NYMEX OIL: US$109.00
+$1.15
May delivery
NYMEX N. Gas: US$4.21
-$0.01 per MMBTU
May delivery

Oilfield NEWS

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CANADA CRUDE STEADY

Canadian cash crude differentials are holding steady as players step back amid wild volatility in world crude markets, industry sources said on Wednesday. Light synthetic crude for May delivery was quoted at around $12.25 a barrel over U.S. benchmark West Texas Intermediate, similar to spreads over most of the past week and a bit narrower than at the start of April. Western Canada Select heavy blend sold for about $16 a barrel under WTI, also little changed from the past several sessions. The relative stability in Canadian grades comes as world crude prices have swung more than $9 since the start of the month to 2-1/2 year highs, then tumbling early this week on growing fear about demand erosion. "It's really quieted down and I think part of it is the macro views are changing right now," a Canadian physical market player said. "That's reflected in the trading activity this month -- it's probably the slowest we've seen this year." In the synthetic market, premiums have narrowed slightly since the start of the month as Husky Energy Inc has boosted production at its Lloydminster heavy oil upgrader after repairing damage at the facility from a February 2 fire. Husky said this week that output at the 82,000 barrel a day plant was at 75 percent to 85 percent of capacity and climbing. Synthetic crude supplies are still restricted, however, due to the outage of Canadian Natural Resources Ltd's 110,000 bpd Horizon oil sands plant following a fire there in early January. Canadian Natural has said it expects to resume about half the plant's output in the current quarter and the remainder in the third quarter. Meanwhile, Suncor Energy Inc plans a six-week turnaround of Upgrader 2 at its northern Alberta oil sands facility starting in May. The work is expected to cut output at the 350,000 bpd plant by 215,000 bpd over the duration.

TRINIDAD TO INCREASE CAPITAL PROGRAM

Trinidad Drilling Ltd. has announced that it has agreed to build two new rigs for delivery into operations in 2011. "Demand for high quality, modern equipment has continued to increase and contract terms have now moved to a point where it is attractive for us to build new equipment," said Lyle Whitmarsh, Trinidad's President and Chief Executive Officer. "The rigs we are adding to our fleet fit well with our strategy of deep, technically advanced equipment and we expect that they will remain competitive long after their initial contracts expire." Rig No. 139 will be an 18,000 foot (5,500 metre) triple rig with 1,500 horsepower and equipped with Trinidad's industry-leading technology and automation. The rig is expected to cost approximately $18 million and be operational in the Eagle Ford Shale in Texas in the second half of the year. The rig is backed by a three-year, take-or-pay contract that guarantees 100% utilization throughout the duration of the contract. Rig No. 57 will be an 18,000 foot (5,500 metre) triple rig with 1,500 horsepower and is being built to work in Steam Assisted Gravity Drainage applications in north-eastern Alberta. In addition to Trinidad's usual automation and technical advancements, this rig will include a system that provides improved fluid handling ability while drilling in a pad environment, and a new pipe handling system that removes the need for a crew member to be positioned in the derrick, increasing both the performance and the safety of the rig's operations. Trinidad expects that it will cost approximately $20 million to build the rig and that it will be operational towards the end of 2011. The rig is under a four-year, take-or-pay contract that guarantees a minimum of 1,200 days over a four year period which equates to an 82% average utilization over the term of the contract. In addition to these two newly-announced rigs, Trinidad is currently building a natural gas powered rig for operations in the Horn River in north-eastern British Columbia. The Company expects that the construction of the three new rigs, the completion of the 2010 rig construction program and capital enhancements planned for a small number of existing rigs will total approximately $80 million of capital expenditures in 2011. Following the completion of the rigs being constructed in 2011, Trinidad will have 122 drilling rigs with 62 rigs in the US, 57 rigs in Canada and 3 rigs in Mexico. In addition, Trinidad has 22 service rigs, 20 preset and coring rigs and five barge drilling rigs.

PARALLEL ENERGY IPO

Oil and natural gas company Parallel Energy Trust has entered into an underwriting agreement for the its initial public offering of 34.2 million units at a price of C$10. It expects to receive gross proceeds of C$342 million. The company plans to use net proceeds from the offering and an advance under a credit facility to acquire a 51 percent interest in a liquids rich natural gas property located in the West Panhandle Field in Texas for $377.4 million. The company intends to qualify as a mutual fund trust and has received approval from the Toronto Stock Exchange to list its units under the symbol "PLT.UN". The offering is scheduled to close on April 21. The offering is being made through a syndicate of underwriters, co-led by CIBC, RBC Capital Markets and Scotia Capital Inc., BMO Capital Markets.

