NYMEX OIL: US$107.96
+$1.24
May delivery
NYMEX N. Gas: US$4.35
-$0.04 per MMBTU
April delivery

Oilfield NEWS

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NDP WOULD SLASH OILSANDS SUBSIDIES

NDP Leader Jack Layton is vowing to cut the fossil fuel subsidies for Alberta's oilsands and funnel that money instead into paying for clean power initiatives. Layton made the announcement after a campaign stop in Montreal, where he toured an environmentally friendly business park. "Stephen Harper is handing billions to oil companies developing Canada's dirtiest energy sources, like the tarsands," Layton said. "As prime minister, I'll cancel his dirty fuels subsidy and put that money into clean energy solutions instead." The NDP leader said the subsidies for the oilsands amount to a "$75 gift from every Canadian to big polluters." The NDP estimates the oilsands industry receives roughly $2 billion worth of subsidies annually. And Layton said producers have seen their operating revenue jump to $211 billion from $117 billion since 2004. The result is an increase in Canada's output of greenhouse gases. Layton took his pitch against oilsands subsidies to Quebec, where polls have shown residents are very concerned about the environmental risks posed by the projects. Layton used the Thursday speech to trumpet his party's ability to pass a Climate Change Accountability Act twice in a minority Parliament. He then criticized the Harper Conservatives for stalling the bill in the Senate. "I will immediately eliminate Stephen Harper's subsidies to fossil fuel producers," Layton said. "We'll stop the flow to the tarsands, every single penny.

OBAMA'S ENERGY PLAN GOOD NEWS FOR ALBERTA

Pepending on how one runs the numbers, President Barack Obama is well on his way to chopping U.S. oil imports by a third. The question is which imports his administration will cut, given that oil-supply trends in the world's largest energy consumer have already shifted. The reductions are unlikely to be from Canada. In a speech on Wednesday in Washington, D.C., Obama reminded Americans of the danger of dependence on foreign oil, and mentioned Canada as being among his country's partners in its quest for energy security. With good reason. Canada is the largest supplier of oil to the United States and one of its closest allies. Pipeline-connected supply from Canada is often considered more reliable than even U.S. Gulf of Mexico output, which is frequently disrupted by hurricanes. If Canadian supplies were excluded from U.S. oil and petroleum imports, the numbers would show that U.S. dependence on foreign oil is already dwindling, even though there is no policy to make that happen. Since 2008, net imports -- which are oil imports minus exports of petroleum -- have fallen 15 percent from the more than 11 million barrels that year. It is a 20 percent decline when Canadian supplies are excluded. The trend precedes Obama's election. Since the high mark in 2005 of a total of 12.5 million barrels a day imported by the United States from its suppliers, net imports have fallen nearly 25 percent and, subtracting the Canadian supply, they have fallen by a third. The U.S. initiative comes after Secretary of State Hillary Clinton delayed a decision on TransCanada Corp's $7 billion Keystone XL pipeline, which would ship more than half a million barrels a day of Canadian crude as far south as the U.S. Gulf Coast. Environmentalists, and some U.S. politicians, opposed to the route across many states and to increased oil sands development in Alberta, Canada, have called for its rejection. The company contends it would create U.S. jobs and boost energy security. The Canadian oil industry, which is looking to expand its markets, took Obama's comments as positive. "We've had a pretty significant series of signals from Secretary Clinton and now from the President, that when the U.S. looks to import oil it would prefer to be reliant on Canada rather than most other suppliers," said Tom Huffaker, vice president of the Canadian Association of Petroleum Producers. It's not a decision on Keystone XL, but I think it's a positive signal."

