NYMEX OIL: US$89.10
-$0.58
January delivery
NYMEX N. Gas: US$4.42
+$0.02 per MMBTU
January delivery

Oilfield NEWS

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OPEC RAISES 2011 FORECAST FOR NON-MEMBERS

The Organization of Petroleum Exporting Countries raised its forecast for 2011 crude supply from outside the group as Russia and China boost production. Non-OPEC supply will rise by 410,000 barrels a day to 52.62 million barrels next year, OPEC said in its monthly report Frioday. That's 50,000 barrels a day more than previously forecast. OPEC supply is forecast next year at 29.2 million barrels a day, little changed on the last estimate. The International Energy Agency also raised its forecast for oil demand next year, saying upward demand revisions are outstripping those for supply. The IEA's forecast for non-OPEC supply was unchanged at 53.4 million barrels. Russia is the world's largest crude producer with daily output of more than 10 million barrels. Its reserves will allow it to sustain that level for the next 40 years, its Energy Minister Sergei Shmatko said in October. OPEC added 70,000 barrels a day to its forecast for Russia next year. Global oil demand will rise 1.4 percent to 87.1 million barrels a day next year, with growth led by emerging markets, according to the OPEC report. OECD economies account for less than a fifth of the growth. The Organization for Economic Cooperation and Development includes the U.S., the world's biggest crude consumer. OPEC ministers are met last weekend in Quito, Ecuador, to discuss production limits as crude oil in New York advanced this week to the highest in more than two years. OPEC may come under pressure to boost supply in early 2011 if prices continue to rise, the Paris-based IEA said. Ministers representing OPEC last met in October in Vienna, agreeing to leave current production quotas unchanged and calling for improved compliance with the output limits. The group flouted supply cuts announced in 2008 as rising prices encouraged members to breach their output limits. Compliance with production quotas agreed to in 2008 was 53 percent last month compared with a revised 52 percent for October, according to data from the producer group.

CHEVRON UPS 2011 CAPITAL SPENDING

Chevron Corp., the second-largest U.S. oil company, will increase spending by a fifth to $26 billion in 2011, with 85 percent going to exploration and production as the industry seeks out new sources of growth. The expanded budget, announced on Thursday, is a big step for Chevron as it enters a period of weak net production growth while it ramps up in natural gas. Massive rival Exxon Mobil Corp budgeted 2010 spending of $30 billion. Spending by oil companies is expected to rise across the board now that global crude oil demand has recovered and seems likely to grow to meet the needs of huge emerging markets. "Everyone's looking at oil, and it's going to go up -- you got China and India. My guess is these guys are going to be doing a lot of drilling," said Mark Coffelt, chief investment officer at Empiric Advisors in Austin, Texas. "I'm not surprised that capital budgets are going up, and maybe the surprise is that they're not going up even more." said Coffelt, who does not currently hold Chevron shares. Chevron offers a glimpse of the challenges oil majors face in bringing on new production as existing fields decline. Its annual output growth is expected to be 1 percent through 2014, followed by 4 percent to 5 percent in the three years after that as new liquefied natural gas projects come on line. "We are moving into a period of higher capital spending as we fund new legacy projects, including sizable investment in our LNG mega projects," George Kirkland, Chevron vice chairman and head of global upstream and gas, said in a statement. These include the Gorgon and Wheatstone projects off Western Australia and LNG processing facilities to serve them. Those alone will eat up well over $50 billion in the next half decade or so, though half the cost of Gorgon will be shared with partners Exxon and Royal Dutch Shell Plc. Gorgon, set to cost about $37 billion, is due to start up in 2014, followed by Wheatstone two years later. Their combined peak production, equivalent to 710,000 barrels per day, compares with Chevron's latest worldwide oil and gas output of 2.74 million barrels per day. With those two in the mix and new crude oil harder to come by, Chevron has estimated natural gas will make up 41 percent of its output by 2017, compared with 31 percent now. And that estimate came before it agreed to buy U.S. natural gas producer Atlas Energy in November. Chevron's total 2010 budget of $21.6 billion will be eclipsed by its 2011 exploration and production spending, estimated at $22.6 billion, up 31 percent. That includes capital spending for Atlas, though the acquisition itself is not included in the budget, a Chevron spokesman said. Exxon's $30 billion-plus 2010 budget includes spending for its own big natural gas acquisition, XTO. Chevron's refining budget is $2.9 billion, down from $3.4 billion budgeted this year. A slump in the sector led the company to slash downstream costs. Included in the 2011 budget is spending on refineries in Mississippi and California aimed at improving returns.

ENBRIDGE DELAYS RESTART OF 6A LINE

Enbridge Inc said Friday the restart of its 670,000 barrel per day Line 6A on would be delayed until Sunday. The key conduit for Canadian oil exports to the United States was closed early on Tuesday for inspections. The company, Canada's No. 2 pipeline operator, said oil shipments on line 6A, which runs from Superior, Wisconsin, to Griffith, Indiana, was supposed to reopen on Friday, the company said. The extended shutdown of one of the lines supplying Canadian crude to Midwest refineries is the latest of nearly five months of disruptions on Enbridge's pipeline network, which carry the bulk of Canada's crude exports to the United States. The company said it is considering deferring other maintenance to recover some of the volumes that have been lost due to shutdowns and cuts in flow rates on its system.