TOURMALINE PRODUCTION ABOVE FORECAST

Tourmaline Oil Corp said production in the second quarter so far has already exceeded its estimates, as the oil and natural gas producer completed and brought two projects online. Tourmaline said production levels were over 30,000 barrels of oil equivalent per day (boe/d), handily beating the 27,500 boe/d originally estimated for the second quarter. The company said the Minehead Alberta gas plant and the Dawson British Columbia pipeline interconnect have been online for the last 10 days and it would monitor production before it raises its forecast for the full year.

OIL SERVICES STOCKS LOOK SHAKY AS EARNINGS NEAR

Oil services stocks could be vulnerable to more declines as earnings expectations have come down and bearish options bets have increased ahead of next week's big earnings reports. Deepwater projects in the Gulf of Mexico continue to be approved slowly, following the disastrous BP spill one year ago. Oil's 4.7 percent slide from its 2011 highs in early April has coincided with the group's decline. Earnings sentiment for the group is waning with two of th sector's biggest names, Halliburton Co. and Schlumberger Ltd., due to report results next week. Estimates for the 15 largest services companies are down 4.7 percent in the past 30 days, according to Thomson Reuters StarMine. Estimates for all energy stocks are up 5.7 percent, reflecting a stronger bias for drillers and refiners. Bearish bets started to pile up this week for the Oil Service HOLDRs ETF OIH.N, which includes Halliburton, Schlumberger and Baker Hughes among its components. There were 10,000 May $140 puts purchased on Tuesday on roughly twice average volume. It's seemingly a bet that the fund could retreat at least another 10 percent following first-quarter earnings. The options positioning suggests there's a lot less optimism for services companies versus drillers and refiners, and less hope they'll have another blockbuster quarter. The ETF was lately trading at $156.57, and has recently broken through its 14- and 50-day moving averages, a sign of technical weakness. The OIH derivatives trades coincided with a Thomson Reuters Trend Intensity signal this week that suggests the potential end of a 60 percent rally since September. While there are no widespread calls for either Halliburton or Schlumberger to post big misses next week, analysts have scaled back their expectations for each by about 6 percent in the past month. Thhis reflects less optimism for a repeat of the last round of earnings, when Halliburton and Schlumberger beat estimates by 7 and 10 percent, respectively. Baker Hughes beat by 30 percent last quarter, marking one of the strongest S&P 500 earnings surprises. The predicted Q1 earnings surprise for the oil services group is 1.8 percent below mean estimates. That compares badly with energy stocks as a whole, where the predicted surprise is 1.1 percent above the mean for the S&P energy sector. The predicted surprise is the difference between the mean and Thomson Reuters StarMine estimates that more heavily weight the most predictive analysts on each stock. Even if oil services earnings are better than expected, oil services could lag crude's bullish move going forward. One signal helping to mark oil services extremes is its price gap with crude. Using a chart of crude and the OIH rebased to early 2007, when crude outperforms the OIH by more than 50 percent, it signals a top in both the commodity and the sector. This happened in 2008 and April 2010, and the gap between crude and oil services has hit the 50 percent threshold again.

