NYMEX OIL: US$80.16
-$2.92
November delivery
NYMEX N. Gas: US$3.51
+$0.08 per MMBTU
November delivery

Oilfield NEWS

Published By *NEWS COMMUNICATIONS* since 1977 | Canadian Edition | Wednesday October 20 2010

TUESDAY PRICES

Benchmark crude for November fell $2.92 to $80.16 a barrel on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil was down 9-cents at $2.19 /gal while gasoline lost 10-cents to $2.04/gal. Natural gas gained 8-cents to $3.51 per 1,000 cubic feet. In London, Brent dropped $3.40cents to $80.97 a barrel on the ICE exchange.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was down 1 to 1,670 for the week of October 15, 2010. It is 630 rigs (60.6%) higher than last year. The number of rotary rigs drilling for oil was up 5 at 695. There are 386 more rigs targeting oil than last year. Rigs currently drilling for oil represent 41.6% percent of all drilling activity. Rigs directed toward natural gas were down 5 at 966. The number of rigs currently drilling for gas is 245 greater than last year's level of 721. Year-over-year oil exploration in the US is up 124.9 percent. Gas exploration is up 34.0 percent. The weekly average of crude oil spot prices is 8.8 percent higher than last year and natural gas spot prices are 10.2 percent lower. Canadian rig activi was up 20 at 423 for the week of October 15, 2010 and is 173 (69.2%) higher than last year's rig count.

BP SELLS ASSETS TO RUSSIAN UNIT

British oil company BP has agreed to sell its energy assets in Venezuela and Vietnam to its Russian joint venture for $1.8 billion, the companies said in a statement Monday. The deal is part of a series of sales BP PLC is making to help pay for the oil spill damages in the Gulf of Mexico. It will be financed entirely by TNK-BP, which is owned 50-50 by BP and a group of Russian tycoons. So despite its ownership, BP will receive the full amount in the sale. TNK-BP will make a $1 billion deposit by Oct. 29 and pay the remainder when the deal is finalized, likely in the first half of next year. TNK-BP is Russia's third-largest oil company and accounts for a quarter of BP's oil output. The joint statement released said that the acquisitions of the assets in Venezuela and Vietnam will bring TNK-BP net proved and probable reserves of some 290 million barrels of oil equivalent, or about 260 million barrels of oil equivalent on an entitlement basis. In Venezuela, TNK-BP will buy BP's 16.7 percent equity stake in Venezuela's PetroMonagas SA extra heavy oil producer, its 40 percent stake in Petroperija SA that operates the DZO field, and a 26.7 percent stake in Boqueron SA. These assets are operated as joint ventures with PVDSA and have a combined capacity of 25 thousand barrels of oil equivalent per day. In Vietnam, it will acquire BP's 35 percent stake in the upstream offshore gas production Block 061 containing the Lan Tay and Lan Do gas condensate fields, a 32.7 percent stake in the Nam Con Son Pipeline and Terminal, and a 33.3 percent stake in the Phu My 3 power plant. The assets form an integrated gas and power chain with a production capacity of 30 thousand barrels of oil equivalent per day on a working interest basis.

