

NYMEX OIL: US\$76.59
+\$1.41
November delivery
NYMEX N. Gas: US\$3.89
-\$0.13 per MMBTU
October delivery



oilfield NEWS

oilfieldnews.ca



Published By **NEWS COMMUNICATIONS** since 1977

Weekender

Saturday September 25, 2010

NATURAL GAS RIGS SLIDE

The number of rigs drilling for natural gas in the United States slid 15 this week to 967, its first drop in four weeks, according to a report on Friday by oil services firm Baker Hughes in Houston. The gas-directed rig count hit 992 in mid-August, its highest level since February 2009 when there were 1018 rigs drilling for gas. Horizontal rigs - the type most often used to extract gas from shale - were unchanged from the previous week's record high of 912.

NO NEED TO ALTER OPEC POLICY IN OCTOBER

Qatar sees no need for OPEC to alter oil output policy at its meeting in October as prices are in a fair range. Qatari oil ministry official said that there is no need for a change, things are going well now and prices of USD 70 to USD 75 are fair for both producers and buyers. There was also no need to increase production and there is ample supply in the market. The Organization of the Petroleum Exporting Countries meets to reassess output policy in Vienna on October 14. OPEC has not formally changed its output policy since agreeing a record cut in December 2008. That helped to push prices higher from a low of just above USD 30 per barrel and for more than a year they have held a range of roughly USD 70 USD 85 per barrel.

PUTIN PLEDGES COOPERATION WITH OPEC

Russia, the world's biggest oil producer, will work more closely with the Organization of the Petroleum Exporting Countries according to Prime Minister Vladimir Putin. Last week Putin said "OPEC is sometimes irritated by us as we,

not being a member of the organization, produce more oil, which influences international crude oil prices," he told a conference in Sochi. "But we will coordinate our work with OPEC," he said, adding that Russia would also work with the Gas Exporting Countries Forum, which brings together leading gas exporters. He did not specify how Russia would collaborate or whether it planned to attend OPEC's next meeting. OPEC ministers have voiced exasperation with Russia as it has pumped to full capacity, while leaving the work of supporting oil prices by reducing output to members of OPEC. It sent high-level delegations to attend OPEC meetings as observers when the oil price was crashing to just above \$30 a barrel in late 2008, but has not joined in with production cuts. Deputy Prime Minister Igor Sechin said last year that Russia would cooperate more closely with the bloc to support prices. Instead, the country's output has risen to records of more than 10 million barrels per day, taking it above that of OPEC's largest producer Saudi Arabia, which is producing below capacity following OPEC supply curbs. OPEC's compliance with its output goals has slipped, but only after the market rallied to the roughly \$70 to \$80 a barrel range that its members have said is acceptable for consumers and producers. Given the resilience of the oil price, analysts do not expect OPEC to change its supply policy on Oct. 14.

OIL SANDS EMISSIONS HIGHER THAN OTHER OIL SOURCES

Emissions from Canada's oil sands, from crude production to end use, are 6 percent higher than from other oil imported into the United States, a study said on Tuesday.

PRINCETON GRAND

Fabulous 360° views to forever
 from this 4400 sq ft penthouse
 - opulent, elegant, yet warm and inviting.
 Offered at \$4,497,000



Heather Waddell Realtor®

Royal LePage Foothills
 403-249-4322

www.heatherwaddell.com
www.luxuryrealty.com

MARK MILNE
 LUXURY REAL ESTATE



Altadores Finest
MLS.ca 3445549



Hamptons Gated
MLSC3430400

Location combined with the finest finishings. This well designed home is perfect for the entertaining executive or large family. See why at MLS.ca

Gated enclave overlooking fairways and water feature. New 2552sf bungalow with triple garage, reception gallery with host bar, walk in closet with island and connection to laundry. High ceilings and lots of glass flood this with natural light. Developed walk out with theatre, 2 bdrm and 2 bath plus hearth area, recreation area, bar and workout space. Don't wait.

Mark Milne
403-863-1900



While that is well below the levels cited by some environmental groups, meeting new rules on carbon emissions would still mean an unlikely halving of greenhouse gases from oil sands crude over the next 10 years, according to the study by energy think tank IHS CERA. Those hefty emission cuts, borne by oil sands producers as more

North American governments adopt tougher environmental standards, would be impractical without other carbon offsets, the study said. California and other jurisdictions have set fuel policies calling for a 10 percent drop in life-cycle greenhouse gas emissions within a decade. Canada's oil industry is

Build Your Shuswap Dream...

