NYMEX OIL: US$72.07
+$0.15
October delivery
NYMEX N. Gas: US$3.77
-$0.04 per MMBTU
September delivery

Oilfield NEWS

Esso

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TUESDAY PRICES

Benchmark crude for September delivery rose 15-cents to $72.07 a barrel on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil was up 1-cent at $1.99/gal while gasoline was steady at $1.86/gal. Natural gas slipped 4-cents to $3.77 per 1,000 cubic feet. In London, Brent crude gained 26-cents to $71.92 a barrel on the ICE exchange.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 5 to 1,656 for the week of August 27, 2010. It is 657 rigs (65%) higher than last year. The number of rotary rigs drilling for oil was up 17 at 672 There are 386 more rigs targeting oil than last year. Rigs currently drilling for oil represent 38.8% percent of all drilling activity. Rigs directed toward natural gas were down 12 at 973. The number of rigs currently drilling for gas is 274 greater than last year's level of 699. Year-over-year oil exploration in the US is up 33.8 percent. Gas exploration is up 44.2 percent. The weekly average of crude oil spot prices is 14.9 percent higher than last year and natural gas spot prices are 30.7 percent higher. Canadian rig activity was up 7 at 386 for the week of August 27, 2010 and is 202 from last year's rig count.

OUTLOOK SOFT FOR NATURAL GAS PRICES

A U.S. natural gas rig count that refuses to die and roaring supply inventories paint a bleak picture for prices into 2012, according to aCalgary-based investment brokerage. FirstEnergy Capital Corp. slashed its 2011 natural gas price forecast by a dollar Monday, telling investors to jump the North American ship in favour of opportunities overseas. Too much supply and not enough demand have made the resource -- once the bread and butter of Alberta government coffers -- a sinking ship, according to analyst Martin King. "With this interim price forecast update we are effectively abandoning hope that any price recovery on the scale that we had been previously forecasting for late 2010 and 2011 will come to pass," King said in an early morning report. The Calgary-based analyst slashed his 2011 natural gas price forecast by a dollar to average $4.75 US per million British thermal units. King also lowered his 2010 average price to $4.63 US per mmBTU, from $5 US on a surplus of supply for the next couple of years. He likened the current surplus of natural gas supply and high inventories in storage to a dragon that needs to be killed before prices recover. North American markets have been flooded with shale gas volumes as producers step up drilling activity south of the border. Analysts attribute the fevered pace of activity to drill-to-keep lease requirements, as well as volumes being supported by dwindling hedging contracts inked at higher prices. Monday's report was not welcomed by a drilling industry already hurting from a lack of interest in conventional natural gas. Prices have dropped an average of 23 per cent since the beginning of the year. "We certainly didn't expect to see any return to higher gas prices any time soon," said Don Herring, president of the Canadian Association of Oilwell Drilling Contractors. "But the fact that they are reporting even lower prices is a concern to us." The association had forecast an average 2011 price in the $5 range, although it likely will revisit the estimate in October. Activity levels in the drilling sector have nearly doubled from last year's low, but are driven mostly by stronger oil prices, Herring said. "If this is going to be the ongoing reality, there will probably be a decrease in investment in the fleet and probably a continuing weaning of the fleet," Herring said. Canadian prices will also slide, with Alberta natural gas averaging $4.24 per thousand cubic feet next year, from a previous estimate of $5.38 per mcf, King said. "With a clear lack of any major negative impact on supply and rig counts from the past year of price activity, we are prompting avoidance of the North American natural gas investment space," King said in the research note. Natural gas futures closed up 10.7 cents US to $3.812 per mmBTU Monday after the U.S. Energy Information Administration reported U.S. production fell in June as output from the Gulf of Mexico and Alaska slid.

OPEC OIL OUTPUT DOWN

OPEC's crude-oil output fell in August to a seven- month low, led by Iraq, where production was hobbled by a pipeline bombing, a Bloomberg News survey showed. Production slipped 75,000 barrels, or 0.3 percent, to an average 29.15 million barrels a day, the lowest level since January, according to the survey. Output by members with quotas, all except Iraq, dropped 5,000 barrels to 26.805 million, 1.96 million above their target. Iraqi output dropped 70,000 barrels, or 2.9 percent, to 2.345 million this month, the biggest decrease in OPEC. It was the lowest level since April. The Persian Gulf nation was the group's third-largest producer in August. "This shows Iraq is still a risky place to do business," said Rick Mueller, director of oil markets at Energy Security Analysis Inc. in Wakefield, Massachusetts. "The events of the past week and drawdown of the U.S. presence will add to the uncertainty." Iraqi oil exports by pipeline from the northern Kirkuk fields to the Turkish port of Ceyhan were halted from Aug. 20 to Aug. 26 after a bombing stopped the flow of crude.

