NYMEX OIL: US$80.90
-$1.11
September delivery
NYMEX N. Gas: US$4.47
-$0.13 per MMBTU
August delivery

Oilfield NEWS

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BP CEMENTS GULF WELL

BP Plc plugged its Macondo well with 5,000 feet of cement and resumed drilling a relief well to permanently seal off the source of the biggest Gulf oil spill in history. BP is still deciding what to do with the remaining oil and natural gas in the reservoir, said Doug Suttles, BP's chief operating officer for exploration and production. The company could abandon the field or sell its stake, he said. "We just haven't thought about that," Suttles said Friday at a press conference in New Orleans. "Clearly, there's lots of oil and gas here, and we'll have to think about what to do with that." BP will test the cement inserted into the top of Macondo and has resumed drilling the relief well that will inject more mud and cement into the bottom of the 13,000' bore. The relief-well injection would assure the Macondo well never leaks again, Suttles said.

CRUDE STOCKPILES INCREASE

Crude oil may fall next week on speculation that U.S. fuel inventories will climb as demand declines, a Bloomberg News survey showed. Twenty-eight of 46 analysts, or 61 percent, forecast crude oil will decline through Aug. 13. It was the most bearish result since July 2009. Twelve respondents, or 26 percent, predicted that futures will increase and six saw little change. Last week 42 percent of analysts forecast a drop. Gasoline supplies increased 729,000 barrels, or 0.3 percent, to 223 million last week, the highest level since April 30, an Aug. 4 Energy Department report showed. Stockpiles of distillate fuel, a category that includes heating oil and diesel, rose 2.17 million barrels to 169.7 million, the highest level since the week ended Oct. 16. "Fundamentals show a U.S. market that is still overstocked, particularly on the product side," said Tim Evans, an energy analyst at Citi Futures Perspective in New York. "This leaves the market vulnerable to downdrafts like the one we saw in May." Oil in New York tumbled to $64.24 on May 20, the lowest intraday price since July 30, 2009. U.S. fuel consumption dropped 2.5 percent to 19.3 million barrels a day last week, according to the Energy Department. Crude oil inventories in the 15-state Midwest rose to 97.7 million barrels in the week ended July 30, the highest level recorded since the data started in 1990, the report showed. Crude oil for September delivery has increased $3.06, or 3.9 percent, to $82.01 a barrel so far this week on the New York Mercantile Exchange. Prices are up 14 percent from a year ago. The oil survey has correctly predicted the direction of futures 47 percent of the time since its start in 2004.

VENEZUELA SWAPS DEBT FOR OIL

Venezuela, the largest oil producer in South America, is shipping 200,000 barrels a day of crude to China to repay $20 billion of debt borrowed from the Asian nation to finance power, agriculture and technology projects. The OPEC member, planning to ramp up China shipments to 1 million barrels a day by 2012, is selling oil at market prices to repay the 10-year loan, Oil Minister Rafael Ramirez said yesterday in an interview in Caracas. Shipments to repay the cash represent half Venezuela's daily crude exports to China. "We're diversifying our export markets; our international policy is going in this direction." Venezuela is tapping Asian nations that need crude to fuel growth in their fast-growing economies for cash. President Hugo Chavez is seeking funds to restructure the country's economy to provide more jobs for the poor and address power shortages. China agreed to lend the Latin American nation $20 billion in April to finance development projects in return for future oil supplies. PDVSA, the state oil company, and China National Petroleum Corp., or CNPC, also signed a separate $16.3 billion joint-venture agreement this year for a project that will pump 1 million barrels a day of oil for Asian refineries.Venezuela has tapped the first $5 billion of the $20 billion credit line with China, which consists of $10 billion in U.S. currency and $10 billion in Chinese yuan, PDVSA said in a statement on July 29. Morgan Stanley, in an Aug. 2 report, said exports to Asia "may not be made at market prices, but rather at a discount." Chavez said in April that the credit line is the largest that China Development Bank Corp. has extended to any country. Trade between China and Venezuela surged to $8.9 billion in 2008 from $85.5 million in 1999, according to Venezuelan state bank Bancoex. The International Energy Agency projects China's oil imports will almost quadruple by 2030 from 2006 levels. The nation's oil use may average about 8.9 million barrels a day in the third quarter of 2010, up 9.5 percent from a year earlier, CNPC's research unit said this week. Venezuela sent an average 1.01 million barrels of crude a day to the U.S. in May, down from a peak of 1.55 million barrels a day in 1998, one year before Chavez took office, according to the U.S. Energy Information Administration.

