

NYMEX OIL: US\$81.67
-\$0.18
December delivery
NYMEX N. Gas: US\$4.14
-\$0.14 per MMBTU
December delivery



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SPOT PRICES UNCHANGED DESPITE COLD SNAP

Canadian spot natural gas prices were unchanged at an eight-week high on Thursday as cold temperatures in Western Canada were offset by weaker futures and storage concerns. Spot gas at the AECO storage hub in southeastern Alberta stayed at an average C\$3.54 a gigajoule, the highest price since Sept. 23. Deals were done between C\$3.51 and C\$3.56 a GJ. The Western Canada cold snap was the first major chill of the season in the region, where much of the country's production is located. Temperatures have not dropped to values that would freeze gas well equipment and hamper production however. Environment Canada said low temperatures in southern Alberta will be below the -10 Celsius (14 Fahrenheit) seasonal average through Wednesday, dipping to a low of -22 C (-8 F) on Friday. AccuWeather.com expects temperatures in the U.S. Northeast and Midwest, key gas consuming regions, to vary on either side of normal for the next two weeks, with the coldest readings coming late next week. The cooler temperatures could soon boost heating demand and begin cutting into storage, which reached a record high last week, according to the U.S. Energy Information Administration. Supplies on Alberta's main pipeline system ran at 15.31 bcf, 50 million cubic feet above the target lineup set by operator TransCanada Corp. Producers delivered 8.91 bcf to the system and a net 302 mmcf of gas was withdrawn from Alberta storage facilities.

NEW FRIENDS FOR OIL SANDS IN WASHINGTON

Things are looking up for Alberta's oil sands in the United States with Republicans poised to take control of the U.S. House of Representatives. Republicans are so far "more receptive" than Democrats about the oil sands, Gary Mar, Alberta's representative in Washington, said following a recent meeting with officials in John Boehner's office. Boehner, an Ohio congressman, will become speaker of the House in January. "I found them very well-informed and their knowledge of energy issues was very good ... they were well-versed, well-briefed," Mar said. The hordes of Republican legislators headed to Capitol Hill in January have effectively killed any chance of new climate change legislation being passed in the U.S. in the next two years. It's a state of affairs that has given the Canadian government some breathing room as it attempts to co-ordinate its own energy policies with those of the United States, while also providing the oil sands — branded "dirty oil" by many congressional Democrats — a new lease on life in the absence of any punitive laws being passed any time soon. Mar said

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he's "encouraged by the level of interest and the level of knowledge that this incoming group may have with respect to energy." He was quick to point out, however, that the House is merely one hurdle facing the oil sands, which are the largest source of crude for the United States. Canadian and Albertan officials still have to work to convince the Obama administration, the Democratic-controlled Senate and state officials that the oil sands are "a resource that is developed in a responsible manner, and it's an important source of energy for U.S. energy security and for world energy security," Mar said.

HUSKY WINS CANADIAN OFFSHORE BLOCKS

Husky Energy Inc and its partners won exploration rights to two parcels of land in the prolific Jeanne D'Arc Basin offshore Newfoundland with bids totaling C\$16.3 million, the province's offshore regulator said on Friday. The Canada-Newfoundland Offshore Petroleum Board said Husky and equal partner Statoil paid C\$15.5 million for a 74,000-acre block. Husky also took a 67 percent stake in a C\$1.2 million, 345,000-acre parcel in the basin, with Repsol controlling the remaining interest. All of Newfoundland's current oil production comes from three projects in the Jeanne d'Arc, more than 315 km (196 miles) southeast of St. John's: the Hibernia project, the Terra Nova project operated by Suncor Energy Inc., and Husky's White Rose field. Those three pumped out about 290,000 barrels of oil per day in September. Under the terms of the licenses, the bids represent the money the company commits to spending on exploration in the first five years of nine-year terms.