PROTESTERS BOARD CAIRN OIL RIG OFF GREENLAND

Protesters from environmental group Greenpeace boarded a drilling rig operated by UK oil explorer Cairn Energy on Monday to try to stall development of what the oil industry hopes will become a major new producing centre. Greenpeace said four campaigners climbed aboard the Stena Don, a semi-submersible rig, which has been drilling the Alpha prospect in the Sigguk block, 175 km offshore Disko Island, West Greenland. The Greenpeace activists suspended themselves in tents from the rig and have enough provisions for days, said spokesman Ben Stewart, on Greenpeace ship the Esperanza. Greenland police said that the activists remained suspended by their climbing gear below the rig in the late afternoon. "Like any criminal, they can be expected to arrested and prosecuted," Morten Nielsen, deputy chief of police in Greenland, told Reuters by telephone. He declined to give any details about when or how that would happen. Cairn has said Greenland could have billions of barrels of reserves but the BP oil spill in the Gulf of Mexico has raised fears about the risks of offshore drilling. Greenland's harsh climate and remoteness would make capping a leak and cleaning up spilt oil especially difficult. Greenpeace's vessel Esperanza has been in the area for over a week planning activities to prevent Cairn from completing its objectives before the end of the narrow summer drilling season. The sea between Greenland and Canada is known as "iceberg alley." Commandoes from a Danish warship which has been trailing the Esperanza failed to stop campaigners from boarding the rig, Greenpeace said. "We caught them napping," Stewart said. Greenland deputy police chief Nielsen said that police could have stopped the activists before they reached the rig, but chose not to intercept them because of the risks involved, both to the activists and police officers, in such cold waters. He said the police were supported by the Danish navy but that maintaining law and order in the area was a police matter. The Stena Don has been drilling the Alpha-1 well since late June. It was expected to hit target depth in 55 days and Cairn investors are expecting to hear whether it has been successful in the coming weeks. Edinburgh-based Cairn last week completed drilling of its nearby T8 prospect. Although the T8 well failed to hit oil, the company said the results proved the existence of a hydrocarbon formation. The Stena Forth drillship, which drilled the T8 prospect, is scheduled to commence drilling another prospect soon. Greenpeace declined to say if it might try and disrupt that vessel's operations next. Cairn's wells are the first to be drilled in Greenland in over a decade. Six wells were drilled in the 1990s but failed to find oil or gas in commercial quantities. However, companies hope that better technology will now allow them to discover big reservoirs. Exxon Mobil and Chevron have bought exploration licences.

AOS Q2 UPDATE

During the second quarter Alberta Oilsands Inc. achieved a milestone when Ryder Scott Company - Canada, Petroleum Consultants (Ryder Scott) assigned the Company with its first probable and possible oil sands reserves. Such third party evaluation with an effective date of March 31, 2010, assigned 67.6 million barrels of probable and possible (3P) bitumen gross lease reserves on approximately one section of the Company's 28 sections of 100% working interest lands at Clearwater West. 16.3 million barrels have been classified as probable bitumen reserves and 51.3 million barrels have been classified as possible bitumen reserves. During the quarter Alberta Oilsands increased net capital expenditures to $913,715 in the second quarter of 2010 compared with $587,301 in the second quarter of 2009; completed mini-fracture testing and analysis on the 5-22-88-08W4M observation well in the McMurray bitumen and the Clearwater cap rock at Clearwater West; completed drilling, data gathering and analysis of the AB/1-21-88- 08W4M observation well at Clearwater West. The Clearwater West project is located one mile southeast of the Fort McMurray Regional Airport and is accessible via Highway 69. Alberta Oilsands has a 100% working interest in 28 contiguous sections of oil sands rights in the area which are subject to a 2% gross overriding royalty to the Fort McMurray Airport Authority on two of the sections 21 and 22 where the Phase 1 project is located. The Company continues to move forward while awaiting approval of the Clearwater West project, including gathering technical data through observation wells and consulting with the local community and planning for delineation wells in the Company's other Clearwater lands. Alberta Oilsands produced an average of 161 boe/d in the second quarter of 2010, including 607 thousand cubic feet per day (mcf/d) of natural gas from northeastern British Columbia's Ladyfern field and 41 boe/d from Leduc, Alberta. This compares to 196 boe/d in the first quarter of 2010 and 325 boe/d in the second quarter of 2009 as the Company experienced natural declines. The Company has not added any additional conventional production since the Ladyfern well in April 2009. Alberta Oilsands has rights to 97,283 acres of undeveloped land in Alberta, Saskatchewan and Manitoba to pursue conventional exploration.