KEYSTONE PIPELINE UPDATE

TransCanada Corp said on Thursday it has started filling the latest extension of its Keystone pipeline system with oil as it readies the line for commercial service in the first quarter of 2011. Terry Cunha, a spokesman for TransCanada, the country's No. 1 pipeline operator, said linefill for Keystone's Cushing Extension, which runs from Steele City, Nebraska, to the oil storage hub at Cushing, Oklahoma, began last month, and about two-thirds of the needed crude is already in the system. "So far, things are going as planned and we're actually ahead of schedule," he said. Keystone's first phase, from Hardisty, Alberta, to Wood River and Patoka, Illinois, can carry as much as 435,000 barrels per day of oil sands crude to Midwest refineries. That capacity will be raised to 591,000 barrels per day when the Cushing Extension is complete, giving Canadian oil producers, already the largest suppliers of crude to the United States, further access to the U.S. market. TransCanada is still awaiting U.S. government approval for a further extension of Keystone from Cushing to the Gulf of Mexico coast. Approval for the Keystone XL project has been delayed because of opposition from some federal and state legislators and environmental groups, who worry about the impact of increased Canadian oil sands development on air, land, water and local communities. Some oppose the route across Nebraska and the Ogallala Aquifer, a massive underground water source beneath the Great Plains. TransCanada also highlights the findings of a new, independent study that says the Keystone XL pipeline is needed to replace dwindling crude oil supplies at U.S. refineries. The study also found the transportation and processing of oil sands crude would inject $100-600 million into the U.S. economy each year. The study was prepared and released by the not-for-profit organization the Energy Policy Research Foundation, Inc. found that due to lower volumes of oil being shipped to the U.S. from Mexico and Venezuela, U.S. refiners are seeing their needed supply decline. The study notes that TransCanada is looking to transport U.S. crude from the prolific Bakken oil formation in North Dakota and Montana - providing producers with access to the Oklahoma and U.S. Gulf Coast markets. EPRINC's report found that increasing transportation efficiency and allowing Bakken producers access to new refining markets will have the added benefit of improving the well-head value for U.S. crude oil from the Bakken formation. EPRINC went on to say Keystone XL benefits U.S. refineries by supplying them with an efficient, secure supply of oil to support the 14 million barrels that are refined each day (10 million imported), and increasing operating margins for these American refineries - many of whom made expensive upgrades in complex facilities that need heavy oil. "This study supports what TransCanada has been saying for months - that Keystone XL would provide a needed, stable supply of oil to U.S. refineries and provide long term economic benefits to U.S. oil producers, U.S. refiners and the American economy," said Russ Girling, TransCanada's president and chief executive officer. During construction, Keystone XL would create 13,000 jobs and further produce 118,000 spin-off jobs for local businesses and companies that would benefit from the $20 billion Keystone XL would inject into the U.S. economy. "Our Keystone XL project is shovel-ready and we are set to begin construction once approvals are received," added Girling. "This project is supported by a number of major U.S. unions and will be totally financed by the private sector with no government stimulus funding." Keystone XL is a proposed extension to the existing Keystone oil pipeline system that is currently shipping oil to refineries in Illinois. The $7 billion Keystone XL project would transport 500,000 barrels per day of crude oil from Canada to Gulf Coast refineries in Texas. The pipeline has contracts for 75 per cent of the line's capacity over an average term of 18 years.

TRINIDAD DRILLING PRICES PRIVATE OFFERING

Trinidad Drilling Ltd. has announced that it has priced its previously announced private placement of US$450 million 7.875% senior notes due January 2019. Trinidad expects to use the net proceeds from the Notes offering to redeem its outstanding 7.75% Convertible Unsecured Subordinated Debentures due in 2012 which total approximately C$354 million, and repay a portion of the indebtedness outstanding under the Company's existing credit facilities which mature in 2012. The Offering is expected to close on December 16, 2010. E

ENERPLUS RECEIVE APPROVAL ON PROPOSED CONVERSION

Enerplus Resources Fund has announced that at a special meeting of Unitholders held in Calgary, the proposal to convert from an income trust to a corporation named Enerplus Corporation was overwhelmingly approved by 98.5% of unitholders, pursuant to a plan of arrangement under the Business Corporations Act and related transactions. The Fund will seek approval of the plan of arrangement by the Court of Queen's Bench of Alberta on December 10, 2010. The corporate conversion is expected to be completed on January 1, 2011. Shares in Enerplus Corporation will commence trading on the Toronto Stock Exchange as ERF on or around January 10, 2011, at which time the Fund's trust units will discontinue trading. Enerplus shares will continue trading as usual on the New York Stock Exchange as "ERF" throughout the conversion process.