

**WTI OIL: US\$91.30**  
-\$0.24  
March delivery  
**NYMEX: N Gas: US\$4.40**  
-\$0.01 per MMBTU  
February delivery



# oilfield NEWS

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## TUESDAY PRICES

Benchmark WTI crude for February was down 24-cents to USD\$91.30 a barrel on. In Nymex trading, heating oil was down 2-cents at \$2.64 /gal while gasoline slipped 1-cents to \$2.47/gal. Natural gas lost 1-cents \$4.40 per 1,000 cubic feet. In London, Brent crude was down 7-cents to \$97.50 a barrel on the ICE exchange.

## NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was unchanged at 1,700 for the week of January 14, 2010. It is 452 rigs (36.2%) higher than last year. The number of rotary rigs drilling for oil was up 12 at 789. There are 365 more rigs targeting oil than last year. Rigs currently drilling for oil represent 46.7% percent of all drilling activity. Rigs directed toward natural gas were down 12 at 902. The number of rigs currently drilling for gas is 91 greater than last year's level of 811. Year-over-year oil exploration in the U.S. is up 85.6 percent. Gas exploration is up 11.2 percent. The weekly average of crude oil spot prices is 13.5 percent higher than last year and natural gas spot prices are 21.2 percent lower. Canadian rig activity was up 155 at 577 for the week of January 14, 2011 and is 111 (23.8%) higher than last year's rig count.

## ALASKA PIPELINE REOPENS

Alaska's main oil pipeline should restore shipments to its normal rate of 630,000 barrels per day in under a week after its recent shutdown due to a leak, a spokeswoman for operator Alyeska said on Tuesday. The pipeline, which resumed shipments on Monday following the installation of a bypass around the leaky section, was transporting around 510,000 bpd as of Tuesday. "It will take five to seven days to get back up to the 600 (thousand) to 630 (thousand) level," said Alyeska spokeswoman Michelle Egan. Alaska shut in about 4.5 million barrels of oil production during the period between Jan. 8, when a leak was discovered on the pipeline, and Monday when the bypass was completed. Producers have permission to ramp up output volumes to normal levels, but they are expected to do so slowly as the Trans Alaska Pipeline System (TAPS) cautiously ramps up. The pipeline is on heightened alert for the next few days as throughput increases and concerns linger about colder-than-normal temperatures of the oil in the line, said Alyeska president Thomas Barrett. "We're not quite out of the woods yet," he told Reuters in an interview on Tuesday. It wasn't yet clear what caused the leak at Pump Station 1 that forced the 800-mile (1,280 kilometer) line to shut last week. Crews gathered about 317 barrels of oil that spilled into the pump station during the incident. Only one of three booster pumps is currently operating at the station, Barrett said. Blizzards swept through the

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region Tuesday and crews await better weather to activate a second booster pump. TAPS ran at near normal rates on Tuesday. Alaska's production had fallen to as little as 35,000 bpd on Jan. 10. BP Plc is operator of the largest U.S. oil field in Prudhoe Bay, Alaska, and also the top stakeholder at pipeline operator Alyeska.

## SYNTHETIC PRICES HIGHER

Canadian synthetic crude prices strengthened after safety regulators said it will be a few more days until Canadian Natural Resources Ltd. can gain access to its fire-damaged oil sands upgrader.



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Synthetic crude for February delivery was quoted at \$1.50 to \$2 a barrel above benchmark West Texas Intermediate, compared with about \$1.25 a barrel above WTI last week and as much as \$4 below before the Jan. 6 fire at the Horizon project. Canadian Natural's co-chairman said on Monday that he did not know when production from the 110,000 barrel a day facility might resume. Canadian Natural said last Tuesday it might be able to produce half its 110,000 barrel-a-day capacity while repairs were under way as it believes two of the four drums in the coker unit were undamaged. Alberta's health

and safety department said it could be two or three days until it lifts a stop-work order, which would allow the company access to the damaged facility so it can assess needs for repairs. The uncertainty over production at Horizon, which can normally pump out as much as 10 percent of Canada's synthetic crude, is the sole factor driving the price higher, a trader said. Canadian Natural declared force majeure last week, releasing it from supply commitments due to an incident that was beyond its control. It is not known yet how long that will remain in place. Meanwhile, heavy Canadian barrels remained heavily

