NYMEX OIL: US$101.35
-$0.07
April delivery
NYMEX N. Gas: US$4.16
-$0.001 per MMBTU
April delivery

Oilfield NEWS

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Published By *NEWS COMMUNICATIONS* since 1977 | Weekender | Saturday March 19, 2011

CONNACHER Q4 RESULTS

Connacher Oil and Gas Limited has released its financial and operating results for 2010. Connache posted a wider quarterly loss, hurt by a C$15.3 million ($15.5 million) impairment charge. Connacher Oil, which owns oil sands leases in Alberta, said the charge is related to its investment in South America-focused Petrolifera Petroleum The company posted fourth-quarter net loss of C$19.2 million, or 4 Canadian cents a share, compared with a loss of C$14.7 million, or 3 Canadian cents a share, a year ago. The year was marked by a significant expansion of the company's crude oil reserve and resource base; on time, under budget completion of Algar, the Company's second notional 10,000 bbl/d steam-assisted gravity drainage bitumen project at Great Divide; on time, under budget completion of the Algar 13.1 megawatt natural gas fired electrical co-generation facility; and significant production growth by year end 2010, setting the stage not only for continued improvement in the company's capacity to meet all financial obligations, but also enhancing Connacher's capacity to finance future growth from internally-generated funds. Revenue was up 44 percent at C$159 million. Analysts on average expected a loss of 3 Canadian cents a share, on revenue of C$182 million. Bitumen production more than doubled to 13,238 barrels per day. The company also raised its capital budget for the year by 17 percent to C$122 million. It reiterated its bitumen production outlook of 14,500-16,500 bbl/d.

FLINT ENERGY 2010 RESULTS

Flint Energy Services Ltd. has released its fourth quarter and 2010 annual results. For the year ended December 31, 2010, revenues were $1,781.3 million, down from $1,876.5 million in 2009, representing a decrease of $95.2 million or 5.1%. While the Company's maintenance businesses are relatively stable, a significant portion of the Company's field services business is more directly tied to completions and tie in work, which lags the drilling cycle, and has not yet benefited fully from additional activity. In addition, the Facility Infrastructure bidding process involves substantial lead times in winning contracts. While revenue is down in this segment year-over-year, the Company avoided taking on contracts with unacceptable risk during a period of low activity for the industry. EBITDA for the year ended December 31, 2010 was $131.3 million, down $17.9 million or 12.0% from $149.2 million in 2009. The decrease in EBITDA resulted from i) an overall decrease in revenues from 2009, ii) increased competition in the Oilfield Services segment creating downward

pressure on prices in 2010, and iii) the Maintenance Services segment, which has primarily lower margins due to a lower risk profile, forming a larger percentage of total revenue compared to 2009. For the year ended December 31, 2010, net earnings were $33.0 million ($0.72 per common share - diluted) compared to net earnings of $45.7 million ($1.00 per common share - diluted) in 2009. Cash flow from operations, before changes in non cash balances, was $97.9 million compared to $102.5 million in 2009. Working capital at December 31, 2010 was $242.5 million compared to $354.5 million at the end of 2009, as a result of an increase in the current portion of long term debt, due in 2011. Cash balances remained steady at $163.6 million as at December 31, 2010, compared to $163.9 million at the end of 2009. Accounts receivable increased by $13.9 million and revenue in excess of billings decreased by $5.9 million, representing a collective increase of $8.0 million or 2.6% from the prior year. As a result of sufficient cash flow from operations, the Company did not have to draw on its short term borrowing facilities. Cash used for investing activities during the year, net of disposals in 2010, was $76.3 million, up $53.2 million from $23.1 million in 2009. The largest portion of the increase was $36.6 million for acquiring oilfield hauling assets in the United States in November of 2010, the acquisition of PES Surface Inc. for $6.3 million in April, 2010, and a $2.0 million investment in Sub-One Technology, Inc. The balance of the increase was used for the purchase of plant property and equipment to expand operations, primarily in the United States. In the United States, revenue was $310.7 million (17.4% of consolidated revenue), down 0.7% compared to $313.0 million (16.7% of consolidated revenues) in 2009. This was primarily due to the strengthening of the Canadian dollar. United States revenues in