WESTERN ENERGY TO ACQUIRE PANTERA DRILLING INCOME TRUST

Western Energy Services Corp. and Pantera Drilling Income Trust have announced that they have entered into an Arrangement Agreement whereby, subject to certain conditions, Western will acquire all of the issued and outstanding units of Pantera in exchange for shares of Western. Under the terms of the Transaction, Pantera unitholders will receive 21.9048 common shares of Western or each income trust unit of Pantera held, resulting in the issuance of approximately 226 million Western Shares. The consideration offered to Pantera is equivalent to $4.60 per Pantera Unit based on a deemed value of $0.21 per Western share and represents a 35.7% premium to Pantera's five-day volume weighted average trading price of $3.39 per unit as at October 15, 2010. The total transaction value is approximately $64.1 million, including the assumption of approximately $16.6 million in net debt (estimated at closing), severance and transaction costs. Upon completion of the Transaction, Western shareholders will own approximately 72% of the combined entity and Pantera unitholders will collectively own approximately 28% on a fully diluted basis. Pursuant to the Transaction, Ronald P. Mathison, Pantera's Chairman who owns a majority of the Pantera trust units, will join Western's Board of Directors. In addition, Western agreed to nominate a second mutually acceptable candidate for election at its next AGM. It is expected that an information circular and letters of transmittal will be mailed to Pantera unitholders in mid-November. A special meeting of the unitholders of Pantera will be held in mid-December to vote on the Transaction. The Transaction is expected to be completed by way of a Plan of Arrangement under the Business Corporations Act of Alberta and is subject to normal stock exchange, court and regulatory approvals and the approval by at least 66 2/3 percent of the outstanding units of Pantera voted at the special meeting. Unitholders of Pantera, including all of the Trustees and Officers of Pantera, holding approximately 67% of the outstanding Pantera trust units, have entered into lock up agreements to vote in favour of the Transaction. Western believes that the current market conditions in the Canadian energy sector provide an optimal opportunity to build a Canadian focused oilfield service provider through consolidation. Dale Tremblay, Western's CEO and Chairman, said "Pantera has assembled one of the highest quality drilling rig fleets in Canada which has generated above industry average utilization and profitability. Combining the Pantera fleet with our own will give Western a 22-rig fleet and establish Western as the 7th largest contract driller in Canada. More importantly, the combined fleet will be four years old on average and virtually all of the combined fleet will be "ELR" rigs which are ideally suited for horizontal drilling in the key resource plays in Western Canada." The Board of Directors of Western and the Board of Trustees of Pantera have both unanimously approved the Transaction. Upon a recommendation from an independent committee of trustees of Pantera, the Board of Trustees of Pantera unanimously determined that the Transaction was in the best interests of unitholders and approved entering into the Transaction. The Pantera Board of Trustees resolved to recommend that Pantera unitholders vote in favour of the Transaction. Pantera has agreed that it will not solicit or initiate discussions regarding any other business combination or sale of material assets. Pantera has also granted Western the right to match any superior proposals. The Transaction provides for a reciprocal non-completion fee of $2.0 million payable in certain circumstances if the Transaction is not completed.

FLINT AWARDED MULTI-YEAR FIELD CONSTRUCTION CONTRACT

Flint Energy Services Ltd. has announced that it was awarded a new six-year contract by Imperial Oil Canada Limited for field construction work in Western Canada. The contract includes the construction of a pipeline connection in northeast British Columbia, as well as construction of other field facilities in Saskatchewan, Alberta and British Columbia. The agreement also has provision for a further four-year extension after the initial six-year term. The work will be performed by a number of branches of Flint's Production Services Division in Western Canada.

ENERPLUS CLOSES OIL ASSETS PURCHASE IN NORTH DAKOTA

Enerplus Resources Fund has announced the closing of the previously disclosed purchase of 46,500 net acres of land in North Dakota prospective for Bakken crude oil for US$456 million before closing adjustments. This acquisition materially expands Enerplus' current land position to over 70,000 net acres (109 sections) in the Fort Berthold area, the majority of which is now operated by Enerplus with a greater than 90% working interest. Current production from this project is approximately 4,000 bbls/day. As drilling plans are executed over the next five years, production is expected to grow to over 20,000 BOE/day.

KALLISTO CLOSES CROSSFIELD ACQUISITION

Kallisto Energy Corp. has announced that its second Crossfield, Alberta well has spudded. The well, located at 08-20-028-01 W5, is a horizontal well targeting the Viking formation and is expected to be completed with multi-stage fracture stimulations. Kallisto has a 50% interest in the well. The Company also announces that it has closed the Crossfield property acquisition previously announced on September 7, 2010. Following the exercise of rights of first refusal held by certain working interest owners, the Company acquired approximately 3.6 net sections of Viking rights and four Elkton gas wells with estimated net reserves of 124 Mboe. Upon closing of this acquisition, Kallisto's land position at Crossfield is more than 30 net sections that are prospective for Viking horizontal oil development. The Company owns an additional 98 net sections of P&NG rights at Crossfield in zones other than the Viking.