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discounted due to the tightness in export pipeline capacity and full storage tanks that have pressured prices for the past two months. Enbridge Inc. has been forced to ration capacity on its system as shippers clamored to move supplies following a series of outages and cuts in operating pressure. Western Canada Select heavy blend was assessed at \$24-\$28 a barrel under WTI, compared with \$23.50-\$24.25 a barrel under a week ago. Nominations for February capacity on Enbridge are due today.

### BISON LINE OPERATING

TransCanada Corp said on Tuesday its \$600 million Bison pipeline began operating last week, capable of carrying 407 million cubic feet of natural gas a day

from the U.S. Rocky Mountain region to the Midwest. Bison runs 303 miles (487 km) from northeastern Wyoming to a connection with the company's Northern Border pipeline in North Dakota. TransCanada said the all of the line's capacity is booked under long-term contracts. A spokesman said the line was currently carrying 203 million cubic feet per day with flows ramping up to 350 mmcf/d or more later this week. It can be expanded to carry 1 billion cubic feet per day by adding additional compression if demand warrants. The line became operational on Friday.

### QUEBEC PROJECTS DELAYED

Questerre Energy Corp. says it will delay its projects in Quebec until new regulation

is in place and the results from two of its wells are revealed despite receiving the go-ahead from locals and the municipality. The small explorer, which plans to acquire seismic and construct a natural gas pipeline for shale gas, said in a statement both projects in St. Lawrence Lowlands in Quebec were ready to proceed. "However, Questerre has elected to defer both projects pending receipt of the BAPE report, introduction of new hydrocarbon legislation and the results from its two horizontal wells," the firm said. Michael Binnion, President and Chief Executive Officer of Questerre, said the delay was "a disappointment". "Questerre is currently discussing with the operator the consequences of its decision to delay the completions to this year and its impact on

the joint venture and Questerre's timeline for future work," the firm said.

### NEXEN SELLS STAKE IN CANEXUS

Nexen Inc. said on Tuesday it will sell its 65 percent stake in the Canexus Income Fund, raising C\$477.1 million (\$482 million) and ending its association with its former industrial chemicals unit. Nexen, Canada's No. 6 independent oil and gas producer, said it will sell its 74.5 million Canexus units for C\$6.40 each to a syndicate of underwriters led by Scotia Capital and CIBC World Markets. Canexus, which makes bleaching agents for the pulp industry, and other industrial chemicals, was spun off into an income fund by Nexen in 2005 as the company



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looked to cut its debt. The oil producer has long said it would consider selling the stake. The offer is expected to close around Feb. 7. Nexen did not specify what it will do with the proceeds of the sale.

### ROSNEFT AND BP FORM ARCTIC STRATEGIC ALLIANCE

BP and Rosneft announced Friday that they have agreed a groundbreaking strategic global alliance. Rosneft and BP have agreed to explore and develop three license blocks - EPNZ 1, 2, 3 - on the Russian Arctic continental shelf. These licences were awarded to Rosneft in 2010 and cover approximately 125,000 square kilometres in a highly prospective area of the South Kara Sea. This is an area roughly equivalent in size and prospectivity to the UK North Sea. This historic agreement creates the first major equity-linked partnership between a national and international oil company. Following completion of this agreement, Rosneft will

hold 5 per cent of BP's ordinary voting shares in exchange for approximately 9.5 per cent of Rosneft's shares. The share swap component of the alliance creates strategic alignment to pursue joint projects and demonstrates mutual confidence in the growth potential of both companies. BP and Rosneft have also agreed to establish an Arctic technology centre in Russia which will work with leading Russian and international research institutes, design bureaus and universities to develop technologies and engineering practices for the safe extraction of hydrocarbon resources from the Arctic shelf. The technology centre will build on BP's deep offshore experience and learnings with full emphasis on safety, environmental integrity and emergency spill response capability. Rosneft and BP have agreed to continue their joint technical studies in the Russian Arctic to assess hydrocarbon prospectivity in areas beyond the Kara

