NYMEX OIL: US$89.21
+$3.57
March delivery
NYMEX N. Gas: US$4.30
-$0.02 per MMBTU
February delivery

Oilfield NEWS

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TALISMAN SUSPENDED SHALE FRACTURING IN DECEMBER

Talisman Energy Inc. shut down its North American hydraulic rock fracturing operations for eight days last month following a fluid release at a shale gas drilling site in Pennsylvania, a spokeswoman said on Friday. Canada's fourth-largest independent oil explorer had four "fracking" operations under way across the continent at the time, three in the Marcellus shale in Pennsylvania and one in the Montney shale in British Columbia, Talisman's Phoebe Buckland said. Talisman said on its website that a water-based fluid release on Dec. 17 prompted the shutdown of activities at a well in Tioga County, Pennsylvania. There were no injuries and fluid was contained at the well site, it said. "By shutting down our operations we could find the cause and understand what happened and find a solution," Buckland said.

WESTERN ENERGY SERVICES 2011 CAPITAL BUDGET

Western Energy Services Corp. has announced its planned 2011 capital expenditure budget of $50 million to continue its expansion into the key areas of activity in the Canadian oil and gas market. Expansion capital will aggregate to $40 million and maintenance capital expenditures are expected to be $10 million. Western will finance its 2011 capital expenditure budget from operating cash flow and its existing credit facilities. Western intends to spend approximately $48 million on its Contract Drilling division, Horizon Drilling Inc. ("Horizon"), which includes $39 million of expansion capital for new drilling rigs and ancillary equipment, and approximately $9 million of maintenance capital. The expansion capital includes the following: the purchase of Rig #20, a telescopic efficient long reach ("ELR") double, which was acquired from a private contract drilling company on January 5, 2011 and is now operating in the field; - Rig #14, a fit for purpose telescopic ELR double drilling rig to be commissioned in the third quarter of 2011. Horizon is in advanced discussions with an oil and gas company to enter into a committed rig contract for a four year term; - 2010 budget carry-forward costs of approximately $4 million for the previously announced Rig #4, a fit for purpose telescopic ELR double drilling rig, which is expected to be commissioned in the first quarter of 2011; and - ancillary drilling and completion equipment expected to be deployed throughout the year, with a majority to be deployed in the second half of 2011. Western also intends to commit approximately $2.0 million to its Production Services division, Stimsol Canada Inc. , of which $1.2 million will be spent on expansion capital and $0.8 million will be spent on maintenance capital. The expansion capital related to our Stimsol subsidiary will expand our chemical delivery capability and our service fleet.

STATOIL SAGD PROJECT PRODUCES FIRST OIL

Norway's Statoil has announced first oil production from its Leismer Demonstration Project (LDP) after initiating steam injection in September 2010, one month ahead of schedule. "We are very pleased with the safe start up of this demonstration facility and first oil at Leismer," said Lars Christian Bacher, president of Canadian operations for Statoil Canada Ltd. "This is truly a milestone for our business in Canada." LDP, approved to 10,000 barrels per day (bpd), is the first phase of the Leismer project, which is expected to ramp up to its rated capacity of 18,800 bpd within 24 months, pending final approval by Alberta Environment. Future phases of the Kai Kos Dehseh steam assisted gravity drainage (SAGD) project are also under study. Statoil originally entered Kai Kos Dehseh through the acquisition of North American Oil Sands Corporation in 2007. Statoil's oil sands leases are located approximately 120 kilometres south of Fort McMurray in the Athabasca region of north east Alberta. The company's next phase, Corner, is a proposed 40,000 bpd facility, which along with the eventual further expansion of Leismer to 40,000 bpd, recently received approval by the Alberta Energy Resources Conservation Board (ERCB). "Over the last three years we have increased our understanding of the oil sands business and feel we are now in a good position to apply what we have learned," said Bacher. "We will proceed with several research and technology innovations and tests at the LDP project and if successful will apply them to future phases of development to drive economic efficiency and reduce environmental impact, including CO_2 reductions at our Alberta operations." Statoil has committed to a 5-year technology plan, which will provide the basis for the company's ambition to reduce CO_2 emissions intensity by more than 40% by 2025. Statoil Canada Ltd. is the operator of Kai Kos Dehseh with a 60% ownership in the project, while PTT Exploration and Production of Thailand is a partner with a 40% ownership.

