

WTI OIL: US\$87.37  
 -\$0.11  
 March delivery  
 NYMEX: N Gas: US\$4.07  
 -\$0.03 per MMBTU  
 March delivery



# oilfield NEWS

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## TUESDAY PRICES

Benchmark WTI crude for March was down 11-cents to USD\$87.37 a barrel. In Nymex trading, heating oil was down 2-cents at \$2.73 /gal while gasoline rose 5-cents to \$2.5/gal. Natural gas was down 3-cents to \$4.07 per 1,000 cubic feet. In London, Brent crude was 83-cents higher at \$100.08 a barrel on the ICE exchange.

## NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was up 7 at 1,739 for the week of February 4, 2010. It is 404 rigs (30.3%) higher than last year. The number of rotary rigs drilling for oil increased by 9 to 818. There are 373 more rigs targeting oil than last year. Rigs currently drilling for oil represent 47.0% percent of all drilling activity. Rigs directed toward natural gas were down 2 at 911. The number of rigs currently drilling for gas is 33 greater than last year's level of 878. Year-over-year oil exploration in

the U.S. is up 83.8 percent. Gas exploration is up 3.8 percent. The weekly average of crude oil spot prices is 22.1 percent higher than last year and natural gas spot prices are 17.3 percent lower. Canadian rig activity was down 11 at 626 for the week of February 4, 2011 and is 69 (12.4%) higher than last year's rig count. Saudi oil seen steady Saudi Arabia will this week tell regular customers how much oil they will receive next month, and the signs so far are supply will be little changed as the leading exporter resists market pressure to produce more. As oil has climbed to \$100, well above Saudi Arabia's preferred range of \$70-\$80 a barrel, the kingdom has said it is ready to pump extra oil but only if justified by demand. It is not willing to deliver crude into a vacuum. "We cannot put oil in markets that don't need it," Saudi Oil Minister Ali al-Naimi has said. Industry sources said they have not requested increased

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### RIG TECH INSTRUCTOR

In the growing Saskatchewan oil industry, the need for relevant and current skills in the oil field is a necessity. Great Plains College will deliver the Apprenticeship Training Program in partnership with the Saskatchewan Apprenticeship and Trades Certification Commission. As part of this development the College is seeking experienced oil and gas industry drilling professionals to instruct the Rig Technician Training Program.

The Level 1 (Motor Hand) Program is to be offered at the Warman Campus over a 3-week period from April 4-22, 2011.

This program may run on an on-going basis at Great Plains College. Great Plains College has campus locations at Kindersley, Warman and Swift Current, as well as Program Centres at Rosetown, Biggar, Outlook, Gravelbourg, Nekaneet, and Maple Creek. Instructor will be responsible to instruct all Level 1 (Motor hand), Level 2 (Derrick hand) or Level 3 (Driller) of the apprenticeship program in any one instructional period.

#### Qualifications:

Persons interested in this potential instructor position must meet the minimum requirements for application. These requirements include: valid industry certification (first and/or second line well control, H2S, First Aid, Boiler Certification, safety management and regulatory awareness); adult education certification or experience teaching adults would also be an asset; must have journey person Rig Tech status; and good communication skills.

#### Experience:

- 5 years of rig experience, including work experience in all areas from floor hand to driller  
 - supervisory experience as either a rig manager or well site supervisor is preferred

Term: 144 hours, from April 4 - 22, 2011

Applications to be reviewed on February 25, 2011.

For more information or to submit a resume and cover letter quoting competition # N41-10/11 to:

Brigitte Wiebe, Program Coordinator  
 Great Plains College, Warman Campus  
 Box 1001, Warman, SK S0K 4S0  
 Phone (306) 242-5377 Fax (306) 242-8662  
 Email: brigittew@greatplainscollege.ca

*We thank you for your interest in the position; however, only those candidates selected for an interview will be contacted.*

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supply and that demand from China, the world's fastest-growing fuel market, has been constrained by refinery maintenance. One Singapore-based trader said, "The Saudis may reduce exports to the East because of the turnarounds here but increase to the West because turnarounds are falling in the



