WTI OIL: US$99.42
+$2.13
July delivery
NYMEX: N Gas: US$4.57
-$0.01 per MMBTU
July delivery

Oilfield NEWS

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NORTH AMERICAN RIG COUNT

The U.S. rotary rig count was down 1 at 1,855 for the week of June 10, 2010. It is 328 rigs (21.1%) higher than last year. The number of rotary rigs drilling for oil increased was up 10 at 969. There are 408 more rigs targeting oil than last year. Rigs drilling for oil represent 51.7% percent of all drilling activity. Rigs directed toward natural gas were down 8 at 879. The number of rigs currently drilling for gas is 75 lower than last year's level of 954. Year-over-year oil exploration in the U.S. is up 76.0 percent. Gas exploration is down 6.3 percent. The weekly average of crude oil spot prices is 38.7 percent higher than last year and natural gas spot prices are 4.3 percent higher. Canadian rig activity is up 48 at 232 for the week of June 10, 2011 and is 19 (4.2%) higher than last year's rig count.

SHELL REACHES MILESTONE WITH ABORIGINAL CONTRACTORS

Shell, as operator of the Athabasca Oil Sands Project (AOSP) today announced that in just six years the project has spent over $1 billion with Aboriginal contractors. "Shell works closely with local communities and today I'm happy to announce we have reached this important milestone within such a short period of time," said Lorraine Mitchelmore, Shell Canada President and County Chair. "Working with Aboriginal contractors is one way Shell benefits the communities where we operate. This milestone has been reached through work with over 70 Aboriginal businesses, providing a range of goods and services to support the Athabasca Oil Sands Project. Since 2005 the number of contracts with Aboriginal businesses has grown significantly. Local businesses provide a broad range of services and products including facilities management, technical expertise, bussing, camps and catering and waste management. "Working with Shell and the Athabasca Oil Sands Project over a number of years has enabled the Fort McKay Group of Companies, Joint ventures and entrepreneurs to grow, and has brought significant opportunity to develop skills, establish businesses and further our community", said Phil Peddie, CEO of the Ft. McKay First Nation. Joining the celebrations was Alberta's Minister of Aboriginal Relations Len Webber. "I congratulate Shell and the companies involved in reaching this important $1 billion dollar milestone. Helping provide economic development opportunities for Aboriginal companies is crucial for the region and success of Alberta." Monday's announcement was made as part of Shell's week-long celebrations to support Aboriginal Awareness. Shell's Aboriginal Awareness Week is organised by Shell's Aboriginal Employee network (ABNET), the only such aboriginal employee network in the industry.

OPEC HIKE PRODUCTION IN MAY

The Organization of the Exporting Countries pushed out an additional 200,000 barrels per day (b/d) of crude oil in May, boosting output to 29.04 million b/d from 28.84 million b/d in April, showed a just-released Platts survey of OPEC and oil industry officials and analysts. OPEC kingpin Saudi Arabia, which vowed after OPEC's June 8 meeting in Vienna to ensure that world oil markets would not suffer any supply shortage, accounted for most of the additional barrels.Excluding Iraq, which does not participate in OPEC output agreements, the 11 members bound by quotas (OPEC-11) increased output by 160,000 b/d to 26.34 million b/d in May from 26.18 million b/d in April, the survey showed. This left OPEC-11 overproducing their notional 24.845-million-b/d target by 1.5 million b/d. But that target, in place since January 2009, is now redundant following the failure of OPEC's June 8 ministerial meeting in Vienna to reach an agreement on output. Saudi Arabia and its fellow Gulf Arab producers wanted OPEC to increase estimated April output of 28.8 million b/d by 1.5 million b/d to 30.3 million b/d, in line with the OPEC secretariat's projections of higher demand for OPEC crude in the second half of this year. Algeria, Angola, Ecuador, Iran, Libya and Venezuela opposed an increase. As the Vienna talks broke up, Saudi oil minister Ali Naimi told reporters it and its Gulf neighbors intended to meet the expected higher demand. "Saudi Arabia and the other three GCC countries are able and willing to supply whatever the market needs," he said, referring to Kuwait, the United Arab Emirates and Qatar which, with Saudi Arabia are members of the Gulf Cooperation Council, or GCC. Saudi Arabia, which had been producing well above its notional OPEC quota of just over 8 million b/d for some time, increased output by some 200,000 b/d in May, to 9.05 million b/d from 8.85 million b/d in April. Other increases came from Nigeria, Qatar and Venezuela, while volumes dipped in Algeria, Angola, Iran, Libya and the UAE.