CONNACHER OPERATIONAL UPDATE

Connacher Oil and Gas Limited has provided an operational update, primarily with respect to its activities at Pod One and Algar, both within its Great Divide oil sands project in northeastern Alberta. Connacher has now installed pumps in 17 of the 19 well pairs at Great Divide Pod One. This includes five progressive cavity pumps on our northern wells, three high temperature electrical submersible pumps ("ESPs") and eleven conventional ESPs. It is anticipated that as regular ESPs achieve their economic life, they will be sequentially replaced with high temperature ESPs in the normal course. The remaining two new wells are on gas lift as they have just been brought onstream, so that all 19 wells are now producing, with the new wells in the early ramp up stage. With the installation of pumps in 17 wells and the startup of production in the last two wells, Connacher is now ramping up steam production at Pod One and anticipate continued production increases and declining steam:oil ratios throughout the balance of 2010. Last week Connacher recorded average daily production of 7,333 bbl/d at Pod One, an increase of approximately five percent from the prior week. Now that their field work is largely completed and assuming there are no further significant power outages or interruptions for the balance of the year, Connacher's goal is to achieve an average daily production rate of approximately 7,200 bbl/d for full year 2010 at Pod One, having averaged 6,572 bbl/d during the first half 2010. Connacher's ramp up at Algar continues on trend and at a record rate. They commenced converting wells to full steam-assisted gravity drainage production in early August 2010. Last week they converted two additional wells to full SAGD production. Connacher now has nine well pairs on full SAGD production and seven more well pairs are on steam circulation. At a new SAGD facility such as Algar, the conversion to full SAGD and ramping up of production is a sequential process during approximately the first full year of operation. Currently, their measured volumes of bitumen production are approaching 3,000 bbl/d. As additional wells are converted to full SAGD production and ramp up towards their productive capacity, this volume will increase. Connacher says it will not record these volumes in their reported financial and operating results until they have concluded commerciality for the Algar project, anticipated to occur sometime around the beginning of the fourth quarter 2010. In the interim, they record the volumes for royalty purposes and they capitalize sales proceeds and related operating costs. Connacher is forecasting an average annual daily production rate of approximately 1,800 bbl/d for Algar, arising from expected average daily production rates during the fourth quarter 2010 and the assumption of commerciality effective October 1, 2010. On a combined basis, Connacher is forecasting a December monthly exit rate for Pod One and Algar bitumen sales of between 15,500 bbl/d and 16,500 bbl/d. Their Algar cogeneration facility is in the final stages of commissioning and is expected to commence operations in early September 2010. This facility will provide all the power requirements for Algar will eliminate any reliance on the nearby grid and will eventually be able to produce excess power for sale into the grid once a nearby substation, presently under construction, is completed by the regional power provider. These developments should accordingly enhance power reliability for Pod One and eliminate the end-of-line issues which affected their operations, especially during the second quarter 2010. Also, weather related issues such as electrical storms should be diminished as cooler conditions move in the area. Connacher continues to achieve fairly steady conventional production in Alberta and Saskatchewan and its Montana refinery is experiencing very positive operating and preliminary financial results during the summer months.

IROC Q2 RESULTS

IROC Energy Services Corp. has announced financial results for the three and six month periods ended June 30, 2010. Total revenue from continuing operations increased 16% to $10.8 million for the three months ended June 30, 2010 as compared to $9.3 million in the comparable period of the prior year. - Gross margin from continuing operations increased 16% to $3.2 million for the three months ended June 30, 2010 as compared to $2.7 million in the comparable period of the prior year. - EBITDAS from continuing operations increased 67% to $975 thousand for the three months ended June 30, 2010 as compared to $583 thousand in the comparable period of the prior year. For the six months ending June 30 total revenue from continuing operations increased 16% to $27.1 million as compared to $23.3 million in the comparable period of the prior year. - Gross margin from continuing operations increased 17% to $8.8 million for the six months ended June 30, 2010 as compared to $7.5 million in the comparable period of the prior year. - EBITDAS from continuing operations increased 38% to $4.4 million for the six months ended June 30, 2010 as compared to $3.2 million in the comparable period of the prior year. - Net loss from continuing operations decreased 55% to $0.5 million for the six months ended June 30, 2010 as compared to $1.2 million in the comparable period of the prior year.