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West." In Europe, however, demand has stagnated, compounded by a looming seasonal lull as the northern hemisphere winter ends and before the start of the U.S. summer driving season, which could draw some refined products across the Atlantic. OPEC's newly announced plans to spend billions of dollars on future supplies are unlikely to unleash a flood of oil on to the market as it maintains a policy of restraint and supporting prices for years to come. At the same time, some of the biggest oil companies are investing less than before the 2008 oil price crash even though economic recovery is forecast to drive global demand to unprecedented levels. OPEC Secretary General Abdullah al-Badri said this week the 12-member group would spend \$155 billion on projects coming on stream between 2010 and 2014, which would add 12 million barrels per day (bpd) of gross production capacity. But much of that is likely to go into maintaining output at existing fields rather than developing new ones. Top exporter Saudi Arabia spends billions each year to hold capacity where it is, said Paul Tossetti, senior energy adviser at PFC Energy. "When you look at the Saudis, they've basically finished their incremental oil capacity increases," he said. "I don't see much in the way of OPEC capacity increases in the next few years, aside from Iraq." Among the world's three largest fully publicly traded oil companies, Royal Dutch Shell and BP Plc are raising their spending this year but not to the levels the companies were spending before the 2008 crash. Exxon Mobil stands apart in that it increased its outlay through the downturn, although it has yet to announce investment plans for this year. Shell said its cautious approach was based on a long-term view and sought to avoid the boom and bust of previous economic swings, when waves of new oil sent the price crashing.

#### SHALE GAS MORATORIUM SOUGHT IN QUEBEC

Citizens groups in the St. Lawrence valley met in Drummondville, Que., Sunday with the aim of stopping shale gas development in the province. Premier Jean Charest's government initially seemed positive about natural gas mining but has recently cooled its support, announcing in late January that it would wait to see results from a study by the provincial impact-assessment agency in February before deciding how to proceed. But the groups that met this weekend want a moratorium declared now. Paul Legault, a concerned citizen from Drummondville, said his thoughts on shale gas have grown



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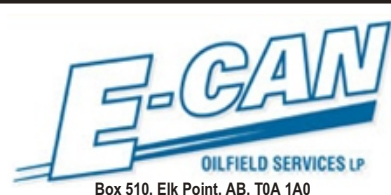
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from hesitation to outright opposition as he has done more research. Legault said it's too easy for shale gas developers to get rights to private lands, and he's worried about the risk of water contamination. Quebec is sitting on vast natural gas deposits, with potentially billions in royalties and billions of cubic feet in untapped resources. They are located in three main regions targeted by the oil and gas industry for exploration, including the regional county municipalities of Lotbiniere and Becancour southwest of Quebec City, and Les Maskoutains northeast of Montreal. The Parti Québécois opposition has also said it will push the Liberals for a moratorium.

#### TC BEGINS DELIVERING OIL TO CUSHING HUB

TransCanada Corporation has announced the second phase of the US\$12 billion Keystone Pipeline system has begun commercial deliveries of crude oil to Cushing, Oklahoma. The



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second phase is a new, 480-kilometre (298-mile) extension from Steele City, Nebraska to Cushing, Oklahoma and an increase in Keystone's nominal capacity to 591,000 barrels per day (Bbl/d), of which 530,000 Bbl/d is contracted. "This is a significant development for TransCanada as the Keystone pipeline will play an important role in linking a secure and growing supply of Canadian crude oil with America's largest refining markets, greatly improving North American energy security," says Russ Girling, TransCanada president and chief executive officer. The next phase of expansion for the Keystone Pipeline system is the proposed U.S. Gulf Coast Expansion (Keystone XL) project. Keystone XL, which has received strong support from American business, labour organizations and legislators, will help reduce America's dependence on crude oil from Venezuela and the Middle East by up to 40 per cent and provide U.S. Gulf Coast refineries with increased access to Canadian oil. Keystone XL will also create 20,000 high-paying jobs for American

families and inject \$20 billion into the U.S. economy. The Keystone XL project is a 2,673-kilometre (1,661-mile), 36-inch crude oil pipeline that will begin at Hardisty, Alberta and extend southeast through Saskatchewan, Montana, South Dakota and Nebraska. The pipeline will then continue on through Oklahoma and Texas to delivery terminals near Port Arthur, Texas, to serve U.S. Gulf Coast refineries. With the recent announcements of the Bakken and Cushing Marketlink projects, TransCanada has the ability to transport 250,000 Bbl/d of crude oil from Montana, North Dakota and the U.S. mid-continent to refineries in Oklahoma and the U.S. Gulf Coast and provide American producers with a competitive way to transport their crude oil.

#### UPGRADER FIRE LIFTS SYNTHETIC SPREADS

The premium on Canadian synthetic crude widened on Monday on word that Husky Energy Inc's heavy oil upgrader

was running at cut rates after a small fire at the facility, market sources said. The situation was also said to be a factor behind a bigger discount on heavy grades, such as Western Canada Select. Synthetic light oil for March delivery was discussed at about \$4.60 a barrel above benchmark West Texas Intermediate, then rose to at least \$4.90 a bbl above WTI after word of the upgrader situation spread. That compares to about \$4 a bbl over WTI a week ago. Reduced output at the 82,000 barrel a day Lloydminster upgrader exacerbated an already-tight market due to the Jan. 6 fire at Canadian Natural Resources Ltd's Horizon oil sands project, which remains shut for an indefinite period. Husky declined to give current production rates or an estimate of how long repairs will take. March WCS was quoted in a range of \$26 to \$27 a bbl under WT, a wider spread than last week. The outage at the Husky plant could leave more heavy barrels in a Western Canadian market that is glutted due to restrictions on Enbridge Inc's export pipeline system. Enbridge said on Monday it began a planned five-day maintenance outage on its 290,000 bpd Line 6B to Sarnia, Ontario, from Griffith, Indiana. It is the first of two outages on the line, which ruptured in Michigan last year, spilling 20,000 barrels of oil and causing a nine-week shutdown. The second outage is due to start around March 7.