CALFRAC TO RELEASE Q3 RESULTS

Calfrac Well Services Ltd. intends to release its Third Quarter 2010 results after the markets close on Tuesday, November 2, 2010. A conference call has been scheduled for 10:00 a.m. MT (12:00 noon ET) on Wednesday, November 3, 2010. If you wish to participate in the conference call, please call (888) 231-8191 or (647) 427-7450 prior to the start of the call and ask for the Calfrac Well Services Ltd. conference call. A webcast of the conference call may be accessed via Calfrac's website at www.calfrac.com. An update regarding Calfrac's activities will be presented by D.R. (Doug) Ramsay, President and C.E.O. and Laura A. Cillis, Senior Vice President, Finance and C.F.O. Following this update, there will be a question and answer period. A replay of the conference call will be available for review until November 10, 2010. To listen to the recording, call (800) 642-1687 or (416) 849-0833 and ask for reservation 18992651. Calfrac has also announced that announces that Fernando Aguilar has been appointed as the President and Chief Operating Officer of Calfrac, effective November 1, 2010. Mr. Aguilar will report to Doug Ramsay, who will continue to serve as Chief Executive Officer and a director, and in that role will remain responsible for providing stewardship and control over the business and affairs of the Company. Mr. Aguilar, who has been a director of Calfrac since May 2008, has resigned from the board of directors. Mr. Gordon Dibb, Calfrac's current Chief Operating Officer, will remain with Calfrac as Executive Vice President until June 30, 2011. He will report directly to Mr. Ramsay and will assist Mr. Aguilar with matters of transition. Mr. Dibb is a founding shareholder of Calfrac Well Services Ltd. He was the company's initial Chief Financial Officer on its incorporation in 1999, and transitioned to the position of Chief Operating Officer in April 2006. Mr. Aguilar has been with CGG Veritas since 2004 and has held several leadership positions with that company, most recently serving as President, Geophysical Services for the Americas, since April 2009. Prior to joining CGG Veritas, Mr. Aguilar was with Schlumberger for 22 years, serving in roles with increasing responsibilities in the technology, business and oilfield service sectors, predominantly in the Pumping Services and Wireline and Testing groups. Mr. Aguilar's last position with Schlumberger was Vice President, Oilfield Services. Mr. Aguilar holds a degree in Civil Engineering, specializing in Hydraulic Resources Management, and has completed the Stanford Executive Program at Stanford University and the Director's Education Program at the University of Calgary.

FORT CHICAGO ANNOUNCES CONVERTION

Fort Chicago Energy Partners L.P.has announced today that upon its conversion to a corporation effective January 1, 2011, as discussed further in this news release, the new corporation will be named Veresen Inc. The name Veresen Inc. was inspired by the Latin phrase, vis vires, which means "with power, force, strength", together with the word "energy". Mr. Stephen H. White, President and Chief Executive Officer of Fort Chicago, commented: "Our goal was to develop a new and distinctive name that is reflective of qualities that are meaningful to us and that will be readily identifiable by all of our stakeholders. We believe that Veresen Inc. fully achieves all of those goals." Fort Chicago also announced that it has entered into an arrangement agreement with Fort Chicago Energy Management Ltd. the general partner of Fort Chicago, and Veresen Inc., a wholly-owned subsidiary of Fort Chicago, relating to a proposed arrangement under Section 193 of the Business Corporations Act (Alberta) involving Fort Chicago, the General Partner, Veresen Inc. and the holders of Class A limited partnership units of Fort Chicago. The Arrangement will result in the conversion of Fort Chicago from a limited partnership to a taxable Canadian corporation, namely, Veresen Inc. The Arrangement is expected to become effective on January 1, 2011. Fort Chicago intends to seek approval of the Arrangement and other matters from Unitholders at a special meeting of Unitholders scheduled for November 23, 2010. Pursuant to the Arrangement, Unitholders will receive one common share of Veresen Inc. in exchange for each Class A Unit held as of the Effective Date. Upon completion of the Arrangement, Unitholders will own all of the issued and outstanding Common Shares and Veresen Inc. will own all of the issued and outstanding Class A Units and carry on the businesses presently carried on by Fort Chicago. The board of directors and management of Veresen Inc. will be comprised of the current members of the board of directors and management of the General Partner. The Arrangement will not result in any benefits for, or change of control, termination or other payments being made to, any officers, directors or employees of Fort Chicago or any of its subsidiaries or of the General Partner. The Board of Directors, based upon its own investigations and on the advice of independent legal counsel and tax advisors, has unanimously determined that the Arrangement is in the best interests of Fort Chicago and the Unitholders. The Board of Directors unanimously recommends that Unitholders vote in favor of the Arrangement.