WTI OIL: US$86.48
-$0.29
March delivery
NYMEX: N Gas: US$4.47
- $0.08 per MMBTU
February delivery

Oilfield NEWS

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TUESDAY PRICES

Benchmark WTI crude for February was down $0.29 to USD$86.48 a barrel on. In Nymex trading, heating oil was down 8-cents at $2.59 /gal while gasoline slipped 6-cents to $2.347/gal. Natural gas lost 8-cents $4.47 per 1,000 cubic feet. In London, Brent crude was down $0.374 to $954.62 a barrel on the ICE exchange.

NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 13 at 1,713 for the week of January 21, 2010. It is 431 rigs (33.6%) higher than last year. The number of rotary rigs drilling for oil incerased by 9 to 798. There are 361 more rigs targeting oil than last year. Rigs currently drilling for oil represent 46.6% percent of all drilling activity. Rigs directed toward natural gas were up 4 at 906. The number of rigs currently drilling for gas is 73 greater than last year's level of 833. Year-over-year oil exploration in the U.S. is up 82.6 percent. Gas exploration is up 8.8 percent. The weekly average of crude oil spot prices is 17.0 percent higher than last year and natural gas spot prices are 17.7 percent lower. Canadian rig activity was up 44 at 621 for the week of January 21, 2011 and is 126 (25.5%) higher than last year's rig count.

HSE CLOSES ACQUISITION

HSE Integrated Ltd. has announced the closing of the previously announced (November 16, 2010) acquisition by HSE of all of the issued and outstanding common shares of Taylored Safety Services Inc. of Halifax, Nova Scotia. Taylored provides safety consulting services and industrial heath and safety training to industry. The Acquisition was effected pursuant to the terms of a share purchase agreement among HSE and the holders of all of the outstanding shares of Taylored. At closing, HSE acquired 100% of the Taylored Shares for a base consideration equivalent to $ 432,262 satisfied through the issuance of 1,137,532 common shares of HSE. Tom Hickey, a director and founder of Taylored, has assumed the position of President of HSE. Jocelyne Clarke, President of Taylored, has assumed the position of Technical Manage of HSE.

TRANSCANADA TOLL AGREEMENT UPDATE

TransCanada Corp. said on Tuesday it will ask regulators to approve a new interim tolling scheme for its cross-country natural gas pipeline, after an earlier plan was rejected last month. The company, Canada's biggest pipeline firm, is proposing to charge shippers a long-haul rate of C$1.89 per gigajoule (0.95 million British thermal units) of gas, up from C$1.23 under the rejected proposal. In order to lower the toll on the regulated line, it will defer recovery of C$237 million ($237 million) owed by shippers, instead if the C$300 million initially proposed, and include C$31 million as its customers' share of forecast operations and maintenance savings for 2011. TransCanada is seeking to keep tolls on its mainline system competitive despite lagging volumes. The system once carried around 6 billion cubic feet a day and now carries about 3.1 bcfd as Western Canadian production falls because of aging fields and as producers cut production because of low prices. Because the pipeline system is regulated, shippers on the mainline pay for the line's costs and a guaranteed return for TransCanada. But as volumes decline, there are fewer shippers to cover those fixed costs, threatening higher tolls that, at a time of weak gas prices, would cut into producer profits. "The revised interim tolls strike a balance between the issues created by under-recovery when the final tolls are later established and the desire to keep tolls as low as possible," Russ Girling, TransCanada's chief executive, said in a statement. In December, the National Energy Board rejected TransCanada's last attempt to come up with a new tolling scheme because, with many shippers opposing the agreement, it felt the changes were too drastic to implement on a interim basis without a full hearing.

SABLE ISLAND CUTS PRODUCTION

Natural gas production from the Sable Offshore Energy Project, off the coast of Nova Scotia, was decreased on Tuesday, Spectra Energy pipeline units Maritimes U.S. and Maritimes Canada said in separate notices.It was not immediately known why production was cut. The Sable project, operated by Exxon Mobil Cor), has the capacity to produce between 400 million and 500 million cubic feet of natural gas and 20,000 barrels of natural gas liquids per day. Recently the project had been producing closer to 330 mmcf, a spokesman has said. The project is owned by Exxon, Royal Dutch Shell , Imperial Oil Ltd), Pengrowth Energy Trust PGF_u.TO and Mosbacher Operating Ltd. Spectra operates the Maritimes & Northeast Pipeline system that brings offshore, onshore and LNG-sourced natural gas from the Sable project in Atlantic Canada to North American markets.