GAS INDUSTRY MUST LOOK BEYOND THE US FOR GROWTH

Pricing uncertainty, anticipated lower demand from the U.S. and changing regulatory and fiscal policies are just some of the challenges facing companies looking to invest in and develop Canada's unconventional gas reserves (unconventionals), according to Ernst & Young. "To hang on to market share and remain competitive, Canadian companies will need to look farther afield for new customers," says Lance Mortlock, Senior Manager in Ernst & Young's Canadian Oil & Gas practice. "While we expect lower demand from the U.S., Canada is seeing interest from companies that hold a long-term view of the unconventional natural gas sector, including international oil companies, national oil companies and independents - many of them from Asia." Canada's unconventionals industry is rife with a host of other challenges, including the timing of new pipeline facilities and infrastructure, uncertainty about power stations converting en masse from coal to gas, and questions about the industry's ability to solve environmental challenges. What's more, overcapacity and high inventories mean North American customers are unwilling to pay higher prices for services. Canada is currently the largest exporter of natural gas to the US (with an approximately 87% share of US imports of gas, supplying 14% of demand). However, considerable shale gas reserves in the US are expected to slow gas exports from Canada as supply and inventory levels reach their peak. "Here in Canada, many perceive that the Utica shale formation northeast of Montreal will not only create huge economic growth in Quebec, but also change the flow of gas in Canada, meaning less demand for Western Canadian gas," says Mortlock. "With this anticipated shift on the horizon, Canadian companies should be on the lookout for new long-term customers in markets like Asia where demand is rising. Canada's ability to export this gas is key to our growth." Companies can also manage ongoing uncertainty by seeking out more joint ventures and partnerships, which help develop unconventional gas reserves by sharing risk and costs with outside oil and gas hungry economies. Continued mergers and acquisitions activity is expected to be driven by juniors struggling to remain profitable and willing to consolidate, especially in cases in which companies are focused on gas and have limited oil interests. More value-chain integration between mid-stream and downstream companies is also likely to help lower intermediary costs and provide market flexibility for price.

LAWYERS SAY BP PARTNERS HARMED CLEANUP CREW

BP Plc and other companies who had used chemical dispersants to fight the 2010 Gulf of Mexico oil spill should compensate the cleanup crew and residents harmed by those toxic chemicals, lawyers suing the firms said in a court filing. To date, BP and its contractors have used more than 1.8 million gallons of Nalco Holding's chemical dispersants in the Gulf of Mexico in connection with the oil spill, according to the complaint. Nalco was also named in the complaint. Lawyers said many plaintiffs, who were assisting in the effort to prevent oil slicks from reaching the shore, or cleaning oil spill residue from the beaches, came into contact with crude oil, chemical dispersants and other toxic chemical mixtures. The complaint has sought unspecified compensatory damages from BP and the other companies involved in the clean up act. The lawsuit has also sought damages for medical screening and monitoring. BP in London declined comment. The Case is in re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, on April 20, 2010, Case No. 2:10-md-02179-CJB-SS, U.S. District Court, Eastern District Of Louisiana.

BANKERS SIGN DEAL WITH ALBPETROL

Canada's Bankers Petroleum Ltd said it signed a $34 million deal with Albanian national oil company Albpetrol that will make it the only operator in the Patos-Marinza oilfield and contract area in Albania. Bankers will take over 140 active wells from Albpetrol with current production of 400 barrels per day (bopd). Albpetrol will retain all liabilities and obligations for legacy environmental damages in the contract area. Bankers said it intends to take over and systematically shut-in all existing production from the wells over the next three months. It plans to clean up, re-equip and reactivate the wells over the following several months. "Plans to develop the extension to the north and south of the current field boundary are also contemplated. These activities will occur within the company's existing 2011 budget scope and production timeline," Bankers said in a statement.

ENBRIDGE LINE OVERBOOKED

Oil shippers facing brimming supplies at the Cushing storage hub in Oklahoma far overnominated for capacity on an Enbridge Inc oil line from the site, forcing the company impose tight restrictions in April. Enbridge said on Tuesday that shippers looking to move crude on its Ozark line to Wood River, Illinois, next month tried to book space for nearly 1.9 million barrels a day, more than eight times the line's capacity of 232,000 bpd. The company said just 12.3 percent of the volumes nominated will flow. Meanwhile, there is unbooked capacity on the 193,000 bpd Spearhead pipeline, which runs to Cushing from Flanagan, Illinois, Enbridge said. The apportionment on Ozark reflects the glut of crude at Cushing, which the American Petroleum Institute reported on Tuesday rose 1.7 million barrels to 41.9 million barrels. Overall U.S. stockpiles rose a higher-than-expected 5.7 million barrels to 356.4 million. High inventories at Cushing, the delivery point for the New York Mercantile Exchange crude futures contract, have contributed to a discount on U.S. oil compared with world benchmark Brent crude. That spread widened a few cents on Tuesday to $10.37 a barrel. Volumes have built up as crude production from Canada's oil sands and Bakken unconventional fields in North Dakota and Saskatchewan has climbed over the past year.