CHINA MAY OIL DEMAND REMAINS SOLID

China's implied oil demand in May topped the 9 million barrel-per-day mark for the seventh month in a row, suggesting brisk demand persisted even though growth in the world's second-largest economy is slowing. Reuters calculations based on preliminary government data showed that last month's oil demand, a combination of crude throughput and net imports of oil products, totaled 9.27 million bpd, a tad lower than the 9.36 million bpd in April but slightly above 9.15 million bpd in March. The year-on-year growth rate in May slowed to 8.3 percent, the lowest since October 2010. That was still beyond a growth rate of 5-7 percent in oil consumption suggested in a Reuters poll earlier this year. China, which has driven global oil demand growth for the past decade, is also ahead of an International Energy Agency (IEA) forecast to account for 40 percent of increased global crude use of 1.4 million bpd in 2011. Chinese refineries processed 38.47 million tonnes of crude oil in May, up 6 percent from a year earlier and gaining slightly from April. It was equivalent to nearly 9.06 million bpd, the third highest rate on record. But net imports of refined oil products declined to less than 1 million tonnes last month, the lowest since November 2010, even though overseas crude oil purchases remained above 5 million bpd for a fifth consecutive month. Analysts said China's oil appetite may slow along with a moderation in economic growth, but the slowdown in oil demand growth may be milder as the country has fast-tracked stockpiling of emergency oil reserves in recent years. China had asked its two oil majors, China National Petroleum Corp and Sinopec Group, to accelerate the expansion of commercial oil storage facilities to secure domestic supply amid fluctuations in international oil prices, Chinese media reported. China's economy grew 9.7 percent in the first quarter after gaining 10.3 percent last year, and latest data showed industrial output in May rose 13.3 percent from a year earlier, the slowest pace since November. Beijing has forecast its worst summer power shortfalls this year because of factors including strong demand, insufficient grid capacity and power generation losses. A spreading power crunch would boost oil demand as industries and factories start up independent diesel-fired power generators to make up for supply shortfalls, as it happened in late last year when many provinces ordered power cuts to meet energy intensity reduction targets. The National Development and Reform Commission has ordered bans on diesel exports to conserve domestic oil product supplies ahead of the expected summer power crunch.

SHELL PLANS FLOATING LNG TERMINAL FOR SUNRISE

Royal Dutch Shel plans to install a second floating liquefied natural gas (LNG) project at the Greater Sunrise field in the Indian Ocean as it steps up production in the region to feed rising demand. Gas consumption in the world's fastest-growing major economies China and India is surging as industries and cities expand, prompting exporters from Australia to Russia to Qatar to spend billions of dollars to boost output for a bigger share of the lucrative market. "As soon as Australia and East Timor reach an agreement, we can move very quickly," says Neil Gilmour, general manager of FLNG at Shell Upstream International. East Timor is locked in a dispute with Australia's Woodside Petroleum and partners over developing the Greater Sunrise gas field, which straddles Australian and East Timorese waters. East Timor wants a LNG plant built on its shore, while operator Woodside wants to build a floating LNG plant. Natural gas will account for half of Shell's output this year as it expects strong LNG demand growth in North Asia and niche markets such as Singapore and the Middle East. Shell owns 100 percent of its first floating LNG project, estimated to cost over $10 billion, at the Prelude gas field in the Browse Basin, about 200 kilometres offshore Australia. The project, which Shell expects to start around 2017, will be able to make 3.6 million tonnes per year (tpy) of LNG aboard the largest floating object in the world -- longer than four soccer fields and about six times heavier than the largest aircraft carrier. It will also produce 1.3 million tpy of condensate and 400,000 tpy of liquefied petroleum gas (LPG). The facility is designed to store 220,000 cubic metres of LNG, 90,000 cubic metres of LPG and 126,000 cubic metres of condensate. The Prelude floating LNG unit will take five years to complete from design to construction and deployment, Gilmour said. That could be shortened by six to 12 months for such projects to be built in future, Gilmour added. The Prelude unit could be tied to a cluster of fields at least 100 kilometres away to extend its lifespan, Gilmour said.

HYDUKE Q1 RESULTS

Hyduke Energy Services Inc. has announced operating results for the three months ended March 31, 2011. Highlights for the first quarter of 2011 include the following: Revenue of $18.2 million are up 10% over the prior year - Gross Profit increased $2.7 million (555% over the prior quarter) - Net income per share of 1 cents - EBITDAS of $0.6 million for the quarter - International revenues represent 22% of total revenue - Liquidity remains strong with current ratio at 2.10 to 1.00 - Debt to equity ratio remains strong at .05 to 1.00 . Total assets of $47.1 million as at March 31, 2011, represents an increase of $2.7 million or 6.1% from December 31, 2010 and is due primarily to an increase in current assets. Total current asset increase of $2.9 million relates primarily to an increase in unbilled revenue of $3.0 million due to the timing of payments on long-term contracts. Total liabilities of $17.6 million as at March 31, 2011, represents an increase of $2.5 million (16.8%) from December 31, 2010 and is due primarily to an increase in current liabilities. Total current liabilities increase of $2.6 million relates primarily to an increase in trade payables due to increased activity levels. Net working capital (current assets less current liabilities) of $16.9 million as at March 31, 2011 represents an increase of $0.3 million or 1.8% from December 31, 2010 and is due primarily to unbilled revenue increasing $3.0 million offset by trade payables increasing $2.5 million. Total bank indebtedness of $1.7 million remained relatively unchanged and reflects aggressive managing of available working capital.