NATURAL GAS POTENTIAL TAKES BACKSEAT FOR OIL COMPANIES

Natural gas was the talk of the oil patch in 2010 after Exxon Mobil Corp's $30 billion XTO deal, but energy investors are returning their focus to the business of finding and refining crude oil. A persistent U.S. natural gas glut has weighed on Exxon's performance relative to peers over the past year, as the XTO takeover more than doubled its exposure to U.S. gas. "In terms of production, Exxon has seen some pretty good growth, but a lot of that is gas growth," said Michael Kay, oil analyst at Standard & Poor's, which expects the Texas-based giant to increase oil and gas output by 6 percent in 2011. Fourth-quarter estimates reflect the difference between more oil-focused companies, like Chevron Cor, which is expected to show 57 percent growth in earnings per share, and those with bigger gas output, such as ConocoPhillips, which is seen growing EPS by 13 percent. S&P estimates that big oil companies overall grew natural gas output by 10 percent in 2010, while liquids production grew only 1 percent, even though that side of the business will now command moreattention. S&P estimates that big oil companies overall grew natural gas output by 10 percent in 2010, while liquids production grew only 1 percent, even though that side of the business will now command more attention. "I think the integrated oil companies are going to highlight their crude oil projects because the margins there are higher," Kay said. But profit at the integrated companies -- so-called because they twin oil extraction with product output at refineries -- can be badly squeezed at the refinery by pricier crude input. Michael Cuggino, chief executive of Pacific Heights Asset Management in San Francisco, said: "If oil prices go too far, too fast, the effect that may have on refining margins, at least on the integrateds -- those are some of the things I'd be looking at."

VERO REPORTS 100% Q4 DRILLING SUCCESS

Vero Energy Inc.has reported drilling and operating results for the fourth quarter of 2010. During the quarter, Vero participated in the drilling of 10 (6.7 net) horizontal wells at a 100% success rate, including 7 (4.1 net) wells targeting light oil. Horizontal drilling activities consisted of 6 Cardium oil, 1 Viking oil, 2 Bluesky gas and 1 Rock Creek well. For the year 2010, the Company had 100% success drilling 31 (24.5 net) wells, of which 61% targeted light oil. The quarter had a continued focus on evaluating its Cardium light oil play, with a total of 6 (3.1 net) horizontal oil wells drilled. The Company has made significant progress in delineating the Cardium opportunity. Three wells have been drilled and completed; one well awaiting completion and one well currently drilling in the northern portion of its land base, approximately 50 kilometres north west of the main industry activity at West Pembina. The most recent five Cardium wells brought on have initial daily average production rates of 365 boed, one month average rates of 255 boed and three month average rates of 200 boed. The Company has now drilled 7 wells using monobore technology. Four Cardium wells have been completed using foamed water fracs and a non-operated well has been completed with a slick water frac. Excellent results from these completions combined with monobore drilling has resulted in drill and completion cost reductions of over 25% to approximately $2.6 million per well. The Company currently has over 1,500 boed producing from the Cardium sands with approximately 80% liquids, based on field estimates. There is approximately 300 boed of production expected to start up in the next few weeks; one well waiting on completion and another well is anticipated to finish drilling during the same timeframe. The Company continues to add to its land position and now has 177 gross (111 net) sections of Cardium rights. Approximately 135 locations have been identified, with potential to double that with ongoing delineation, continued strong commodity price and improving cost structures. The Company is also excited with its significant first quarter 2011 Notikewin drilling program focused in the southern portion of our Edson core area at Brazeau. Vero has spent the last year building a land position offsetting two Vero horizontal wells that have cumulative production of 1.5 Bcfe and 1.9 Bcfe after 1.2 and 2.0 years respectively. The wells are currently still producing at approximately 1.8 and 1.5 mmcfed respectively. Vero plans to drill 3 (2.9 net) horizontal Notikewin wells in the first quarter. Recently, two offset wells drilled by another operator have shown similar characteristics to Vero's original wells. One of these wells has been restricted and is currently producing approximately 5 mmcfd since being brought on in the fourth quarter of last year; and another one tested at over 14 mmcfd and has recently been brought on at similar rates to the first well. These wells typically yield 30 bbls/mmcf of natural gas liquids and have a higher content of condensate than the Notikewin zone to the north. The Company believes this area has the potential for numerous follow up locations based on the interpretation of its three dimensional seismic and the area has excellent take away capacity. The Company currently has no reserves booked to this new development. The Viking play is another liquids-rich gas play that the Company will pursue with horizontal wells on its land base of 65 gross (45 net) undeveloped sections in the Edson core area. The Viking is currently producing from vertical wells that have historically targeted high permeability conglomerates. Similar to the Pembina Cardium pool, there is a halo of tighter sands around the initial development. These Viking gas wells have historically yielded a high liquids rate of approximately 45 bbls/mmcf with over 52% condensate, a product which typically sells at a premium to light oil. The Viking has the potential to provide the Company with another solid economic, liquids-rich gas play. Vero has plans to drill its first well in the area in the first quarter of 2011. The Company has 119 gross (84 net) undeveloped sections in the Edson core area with Wilrich potential where Vero has drilled 3 (2.8 net) wells to date and industry is very active around Vero's holdings. It is estimated that there are at least 80 locations on Vero's lands and with further delineation the Company believes it could increase the drilling inventory to over 160 locations based on spacing 3 - 4 wells per section. Plans are to resume drilling later in 2011. The Company completed three wells in the past ten days that wer carried over from the 2010 drilling program. Vero estimates current production of approximately 9,500 boed at 73% natural gas, based on field estimates. This represents a decrease in corporate gas weighting of 9% compared to a year ago due to the strategic capital shift and focus towards drilling light oil and select liquids rich plays. The Company also has two wells completed and waiting to be placed on production along with three wells remaining to be completed. The Company currently has three operated and one non-operated drilling rigs working.