CHESAPEAKE TO BUY BRONCO DRILLING

Chesapeake Energy will buy Bronco Drilling Co Inc for about $315 million as part of its strategy to increase its ownership of the rigs it uses to drill wells and expand into oilfield services, the company said on Friday. Chesapeake Chief Executive Officer Aubrey McClendon has told investors he plans to expand the company's oilfield services business as a way to control costs on that side of the exploration and production business. The Oklahoma City company already has rig and trucking operations and is looking to expand its hydraulic fracturing business as it steps up drilling in oil and gas shale fields in the United States. Crude oil at $100 per barrel has heated up competition for labor, rigs and other oilfield services equipment in many busy basins like the busy Eagle Ford shale in South Texas and the Permian in West Texas. Chesapeake, the second-largest producer of natural gas in the country behind Exxon Mobil Corp will pay $11 per share for all of Bronco's outstanding stock, a 6 percent premium over Thursday's closing price. Analysts at Houston-based investment bank Simmons and Co described the deal premium as "paltry" and estimated Chesapeake paid about $13 million to $14 million per rig. The firm also noted that the Bronco's rigs were not a "pristine, next-generation fleet." Bronco owns 22 rigs primarily operating in the Williston and Anadarko basins, including three that are already under contract with Chesapeake. Chesapeake has said it wants to own about two-thirds of the rigs it operates under its drilling program. It will integrate Bronco into its Nomac Drilling unit, which currently owns 95 drilling rigs. Chesapeake, one of the nation's largest natural gas producers, operates 160 drilling rigs, and plans to increase that to 200 by the end of 2012. The company said the Bronco purchase should fulfill the vast majority of its expected rig investment needs through 2012. The deal is expected to close in the second quarter. Johnson Rice & Company L.L.C. was the financial adviser to Bronco, which used Thompson & Knight as legal counsel. Chesapeake's adviser was Jefferies & Company, and Commercial Law Group, P.C. and Wachtell, Lipton, Rosen & Katz worked as its legal advisers.

CHINA OIL DEMAND UP IN MARCH

China's implied oil demand grew by double digits for the sixth consecutive month in March, but was down from February as refineries scaled back runs on maintenance and soaring crude costs. A jump in inflation to a 32-month high and strong first quarter growth reported on Friday underline how China's booming economy is pushing oil use. But it also highlights one of the major risks to demand in the world's second largest oil consumer -- that the government will continue to apply the brakes to slow expansion. At the current pace China, which has driven global oil demand growth for the past decade, is ahead of the International Energy Agency (IEA) forecast for it to account for 40 percent of increased global crude use of 1.4 million bpd in 2011. "Sales of oil products are robust as China is entering its peak oil consuming season," said Dai Jiaquan, a senior oil market researcher with CNPC, parent of PetroChina . "Spring ploughing has started from the south to the north of the country and construction of infrastructure projects has almost all started, which will lead to a jump of fuel consumption in the second quarter from the first quarter." Implied demand increased 11 percent from a year earlier to 9.16 million barrels per day (bpd) in March, Reuters calculations based on preliminary government data showed on Friday, down 4 percent from the second-highest ever level of 9.53 million bpd posted in February. The figures do not include changes in inventories, which China does not publish. China's implied demand, a combination of crude throughput and net imports of refined oil products, is expected to keep growing even after Brent crude prices LCOc1 soared to a 32-month high above $127 a barrel this week. The government increased retail gasoline and diesel prices by 5-5.5 percent to record highs from April 7, effectively insulating consumers from some of the impact of the around one-fifth rise in global crude prices since a previous retail fuel price hike. "What could lead to a significant slowdown in oil demand is a hard landing of the economy, but the overall picture is good for now," said Wang Aochao, head of research at UOB in Shanghai. Analysts say the government's tightening policy may have a bigger impact on China's oil demand than crude prices. "If the government's tightening policy continues and eventually hits investment, it will have a substantial impact on oil demand," CNPC's Dai said. Official data showed on Friday that economic growth in China, the world's second-largest economy, was still sizzling, little hindered by the central bank's half-year tightening campaign that many investors had feared would undermine growth. China's gross domestic product increased by 9.7 percent in the first quarter from a year earlier, ahead of an expected 9.5 percent pace, while consumer price inflation at 5.4 percent in the year to March was the fastest since July 2008. Chinese refiners processed 8.87 million bpd of crude in March, up 8 percent from a year earlier but down from a record 9.18 million bpd hit in February, the National Bureau of Statistics said on Friday. The March throughput level was about 3.4 percent below the February peak, as refineries entered planned maintenance and as soaring crude costs started to pinch processing margins. In the first quarter of the year crude runs rose 10.2 percent year on year to 9.04 million bpd, it said. The data came largely in line with a Reuters poll that found China's leading refineries would cut their crude oil throughput in March to the lowest daily volume in a year. These refineries were expected to raise throughput in April moderately after major maintenance and a fuel price hike eases their cost burdens. Crude oil production in China rose 4.2 percent from a year earlier to 4.14 million bpd in March and gained 6.7 percent on year to 4.17 million bpd in the first quarter of this year, the statistics bureau data showed. China, the world's second largest crude importer after the United States, brought in about 5.1 million bpd of crude oil in March, up 3 percent from a year earlier.

