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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NEB APPROVES APPROVES MACKENZIE GAS PROJECT

The National Energy Board has approved the applications for the construction and operation of the Mackenzie Gas Project through Canada's North. The Mackenzie Gas Project includes the 1,196-kilometre long Mackenzie Valley Pipeline, three onshore natural gas fields, a 457 kilometre pipeline to carry natural gas liquids from Inuvik, NWT to an existing oil pipeline at Norman Wells, NWT and other related facilities. The Mackenzie Valley Pipeline would run from the Beaufort Sea to northwestern Alberta, and is designed to carry up to 34.3 million cubic metres (1.2 billion cubic feet) of natural gas per day. This is enough to supply about two-thirds of the six million Canadian households that used natural gas to heat their homes in 2009. Imperial's latest estimate, released in 2007, pegged costs for the project at $16 billion. The NEB attached 264 conditions to the project's approval in areas such as engineering, safety and environmental protection. Conditions are requirements which must be met. If the project is built, the National Energy Board will monitor the project throughout its lifespan to see to it that the operators meet these conditions. "Our goal was to encourage public participation and listen to the people so they could help us determine the public interest of the project," the panel said in their Reasons for Decision. "We looked at how the project would contribute to sustainability in the way it would affect the people, the land where they live, and the economy, now and in the future. We recognize that the Mackenzie Gas Project would have much larger and more far-reaching effects than previous developments in the North." The NEB began hearing evidence in January 2006 on five applications filed by Imperial Oil Resources Ventures Limited, the Mackenzie Valley Aboriginal Pipeline Limited Partnership, Imperial Oil Resources Limited, ConocoPhillips Canada (North) Limited, Shell Canada Limited and ExxonMobil Canada Properties. Final argument was completed in April, 2010. In total, the Board held hearing sessions over 58 days in 15 communities throughout the Northwest Territories and Northern Alberta. More than 200 individuals and organizations participated in the NEB's hearing. If this decision is approved by Governor in Council (Federal Cabinet), the NEB will then issue the appropriate approvals, including a Certificate of Public Convenience and Necessity. If the proponents decide to build the Mackenzie Gas Project, they would also be required to obtain various permits and authorizations from other boards and government agencies before construction could commence.

SUNCOR ENERGY UNVEILS TEN-YEAR GROWTH STRATEGY

Suncor Energy Inc. announced Frday its plans to increase production to more than one million barrels of oil equivalent per day by 2020, beginning with the company's 2011 capital spending plans. Over the next ten years, Suncor is targeting oil sands production growth of approximately 10% per year and company-wide production growth of approximately 8% per year. "Our existing assets provide Suncor with a tremendous suite of growth opportunities for the next decade and beyond," said Rick George, president and chief executive officer. "Today, we're announcing what we believe is the optimal plan for steady and manageable growth through 2020." Key components of the plan include continued development of Stages 3 through 6 of the company's Firebag in situ project, development of a second stage of the MacKay River in situ project and investments and ongoing production in international and offshore operations. In addition, Suncor has entered into a strategic partnership with Total E&P Canada Ltd., setting the terms for the two companies to jointly develop the Fort Hills and Joslyn oil sands mining projects and restart construction of the Voyageur upgrader at Suncor's oil sands operations north of Fort McMurray, Alberta. The transaction is subject to certain regulatory and other approvals, with closing targeted late in the first quarter of 2011. "The agreement with Total is an important element of Suncor's plans to more than double our oil sands production," said George. "The deal brings a strong partner to the table, helping us to accelerate development of our growth portfolio and share in the capital investment in a third upgrader and development of new mining projects." "We see several strategic advantages in the partnership with Total. They will be able to access our technological expertise and 43 years of oil sands knowledge, while we will benefit from Total's global operating experience. Together, we will be able to pool our manpower and capital resources and bring our collective strengths to bear to manage these projects using best-in-class operating practices." "With Total, we not only have a partner with capability and resources that complement our own, but one that shares our vision of responsible energy development through a commitment to a triple bottom line of economic, social and environmental performance." George continued. Suncor plans to continue investments in renewable energy projects, environmental impact mitigation, environment-focused research and development, collaborative industry initiatives designed to improve technology and community investment initiatives to support the regions in which the company operates. "Our goal is to responsibly develop this great Canadian resource. That means continuous performance improvement in parallel with research and investment in alternative and renewable energy sources," said George. "While much of our work is long term in focus, we have also established nearer-term goals to accelerate land reclamation, reduce absolute air emissions and water use, and improve energy efficiency by 2015. These efforts are expected to continue through – and beyond – this major development phase and will include several new technology approaches to reduce environmental impacts." Supporting the first stages of the company's long-term growth strategy, Suncor's Board of