Whether you're planning your retirement dream, considering a major renovation, or seeking design and project management, Award Winning Copper Island Fine Homes is your contractor of choice in the Shuswap.

View our complete listings at
www.copperislandfinehomes.ca

(Bus) 250.675.3701
(Cell) 250.833.8718

(Fax) 877.273.7506
E-mail gvistisen@telus.net

concerned about the impact on costs and access to markets as more governments follow suit with low-carbon standards. "It will be difficult to meet those," said IHS CERA director Jackie Forrest, an author of the report, called "Oil Sands, Greenhouse Gases, and U.S. Oil Supply: Getting the Numbers Right." IHS CERA got its life-cycle average from the results of 13 government, academic and industry studies that put oil sands emissions at 5 percent to 15 percent above other crudes. From production through to use in vehicles, the suppliers control 20 percent to 30 percent of emissions, so they would have to cut what they emit from extraction, processing and distribution by a third to a half to meet the overall 10 percent drop, the study said. As an offset, capacity to provide and use alternative low-carbon energy sources, such as ethanol and electricity, would have to double from current levels, it said. "On the supply side there are going to be issues as well as the consumption side," Forrest said. Canada's oil sands are the largest crude reserves outside the Middle East, but have been tagged as a high-carbon fuel source due to the extra energy needed to mine the heavy crude or pump steam into the earth to allow it to be pumped to the surface. Canada is already the top foreign supplier of oil to the United States. The industry and Alberta government have mounted an intense lobbying campaign in Washington to sell the benefits of the oil sands as a secure source and to show that companies are working to improve their environmental performance. Numerous environmental groups seek to counter that, saying the oil sands are Canada's fastest-growing source of carbon emissions due to the rapid expansion of the industry. Indeed, groups including the Pembina Institute and the Toxics Watch Society of Alberta asked regulators on Tuesday to adjourn a hearing into Total SA's Joslyn North oil sands mine, saying the company did not adequately assess its environmental impact when added to other companies' plans in the region. IHS CERA said not all oil sands shipped to the United States has the same carbon emissions. As much as 55 percent is bitumen mixed with lower-emission lighter hydrocarbons. The remainder is light synthetic crude, which was processed within Alberta at plants that emit greenhouse gases. One environmental group criticized the report, saying its own studies, examining many of the same sources, showed life-cycle emissions to be 8 percent to 37 percent higher than other crudes processed in the

United States. The National Resources Defense Council said it took issue with the calculation from diluting bitumen with light diluent and said IHS CERA left out some life-cycle impacts, such as land use and energy inputs to oil sands facilities.

CALFRAC INCREASES 2010 CAPITAL PROGRAM

Calfrac Well Services Ltd. has announced a \$56 million increase to its 2010 capital program for a revised total of \$236 million. The increase is largely focused on the construction of a large fracturing spread for Calfrac's U.S. operations, supported by a recently executed long-term minimum commitment contract with EXCO Resources (PA), LLC, a 50/50 joint venture between EXCO Resources, Inc. and BG Group, plc relating to its operations in the Marcellus shale formation. The incremental capital will add an additional 55,000 horsepower to Calfrac's fracturing fleet, bringing its total horsepower capacity to approximately 650,000 HHP at the culmination of the capital program. The increased capital will be funded from cash flow and existing credit facilities.

SURGE ENERGY ANNOUNCES ACQUISITION

Surge Energy Inc. has announced that it has entered into an agreement with a major independent Canadian corporation to acquire a high working interest, operated property currently producing 726 boe/d in the Valhalla South area located in western Alberta for a total consideration of \$75 million. The current production consists of vertical oil wells producing from an extensive tight sand with up to 50 meters of gross light oil pay in the Triassic Doig Formation. Management has a proven track record of optimizing value in the tight, compartmentalized Doig Formation (Fireweed) and plans to drill the Property using horizontal multi-frac technology. The Acquisition adds a fourth early stage, high impact, light oil resource play to Surge's portfolio. Surge also announced a \$40 million bought deal financing of 7,620,000 Subscription Receipts at a price of \$5.25 per Subscription Receipt, increased 2010 guidance, and preliminary 2011 guidance. Through the Acquisition, Surge is acquiring a low decline asset (<15%) with all season access that has significant light oil (40 degree API) upside with internal company estimates of more than 100 million barrels of Total Petroleum Initially In Place ("TPIIP"), and cumulative oil recovery to date of less than three percent of TPIIP. The Doig field is approximately 12 kilometers