Sea. The parties will also seek additional opportunities for international collaboration beyond their 50/50 joint venture partnership in Ruhr Oel GmbH, a refining joint venture in Germany (subject to completion of Rosneft's recent purchase of 50 per cent of Ruhr Oel from PDVSA). Igor Sechin, Deputy Prime Minister of the Russian Federation, who participated in the signing ceremony, said: "Global capital and Russian companies are clearly ready to invest in world class projects in Russia; and Russian companies are quickly emerging at the forefront of the global energy industry." Energy Secretary Chris Huhne said: "The British government welcomes this strategic global partnership between BP and Rosneft. It is a groundbreaking deal between 2 of the largest oil companies. Russia is centrally important to global energy with nearly 20% of the daily gas production and about 13% of today's oil production. This initiative, to explore and develop the new sources of oil

and gas is good news for Europe, for the UK, energy security and worldwide. As we move overtime Russia's oil and gas will play a major role in fueling the world and a key role for Europe. BP's chief executive, Bob Dudley, said: "This unique agreement underlines our long-term, strategic and deepening links with the world's largest hydrocarbon-producing nation. We are very pleased to be joining Russia's leading oil company to jointly explore some of the most promising parts of the Russian Arctic, one of the world's last remaining unexplored basins. Underpinning this alliance is a new type of relationship based on a significant cross-shareholding, and bringing together technology, exploration and safe and responsible field development skills. We are very pleased to welcome Rosneft as a strategic partner and major shareholder in the BP Group." Rosneft's President, Eduard Khudainatov, said: "I am pleased that in just a few months we've significantly moved forward

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trading in London on 14 January 2011). The transaction is subject to certain listing approvals and the completion of certain administrative requirements and is expected to complete within a few weeks. BP and Rosneft view their cross-shareholdings as long term and strategic. Rosneft is Russia's leading oil producing company. It produces some 2.4 million barrels of oil equivalent (boe), and has reserves of 15,146 billion boe. It produces oil in all key regions of Russia. Rosneft reported (pre tax) profits for the year end 31 December 2009 of \$8,519m and gross assets (as at 30 September 2010) of \$87,984m.

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in implementing Russia's offshore strategy. In its operations, our future joint venture will utilize the experience and expertise of BP, one of the leaders in the global oil and gas industry. This project is unique in its complexity and scale both for Russia and the global oil and gas industry. We see it as the next step in developing our relations with BP." BP Chairman, Carl-Henric Svanberg, said: "The world's need for energy continues to increase. BP is working with national oil companies using its leading exploration skills and expertise to meet this demand. This is a trend which will increase as access to resource becomes scarcer. This landmark deal creates a deep partnership which represents a new stage in these relationships. The exchange of shares demonstrates our mutual commitment. The BP board believes that the combination of assets and skills will unlock significant value and thus the issue of shares to Rosneft is in the interests of all shareholders." The aggregate value of the shares in BP to be issued to Rosneft is approximately \$7.8bn (as at close of