#### **AECON PROJECTS LOSSES FROM SUNCOR PROJECT**

Aecon Group Inc said on Friday it will take an operating loss of C\$56 million to C\$59 million on a major oil sands construction project, sending its stock to a two-year low. Aecon, Canada's biggest publicly traded construction company, said the loss on the project for Suncor Energy Inc will result in a fourth-quarter 2010 loss for its industrial unit, but will not affect 2011 financial results. The company said it expects the hit from the project will be between C\$40

million and C\$42 million after tax. The company said fourth-quarter results will be "generally in line with management expectations". Aecon's industrial division, involved in in-plant construction and fabrication of specialty pipes, accounted for about one-third of the company's revenue in the third quarter. The loss reflects change orders, or revisions to plans, to complete field construction at Suncor's Firebag 3 central plant facilities, near Fort McMurray Aecon, which turned the project over to Suncor at the end of last year, said in a statement that change order talks were still on. Reflecting tougher market conditions when the contract was signed in November 2009, the fixed-price deal essentially paid Aecon a set amount regardless of cost overruns. In good financial times, Aecon typically works under cost-plus contracts, which pay expenses to a set limit plus an additional payment to allow for profit.

#### **IVANHOE INCREASES RESERVES AT TAMARACK PROJECT**

David Dyck, President and Chief Operating Officer of Ivanhoe Energy Inc. has announced that probable (2P) and probable plus possible (3P) reserves have been recognized for the Tamarack Project located in the Athabasca region of northern Alberta. The reclassification to 2P and 3P reserves is a result of the successful completion of Ivanhoe Energy's 2010 core hole drilling program on the Tamarack lands, further technical evaluation, and the submission of its regulatory application to the Government of Alberta in November 2010. GLJ Petroleum Consultants of Calgary (GLJ) has assigned estimated probable plus possible bitumen reserves of 220 million barrels and probable bitumen reserves of 176 million barrels to Tamarack. Along with the reserves additions, the independent 2010 evaluation recognized 345 million barrels of best estimate contingent resource. Ivanhoe Energy



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holds a 100% working interest in this Project which is expected to produce at approximately 40,000 barrels per day for at least 30 years. "On the heels of the submission of our regulatory application for the Tamarack Project, we've reached another milestone with the reclassification of a significant portion of contingent resources to the reserves category," said Mr. Dyck. "We added 176 million barrels of 2P probable reserves and, on a combined basis, the 2P reserves plus best estimate contingent resource rose 18% compared to our previous report. This significant increase validates our view that Tamarack is a world class heavy oil project that will ultimately provide significant value to our shareholders as we move forward with development and production."

#### **CHESAPEAKE PUTS SHALE FIELD UP FOR SALE**

Chesapeake Energy Corp wants to sell holdings in Arkansas' Fayetteville shale natural gas field and stakes in two companies to raise \$5 billion and trim its heavy debt load. Chesapeake has been one of the most aggressive U.S. energy companies in snapping up properties in shale gas fields across the United States, but that buying spree has left it awash in debt and short of cash to drill new wells. Weak natural gas prices have also hurt

Chesapeake, which reported nearly \$15 billion in long-term debt as of September 30, 2010, and has promised shareholders it would shift its exploration focus to oil and other liquids. Chesapeake, one of the largest natural gas producers in the United States, said that sales of its Fayetteville shale acreage and equity investments in Frac Tech Holdings LLC and Chaparral Energy are expected to be completed in the first half of the year. Proceeds from the sale, as well as a recently announced partnership in the Niobrara fields, would be used to pay down about \$2.0 billion to \$3.0 billion in shorter-dated senior notes and reduce borrowing under its revolving bank credit facility.

#### **MAN KILLED ON FORT MCMURRAY JOB SITE**

Occupational Health and Safety is investigating after a 58-year-old man was killed on a Fort McMurray job site early Monday evening. OHS spokesman Barrie Harrison said the man was an employee of Will Brothers Pipeline Construction, and was working at a site about 65 kilometres south of Fort McMurray. Harrison said details of what occurred are still somewhat unclear, but the worker appears to have been pinned between equipment and a fuel tank.

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