BENGAL CLOSES BOUGHT DEAL FINANCING

Bengal Energy Ltd. has announced that it has closed its previously announced short form prospectus bought deal financing with a syndicate of underwriters led by Mackie Research Capital Corporation and including Wellington West Capital Markets Inc. and Toll Cross Securities Inc. . Pursuant to the Offering, Bengal issued 7,525,000 common shares of the Corporation at an issue price of $1.20 per Common Share for aggregate gross proceeds of $9,030,000, including 874,950 Common Shares issued pursuant to the exercise in full by the Underwriters of an over-allotment option. The net proceeds from the Offering will be used to fund the Company's ongoing capital expenditure programs in India and Australia and for general working capital purposes.

NORDIC ANNOUNCES SHARES FOR DEBT SETTLEMENTS

Donald Benson, Chairman and CEO of Nordic Oil and Gas Ltd. has announced that Nordic has entered into debt settlement agreements with 10 un-related parties for trade services, whereby aggregate debt of $199,120.49 will be settled through the issuance of 1,137,832 Class A Common Shares of the Company at a deemed price of $0.175 per share.

EXXON SAYS DRILLS RECORD SAKHALIN WELL

Exxon Mobil Cor said on Friday it has drilled a well that has a record horizontal reach of 7.13 miles (11,475 meters) from a land-based rig to the Odoptu field offshore far east Russia. The well, part of the Sakhalin-1 project, underscores the difficulty oil companies increasingly need to overcome to tap oil and gas reserves. In recent days, Russia has signed deals with western oil companies, including Exxon, as it trades access to its vast oil and gas reserves for the exploration expertise of western oil majors Odoptu, one of three Sakhalin-1 Project fields, is located 5 to 7 miles (8 to 11 kilometers) offshore northeast Sakhalin Island. The Odoptu OP-11 well reached a record total measured depth of 40,502 feet (12,345 meters or 7.67 miles) and took 60 days to drill, Exxon said. Exxon Neftegas is the operator of the Sakhalin-1 Project on behalf of an international consortium that includes affiliates of the Russian state company Rosneft and Sakhalinmorneftegas-Shelf; the Japanese corporation SODECO; and the Indian state oil company ONGC Videsh Ltd.

CHEVRON FOURTH QUARTER PROFIT CLIMBS

Chevron Corp's fourth-quarter profit easily topped Wall Street forecasts on Friday, but anemic growth of its oil reserves disappointed investors, and its shares slipped. Chevron, like smaller rivals ConocoPhillips and Occidental Petroleum , saw its earnings bolstered by higher oil prices, as well as a rebound in profit margins for gasoline and diesel fuel. But the company added only a modest 240 million oil-equivalent barrels to its reserves during the year, just about 24 percent of the oil and gas it produced in 2010. "It was an all-around good quarter, but the reserve replacement was weak," said Pavel Molchanov, analyst with Raymond James in Houston. Analysts said the company's reserves did not likely include the Wheatstone or Gorgon natural gas projects that is developing in Australia, and the company said its reserves were reduced by 140 million BOE because rising oil prices had increased the share of reserves owed to state-run partners. "We took several major deepwater projects to final investment decision in 2010, and we expect to recognize reserves for these projects in future years," Chairman and Chief Executive John Watson said in a statement. Chevron is planning annual oil and gas production increases of 1 percent annually through 2014. Growth is expected to pick up to between 4 percent and 5 percent in the three years after that, but driven largely by massive Australian gas projects. Chevron also added to its U.S. natural gas position in the fourth quarter with the announced purchase of Atlas Energy. Profit rose to $5.3 billion, or $2.64 per share, from $3.1 billion, or $1.53 per share, a year before, lifted by higher oil prices and the gain from the sale of a pipeline stake. That easily beat the $2.41 per share that analysts had forecast.