### **KUWAIT TO CLEAN UP FROM 1990 INVASION**

Kuwait plans to launch a project to clean up what it calls 'oil lakes', referring to ground contamination resulting from crude spills during the Iraqi invasion of the Gulf Arab state in 1990. "Within the state of Kuwait there is an estimated 60 million cubic metres of contaminated soil that needs to be remediated," Kuwait Oil Co (KOC) Chairman Sami al-Rushaid told a news conference on Monday. Kuwait extinguished the last of many oil well fires in the north of the Gulf state in November 1991, eight months after it was liberated from an invasion by neighbouring Iraq. But hundreds of oil lakes also were formed as a result of crude spills from the 1990 invasion. "These were initially called oil lakes, referring to the spills caused from extinguishing the fires at the oil wells. Now after all these years most of these lakes have turned into contaminated soil," said Redha al-Hasan, programme manager for Kuwait Environmental Rehabilitation Programme. State explorer KOC said it had set a Feb. 14 deadline for pre-qualification applications to hire a project management consultant. "The total amount for environmental rehabilitation projects that will be executed by KOC from the environmental reparation money exceeds \$2 billion," Hasan said. The United Nations allocated \$3 billion of environmental reparations to Kuwait, he added. Rushaid did not specify a timeframe or cost for the project. Iraq pays 5 percent of its oil revenues as

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war reparations, most of it to Kuwait, despite Iraq's calls for a renegotiation of those payments so it can use more of its oil money for needed development projects. Iraq still owes Kuwait nearly \$22 billion in reparations.

### **COMPANIES PARTNER IN HISTORY PROJECT**

Five oil sands companies - Athabasca Oil Sands, Canadian Oil Sands Limited, Imperial Oil, MEG Energy and Syncrude Canada - have become founding sponsors of a new oral history project conducted by the Petroleum History Society (www.petroleumhistory.ca). Titled "Preserving Our Oil Sands Story," this oral history project will be a core educational project regarding the oil sands industry, and it will preserve the memories of those who helped create and shape it. By uncovering stories of challenge and innovation, it will contribute to a deeper understanding of how the industry developed and how it functions. It will serve as an important resource for historians, researchers and educators. Project records - including original recordings and digitized transcriptions - will be donated to the Glenbow Museum. The Glenbow has extensive petroleum-related archives. According to library and archives director Doug Cass, "the oral history recordings produced by the society's previous petroleum industry oral history efforts are among the most-used collections in our archives." The oil sands project is a continuation of a series of oral history projects that began three decades ago. In Phase I (1981-1985) the Petroleum History Society collected interviews of 223 individuals who played important business or policy-related roles in the creation of the petroleum industry to that time - legendary figures ranging from Carl Nickle (founder of the *Daily Oil Bulletin*) to Jack allagher (founder of Dome Petroleum). Phase II (1999-2004) recorded interviews with

many professionals and scientists in the industry. The purpose of the new initiative is to capture the stories of people who have made important contributions to the oil sands sector. To create a balanced picture of the development of Canada's world-class petroleum deposits, historians need personal recollections to breathe life into the academic, corporate and government reports and legal documents that provide so much of the raw material of industrial history. These recollections comprise a body of work known as oral history, which has enabled historians to move beyond the usual confines of documentary research.

### **OIL OUTLOOK FOR 2011**

Buoyant worldwide economic growth and a cold winter in the Northern Hemisphere will underpin higher-than-expected oil demand this year, the International Energy Agency predicted Tuesday. The Paris-based agency said it expects oil demand this year will rise to 89.1 million barrels a day — up from 87.7 million barrels a day in 2010. Last month the IEA forecast 2011 oil demand would hit 88.8 million barrels a day. The IEA warned that currently high crude oil prices could put a brake on economic recovery and said oil producers, financial investors and consumers would all suffer if prices linger around \$100 a barrel this year. Oil futures traded near \$91 a barrel Tuesday, largely shrugging off a higher demand forecast from the OPEC cartel. With the world economy rebounding from a slowdown in 2009, oil demand growth last year was at one of the highest levels in the last three decades, the IEA said. Total oil demand grew 3.2 percent last year, led by developing economies outside the 34-nation Organization for Economic Cooperation and Development, a grouping of developed nations. This year, the IEA expects oil demand in the OECD, its parent organization, to slip 0.4 percent, while non-OECD oil demand growth will slow to 3.8 percent from 5.3 percent in 2010.