NYMEX OIL: US$76.85
-$0.35
October delivery
NYMEX N. Gas: US$3.96
+$0.02 per MMBTU
October delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for October delivery fell 35-cents to $76.85 a barrel on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil was down 1-cent at $2.12/gal while gasoline fell a penny to $1.97/gal. Natural gas gained 2-cents to $3.96 per 1,000 cubic feet. In London, Brent crude rose 6-cents to $76.60 a barrel on the ICE exchange.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 1 to 1,654 for the week of September 10, 2010. It is 655 rigs (65.6%) higher than last year. The number of rotary rigs drilling for oil was down 2 at 664. There are 375 more rigs targeting oil than last year. Rigs currently drilling for oil represent 40.1% percent of all drilling activity. Rigs directed toward natural gas were up 3 at 980. The number of rigs currently drilling for gas is 281 greater than last year's level of 699. Year-over-year oil exploration in the US is up 130.2 percent. Gas exploration is up 40.2 percent. The weekly average of crude oil spot prices is 5.6 percent higher than last year and natural gas spot prices are 40.4 percent higher. Canadian rig activity was down 5 at 383 for the week of September 10, 2010 and is 177 (85.9%) higher than last year's rig count.

OIL CLIMBS HITS 1 MONTH HIGH

Oil rose to a one-month high on Monday after China's strong industrial output signalled robust demand, while an extended shutdown of the biggest Canada-U.S. crude pipeline raised expectations of declining inventories. U.S. crude for October climbed as much as 1.2 percent to $77.33 a barrel on the New York Mercantile Exchange (NYMEX), the highest price since August 12, and was up 75 cents at $77.20 by 0325 GMT. October ICE Brent rose 40 cents to $78.56. Chinese factories ramped up production by a larger-than-expected 13.9 percent in August, as the economy of the world's second-largest oil user remained buoyant despite government efforts to clamp down on bank lending. "The Chinese data was overwhelmingly positive," said Ben Westmore, a commodities analyst at National Australia Bank. "China is in a soft landing after all the stimulus, and emerging economies are growing quite strongly. In terms of oil use, that portends to strong demand in the coming months." Enbridge's Line 6A, connecting Canadian production with refineries in the Midwest and the pricing hub for U.S. crude benchmark West Texas Intermediate at Cushing, Oklahoma, remained shut on Sunday following a leak three days earlier. Although the source of the leak was found late on Sunday, no date was set for restoring flows through the 670,000 barrel per day (bpd) duct, which can carry 7-8 percent of total U.S. crude imports. Canada is the largest oil exporter to the U.S. and Enbridge's pipelines carry the lion's share of that crude. The shutdown of the company's biggest line might help ease a glut in Cushing storage. The leak has the potential to reduce flows to Cushing by around 300,000 bpd, according to JP Morgan, taking into account alternative routes and the fact that Line 6A was probably not being used at full capacity when it leaked. Once the leak source is found, a section of the pipeline will have to be removed so the repair can be made, the U.S. Environmental Protection Agency said. That section of pipe will have to be replaced and inspections done before use of the line can resume.

IEA SAYS OIL DEMAND OUTLOOK LITTLE CHANGED

The International Energy Agency left its estimate for oil demand for 2010 and 2011 little changed as fuel stockpiles surge and concern persists that a revival in world economic growth may falter. Global crude demand will average 87.9 million barrels a day next year, the IEA said today in its monthly Oil Market Report, unchanged from last month. It revised the 2010 estimate 50,000 barrels a day higher to 86.6 million. Soaring stockpiles and slowing Asian consumption are capping oil prices and there's a "significant downside risk" that demand will falter should the global recovery stall, the Paris-based group said. "Nagging concerns over the robustness of economic recovery, a U.S. gasoline season which ended with a whimper, and questions on the durability of still-robust non-OECD demand growth are holding at bay perceived short-medium term supply risks," the IEA said. Oil prices have traded at $70 to $85 a barrel since June, reflecting doubts about the economy and soaring crude stockpiles, according to the IEA. Crude for October delivery traded at $75.86 a barrel, up $1.61, in electronic trading on the New York Mercantile Exchange today, leaving prices 4.4 percent down this year. "Economic risks that are skewed to the downside could place a ceiling over prices in the next 12 to 15 months," the IEA said. "On the other hand, our base case suggests a market tightening again from mid-2011 onwards." Industry-held stockpiles in the world's developed economies rose to 2.785 billion barrels in July. That represents demand of 61.4 days, close to a record from August 1998, the IEA said. World demand will climb 1.3 million barrels a day, or 1.5 percent in 2011, down from this year's growth of 1.9 million barrels a day, or 2.2 percent, the IEA said. That is little changed from last month's report. While developing economies continue to account for all the increase in world demand, the IEA cut its estimate for consumption in those countries on lower figures from Asia and the Middle East. Demand in countries outside the Organization for Economic Cooperation and Development will increase 3.6 percent in 2011 to 42.5 million barrels a day, compared with an increase of 4.4 percent in 2010. Last month, the agency expected growth of 3.7 percent and 4.5 percent respectively. As the world consumes more oil, there will be a greater burden on supplies of crude oil from the Organization of Petroleum Exporting Countries than estimated, the IEA said. OPEC will need to supply 29.2 million barrels a day in 2011 to balance world supply and demand, up from the 29.1 million barrels a day projected last month. The revision to the amount OPEC will have to pump, the so- called call on OPEC crude, is driven by a drop in projected production of its own natural gas liquids, according to the IEA. NGLs, which can be made into fuels and petrochemical feedstocks, aren't included in the organization's supply quotas.