long by two kilometers wide and up to 50 meters thick. Using existing vertical well control and complete 3D seismic coverage, management has identified up to 24 horizontal multi-frac infill drilling locations, which have the potential to more than quadruple production on the Property to over 3000 boe/d (>60% oil and NGL's) over the next three years. The Property is a light oil analogue to the Fireweed Doig gas asset which management successfully developed in 2009 at a previous entity. Production in the Fireweed Doig was increased from approximately 800 boe/d to greater than 2,500 boe/d by drilling three infill horizontal multi-frac wells. To date, the Property has only been drilled with vertical wells and has recovered less than three percent of TPIIP. The company plans to significantly increase recovery utilizing horizontal multi-frac technology. Surge plans to drill, complete, and tie-in infill horizontal multi-frac wells at a cost of approximately \$4.2 million with internally estimated rates of return in excess of 200% and approximate recoveries between 600,000 and 800,000 boe per well. Management forecasts full cycle finding, development and acquisition (FD&A) costs of less than \$10.00/boe resulting in a recycle ratio of greater than three times. Surge plans to drill its first horizontal multi-frac well on the Property before year end with production coming on stream by the end of the first quarter in 2011. As a result of the Acquisition, Surge is increasing its guidance for 2010 exit production to 4,500 Boe/d (>60% oil and NGL's) from 3,800 boe/d (>60% oil and NGL's) and forecasting a 2011 exit production rate of 6,500 boe/d (>70% oil and NGL's).

LITTLE HEADWAY ON MARCELLUS TAX

Marcellus Shale has dominated discussion under the Capitol dome this week, but with no action to show for it as the legislative session draws to a close in two weeks. Environmental groups held a rally Tuesday afternoon in the Capitol Rotunda to support a Marcellus Shale natural gas tax that would pump millions of dollars into recession-depleted state and local coffers. Earlier in the day, two floors above the Rotunda, House Republicans unveiled a plan to harness the power of natural gas in one of the largest reserves in North America by converting the state's 16,000-vehicle fleet and private fleets to the fuel. Elsewhere in the Capitol, senior Rendell administration officials and legislative leaders continued discussions aimed at closing a deal on shale-tax legislation

FOR SALE LAKE PROPERTY SASKATCHEWAN

We have a number of cottages, Lakefront & Lakeview titled lots at Round Lake in the beautiful Qu'Appelle Valley just 2 hours east of Regina, SK.

Call Rick Zapaniuk
or Delphine Gehl
@ Zapaniuk Agencies Ltd.
(306) 745-2697

LAKE KOOCANUSA BC



4 SEASON RV LOTS
Fully Serviced
5 minute walk to beach
Pre-Construction price
until Sept 30
250-887-3120
www.maderaranch.com

ahead of the agreed-upon deadline of Oct. 1. "We are hopeful the legislature will live up to their commitment," said Gov. Rendell's spokesman, Gary Tuma. Still at issue are the amount of the tax and the distribution of funds; specifically, how the revenue would be divided among the state, local municipalities, and environmental protection efforts. Rendell said he would veto any proposal that did not come close to his plan for a 5 percent tax on sales of the extracted gas plus an additional 4.7 cents for every 1,000 cubic feet of gas produced. With six days left in the session, Democrats who control the House have yet to agree on a legislative package. "We are prepared to enact a tax, but we need a bill to come to us from the House," said Senate Majority Leader Dominic Pileggi (R., Delaware). Rep. Greg Vitali (D., Delaware), who spoke at the environmental rally, which drew about 200 people, said he was angry with leaders of both parties in both chambers for failing to reach an agreement at this late hour. "The goal is getting out of town without taking any tough votes," he said. "I feel that if both House and Senate leadership were really serious about getting a severance tax, there would have been negotiations in July, August, and early September, but here we are with two weeks left and there are a lot of things left undone.