

WTI OIL: US\$108.40  
+\$1.20  
May delivery  
NYMEX: N Gas: US\$4.29  
+\$0.03 per MMBTU  
May delivery



### NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was down 10 at 1,772 for the week of April 15, 2010. It is 281 rigs (18.8%) higher than last year. The number of rotary rigs drilling for oil decreased 6 to 880. There are 374 more rigs targeting oil than last year. Rigs drilling for oil represent 49.7% percent of all drilling activity. Rigs directed toward natural gas were down 4 at 885. The number of rigs currently drilling for gas is 88 less than last year's level of 973. Year-over-year oil exploration in the U.S. is up 73.9 percent. Gas exploration is down 9.0 percent. The weekly average of crude oil spot prices is 27.5 percent higher than last year and natural gas spot prices are 0.3 percent higher. Canadian rig activity was down 24 at 167 for the week of April 15, 2011 as the spring thaw set in and is 45 (36.9%) higher than last year's rig count.

### GULF STILL GRAPPLES WITH BP OIL SPILL

When a BP oil rig exploded and sank in the Gulf of Mexico last April, killing 11 workers, authorities first reported that no crude was leaking into the ocean. They were wrong. The disaster that captivated the world's attention for 153 days struck at 9:53 p.m. CDT on April 20, when a surge of methane gas known to rig hands as a "kick" sparked an explosion aboard the Deepwater Horizon rig as it was drilling the mile-deep Macondo 252 well off Louisiana's coast. Two days later, the rig sank. One year on, oil from the largest spill in U.S. history clogs wetlands, pollutes the ocean and endangers wildlife, not to mention the toll it has inflicted on the coastal economies of Florida, Mississippi, Alabama and especially Louisiana. It was the biggest ever accidental release of oil into an ocean. Even so, environmental damage from the ruptured well that spewed more than 4 million barrels of oil (168 million gallons) into the Gulf in three months seems far less dire than the worst predictions, according to some Gulf residents and experts. "It's a horrible mess but it's not the end of the world," said Edward Overton, professor emeritus of environmental sciences at Louisiana State University in Baton Rouge. "Some people thought it would be the end of the Gulf for decades and that's not even near the case," Overton said. "None of those predictions were right." Such considerations are cold comfort to Gulf residents who saw their livelihoods decimated by the spill. More than 500,000 have claimed compensation from a \$20 billion fund set up by BP -- at the insistence of President Barack Obama -- and administered by Kenneth Feinberg. The mitigated view will also do little to stem the tide of litigation that will take years to make its way through federal court in New Orleans and beyond as plaintiffs seek to extract damages from London-based BP, which owned the Macondo well, and Swiss-based Transocean, which owned the rig. "Fishermen are still worried that there's oil



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on the bottom of the Gulf. But we've got no control over that," said Errol Voisin, manager of the Lafitte Frozen Foods plant in Louisiana, who spoke ahead of a new

shrimping season. The National Wildlife Federation paints a picture of an ocean ecology mauled by the spill and facing a long road to recovery. Thousands of birds

and other wildlife died. Sea turtles were hit hard. The western population of the bluefin tuna, which breeds only in the northern Gulf, was breeding just as oil spewed from



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the ocean floor. Contamination may have reduced juvenile tuna production by 20 percent. In many cases, the slick compounded factors that already threatened the environment. Wetlands, for example, act as a natural barrier against storm surges but for decades oil industry penetration and other factors have eroded them. Few places illustrate the damage more poignantly than Bay Jimmy, a breeding ground for shrimp, fish and oysters nestled in a labyrinth of waterways south of New Orleans. Marshland around the bay still bears scars from the oil spill, with some areas ringed by dead grasses. Oil oozes from the ground just as it did last summer. Yet for all that, assessing the spill's impact presents a puzzle, experts say. Two examples illustrate the challenge. This year, 153 bottle-nosed dolphin carcasses have washed up on Gulf coasts: 65 of those were infants: new born, stillborn or born prematurely, according to figures from the U.S. National Oceanic and Atmospheric Administration (NOAA). The dolphins were conceived at the time of the spill, said Moby Solangi, president of the Institute for Marine Mammal Studies in Gulfport, Mississippi. To determine the cause of death requires a necropsy, which Solangi can perform at the institute, as well as toxicological and other forms of analysis. But in February the government halted all external investigations into dolphin deaths and turned the matter over to NOAA, which is yet to release any findings. "It is frustrating to any scientist. Certainly we want to get results," Solangi said in an interview. For Samantha Joye, a marine sciences professor at the University of Georgia, the problem is the slow pace of research into exactly how oil affected the ocean. Joye first identified so-called undersea 'oil plumes' during the spill and has since found evidence, such as crabs behaving

sluggishly that seems to point to damage to the ocean floor. But she acknowledges more work needs to be done. "I would like to be able to make conclusive statements about the health of the Gulf of Mexico but I can't because there's a lot we don't know," Joye said in an interview. "There seems to be this 'If we can't see it, it's not going to hurt us' mentality. There's no oil on the surface therefore the problem is solved. That's just not true," she said. The oil giant says it has spent over \$16 billion on redress and restoration projects, with total spending estimated at \$40.9 billion. BP chairman Carl-Henric Svanberg told shareholders on Thursday the company's response to the spill "was without precedent, and I think, has been recognized as such." Protesters against the spill, some from the United States, demonstrated at BP's annual shareholder meeting in London. The disaster wiped about \$70 billion from BP's market value, knocking its share price down from \$61 a few days before the explosion to \$26.75 in late June. The stock has recovered to close Thursday at \$45.54 a share. BP at least is upbeat about the Gulf's recovery. "We are absolutely confident that the water is safe. The residents and tourists are telling us that the beaches have never looked better, the seafood is safe and delicious and I hear fishing is excellent right now as well," Mike Utsler, chief operating officer of BP's Gulf Coast Restoration Organization wrote in Facebook comments published this week. But there are no clear overall estimates of economic damage from the slick as it ripped through sectors as diverse as fishing, tourism, municipal finance, real estate, banking and services. In fact, there are almost as many conflicting views of the economic toll as there are stakeholders on the coast. Tom Becker, president of the Charter Boat Captain's Association of

Mississippi, said his business was down at least 50 percent because of a perception among potential clients that Gulf waters remain unsafe.