SPARTAN EXPLORATION SOLD

Spartan Exploration Ltd agreed to be bought by an unnamed bigger rival for C$229 million in a discounted cash-and-stock deal, which also includes assets the oil and natural gas explorer is buying in the Pembina oilfield. Spartan will buy certain assets worth C$36.5 million in the Cardium play in Pembina, boosting its presence in an area that has attracted strong industry interest as new drilling techniques have made it easy to tap its shale gas reserves. As part of the deal, a new company will be formed comprising about a third of Spartan's assets. The newly acquired assets in Pembina would be about 24 percent of the new company's total production of 850 barrels of oil equivalent per day (boe/d). Calgary, Alberta-based Spartan did not name its acquirer and did not immediately return calls seeking comment. Spartan's shareholders will get about C$5.50 a share -- including C$1.50 a share in the new company -- which represents a 3 percent discount to Spartan's Thursday closing price of C$5.65 on the Toronto Stock Exchange. However, the new company's focus on the prolific Pembina play and its plans to acquire further acreage in the area seemed to cheer Spartan's investors, who will get about C$5 million in stock of the new company. Shares of Spartan, which also has operations in the prolific Bakken oil play in Saskatchewan, were trading up 6 percent at C$6.00 in afternoon trade on Friday. The new company will assume about C$20 million of Spartan's debt -- which is 70 percent of its total liabilities as of Dec. 31, 2010, according to Thomson Reuters data. Spartan's chief executive, Richard McHardy, will lead the new company. Under the deal, Spartan will pay the acquirer a non-completion fee of C$8 million in certain circumstances. CIBC World Markets Inc acts as financial adviser to Spartan.

COURT OF APPEAL RULES IN FAVOUR OF NORDIC

Donald Benson, Chairman and CEO of Nordic Oil and Gas Ltd. and its joint venture partner, Desoto Resources Limited, have announced that the Alberta Court of Appeal has ruled in favour of Nordic and Desoto in regard to setting aside a Summary Judgment previously received by Encana Corporation . "This represents a significant decision in our favour, which will now allow us to proceed to trial in the matter of the validity of numerous freehold leases in Joffre, Alberta, which were issued by PanCanadian Petroleum Limited, a predecessor to Encana," Mr. Benson stated. These valued lands consist of 2.5 sections, which have been proven for the production of both Natural Gas and Coal Bed Methane (CBM). Current spacing allows for as many as 12 CBM wells and 12 Belly River Natural Gas wells to be drilled. "Perhaps the sweetest highlight of these leases is the fact that they are subject to only a 15% royalty," Mr. Benson said "This matter has been a burden to both Nordic and Desoto since 2003 and we are now looking forward to a final resolution from the courts," he added. Nordic and Desoto are seeking damages, including $100 million in punitive damages.

WESTERN CLOSES FULL OVER-ALLOTMENT

Western Energy Services Corp. has announced that with respect to its recently closed bought deal common share offering, the syndicate of underwriters co-led by Cormark Securities Inc. and RBC Capital Markets and including Raymond James Ltd., Peters & Co. Limited, AltaCorp Capital Inc., FirstEnergy Capital Corp., and HSBC Securities (Canada) Inc., have exercised the full over-allotment option granted to them. Pursuant to the Option, the Underwriters have acquired an additional 28,875,000 common shares of Western at a price of $0.390 per share for additional gross proceeds to Western of approximately $11.3 million bringing the aggregate gross proceeds of the Offering to approximately $86.3 MM. The net proceeds of the offering will be used for the repayment of debt, for future acquisitions and for general corporate purposes.