NYMEX OIL: US$91.30
+$0.19
February delivery
NYMEX N. Gas: US$4.50
+ $0.02 per MMBTU
February delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark crude for February rose 19-cents to USD$91.30 a barrel on the New York Mercantile Exchange. In other Nymex trading in contracts, heating oil was down 5-cents at $2.60 /gal while gasoline slipped 1-cents to $2.46/gal. Natural gas gained 2-cents $4.50 per 1,000 cubic feet. In London, Brent crude was up $1.91 to $97.61 a barrel on the ICE exchange.

OTTAWA EXPECTED TO APPROVE MACKENZIE PIPELINE SOON

The Canadian government is poised to approve the C$16.2 billion ($16.4 billion) Mackenzie gas pipeline now that the project has the regulatory green light, the Canadian Broadcasting Corp reported on Tuesday. Federal officials declined commen when asked about the approval. Ottawa had been expected to sign off on the project after the National Energy Board issued its favorable decision on the 1,220 km (760 mile) pipeline, which has been envisioned since the 1970s. Despite approval, the project is facing major market hurdles before it becomes viable to its working partners. The project faces uncertainty due to rising construction costs and an oversupply of gas in North America. Talks between the government and Mackenzie proponents about a financial support deal, estimated to be valued in the billions of dollars, were put on hold pending the end of the regulatory process. They are expected to restart once Ottawa gives its nod to the development. Canadian Natural hopes to resume upgrader output

CNRL PROVIDES LATEST HORIZON UPDATE

Workers on the Horizon site returned to their normal shifts on Friday morning, January 7, 2011. OH&S and Canadian Natural's Operations and its Investigation team are effectively working together to determine the causes of the incident. OH&S have now given Canadian Natural's personnel access to key areas around the Primary Upgrader to ensure equipment can be flushed and made safe for winter conditions. Additional access is expected to be granted to the upper decks of the cokers in the next few days to allow for the assessment of structural stability and to determine the extent of infrastructure required to be replaced. Canadian Natural has confirmed electronic and instrument communication exists with two coke drums (2 A and 2 B) and evaluation of the other two coke drums (1 A and 1 B) continues. This would tend to indicate that damage to at least two of the coke drums (2 A and 2 B) is likely to be minimal and in addition visual observations indicate damage to all four coke drums may be minimal. It appears that the majority of the damage is located above the cutting deck and derrick infrastructure of coke drum 1 B. A photographic based survey of the cokers is planned to be undertaken on January 11, 2011 to determine the extent of the damage to the derrick infrastructure. Canadian Natural has started the procurement process for all necessary replacement components and parts for the repair of the cutting deck and derrick infrastructure above coke drums 1 A and 1 B. Although it is too early to conclusively determine at this stage, there is the possibility that two of the four coke drums (2 A and 2 B) could be started up in a shorter time frame allowing the Horizon plant to run at production rates roughly half of target capability until the repairs to the other coke drums (1 A and 1 B), cutting deck and derrick infrastructure is completed. While repairs to the damage caused by the fire are undertaken, Canadian Natural will take the opportunity to address maintenance backlog and potentially advance future turnaround work at the Horizon site, which should result in reduced maintenance downtime in the future. Canadian Natural maintains a US$2 Billion umbrella insurance package for the Horizon facility which should cover a substantial portion of the cost to repair damaged parts and equipment and which provides business interruption insurance to effectively cover ongoing operating costs incurred on the site after 90 days. As Canadian Natural continues to gain access to the remaining areas of the Primary Upgrader and completes its assessment of the incident, the Company will continue to provide further updates.

TRANS-ALASKA PIPELINE BYPASSED FOR REPAIR

The trans-Alaska oil pipeline will undergo bypass surgery at its northernmost and leakiest pump station. The leak proved to be minor in terms of environmental impact — a spokeswoman for Alyeska Pipeline Service Co. said crews have recovered roughly 17 barrels of oil, all from within the pump building. But the pipeline remains shut down, and crews were working from Fairbanks Monday to prepare to circumvent the leak. A 24-inch diameter, 170 foot-long line will bypass the concrete-encased pump station site and let Alyeska restart the pipeline. “They're working as fast as they can, and we have welders working on it 24/7,” Alyeska spokeswoman Katie Pesznecker said. Crews from Houston Contracting, a subsidiary of Arctic Slope Regional Corp., are fabricating the nine sections of pipe at Alyeska's Pesznecker said. Pilots will then fly the sections to the North Slope, but she wouldn't speculate as to when the pieces might be ready. In the meantime, she said, oil that's traveled as far south as the pump station has been diverted into storage tanks. Pesznecker acknowledged concerns exist as the 800-mile pipeline sits dormant. She said the biggest worry is that water in the oil could start to freeze and settle at the bottom of the pipe. “We know that there are risks associated with a shutdown in cold weather, and everyone recognizes the urgency of getting the pipeline safely restarted as soon as possible,” she said. Pipeline operator Alyeska was seeking regulatory approval to temporarily restart it and prevent oil in the pipeline from freezing, which would make a resumption of flows more difficult. Officials dealing with the incident said if wax or ice buildup leads to damages to the pipeline system, it could shut down the pipeline for a more extended period of time and affect other North Slope facilities.The bypass is expected to be completed this week, though there was no exact timetable. Alyeska discovered the leak early Saturday, and North Slope production slowed to a halt at the firm's orders. Crews have since recovered the 17 leaked barrels of oil from the pump station.