Directors approved a $6.7 billion capital spending plan for 2011. Approximately $2.8 billion will be directed toward growth project funding, primarily at the company's oil sands operations, while $3.9 billion in spending is targeted to sustaining existing operations, including significant planned maintenance to support reliability and further deployment of new tailings reclamation technology. Approximately 40% of planned sustaining capital is targeted to spending that is not expected to recur on an annual basis. "Planned capital investment in 2011 will continue to lay the foundation for our long-term growth strategy through 2020" said George. "We believe this plan strikes the right balance between well-managed growth and investments to support safe, steady and reliable production from our existing operations." The majority of growth spending will be directed toward expansion of Suncor's Firebag in-situ oil sands facilities. Firebag Stage 3 is targeted to begin production late in the second quarter of 2011, ramping up toward capacity of 62,500 barrels per day (bpd) of bitumen over approximately 24 months. Construction at the company's in situ facilities will then shift fully to Firebag Stage 4 to support a planned completion target in early 2013. Stage 4 also has a planned capacity of 62,500 bpd. The company is also directing 2011 growth spending toward the Fort Hills oil sands mining project and resuming construction of the Voyageur upgrader, two key elements in the company's longer-term growth strategy. While Suncor's primary growth focus remains on its large oil sands resource base, 2011 growth spending is also planned for operations in international and offshore operations and renewable energy projects. "Investment in our international and offshore assets supports our long-term plans by maintaining a relatively low-cost, high cash flow source of production as we move into a period of more concentrated spending in the oil sands," said George. "At the same time, continued expansion of renewable energy projects will help us maintain our position as one of Canada's leading investors in this growing energy sector." Sustaining capital in the upstream portion of the business for 2011 includes $670 million for deployment of Suncor's TRO tailings reclamation technology, as well as additional funds for maintenance at Oil Sands, Natural Gas and International and Offshore facilities. In downstream operations, spending is primarily focused on planned maintenance and investments to improve environmental performance.

RECORD LAND SALES

With the final petroleum and natural gas land sale complete, results show Alberta has set new records for calendar year sales and average price per hectare in 2010. Including the December 15 final sale of the year of $202 million, the province has netted more than $2.39 billion in land sale revenue this calendar year. This surpasses any other year in history and is the first time the province has exceeded $2 billion in sales. The previous record for land sales was $1.83 billion set in 2005. Reflecting on the record year, Energy Minister Ron Liepert said, "This is excellent news for the province. It shows Alberta continues to remain competitive and attract new investment." In addition to a record calendar year, the province also established a new high for the average price per hectare. The July 7 sale netted an average price of $2,185.03 per hectare, exceeding the previous high of $2,084.86. "I credit changes to the royalty structure, particularly the emphasis on using new technologies, for contributing to these record sales," said Liepert. "These historic land sale results solidify Alberta's status as the jurisdiction for industry to invest." This increase in land sales for 2010 was one of the bright spots in the province's revenue forecast. Based on these sales, revenue from land sales is now forecast at $2.1 billion in 2010-11—more than triple the forecast at budget.

WESTERN PROVINCES SIGN ENERGY PACT

Energy ministers from Alberta, British Columbia and Saskatchewan have signed an agreement that will help expand and strengthen Canada's position as an energy powerhouse. Arising from the New West Partnership created this spring, the Energy Memorandum of Understanding (MOU) will combine and build on the existing strengths of all three provinces to expand the region's energy sector--attracting new investment, stimulating job creation and strengthening the region's economy. The three provinces will begin working immediately on a number of projects, including developing a joint strategy to target opportunities in Asia, and improving consultation with industry. These initial activities are expected to be completed within 90 days. "As a dependable, responsible and secure source of energy, our exports account for billions of dollars of economic activity and thousands of jobs across Canada," said Ron Liepert, Alberta Minister of Energy. "This partnership will help to further break down barriers to trade both within Canada and to international markets, like Asia, where demand for our energy continues to grow." "This agreement helps to solidify Western Canada's reputation as an energy powerhouse," added B.C. Minister of Energy, Steve Thomson. "The demand for energy is growing worldwide, and this is an opportunity for us to work together to meet these needs while making sure our resources are developed in a responsible manner." "Our three jurisdictions have a wealth of energy resources that are not only contributing to continental energy security but can also meet, and are meeting the energy needs of countries around the world," said Saskatchewan Energy and Resources Minister Bill Boyd. "This MOU recognizes that together we are stronger, and Saskatchewan looks forward to working with Alberta and British Columbia to create new opportunities for our companies and our citizens." Longer-term projects under the Energy MOU are expected to include regulatory streamlining, continued promotion of the region's energy goods and investment opportunities and acceleration of the development and use of green energy sources. Signed in April 2010, the New West Partnership is a new and far-reaching partnership between the Governments of British Columbia, Alberta and Saskatchewan. The three provinces commit to ongoing collaboration on innovative ways to strengthen the economy of the West. The New West Partnership focuses on four areas key to economic growth in the West: trade, international cooperation, innovation and procurement. The New West Partnership brings energy to market through responsible growth and development. The agreement creates Canada's largest interprovincial barrier-free trade and investment market.