CALVALLEY APPROVES NORMAL COURSE ISSUER BID

BCalvalley Petroleum Inchas announced that the Toronto Stock Exchange has accepted its notice to make a normal course issuer bid to purchase outstanding Class A Common Shares on the open market, in accordance with the rules of the TSX. As per the TSX approval, Calvalley is authorized to purchase up to 7,841,792 Common Shares representing 10% percent of the public float of Common Shares of Calvalley. Unless Calvalley is utilizing a Block Purchase Exemption as permitted by the TSX, purchases are subject to a daily purchase restriction equal to 25% of the average daily trading volume of the Common Shares over the past six calendar months, or a maximum of 32,134 Common Shares per trading day. As of September 14, 2010, there are 97,979,292 Common Shares outstanding. Calvalley is authorized to make purchases during the period of September 16, 2010 to September 15, 2011 or until such earlier time as the NCIB is completed or terminated at the option of Calvalley. Any Common Shares Calvalley purchases under the NCIB will be purchased on the open market through the facilities of the TSX at the prevailing market price at the time of the transaction. Common Shares acquired under the NCIB will be cancelled. Calvalley's Board of Directors believes, from time to time, the market price of its Common Shares may not reflect their underlying value. The Company acquired 1,657,688 Common Shares at an average price of $1.93 per Common Share under its previous NCIB which expired on April 22, 2010. Calvalley's strong cash flow capability and debt-free balance sheet provide the opportunity to capitalize on the current valuation of Calvalley in the market which, in the Board's opinion, significantly discounts the value and potential of the Company's asset base.

AOSC TO ACQUIRE EXCELSIOR

Athabasca Oil Sands Corp. and Excelsior Energy Limited have announced they have entered into an arrangement agreement whereby AOSC will acquire all of the issued and outstanding common shares of Excelsior by way of Plan of Arrangement under the Business Corporations Act (Alberta). Under the Transaction, Excelsior's shareholders will receive, for each Excelsior Share held, at the election of the holder, either (i) $0.36 cash; or (ii) 0.0347 of a common share of AOSC . Holders of Excelsior common share purchase warrants who do not exercise their Excelsior Warrants prior to closing of the Transaction will exchange their Excelsior Warrants for warrants to purchase AOSC Shares based on the same ratio applied to the Excelsior Shares, and expiring on the second anniversary of the closing of the Transaction. Excelsior currently has 281,175,755 Excelsior Shares outstanding and 104,165,666 Excelsior Warrants outstanding at exercise prices ranging from $0.30 to $0.32 per Excelsior Share. The equity value of the transaction is approximately $144 million on a fully diluted basis, with an attributed value to Excelsior's oil sands assets and proprietary technology of approximately $89 million. The Boards of Directors of both AOSC and Excelsior have unanimously approved the Transaction. All of the directors and officers of Excelsior, and certain significant Excelsior security holders beneficially owning or controlling an aggregate of approximately 19% of the Excelsior Shares on a non-diluted basis, and 44% of the Excelsior Warrants, have agreed to vote their securities in favour of the Transaction. Through the Transaction, AOSC is acquiring concentrated, high quality oil sands leases at Hangingstone and West Surmont, and consolidating AOSC's current acreage position in the Hangingstone area. The acquisition of Excelsior is consistent with AOSC's strategy of amassing a suite of large, critical sized assets which provide optimal long-term development potential for AOSC. The key attributes of Excelsior include: - Contingent resources of approximately 183 MMbbls (best estimate) (1); - Net cash of approximately $25 million (prior to exercise of any Excelsior stock options or Excelsior Warrants); - Approximately 26,607 net undeveloped acres of land on two contiguous blocks in the Hangingstone and West Surmont areas of the Athabasca oil sands region; - Operatorship, with high working interests of 75% at Hangingstone and 64.3% at West Surmont; and - Patent for the Combustion Overhead Gravity Drainage (COGD) proprietary technology; project approval for a 1,000 bbl/d experimental pilot is expected in the latter half of 2010 with subsequent implementation and commissioning in early 2011. Following the closing of the Transaction, AOSC will have 113,007 net undeveloped acres of land in the Hangingstone area. The combined Hangingstone acreage allows for both potential independent development by AOSC, as well as potential joint venture development opportunities.