TALISMAN 2011 CAPITAL BUDGET AND OUTLOOK

Talisman Energy Inc. Has announced its capital spending plans for 2011. The company expects 5-10% production growth this year. Cash spending on exploration and development is expected to be relatively unchanged at around US$4 billion, maintaining capital discipline in an uncertain commodity price environment. Through reshaping the portfolio in 2010, maintaining a balance between natural gas and liquids opportunities, and high grading to a more profitable asset base, Talisman has entered a new phase of sustainable value-creating growth. Highlights include: Expected production growth of 5-10% against appro imately 415,000 boe/d in 2010. In addition, the BP Colombia acquisition will add 12,000-15,000 boe/d of incremental production. Approximately half of this production growth will be liquids. Cash exploration and development spending of approximately US$4 billion, approximately the same as 2010. In addition, US$370 million of non-cash capital items is expected. Talisman expects continued improvement in its reserve replacement costs in both 2010 and 2011, as an important driver in increasing the profitability of the company. The company expects to further reduce reserve replacement costs by 25-30% in 2010 relative to 2009. Replacement costs related to proved developed production are expected to be 45-50% lower in 2010. North American spending of approximately US$1.7 billion, with a 35% reduction in spending on dry gas. The company plans to increase activity in the liquids rich Eagle Ford shale, conventional oil properties and the Farrell Creek shale play. Southeast Asia spending of US$700-800 million. Development projects include start-up at Jambi Merang, drilling and optimization at Corridor in Indonesia, infill drilling in Malaysia and the Kitan field, offshore Australia. Cash capital spending is expected to be circa US$1.2 billion in the North Sea, with approximately two-thirds of this spending in the UK. In the UK, the company expects growing volumes from the recently completed Auk North project and further progress on the Auk South development. In Norway, first production from the Yme field is expected mid-year. The international capital spending numbers include approximately US$700 million committed to exploration, with significant wells in the North Sea, first shale wells in Poland, active drilling in Papua New Guinea and key wells in Colombia, Indonesia and the Kurdistan region of northern Iraq.

ROTHSCHILD TO OPEN CALGARY OFFICE

Independent financial advisory firm Rothschild said on Tuesday it has hired two managing directors to open an office in Calgary, Alberta, as it expands its coverage of the oil and gas sector in North America. The family-owned bank said it hired Bob Gibson and Paul Moynihan to work at the new Calgary office and focus on the Western Canadian oil and gas sector. "Their (Gibson and Moynihan's) addition to the firm is an important strategic step for Rothschild and for our Canadian practice, enabling us to participate in an industry critical to Canada's economy, as well as open an office in the country's Western provinces," said Rothschild Canada Chairman David Drinkwater. Both Gibson and Moynihan join Rothschild after being co-founders and principals at Mustang Capital Partners, a Calgary-based boutique they formed in 2002 that specialized in advising on mergers and acquisitions. The two are also both former directors of TD Securities. Gibson and Moynihan will be joined in the Calgary office by three other colleagues from Mustang Capital, Rothschild said.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 6 to 1,700 for the week of January 7, 2010. It is 480 rigs (39.3%) higher than last year. The number of rotary rigs drilling for oil was up 12 at 777. There are 350 more rigs targeting oil than last year. Rigs currently drilling for oil represent 45.7% percent of all drilling activity. Rigs directed toward natural gas were down 5 at 914. The number of rigs currently drilling for gas is 133 greater than last year's level of 781. Year-over-year oil exploration in the U.S. is up 82.0 percent. Gas exploration is up 17.0 percent. The weekly average of crude oil spot prices is 8.7 percent higher than last year and natural gas spot prices are 30.7 percent lower. Canadian rig activity was up 176 at 422 for the week of January 7, 2011 and is 80 (23.4%) higher than last year's rig count.