

NYMEX OIL: US\$91.25
+\$0.25
February delivery
NYMEX N. Gas: US\$4.29
-\$0.14 per MMBTU
February delivery



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TUESDAY PRICES

Benchmark crude for February was up \$1.11 to USD\$89.93 a barrel on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil was up 3-cents at \$2.52 /gal while gasoline slipped 1-cents to \$2.41/gal. Natural gas gained 14-cents \$4.29 per 1,000 cubic feet. In London, Brent crude was up 36-cents to \$94.21 a barrel on the ICE exchange.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 5 to 1,714 for the week of December 24, 2010. It is 536 rigs (45.5%) higher than last year. The number of rotary rigs drilling for oil was up 15 at 771. There are 355 more rigs targeting oil than last year. Rigs currently drilling for oil represent 45.0% percent of all drilling activity. Rigs directed toward natural gas were down 10 at 931. The number of rigs currently drilling for gas is 180 greater than last year's level of 751. Year-over-year oil exploration in the US is up 85.3 percent. Gas exploration is up 24.0 percent. The weekly average of crude oil spot prices is 20.4 percent higher than last year and natural gas spot prices are 28.1 percent lower. Canadian rig activity was down 189 at 311 for the week of December 24, 2010 and is 43 (16.0%) higher than last year's rig count.

NATURAL GAS FUTURES RISE

Natural gas futures rose, erasing earlier losses, as January options expired and winter weather boosted demand for the heating fuel. Gas advanced as holders of \$4 options hedged their risks by trading futures contracts. The weather will be "colder-than-normal" in January, according to Matt Rogers, a forecaster with Commodity Weather Group LLC in Bethesda, Maryland. "It's the end of year and you have very thin trading," said Stephen Schork, president of Schork Group Inc., a consulting company in Villanova, Pennsylvania. "A lot of options are trading around the round number. The expiration of options is definitely increasing market volatility." Natural gas for January delivery gained 2.9 cents, or 0.7 percent, to settle at \$4.112 per million British thermal units on the New York Mercantile Exchange after falling to \$3.992. The futures have declined 1.6 percent this month and 26 percent this year. The January contract expires tomorrow. The February contract gained 2.2 cents to \$4.155. "We've got a very cold December, and people are betting that we may have a cold January too," Schork said. U.S. gas inventories declined by 184 billion cubic feet in the week ended Dec. 17 to 3.368 trillion cubic feet, the Energy Department reported last week. Stockpiles were 8.5 percent above the five-year average for that time of year, comparing with 9.9 percent the previous week.

B.C. NATURAL GAS TO REMAIN STRONG

Despite a global decline in the price of natural gas, the B.C. government says the province is likely to reap the benefits of having one of the largest deposits in North America. The Ministry of Energy says in the coming years it expects that Asian markets will continue to demand more of the hot provincial resource. Drilling activity in B.C. jumped more than 10 per cent over the past year, while provincial reserves now count for more than 30 per cent of the total in Canada. By the end of the fiscal year, natural gas production is forecast to reach 1.14 trillion cubic feet. Revenue is projected at \$1.38 billion, which the ministry says has fuelled the province's economic recovery. The ministry says the industry continues to jobs and generate infrastructure development.

OPEC TO CUT CRUDE OIL EXPORTS

The Organization of Petroleum Exporting Countries will reduce shipments for the first time since October, according to tanker-tracker Oil Movements, as demand for winter fuels falls. Shipments will drop 0.2 percent to 23.51 million barrels a day in the four weeks to Jan. 8 from 23.56 million barrels in the period to Dec. 11, Oil Movements said today in a report. The data exclude Ecuador and Angola Exports from Middle Eastern producers, including those from non-OPEC members Oman and Yemen, will be unchanged at 17.46 million barrels a day, data from Oil Movements show. OPEC maintained its current oil production quota of 24.845 million barrels a day at a meeting on Dec. 11 in Quito, Ecuador, as member nations consider the global recovery strong enough to withstand price gains. The organization will meet next in June. A total of 472.33 million barrels of crude will be on board tankers in the month to Jan. 8, up 1 percent on the Dec. 11 figure of 467.45 million barrels, according to Oil Movements. Oil Movements calculates shipments by keeping a tally of tanker-transport agreements. Its figures exclude crude held on board ships used as floating storage.

IRAQ PRODUCTION CONTINUES TO RISE

Iraq's newly appointed oil minister on Monday said the country's daily oil production has increased by about 100,000 barrels a day, exceeding 2.6 million barrels per day for the first time in 20 years. Abdul-Karim Elaibi said Iraq's production of crude will continue to rise and will reach its planned, higher targets "sooner than expected." "Today, our

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production exceeded 2.6 million barrels a day," Elaibi told reporters during a ceremony to formally put him in charge of Iraq's oil ministry after the country's new government was sworn in last week. "We haven't reached this figure since 20 years ago," Elaibi said. Last week, Elaibi also reported an increase by 100,000 barrels a day to 2.5 million barrels a day, saying it was a significant jump in a long while. Iraq has awarded 15 oil and gas deals since 2008 to international companies in the first major investment drive in more than three decades aimed at strengthening the country's battered energy industry. The crude-rich nation plans to raise its daily output to about 12 million barrels by 2017. Oil revenues make up nearly 95 per cent of

Iraq's budget. Falah al-Amiri, the head of the state oil marketing organization, SOMO, said the country's oil exports will be increased starting next month. They will exceed 2 million barrels a day from the nearly 1.9 million barrels a day, al-Amiri said. Since the 2003 U.S.-led invasion that toppled Saddam Hussein's regime, Iraq _ the holder of the world's fourth largest oil reserves of 143.1 billion barrels _ has struggled to reach the level of about 3 million barrels it produced in late 1980s before it invaded neighbouring Kuwait. The industry has been hampered by heavy damage to oil facilities during Iraq's decades of wars and international sanctions following Iraq's 1990 invasion of Kuwait.