VENEZUELA WARNS FOREIGN OIL FIRMS TO BOOST OUTPUT

Foreign oil companies operating in joint ventures in Venezuela must hike production or possibly face a review of their rights to operate in the South American OPEC member, Energy Minister Rafael Ramirez said on Thursday. Speaking to reporters, Ramirez said companies were working out how to increase investment and raise output in line with a warning late last year to fulfil commitments. "If they don't comply with their plans, I would have good reason to review the rights they have," he said. In a letter dated November, Ramirez gave companies including Chevron, Repsol, BP and Petrobras 30 days to present a new production plan. The joint ventures, formed in 2006, are spread across South America's top oil producer, mostly in mature fields, and have a combined output capacity of at least 400,000 barrels per day (bpd). Venezuela's state oil company PDVSA, the majority partner in each of the projects, has suffered cashflow problems since global oil prices dropped in 2008 and it put in place OPEC-mandated production cuts. Ramirez said his ministry was monitoring the original production pledges made in 2006, and added that the joint ventures had responded "diligently" with a host of new proposals to improve production after his letter last year. Following a meeting between the presidents of Venezuela and Uruguay, Ramirez also confirmed that Venezuela was currently shipping some 30,000 barrels per day to Uruguay. "Since 2005 until now we have sent more than 45 million barrels of oil to Uruguay," he said. "We have a quota of up to 40,000 bpd...and have been sending 30,000." He said Hovensa LLC's decision to mothball 150,000 barrels per day of capacity at its St. Croix refinery in the U.S. Virgin Islands would not have a negative impact on Venezuelan crude supplies. Hovensa is jointly owned by Hess Corp. and Venezuela's state oil company PDVSA. "We have a long-term (supply) contract," he said. "There's nothing that puts in danger (PDVSA) operations there." Ramirez, who is also PDVSA president, said the company had received no official word from LyondellBasell about seeking new crude suppliers for its Houston refinery to replace some oil from Venezuela. The Houston refinery was a once a joint-venture between Lyondell and Citgo Petroleum Corp, PDVSA's U.S. refining subsidiary. Lyondell signed the contract for crude from PDVSA as part of the 2006 agreement to buy Citgo's 41 percent interest in the refinery for $2.1 billion. Ramirez added that Venezuela hoped to have 240-243 oil drills operating by the end of the year, up from 237 now.

