NYMEX OIL: US$98.54
+$0.76
December delivery
NYMEX N. Gas: US$3.595
-$0.054 per MMBTU
November delivery

Oilfield NEWS

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KEYSTONE XL PIPELINE DECISION ON HOLD

The U.S. State Department has ordered an environmental assessment for a new Keystone XL pipeline route, allowing U.S. President Barack Obama to shelve the controversial issue until after the 2012 elections. Calgary-based TransCanada Corp. has been trying to build the $7-billion pipeline to carry mostly Canadian oilsands bitumen from Hardisty, Alta., to the Texas coastline in the Gulf of Mexico since 2008. The State Department will assess the potential of alternative routes in Nebraska after public concerns surfaced regarding the environmental sensitivities of the current proposed route through the Sand Hills area. TransCanada Corporation has spoken with the U.S. Department of State (DOS) and will have conversations with the DOS in the coming days to discuss next steps. The company has been informed further analysis of route options for the Keystone XL pipeline need to be investigated, with a specific focus on the Sandhills in Nebraska. The Department of State said in its news release the review could be completed as early as the first quarter of 2013. "We remain confident Keystone XL will ultimately be approved," said Russ Girling, TransCanada's president and chief executive officer. "This project is too important to the U.S. economy, the Canadian economy and the national interest of the United States for it not to proceed." But Girling acknowledges while Keystone XL remains the best option for American and Canadian producers to get their oil to the U.S. Gulf Coast, Thursday's announcement by the DOS could have potential negative ramifications, especially where shippers and U.S. refiners are concerned. "Supplies of heavy crude from Venezuela and Mexico to U.S. refineries will soon end," said Girling. "If Keystone XL is continually delayed, these refiners may have to look for other ways of getting the oil they need. Oil sands producers face the same dilemma - how to get their crude oil to the Gulf Coast." Girling points out TransCanada has worked with the State Department for the past three years to ensure Keystone XL would be the safest pipeline ever built. Since 2008, more than 100 open houses and public meetings in six States took place, thousands of pages of supplemental information and responses to questions were submitted to state and federal agencies and the DOS received over 300,000 comments on the project. A draft, supplemental draft and Final Environmental Impact Statement were all issued for Keystone XL - totaling over 10,000 pages. This was by far the most exhaustive and detailed review ever conducted of a crude oil pipeline in the United States. Fourteen different routes for Keystone XL were studied, eight that impacted Nebraska. They included one potential alternative route in Nebraska that would have avoided the entire Sandhills region and Ogallala aquifer and six alternatives that would have reduced pipeline mileage crossing the Sandhills or the aquifer. TransCanada hopes this work will serve as a starting point for the additional review and help expedite the review process. The U.S. consumes 15 million barrels of oil each day and imports 10 to 11 million. Forecasts predict oil consumption will continue at these levels for the next two to three decades so a secure supply of crude oil is needed for Americans to continue to heat their homes, cook their food and drive their cars. Keystone XL is shovel-ready. TransCanada is poised to put 20,000 Americans to work to construct the pipeline - pipe fitters, welders, mechanics, electricians, heavy equipment operators, the list goes on. Local businesses along the pipeline route will benefit from the 118,000 spin-off jobs Keystone XL will create through increased business for local restaurants, hotels and suppliers. Five billion dollars in property taxes paid by TransCanada over the lifetime of the project will allow counties in States along the pipeline route to invest in new schools, roads and hospitals. "If Keystone XL dies, Americans will still wake up the next morning and continue to import 10 million barrels of oil from repressive nations, without the benefit of thousands of jobs and long term energy security," concluded Girling. "That would be a tragedy."