MARKET READY FOR \$100 OIL

Oil consuming nations could tolerate oil at \$100 a barrel if it guaranteed investment for long term supply, Iran's Opec Governor Mohammad Ali Khatibi was quoted as saying on Friday. "Sometimes it seems that the market has prepared for oil at around \$100," Iran's students' news agency ISNA quoted Khatibi as telling a conference. "For the big consumers, security of supply is more important than the price," he said, and that meant buyers accepted an oil price which gave producer countries incentive to invest. "The aim of decreasing the Opec production ceiling after the global

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recession in the last two years was to create relative stability in the market and to create a balance between supply and demand because producer countries think the price should be at a level that would justify new investments," he said. Top oil exporter Saudi Arabia earlier this month shifted upwards the band from a price it has backed for around two years, saying oil at \$70-\$90 a barrel was comfortable for consumers. US crude was trading at just under \$86 on Friday. Khatibi said on Sunday that the market would not be harmed by \$100 oil.

OPEC TO RAISE SHIPMENTS

The Organization of Petroleum Exporting Countries will increase crude loadings by 1.2 percent this month on rising exports to Asia, according to tanker-tracker Oil Movements. Shipments will rise to 23.65 million barrels a day in the four weeks to Dec. 4, compared with 23.38 million barrels in the period to Nov. 6, the consultant said today in a report. The data exclude Ecuador and Angola. It's the sixth consecutive month-on-month increase, according to the weekly reports.

"Everything is going east," Oil Movements founder Roy Mason said by phone from Halifax, England. "China is obviously a big part of it, but the whole region is going up. Japan is limping but still moving up seasonally." China's oil processing rose to a record last month, according to government statistics published on Nov. 11. OPEC, which supplies about 40 percent of the world's crude, said in a Nov. 4 report it expects emerging markets to drive oil demand growth in the next five years. Shipments from Middle Eastern producers, including those from non-OPEC members Oman and Yemen, will rise 1.5 percent to 17.55 million barrels a day in the period, up from 17.29 million in the four weeks to Nov. 6, data from Oil Movements show. A total of 470.45 million barrels of crude will be on board tankers in the month to Dec. 4, up 3.8 percent on the Nov. 6 figure of 453.22 million barrels, according to Oil Movements. Oil Movements calculates shipments by keeping a tally of tanker-rental agreements. Its figures exclude crude held on board ships used as floating storage.



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**NG BACKERS WARN AGAINST
TOUGH FRACTURING RULES**

The oil industry's leading trade group, trying to fend off mounting concerns about hydraulic fracturing used to extract natural gas, warned Thursday that tougher government regulations threaten jobs, the economy and the abundance of low-cost fuel. The API's effort comes as several state and local governments consider new restrictions on hydraulic fracturing, including banning the practice altogether. For example, the Pittsburgh City Council this week voted unanimously to forbid natural gas drilling. Pressure also is building on energy companies to reveal more details about the chemical fluids they use in specific hydraulically fractured wells. Banaszak insisted that "the top priority of our industry is to provide this energy in a safe, technologically sound way, with the least possible impact on the environment." She conceded the message might not be getting across. "Hydraulic fracturing is getting a lot of attention, but a lot of important aspects are getting lost," she said, noting the state-based regulations that already apply to the process. "We haven't done a good-enough job, maybe, communicating the way that regulation occurs at the state level," Banaszak said. As many as 80 percent of the natural gas wells drilled in the U.S. over the next decade are likely to use hydraulic fracturing techniques to extract the energy source, said Sara Banaszak, a senior economist for the American Petroleum Institute. "Hydraulic fracturing is safe, and lawmakers should be cautious in their efforts to restrict it," Banaszak said. "Adding unnecessary additional regulation of this practice could kill jobs and important economic activity and also hamper our nation's energy

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ENBRIDGE 6B LINE UPDATE

Enbridge Inc said on Friday it does not yet have firm time for the restart of its 290,000 barrel per day Line 6B carrying Canadian crude into the United States, but does not expect the shutdown to affect scheduled deliveries. The line was shut down on Wednesday evening after a routine smart-pig run detected a potential anomaly, according to trade sources. The Pipeline and Hazardous Materials Safety Administration, which regulates U.S. pipelines, said Enbridge shut the line as a

precautionary measure following recent test results. The line had been expected by some market sources to be closed for less than 48 hours but Enbridge has not confirmed that forecast. "We do not have firm timing on when Line 6B will restart, but we do not expect it to have an impact on scheduled throughputs," Lorraine Grymala, a spokeswoman for the company whose lines carry the bulk of Canada's oil exports to the United States, said in an email. The pipeline has been running below capacity in the aftermath of a rupture this summer.