US dollars were $301.7 million in 2010 compared to $274.5 million in 2009, an increase of $27.2 million or 10.0%, as a result of improving midstream activity and expansion of the Company's oilfield hauling capabilities. Revenues for the three months ended December 31, 2010 were $394.3 million, compared to $462.5 million in the comparative quarter of 2009, representing a decrease of $68.2 million or 14.7%. The decrease in revenues for the fourth quarter of fiscal 2010 was primarily the result of reduced oil sands construction work in Facility Infrastructure, compared to the prior year's quarter when Flint was working on the Shell Albian Sands, Statoil Leismer and Suncor Firebag oil sands projects. Both the Shell and Statoil projects were completed early in the third quarter of 2010. EBITDA for the three months ended December 31, 2010 was $24.9 million, down $18.5 million from $43.4 million in the comparative period in 2009. EBITDA in Facility Infrastructure was $1.2 million, down $22.7 million compared to $23.9 million in the previous year's quarter. This was only partially offset by increased EBITDA from Oilfield Services of $7.6 million, up $4.6 million, and Maintenance Services of $5.8 million, up $0.3 million in the quarter. Production Services EBITDA was $10.3 million, down $0.7 million compared to quarter four 2009, primarily due to weaker Canadian activity late in the quarter, as well as increased costs associated with the relocation of the plastic pipe manufacturing facility in Edmonton. The Company continues to actively pursue accretive acquisitions, as well as green-field expansions in new basins where customers are increasing their unconventional drilling and production activities. Management expects that 2011 will be a year of continued strategic positioning of assets, rebuilding backlog, and acquisition activities to prepare the Company for expected growth over the next five years. Management is strategically capitalizing on the Flint business model and has several initiatives commencing in Q1 of 2011. The Facility Infrastructure group has positioned key personnel in Houston to begin bidding and executing larger energy infrastructure projects in the US market, and expects to have some contract awards in place by the second half of 2011.

ENCANA TO ACQUIRE STAKE IN KITIMAT LNG TERMINAL

Encana Corporation has agreed to acquire a 30 percent interest in the planned Kitimat liquefied natural gas (LNG) export terminal, located on the west coast of central British Columbia, and the associated natural gas pipeline. This proposed Kitimat LNG export development is intended to open tremendous new market opportunities in the Asia-Pacific region for abundant supplies of Canadian natural gas. The proposed Kitimat LNG export development, located about 650 kilometres north of Vancouver at Bish Cove near the Port of Kitimat, has planned initial capacity, from the first of two potential phases, of about 700 million cubic feet per day (MMcf/d) of natural gas, or about 5 million metric tons of LNG per year. The development includes construction of a new 36-inch diameter natural gas pipeline - Pacific Trail Pipelines - running 463 kilometres from the Spectra Energy natural gas transmission system at Summit Lake, B.C. to the planned Kitimat LNG export facility. Encana's 30 percent interest in the development includes a capacity reserve of 30 percent in the Kitimat LNG export facility and matching capacity on the proposed pipeline. The partners expect to complete the front-end engineering and design for the LNG export facility later this year, after which the partners will determine plans for a capital investment decision for the first phase of the development. Project construction could begin in 2012, with exports potentially starting in 2015. The project is operated by Apache Canada Ltd., which will own 40 percent, with Encana and EOG Resources Canada Inc. each owning 30 percent respectively. Encana's acquisition transaction is subject to receipt of appropriate regulatory approvals and satisfaction of other customary closing conditions. It is expected to close in the second quarter of 2011. Export volumes for the Kitimat LNG project are expected to be supplied by burgeoning natural gas resources in B.C. and Alberta - the Horn River Basin and the Montney geological formation. According to industry studies, recent B.C. discoveries indicate the province will have the resource capacity to more than double current production of about 2.8 billion cubic feet per day (Bcf/d) to more than 7 Bcf/d in the next seven to 10 years. This is more than sufficient to supply B.C., its current customers, and new markets opened by the Kitimat LNG export development.