CONNACHER Q3 RESULTS

Connacher Oil and Gas Limited has reported solid operating and financial results for the third quarter and for the nine months ended September 30, 2011. Connacher also reported on its strengthening liquidity position and updated its 2011 production guidance. Connacher expects its solid performance to continue in Q4 2011. "During the third quarter of 2011, we made significant progress from an operational, technology and liquidity perspective," said Richard Gusella, Chairman and Chief Executive Officer. "In addition to planned asset sales, we advanced toward farmouts and a joint venture that, upon completion, should provide the benefits of third-party spending on our properties and lower capital spending by Connacher, while we meet 2012 financial obligations without any equity dilution and with reduced indebtedness." Revenue, net of royalties, totalled $232.8 million in Q3 of 2011, up 47 percent from $158.7 million a year earlier. The gain reflected our significant increase in bitumen production as well as better prices for refined products, partially offset by lower realized bitumen prices and lower production for conventional crude oil and natural gas due to the aforementioned sales. Net income was $3.6 million or $0.01 per share in Q3 2011, compared with $4.2 million or $0.01 per share a year earlier. In the latest quarter, net income benefited from the effectiveness of a hedging program. Connacher's improved operational performance in the third quarter of 2011 resulted in higher reported cash flows and higher adjusted EBITDA compared with a year earlier. Cash flow was $15.8 million in Q3 2011, up 10 percent from $14.4 million a year earlier. Adjusted EBIDTA was $37.3 million in Q3 2011, up 46 percent from $25.6 million a year earlier.

HSE Q3 RESULTS

HSE Integrated Ltd. has announced its financial results for the three-month and nine-month reporting periods ended September 30, 2011.Total revenue for the quarter increased 19.3% to $24,277 from $20,349 in Q3 2010. EBITDA for the quarter increased 98.3% year-over-year from $1,956 (9.6% of revenue) to $3,879 (16.0% of revenue). Year-to-date EBITDA was $9,613 (13.0% of revenue), up 121.8% from $4,334 (7.3% of revenue) in 2010. In the United States, Boots & Coots HSE Services LLC, the Corporation's venture with Boots & Coots Services, contributed $1,051 to revenue in the third quarter compared to $383 in the same period in 2010. This increase was achieved through HSE's strategic growth initiatives and capital spending programs designed to respond to customer demand. HSE continues to have a strong balance sheet. Working capital at September 30, 2011 was $14,342 compared to $12,016 at year-end and $9,217 at September 30, 2010. Tom Hickey, HSE President and CEO, made the following comments on the Corporation's 2011 Q3 financial performance, and the outlook for the remainder of the year and beyond. "We are very excited with our year-to-date results and the commitment from our employees to achieving our goal of managing costs and working more safely every day. While we have focused on managing costs this year, we are also growing, with year-to-date revenues up almost 24.0%, year over year. Going forward, we will continue to concentrate on growth as the next step in our plans, while continuing to drive efficiencies in our business. One of our focuses going forward is to enhance the return on investment we receive from our fleet of equipment. With the balance sheet strong, we will also start to look again for strategic opportunities in the health and safety industry. The year-over-year revenue increases of 19.3% for the third quarter and 23.6% for the nine-month period confirms that even as the largest safety services company in Canada, the Corporation still has significant potential for expansion." HSE has also announced that Tom Hickey has been appointed as a Director of the Corporation. Mr. Hickey joined HSE in November of 2010 as President and was appointed Chief Executive Officer on August 15, 2011.

PETROWEST Q3 RESULTS

Petrowest Corporation has announced its consolidated financial results for the three and nine months ended September 30, 2011. Revenue from continuing operations for the three months ended September 30, 2011, was $55.3 million, a 40% increase from revenue of $39.6 million in the comparable period of 2010. Consolidated operating expenses for the three months ended September 30, 2011 were $43.0 million (2010 - $32.4 million) with a Gross Margin of 22% compared to 18% in 2010.

For the three month period ended September 30, 2011 consolidated EBITDA from continuing operations was $10.8 million which is a 79% increase from EBITDA of $6.0 million in the comparable period of 2010. The EBITDA percentage was 19% compared to 15% in the comparable period of 2010. Revenue from continuing operations for the nine months ended September 30, 2011, was $136.7

million, a 35% increase from revenue of $101.4 million in the comparable period of 2010. Consolidated operating expenses for the nine months ended September 30, 2011 were $110.6 million (2010 - $85.5 million) with a Gross Margin of 19% compared to 16% in the comparable period in 2010. For the nine months period ended September 30, 2011 consolidated EBITDA from continuing operations was 21.6 million which is an 81% increase from EBITDA of $12.0 million in the comparable period of 2010. The EBITDA percentage was 16% compared to 12% in the comparable period of 2010.