SABLE ISLAND PROJECT TO SHUT FOR MAINTENANCE

Natural gas supply from the Sable Offshore Energy Project off the coast of Nova Scotia will be unavailable to flow on the Maritimes Canada pipeline system for one week beginning Wednesday during planned maintenance work, two Spectra Energy pipeline units said Tuesday. The Sable project, operated by Exxon Mobil Corp, has the capacity to produce between 400 million and 500 million cubic feet of natural gas and 20,000 barrels of natural gas liquids per day.

IMPERIAL OIL STRATHCONA MAINTENANCE WORK COMPLETE

Imperial Oil Ltd has completed several weeks of planned maintenance at its Strathcona refinery in Alberta, a spokesman said on Tuesday. Work on undisclosed processing units at the 187,000 barrel a day plant on the outskirts of Edmonton began on May 6. Strathcona is the largest of Imperial's four refineries and is the biggest in Alberta.

PENN WEST OUTPUT REMAINS DOWN

Penn West Petroleum Ltd's oil production in northern Alberta has not yet fully recovered from a series of wildfires last month, with about 12,500 barrels per day still shut in, the company's chief operating officer said on Monday. The company shut in about 25,000 bpd of production during the fire crisis and has restored only about half the output since, Murray Nunns told reporters following a presentation to the Canadian Association of Petroleum Producers' annual investment symposium. The lost output, which should be fully restored by mid-July, will cut the company's cash flow by C$60 million ($61.2 million) to C$70 million, he said, though some of those losses will be covered by insurance.

ENBRIDGE SHUTS LINE 6B FOR MAINTENANCE

Enbridge Inc said Monday it shut its 290,000 barrel-per-day Line 6B downstream of its terminal at Stockbridge, Michigan. During the pre-scheduled 72-hour shutdown, the company "will complete the tie-in of the newly installed segment of the 30-inch diameter pipeline under the St. Clair River with new valves and the existing Line 6B on both the U.S. and Canadian sides of the river," Enbridge said. The work is scheduled to be completed on today.

SUNCOR COMPLETES EDMONTON MAINTENANCE

Suncor Energy Inc. reported today it has safely completed its planned maintenance and normal operations have now resumed at its Edmonton refinery. Approximately 1200 employees and contractors were involved in the work, which began on April 22.

TALISMAN LOOKS FOR MORE TEXAS SHALE

Talisman Energy Inc. says it may buy more land in the oil-rich Eagle Ford shale field in Texas, but only if the price is right. John Manzoni, the company's chief executive, told reporters on Monday that Talisman, Canada's No. 4 independent oil producer, would look for an incremental expansion of its holdings in the Eagle Ford play in south Texas and stay clear of the big-ticket deals done recently. Eagle Ford has emerged as the hottest North American shale field because its output is oil rather than the natural gas that flows from fields such as the Marcellus shale in Pennsylvania. Earlier this month Marathon Oil Corp said it would pay $3.5 billion for 140,000 acres in Eagle Ford owned by private equity firm KKR & Co. and Hilcorp Resources Holdings LP. "You can make your own judgments about the deals that have recently been done," Manzoni told reporters following a presentation to the Canadian Association of Petroleum Producers' annual investment symposium. "We understand the land, we understand what we believe we should be paying. We're looking at smaller deals, incremental expansions ... at the right price." Talisman took its first position in Eagle Ford in May 2010, buying 37,000 acres, and augmented that in December, when it and joint-venture partner Statoil paid $1.33 billion for 97,000 acres. The company's North American operations are focused on producing oil and gas from shale and other unconventional reserves. Output from its Eagle Ford properties averaged almost 4,000 barrels of oil equivalent per day in the first quarter of 2011, less than 1 percent of the company's total production. Manzoni also said Talisman is still examining the possibility of building a gas-to-liquids plant in Canada with South African energy group Sasol. Sasol said in December it would pay $1.05 billion for a half stake in some of Talisman's natural gas properties in northeastern British Columbia. Talisman and Sasol are studying whether Western Canada can support a gas-to-liquids plant similar to ones Sasol, the world's largest producer of motor fuel from coal, has built in Qatar and is building in Nigeria. Such plants convert low-value natural gas into diesel or other fuels that command much higher prices. Talisman said it will decide in mid-2012 whether going ahead with the plant will be more profitable than selling gas into the North American market or liquefying it to ship overseas. "I think Sasol will build a gas-to-liquids plant in North America because they've made a bet that gas prices will be sufficiently low," Manzoni said. "The only question is whether we join them."

HORIZON NORTH ANNOUNCES NEW CONTRACTS

Horizon North Logistic Inc.. has announced that it has recently entered into two long-term camp rental and catering service contracts. The first contract is associated with a hydro electric project in central British Columbia and calls for the provision of a 250 person, single room and private washroom style camp along with catering and camp management services. The contract term is for 50 months. Operation of the camp will be carried out through a joint venture with the Sexqeltkemc of the Secwepemc (Shuswap) First Nation. The second contract is with an oil sands operator and calls for the provision of an 84 person executive style camp to house staff at an oil production facility. The contract term is for 60 months beginning November 2011. Combined total revenue from the two projects is expected to be $58 million over the term of the contracts. The $17 million investment associated with the two contracts increases Horizon's planned capital spending in 2011 to $84 million.