EFFORT BEING MADE IN JAPAN'S FUEL SHORTAGE

Royal Dutch Shell said on Friday extra shipments of liquefied natural gas (LNG) from a Brunei plant have unloaded in Japan which seeks to compensate for nuclear lost power. An earthquake that hit Japan last week took offline about a fifth of Japan's nuclear power plant capacity or 9,702 megawatts. To make up for that, Japan may need additional oil and LNG as well as coal, according to analysts, with LNG being the most likely replacement. "Two shipments of LNG from Brunei have unloaded in Tokyo in the last 24 hours, providing much needed gas supply and Shell is expecting further cargoes from other locations to follow in the coming days," Shell said in a statement. It declined to comment on the size of shipments. "Shell and its LNG joint ventures are working with their Japanese customers to help bring additional supplies of LNG into the country to meet these critical requirements," it said. Analysts say Japan may need to import about an extra 1 billion cubic feet of LNG per day to make up for its lost nuclear power, though traders say it is too early to tell how much more LNG will be needed. LNG producers across the Pacific and Middle East have offered to increase LNG supplies to Japan. Russia has said it can supply about 2 cargoes from its Sakhalin project and South Korea said it would supply 400,000-500,000 tonnes of the fuel. South Korea's current LNG inventory stands at 1.5 million tonnes, and the source added that the supply to Japan would come from incoming shipments, not current inventory. ita Legowo, director general for oil and gas at Indonesia's energy ministry said the Bontang plant, on Borneo island, is expected to see output fall 6 percent this year, but it has surplus LNG left over from last year that could be shipped to Japan. Energy officials could not say how much gas was available from a field operated by Total , but one government minister said the decision would go up to the president, given Indonesia is trying to conserve LNG for its own growing domestic demand but also please Japan, a major infrastructure investor. ier this week, Indonesian oil and gas watchdog BPMigas said 20 LNG cargoes from Pertamina's Bontang plant were available for auction. China and South Korea have also signalled they will increase oil product supplies to Japan, with PetroChina selling 200,000 tonnes to Japan, and South Korea's four refiners seeking to ship about 4.5 million barrels so far, as Japanese refiners struggle with the loss of a third of their 4.5 million barrel-per-day (bpd) refining capacity. PetroChina supplied Japan 170,000 tonnes of gasoline, diesel and fuel oil from its 115,000 barrel-per-day joint-venture refinery in Osaka, barrels that were diverted from other buyers. - Japanese refiner Showa Shell Sekiyu KK said on Friday that it has started full output at its four group refineries as part of efforts to ease a severe supply shortage. The company, 35 percent owned by Royal Dutch Shell and 15 percent by Saudi Aramco, said its four group refineries with total capacity of 655,000 barrels per day have been making both surface and marine shipments. Japan's Idemitsu Kosan Co said it will raise the run rate at its four refineries across Japan to full production this week. Idemitsu, the nation's third-biggest refiner, had previously aimed to run its refineries at 87 percent of its 640,000 barrel-per-day capacity in the January-to-March quarter. The company's four refineries, including its Chiba facility east of Tokyo, continued operating after the quake. The increase in output would be equivalent to 83,200 bpd. Japan's JX Nippon Oil & Energy Corp, an oil refining unit of JX Holdings , said on Friday it had started boosting oil product output at two refineries in western Japan by 30,000 barrels per day. Cosmo Oil Co said it raised crude refining capacity at its Yokkaichi and Sakaide refineries in western Japan by 50,000 barrels per day and 30,000 bpd, respectively. Its biggest refinery in Chiba remains shut for the foreseeable future due to quake damage.