SURE ENERGY Q3 RESULTS

Sure Energy Inc. has announced its financial and operating results for the quarter ended September 30, 2011. During the quarter production averaged 1,057 BOE/d but with successful drilling in the third quarter production has now ramped up to 1,500 BOE/d (58% oil) In Virginia Hills the Company has successfully installed a liner and packer system into the 10-12-64-10 W5M Beaverhill Lake horizontal well and is set to perform an acid frac on the 100% well in November Funds flow from operations was $2.76 million or ($0.06 per share basis) The Company recently had its bank credit facility increased from $25 million to $33 million.

PURE ENERGY SERVICES Q3 RESULTS

Pure Energy Services Ltd. has announced its financial and operating results for the three and nine-month periods ended September 30, 2011. Pure achieved record revenue and EBITDA during Q3 2011 of $65.1 million and $15.3 million, respectively, reflecting strong operating results from both its Canadian and US operations. The Corporation continues to experience strong demand for its services in its western Canadian and US operating regions, driven by strong prices for oil and natural gas liquids as well as the shift to horizontal drilling. Robust activity levels have continued through early Q4 2011 in both regions, with the busy winter drilling season about to commence in western Canada. Pure exited Q3 2011 in a strong financial position with long-term debt net of working capital of $1.0 million at September 30, 2011. During October, the Corporation expanded its aggregate debt facilities from its Canadian and US lenders from the previous $52 million to $67 million. Pure had drawn debt (excluding finance lease liabilities) of approximately $27 million at September 30, 2011 leaving $40 million available if the expanded facilities had been in place at quarter end. The number of wells drilled (rig released) in the WCSB increased on a quarter over quarter basis by 18% from 3,266 in Q3 2010 to 3,870 in Q3 2011 The horizontal wells (which are typically more service intensive) as a percentage of total wells drilled, increased from 45% in Q3 2010 to 59% in Q3 2011. Rig counts in all of Pure's US operating areas continued to rise, with the most dramatic increases occurring in North Dakota and Pennsylvania where average active rig counts in Q3 2011 were 171 and 113, respectively, compared to 128 and 89, respectively, in Q3 2010. Rig counts increased at a more moderate pace in Pure's two other US operating areas of Colorado and Wyoming. Through the nine months ended September 30, 2011, Pure expended $33.3 million of its planned $60 million capital expenditure program for calendar 2011 ($14.6 million expended in Q3 2011). At September 30, 2011, Pure had received 8 of the originally planned 18 frac flowback units (all of which are now deployed in the field). Of the remaining 10 flowback units, 9 units are scheduled to be received in Q4 2011, with construction of the remaining unit postponed until 2012 (and related capital funds reallocated to the purchase of flowback automation equipment requested by customers). The remaining $27 million of Pure's 2011 capital expenditure program is expected to be incurred during Q4 2011 and Q1 2012, with supplier delays contributing to the carry over into the early part of next year.

IVANHOE Q3 RESULTS

Ivanhoe Energy Inc. has reported financial results and operating highlights for the third quarter of 2011. Oil revenues were $10.8 million in the third quarter of 2011 compared to $9.4 million in the second quarter. This increase was due to higher production volumes at Dagang and stronger realized prices. The net loss in the nine months ended September 30, 2011 was $19.4 million compared to a $7.2 million net loss in the comparative period of 2010. Although oil revenue has increased in 2011, net income was impacted by higher operating and general and administrative expenses. Operating expenses were $5.5 million during the third quarter of 2011, compared to $5.3 million in the second quarter of 2011. These expenses were primarily from China and included an increased windfall levy, administered by the People's Republic of China, following the rise in oil prices. General and administrative expenses in the nine months of 2011 were $37.4 million, compared to $28.4 million in the same period of 2010. This increase was due to greater professional fees (legal and engineering) and additional staff, office and travel costs required to advance the various projects. Capital investments in the third quarter of 2011 were $16.8 million compared to $17.4 million in the second quarter of 2011. The third quarter expenditures were primarily from activities in China, including flow testing and the running of down-hole recorders at the Yixin-2 and Zitong-1 gas wells, and ongoing drilling and fracture stimulation activities at Dagang. Alberta Environment and the Energy Resources Conservation Board have completed their initial review of Ivanhoe Energy's Application for the Tamarack integrated oil sands project, which is comprised of a two-phased 40,000 bbl/d steam-assisted gravity drainage (SAGD) thermal recovery and HTL facility. The first round of Supplementary Information Requests (SIRs) was received from the regulators in the third quarter of 2011 and the Company will submit responses to these SIRs in the fourth quarter of 2011. It is anticipated that the regulatory approval process will be complete later in 2012. Project advancement, as currently envisaged, is subject to regulatory approval and financing.