STERLING ANNOUNCES SUCCESSFUL TEST AT CLADHAN

Sterling Resources Ltd. has announced successful test results for the Cladhan well 210/29a-4z, for which the initial drilling success was previously announced on August 30th. The Drill Stem Test (DST) of the well has been conducted by perforating the interval at a Measured Depth (MD) of 10,806 to 10,869 feet. The well was flowed for a total of nearly 18.7 hours, over which 13 hours were stabilised at an average rate of 5,903 barrels of 34 degree API oil per day on a 28/64 inch fixed choke, with a final wellhead pressure of 1,874 psig. The original discovery well 210/29a-4 was drilled in November 2008 to a depth of 9,734 feet MD and discovered oil bearing sands in an Upper Jurassic stratigraphic trap. An updip sidetrack was drilled 11,215 feet MD, encountering a gross hydrocarbon column of 159 feet, with 102 feet of net hydrocarbon bearing sandstones compared to the discovery well, which had 31 feet of net pay. "These are truly excellent well test results, especially considering we have only perforated half of the net pay in the well. We also had to constrain the flow rate of the well due to limitations on the maximum capacity of the surface separation equipment, and also due to the small diameter of the DST tools and 3 1/2 inch tubing used while testing. Our analysis of the performance of the well indicates that with a larger 4 1/2 inch completion tubing, the well is capable of producing over 15,000 barrels of oil per day," stated John Rapach, Sterling's Chief Operating Officer. "I would like to thank all of our staff and contractors that have helped to make Cladhan a success story so far," added Mr. Rapach. "Certainly this is a solid first step towards development of the field, with exceptional production rates from a high quality well," noted Mike Azancot, Sterling's President and CEO. "Now we need to ascertain the scale of the development by drilling downdip of the current well through a second sidetrack operation which will commence later this week," added Mr. Azancot. Sterling holds a 39.9% interest in Cladhan and is the operator of the License P1064. Partners are Wintershall (UK North Sea) Ltd 33.5 %, Encore Petroleum Ltd 16.6 % and Dyas UK Ltd 10%.

PETROSTAR AGREES TO TERMS FOR FUNDING ARRANGEMENT

Petrostar Petroleum Corp. has announced that the Company has agreed to terms on a $20 million funding agreement with Capital Corp. Merchant Banking of Orlando, Florida, USA via a debenture instrument. Capital Corp. Merchant Banking is part of a group that was formed 25 years ago to meet the growing needs of companies/clients and promoters looking for funding and professional assistance in a diversity of projects. Funding for the project will be delivered in 2 phases. Phase 1 will be an initial $5 million and phase 2 will be $15 million to be disbursed within 12 months from the initial disbursement. The total disbursement of $20 million will consist of $400,000 in common stock of the new subsidiary and $19.6 million as a debenture to the subsidiary. The debenture is for a term of 84 months with 4 annual fixed payments and an annual interest rate of 3% calculated on the net balance of the debenture payable on a quarterly basis. There will be a 24-month grace period from the quarterly payments. Funding will be used specifically for exploration and development of Petrostar's Bakken property. Under the terms of the agreement, Petrostar will form a subsidiary private company exclusively for the Bakken project. The new subsidiary company will be a 50/50 joint venture between Petrostar and Capital Corp. Merchant Banking. Petrostar will be the operator for this project. Phase 1 of exploration will consist of further mapping of the properties and the purchase of seismic trade data, which will determine up to 8 drill targets to be drilled. Phase 2 of the project will be to expand on the success of Phase I with new wells and infill wells planned in the appropriate areas. Further property acquisition or farm-ins will be considered. As operator, Petrostar will be in charge of all aspects of the Bakken project. After a period of 5 years, Petrostar will have the option to buy back all shares in the subsidiary owned by the funder at the market value to be determined by a professional third party. Management negotiated the debenture with Capital Corp rather than issuing shares and further diluting the shareholder base of the company. Management feels that this protects its shareholders and gives them the best value for this project. This is a major step forward for Petrostar to increase its oil production and revenue substantially over the next 12 to 24 months. Final documentation is being prepared with funding expected within 30 to 60 days. The Company expects to start the drilling program in December 2010.

MULLEN TRUCKING LP RECEIVES AWARD FOR EXCELLENCE

Mullen Group Ltd. has announced that its wholly owned operating subsidiary Mullen Trucking L.P. has been recognized by the National Quality Institute for outstanding achievement in Quality. Mullen Trucking has received the Order of Excellence Award, the highest level of recognition from the National Quality Institute. The National Quality Institute is a not-for-profit independent organization whose goal is to help Canadian private and public sector organizations implement programs of excellence. The Canada Awards for Excellence is an annual awards program presented by the National Quality Institute to recognize business excellence in quality, customer service, and a healthy workplace. Mullen Trucking, based in Aldersyde, Alberta, is one of the largest operating subsidiaries in the Mullen Group. Mullen Trucking operates a fleet of 136 power units and provides logistics expertise in the transportation and handling of specialized and oversized shipments throughout North America for the natural resources and construction sectors.