INDIA FIRM BUYS MAJOR STAKE IN MARCELLUS SHALE

A giant Indian industrial concern has bought a second stake of natural-gas acreage in Pennsylvania, underscoring the international scope of the Marcellus Shale boom. Reliance Industries Ltd., which bills itself as India's largest private-sector company, said Thursday that it would pay $392 million to acquire a 60 percent stake in 104,400 Marcellus acres in central and northeastern Pennsylvania. The acreage is now controlled by a 50-50 venture of Carrizo Oil & Gas Inc., a Houston, Texas, exploration company, and Avista Capital Partners, a private equity firm. Under the new joint venture, Reliance will own a 60 percent interest, and Carrizo will own 40 percent. Carrizo will be the operator of the wells. Though Carrizo is active in north

Texas - it is developing shale-gas wells on the campus of the University of Texas-Arlington - it has drilled only one well in Pennsylvania, according to state records. But Carrizo's drilling activity in Susquehanna and Wyoming Counties will accelerate in the next two years because the Reliance investment includes $52 million to cover 75 percent of the well-development costs. Carrizo chief executive S.P. "Chip" Johnson IV told analysts on Thursday that Reliance has a "big appetite to drill shale wells." Reliance estimates the potential Pennsylvania resource at 3.4 trillion cubic feet of gas and said it expected to drill 1,000 wells in the area over the next decade. The company already has invested $3 billion this year in the purchase of shale-gas assets in Pennsylvania and Texas fromAtlas Energy Inc. and Pioneer Natural Resources Co. ExxonMobil, Royal Dutch Shell, and investors from France, Norway, and Japan also have rushed into the Marcellus Shale, which lies under much of Pennsylvania and parts of four other states. Aided by a controversial drilling technique, exploration companies have dramatically increased production in unconventional geologic formations such as shale. Reliance appears to be picking up expertise in unconventional gas development ahead of India's plans to offer shale-gas areas for exploration next year.

CANADIAN OIL SANDS TRUST Q2 RESULTS

Canadian Oil Sands Trust has announced second quarter 2010 cash from operating activities of $358 million, or $0.74 per Unit, compared with cash used in operating activities of $44 million, or $0.09 per Unit, for the same quarter in 2009. The increase was due to higher revenues during the second quarter of 2010 compared with 2009, partially offset by higher Crown royalties. Year-to-date cash from operating activities increased to $667 million for 2010 from $6 million in 2009. The increase was mainly due to higher revenues, partially offset by higher Crown royalties. Net income for the second quarter of 2010 was $237 million, or $0.49 per Unit, compared with $46 million, or $0.10 per Unit, recorded in the second quarter of 2009. Net income was also higher in the first six months of 2010 than in the same period of 2009, totaling $404 million, or $0.83 per Unit, versus $89 million, or $0.18 per Unit. The Trust has declared a distribution of $0.50 per Unit payable on August 31, 2010 to Unitholders of record on August 23, 2010. "Production at Syncrude was strong during the second quarter of 2010, averaging 324,000 barrels per day," said Marcel Coutu, President and Chief Executive Officer. "We were expecting these robust rates to continue into the third quarter, however, unplanned outages, particularly recent outages in the upgrader during July, have led us to reduce our 2010 annual production outlook by five million barrels for Syncrude to 110 million barrels. During the second quarter of 2010, Canadian Oil Sands' sales volumes averaged approximately 119,000 barrels per day compared with 76,000 barrels per day for the second quarter of 2009. For the first half of 2010, sales volumes averaged about 109,000 barrels per day compared to an average of 89,000 barrels per day during the comparable period in 2009. Canadian Oil Sands' operating costs were $336 million, or $31.18 per barrel, in the second quarter of 2010, compared to $345 million, or $50.23 per barrel, in the same quarter of 2009. The decrease in operating costs was primarily due to lower turnaround costs and stock-based compensation expenses in the second quarter of 2010, partially offset by additional mining activities to support higher production levels and additional unplanned repairs and maintenance. Lower per barrel operating costs also reflect the increased sales volumes in 2010. During the second quarter of 2010, crude oil production from the Syncrude Joint Venture totaled 29.5 million barrels, or 324,000 barrels per day, compared with 18.8 million barrels, or 206,000 barrels per day, during the same period of 2009. Net to the Trust, production totaled 10.8 million barrels in the second quarter of 2010 compared with 6.9 million barrels in the second quarter of 2009, based on our 36.74 per cent working interest.