TRANSOCEAN PULLS 3 RIGS OFF MARKET

Transocean Ltd, the world's largest offshore drilling contractor, has pulled three rigs off the market due to lack of demand, while putting two older shallow-water rigs up for sale. The three "stacked" rigs include the deepwater Transocean Richardson, which had been working for Chevron Corp off Angola at $340,000 per day, and two midwater rigs earning more than $250,000 per day: the J.W. McLean, formerly with Marathon Oil Corp in the North Sea, and Sedco 601 off Malaysia. The two rigs now classed as held for sale are the GSF Britannia, the oldest rig in the fleet, built in 1968, and the GSF Labrador, built in 1982. The company has already sold two jackups this year. Transocean has said it will consider spinning off part of its 137-strong fleet in an effort to improve its overall age profile, which is something that has become a growing concern for clients. Also in the fleet status report on

Thursday, Transocean said it found work for the previously idle midwater rig Sedneth 701, which will earn $210,000 per day off Gabon for a year.

CHEVRON CEO EARNED $16 MILLION IN 2010

Chevron Corp Chairman and Chief Executive John Watson received total compensation of $16.3 million in 2010, his first year at the top of the second-largest U.S. oil company. Watson earned just over half as much the previous year in his role as vice chairman, according to a filing with U.S. regulators on Thursday ahead of the company's annual shareholder meeting next month. The meeting is a regular target for dozens of environmental protesters, who are likely to be encouraged by an $18 billion judgment against Chevron in an Ecuadorean court that the company is challenging. Chevron investors will vote on new proposals placed on the ballot by shareholders, including the introduction of a sustainability metric for executive compensation, two proposals calling for a report on hydraulic fracturing in natural gas extraction, and another on deepwater oil wells. Proposals similar to some that appeared on the 2010 proxy statement include appointing an independent director with environmental expertise; a report on the financial risks of climate change; establishing a board committee on human rights; and guidelines for country selection. The Chevron board recommended that shareholders vote against all seven proposals. Last year, the environmental expert director and country selection proposals received 26 percent and 24 percent of the votes, respectively, while the other three stockholder proposals all received less than 10 percent. This year's annual shareholder meeting will be held on May 25 at Chevron's headquarters in San Ramon, California. Larger rival Exxon Mobil Corp will hold its annual meeting in Dallas on the same day. Exxon CEO Rex Tillerson received $29 million in total last year.

ROSNEFT STICKING WITH BP IN ARCTIC DEAL

Russia's top crude producer, Rosneft, said on Thursday it is not looking for new partners to replace BP in their Arctic development and $16 billion share swap deals. "We are not looking to replace BP in the deal, and we agree to extend the share swap agreement till May 16. In a statement on Rosneft's website (www.rosneft.ru), President Eduard Khudainatov said he hoped that BP would be able to resolve a quarrel over its involvement in the Rosneft deal with its Moscow-based partners in their Russian joint venture. Earlier on Thursday, BP said it has agreed with Rosneft to extend the deadline for completing the share swap agreement to May 16.

BP'S ANNUAL MEETING MARRED BY PROTESTERS

BP's annual shareholder meeting on Thursday was marred by campaigners protesting against the oil giant's role in the Gulf of Mexico oil spill. A group of five campaigners from the Gulf, one of whom had covered themselves in a black oil-like substance, were refused entry to the meeting by security guards and police, as a brass band played in the background. "They will not let me in," said Diane Wilson, the woman who was photographed smeared in oil at a congressional hearing where BP's former chief executive Tony Hayward testified. "I came to talk about what is going on in the Gulf." Chairman Carl-Henric Svanberg said BP's security advisers had refused entry to the meeting on fears they could disrupt the meeting. The brass band was part of another protest of workers from a BP plant in Hull. Some protesters gained access to the hall and security guards carried out four who were opposing BP's tar sands operations. A spokesman for BP said the party from the Gulf was refused entry because the company has an obligation to run an orderly AGM. The company's annual general meeting was expected to be an angry affair, with shareholders exasperated by the company's latest foray into Russia as well as last year's calamitous oil spill. BP said that 25 percent of investors voted against the re-election of the head of its safety committee.