility has been renewed until June 24, 2011 and has a provision for a further one year term extension beyond that. As of June 30, 2010, Equal had bank debt of \$66.0 million, or 53% of this facility. The interest rate on the renewed facility has decreased to LIBOR plus 2.5% from the previous 3.0%. All other covenants remain unchanged. Don Klapko, President and CEO said, "The

closing of our asset sale and completion of our equity offering has substantially increased our cash position, further strengthening our balance sheet. The increase in our credit facility has also provided additional financial flexibility for the Company." Equal Energy ("Equal", "we", "our") has now completed the previously announced bought deal equity financing for gross proceeds of \$37.9 million which is higher than the \$35.0 million initially announced as the underwriters have exercised a portion of their over-allotment option. Equal's bought deal financing, announced on June 17, 2010, generated net proceeds of \$35.9 million (after commissions and expenses) and was closed on July 9, 2010. The issue was sold by a syndicate of underwriters, led by Wellington West Capital Markets Inc. and including Desjardins Securities Inc., Jennings Capital Inc. and Scotia Capital Inc. Don Klapko, President and CEO said, "The closing of our equity offering has substantially increased our cash position, further strengthening our balance sheet and providing us greater financial flexibility to accelerate drilling programs or pursue strategic acquisitions which deliver proved, producing reserves."

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