SPILL COMMISSION WARNS CONGRESS ON DRILLING SAFETY

Leaders of the presidential commission that investigated the Gulf of Mexico oil spill beseeched Congress on Wednesday to quickly boost the safety of offshore drilling, even as lawmakers plotted a cautious, slow response. In separate House and Senate hearings, panel co-chairman William Reilly warned there could be another devastating underwater well blowout unless Congress beefs up federal oversight of drilling. Without changes, "you'd be running a big risk," he said. "Don't use the fact that there's always more that you can learn as an excuse to do nothing," co-chairman Bob Graham said. But key lawmakers said they wanted to see more evidence about the disaster's causes before advancing legislation to overhaul regulatory agencies or change liability limits for oil companies. There is a need "to have all the facts and information surrounding the cause of this incident before there is a rush to judgment or a rush to legislate," said Rep. Doc Hastings, R-Wash., chairman of the House Natural Resources Committee. President Barack Obama tasked the panel with identifying the root causes of the spill and making recommendations to prevent a repeat. Since unveiling their nearly 400-page report on Jan. 11, leaders of the commission have met three times with White House officials and pitched recommendations to oil industry representatives. But Wednesday's hearings were the first time Reilly and Graham had a chance to publicly sell lawmakers on proposals for an industry-led safety institute, more money for regulators and a reorganization of Interior Department agencies. They have limited time to convince Congress. By mid-March, the commission loses its staff and office space. It has concluded that human error and systemic industry failures contributed to BP's well blowout. ome Republican lawmakers said they were deeply skeptical of the panel's conclusions because of the pro-environmental stance of some of the panel's members. Rep. Don Young, R-Alaska, said it was stacked with offshore drilling foes and questioned its "sincerity." Young said it concerned him that the commissioners are "now trying to ask us to pass legislation when their basic goal is against offshore drilling." Sen. John Barrasso, R-Wyo., echoed that, saying the commission Obama set up "was philosophically opposed to offshore drilling." The seven-member commission includes a renewable energy advocate who has complained about America's oil "addiction" and a marine science professor who appeared to endorse delayed drilling along the East Coast. As a Democratic governor and senator from Florida, Graham opposed offshore drilling near the Sunshine State. Reilly, who was on Conoco-Phillips' board of directors before joining the commission, said he was "a little impatient" with the criticism. "The proof is here," Reilly said, holding a copy of the panel's 2-inch-thick report. "It seems to me now a little churlish to refer back to the credentials and say how in some way they are connected to inadequacies in the report." The commission's six-month probe, he added, was aided by drilling experts and consultations with Chevron Corp., Shell Oil Co. and Exxon Mobil Corp. Separately, House Democrats introduced legislation to enact many of the panel's recommendations and get rid of a $75 million liability cap on the economic and natural resource damages oil companies must pay after spills. Although the commission called for lifting that limit, it stopped short of recommending a specific threshold.

US LAWMAKERS LOOK AT MARCELLUS SHALE DRILLING

Some state lawmakers are getting a crash course in Marcellus Shale drilling issues, one of the most complex topics they'll confront this legislative session. Members of the House Finance and Judiciary committees met Thursday for an informal presentation about West Virginia's natural gas boom. "It is the biggest gas play in our lifetimes," House Judiciary attorney Joe Altizer told lawmakers. "I don't think people really understand how significant this particular gas shale is going to be to the state." The Marcellus Shale is one of the world's richest natural gas basins. It lies underneath parts of West Virginia, New York, Pennsylvania and Ohio. It has enough gas to meet the nation's needs for 20 years, Altizer said. Marcellus drillers use a controversial practice called hydraulic fracturing or "fracking." In it, millions of gallons of water are mixed with chemicals and pumped underground to fracture shale deposits. The House committees plan to have several more information sessions about Marcellus drilling. "It's a very complex [issue] and it's going to take a long time to get everybody up to speed," Delegate Mike Manypenny said after the meeting. The Taylor County Democrat said his constituents are concerned with issues like landowners' rights and water quality. We don't want to stop the development and production of oil and gas in West Virginia," he said. "We just want to make sure it's done responsibly." Delegate Bill Hamilton, R-Upshur, said residents in his district have similar concerns. Hamilton said most gas companies in his area are drilling responsibly. "Unfortunately, in any business, you get two or three bad players in 100, and it taints everyone," he said. In Upshur County, people from states including Texas, Oklahoma and Arkansas are working on the drilling operations, Hamilton said. "They're bringing a lot of employees in," he said. "We thought this would be a job boost for our area, but not a lot of locals are being hired." He added that he has been criticized by the industry in the past few years for speaking up about his concerns. "I don't want to see it shut down. That's a valuable part of my local economy," Hamilton said. "But we can't operate like it's 1930 or 1950." An interim committee has proposed sweeping regulations for Marcellus drilling. They include rules for fracking, protections for local roads used by drillers' heavy equipment, and rights for landowners. The bill proposes $15,000 initial permit fees, up from the $550 for initial permits for conventional shallow wells. The state Department of Environmental Protection also is developing proposed regulations for Marcellus drilling.