

NYMEX OIL: US\$84.88
-\$2.93
 December delivery
NYMEX N. Gas: US\$3.79
-\$0.12 per MMBTU
 December delivery



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OIL FALLS ON CHINESE RATE SPECULATION

Oil fell the most in more than three weeks on speculation China will raise interest rates, curbing demand growth in the world's biggest energy-consuming country. Futures slipped 3.3 percent after Chinese stocks tumbled on a report yesterday that showed consumer prices climbed 4.4 percent from a year earlier, the fastest pace since 2008. China's central bank may increase rates within weeks, according to a Bloomberg News survey. "Anything that provides evidence of a slowing Chinese economy is likely to be reflected in oil-demand estimates," said Adam Sieminski, chief energy economist at Deutsche Bank AG in Washington. "It would also tend to moderate bullish views for where oil prices will be in 2011." Crude oil for December delivery fell \$2.93 to settle at \$84.88 a barrel on the New York Mercantile Exchange. Futures, dropped 2.3 percent this week, leaving them up 10 percent from a year ago. Brent crude oil for December settlement slipped \$2.47, or 2.8 percent, to end the session at \$86.34 a barrel on the ICE Futures Europe exchange in London. The contract expires Nov. 15. The more actively traded January futures fell \$2.57, or 2.9 percent, to \$86.53.

TRINIDAD DRILLING Q3 RESULTS

Drilling equipment maker Trinidad Drilling Ltd posted a quarterly profit that lagged analysts' estimates, hurt by lower dayrates at its barge drilling market and reduced activity levels in Mexico. The company, whose July-September revenue -- up 28.4 percent to C\$161.9 million -- beat analysts' estimates as utilization levels increased, said it is beginning to see upward momentum in dayrates. Drilling activity in Canada and the United States has risen from recessionary lows, bolstered by petroleum companies looking to tap unconventional natural gas deposits such as shale fields, and relatively stronger oil prices. Most North American oil field services companies, including Schlumberger Ltd, Halliburton Co., Precision Drilling Corp, Ensign Energy Services Inc. and Weatherford, have posted profits ahead of expectations. Quarterly net income was C\$0.3 million (\$298,200), or breakeven per share, compared with net loss of C\$12.1 million, or 10 Canadian cents a share, last year. Utilization rates at U.S. and international markets rose 11 percentage points over the last year. Analysts on average were expecting earnings of 5 Canadian cents a share on revenue of C\$159 million. Barge drilling division dayrates at the company, with a market value of about C\$624.8 million, fell 14 percent. The Calgary, Alberta-based company's shares, which have lost more



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than one fourth of their value this year, closed at C\$5.12 on Tuesday on the TSX.

CONNACHER Q3 RESULTS

Connacher Oil and Gas Limited has announced that it continues to ramp up its production of bitumen at Great Divide, with

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recent daily levels reaching 14,000 bbl/d and recent weekly recorded rates double year-to-date ("YTD 2010") averages. Volumes reported include production from Algar. Results from Algar were being capitalized and are not included in the company's operating results for the

reporting period. Commerciality for Algar has now been achieved. The determination occurred within two months of full steam-assisted gravity drainage ("SAGD") production startup. Algar operating results will now be included in the fourth quarter 2010 and year-end 2010

reports. The company set a capital budget of about C\$104 million for 2011 for the development of its refinery in Montana and its oil sands exploration program. It sees 2011 production of 16,300-18,700 barrels of oil equivalent per day (boe/d). Third-quarter profit was C\$7.9 million, or 2 Canadian cents a share, down from C\$47.8 million, or 11 Canadian cents a share, a year ago. Revenue was almost flat at C\$150.3 million at Connacher, which produces crude oil, natural gas and bitumen, with reserves in Alberta and Saskatchewan. Analysts on average expected the company to post a loss of 1 Canadian cent a share, on revenue of C\$150.9 million. The company, which has a 19 percent stake in South America-focused Petrolifera Petroleum, had a foreign-exchange gain of C\$23.3 million. Shares of the Calgary-based company have shed about 16 percent since it posted a quarterly loss in August, hurt by lower production.

OPEC OUTPUT COMPLIANCE LITTLE CHANGED IN OCTOBER

OPEC's compliance with record supply cuts was little changed last month as production increases in six of its member countries offset declines in Iraq, Saudi Arabia and Venezuela, the International Energy Agency said. The 11 members bound by quotas produced 26.72 million barrels a day last month, implying compliance of 55 percent, the Paris-based IEA said Thursday in its monthly report. That's down from a revised 56 percent for September. Supply from all 12 nations of the Organization of Petroleum Exporting Countries, including Iraq, fell by 40,000 barrels a day in October to average 29.15 million barrels daily, it said. "OPEC monthly production fluctuations have stayed in a remarkably stable range this year, within a narrow band of under 300,000 barrels a day," the agency said. OPEC, responsible for about 40 percent of world crude supply, announced its biggest ever production cuts in late 2008 as global demand collapsed. The decision set a cap at 24.845 million barrels a day for 11 of its members. Adherence to the reduction eased last year as prices rebounded 78 percent. The compliance percentages are calculated based on the 11 nations targeting a 4.2 million barrel-a-day reduction from a base production rate of 29.045 million barrels a day in September 2008. OPEC kept output quotas unchanged at an Oct. 14 meeting in Vienna and will meet next on Dec. 11 in Quito, Ecuador.

HALLIBURTON INCREASES CAPITAL SPENDING FORECAST IN 2011

Halliburton Co., the world's second-largest oilfield services company, plans to increase capital spending next year by about a fifth at least, as it targets new opportunities outside its core U.S. market. Chief Financial Officer Mark McCollum credits Halliburton's steady investment through the 2009 downturn as one reason for its recent outperformance over rivals, and said he expects 2011 capital expenditure of between \$2.5 billion and \$3 billion. That compares with its expected 2010 capital expenditure of \$2.1 billion.



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Speaking at Halliburton's meeting with analysts in Houston on Wednesday, McCollum said about half the company's investments so far have been in international markets, where it is second only to Schlumberger Ltd.. Halliburton shares were up 4.5 percent to \$34.71 in noon trade on Wednesday as analysts viewed the Houston meeting as a catalyst for the stock. Jim Crandell at Barclays Capital said he expected the reception to Halliburton's comments would be positive, and reiterated his "overweight" rating on the stock. The company is ramping up in Iraq, where it has won three contracts in

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the past three months, and expects new oil and gas extraction from shale rock around the world to follow the rampant growth of U.S. shale drilling. Concerns about the environmental impact of such drilling have prompted an investigation by the U.S. Environmental Protection Agency, which on Tuesday subpoenaed Halliburton demanding information about chemicals it uses in the extraction technique known as hydraulic fracturing. Halliburton has its eyes on extending its U.S. leadership in

"fracking" to its international markets. Jim Brown, senior vice president for the Western Hemisphere at Halliburton Energy Services Group, told the analyst meeting that U.S. shale investments by the likes of France's Total and Norway's Statoil pointed to the potential in other countries. "They're not here just to harvest, they're here to learn," he said. Brown also said officials in India had identified six shale basins, and bidding for contracts there would start next year.