### JAPAN STILL NEEDS MORE LNG

Japan needs to buy more liquefied natural gas even after securing 4 million tonnes of additional fuel from top producer Qatar, which is likely to push long-term prices higher and reduce cargoes available for Europe. Top LNG importer Japan is battling to minimise power shortages in the aftermath of a devastating earthquake and subsequent tsunami in March that knocked out more than 9 gigawatts of nuclear power supply. "Additional purchases from the utilities will tighten the supply and demand balance, but the market was originally oversupplied, with about 40 to 50 million tonnes said to be in surplus globally," Mitsunori Torihara, Chairman of the Japan Gas Association, told a news conference. "A rise in LNG prices will be unavoidable from now on, but in terms of volume, there is no need to worry," said Torihara, who also serves as Chairman of Tokyo Gas Co Ltd. Qatar state-run energy firm Qatargas will supply more than 60 extra cargoes of LNG, or 4 million tonnes, to Japan over the next 12 months, the company said on Saturday. Japan may need to buy as much as 10 million tonnes of additional LNG, so the Qatar purchase would likely be followed by more, one industry source said on Monday. Industry estimates of the volume of additional LNG it needs range from the 4 million tonnes per year it has bought from Qatar to 10 million tonnes per year. Global gas supply is ahead of demand. The International Energy Agency estimates it could take years to work off the extra supply. Japan is eating into that spare capacity as it looks to plug its power supply

shortage after the quake, although analysts say it is unlikely to be enough to remove the global gas glut. Still, traders expect LNG prices in the region to strengthen on the Japan purchases. "If Qatar diverts to Japan more than 60 cargoes that it had contractually committed to others, that would have a big impact on spot and long-term prices," said a source in LNG trading at a Japanese trading house. "The more (extra supplies) the better. Many Japanese trading houses, electric power companies and gas firms invest in Qatar, so I think Qatar decided to support Japan considering those partnerships," the source said. The extra cargoes from Qatar would be shipped to a number of Japanese utilities and not limited to Tokyo Electric Power (TEPCO) and Tohoku Electric Power, the worse affected by the quake, industry sources said. Other utilities in Japan will need to boost runs at thermal plants to supply power to the two firms. Japan needs to buy more liquefied natural gas (LNG) even after securing 4 million tonnes of additional fuel from top producer Qatar, which is likely to push long-term prices higher and reduce cargoes available for Europe. Top LNG importer Japan is battling to minimise power shortages in the aftermath of a devastating earthquake and subsequent tsunami in March that knocked out more than 9 gigawatts of nuclear power supply. "Additional purchases from the utilities will tighten the supply and demand balance, but the market was originally oversupplied, with about 40 to 50 million tonnes said to be in surplus globally," Mitsunori Torihara, Chairman of the Japan Gas Association, told a news conference. "A rise in LNG prices will be unavoidable from now on, but in terms of volume, there is no need to worry," said Torihara, who also serves as Chairman of Tokyo Gas Co Ltd. Qatar

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## LIBYA PROTESTS TO OPEC OVER QATAR

Libya's National Oil Corporation has protested to OPEC about help fellow member Qatar is giving to Libyan rebels,

sources familiar with the matter said on Monday. The complaint by Shokri Ghanem, the chairman of NOC, hints at rising political tension as a result of the Libyan crisis within the Organization of the Petroleum Exporting Countries, which pumps more than a third of the world's oil. His letter to OPEC described the Qatari action as "very unfortunate," said one of the sources, who declined to be identified because the source is not authorised to speak to journalists. Brent crude futures LCOc1 earlier this month rose above \$127 a barrel, the highest in more than two and a half years, partly as a result of the conflict in Libya and resulting loss of most of its crude oil exports. Qatar is marketing Libyan crude oil and buying fuel on behalf of the rebels -- throwing a lifeline to the forces fighting Muammar Gaddafi. A second source familiar with the matter said NOC had complained to OPEC about Qatar, asking not to be named because of the political sensitivity of the issue. No-one from OPEC's Vienna headquarters was available to comment on Monday. OPEC has a track record of working together to limit oil supplies when it considers it necessary to support prices, even during times of political tension or war between members, such as following Iraq's 1990 invasion of Kuwait.

## BP STILL PURSUING ARCTIC ALLIANCE WITH ROSNEFT

osneft has agreed to BP's request to extend the deadline for the companies' share swap agreement by one month, pending the final decision of the Arbitration Institute of the Stockholm Chamber of Commerce. This follows an injunction blocking the transaction from shareholders in BP's existing joint venture company in Russia, TNK-BP. Rosneft President Eduard Khudaynatov said his company would "continue to implement the

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strategically important projects related to the development of the Russian Arctic offshore. "We hope to see the dispute over the Russian Arctic offshore projects between TNK-BP's Russian and British shareholders soon resolved in the international tribunals", he said

## CHESASPEAKE 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 US 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.