PERPETUAL ENERGY

Q3 Results Perpetual Energy Inc. has released its financial and operating results for the three and nine months ended September 30, 2011. During the quarter funds flow netbacks decreased 53 percent to $1.56 per Mcfe in the third quarter of 2011 from $3.31 per Mcfe in the comparable period for 2010, driven primarily by lower realized gains on financial instruments and higher finance expenses, partially offset by a reduction in general and administrative costs. These items were partially offset by increased netbacks for oil and liquids production. As a result of the decrease in netbacks, funds flow decreased to $19.3 million ($0.13 per common share) from $46.1 million ($0.32 per common share) for the third quarter of 2010. Funds flow for the nine months ended September 30, 2011 totaled $61.1 million ($0.41 per common share) as compared to $167.0 million ($1.19 per common share) for the first nine months of 2010. The decrease was caused primarily by lower realized gains on derivatives and reduced natural gas production and prices, partially offset by diversified funds flow from increased oil and NGLs production and gas storage operations. The Corporation reported a net loss of $24.3 million ($0.17 per basic and diluted common share) for the three months ended September 30, 2011 as compared to net loss of $16.3 million ($0.11 per basic and diluted common share) for the 2010 period. The higher net loss is due to lower realized gains on derivatives, higher finance charges and unrealized losses on marketable securities and the gas storage obligation. Year-to-date in 2011 Perpetual reported a loss of $57.2 million ($0.39 per basic and diluted common share) as compared to a net loss in 2010 of $72.5 million ($0.52 per basic and diluted common share), as a result of lower funds flows partially offset by lower depletion and depreciation expense. Net bank debt was reduced to $120.3 million at September 30, 2011 from $214.5 million at December 31, 2010. This decrease was a result of $38.1 million in dispositions and the issuance of $150 million of Senior Unsecured Notes in March 2011, partially offset by capital expenditures in excess of funds flow for the first nine months of 2011 and acquisitions totaling $6.9 million. At the end of the quarter, Perpetual's net debt represented a draw of 57 percent on the $210 million borrowing line in its credit facility. Dividends for the third quarter of 2011 totaled $6.6 million or $0.045 per common share consisting of $0.015 per common share paid on August 15, September 15 and October 17. On October 19th, 2011 Perpetual announced that it will be suspending future dividend payments until further notice. Continued payment of a dividend is not sustainable at this time given the continued weakness in natural gas prices, and will inhibit Perpetual's continuing efforts to implement its strategy of commodity and asset base diversification. Re-instatement of a dividend in the future will be evaluated at such time as Perpetual's balance sheet has regained strength and commodity prices and costs support a sustainable model where excess free funds flow, over and above capital investments, is once again being generated for distribution to shareholders. During the quarter exploration, development and land expenditures totaled $38.6 million for the three months ended September 30, 2011 as compared to $27.6 million for the third quarter of 2010. Third quarter capital expenditures were primarily directed towards drilling activities at Karr and Edson in west central Alberta, undeveloped land acquisitions in the West Central District, and heavy oil drilling in the Mannville area in east central Alberta. Gas storage expenditures were $2.5 million for the third quarter. Third quarter 2011 expenditures were directed to the drilling of a horizontal well to increase the working gas capacity in the storage reservoir, as well as workover costs for existing wellbores. Capacity has been established at 17 Bcf for the second commercial storage cycle, which commenced April 1, 2011. During the three months ended September 30, 2011, the Corporation spent $5.1 million on acquisitions, the majority of which was incurred to increase the inventory of Wilrich drilling locations in the greater Edson area. Third quarter 2011 dispositions included a non-core asset in west central Alberta for net proceeds of $6.9 million, which resulted in a gain on disposition of $2.5 million. For the comparative quarter in 2010, the Company disposed of non-core properties located primarily in the Eastern District for net proceeds of $17.0 million.