WTI OIL: US$102.19
+$0.88 per barrel
February delivery
NYMEX: N Gas: US$2.921
+$0.090 per MMBTU
January delivery

oilfield NEWS

oilfieldnews.ca

Published By *NEWS COMMUNICATIONS* since 1977 Canadian Edition Wednesday January 11, 2012

NORTH AMERICAN RIG COUNTS

The U.S. rotary rig count was unchanged rig at 2,007 for the week of January 6, 2012. It is 307 rigs (18.1%) higher than last year. The number of rotary rigs drilling for oil decreased 2 to 1,191. There are 414 more rigs targeting oil than last year. Rigs drilling for oil represent 59.3% percent of all drilling activity which is the second highest percentage in two decades. Rigs directed toward natural gas were up 2 at 811. The number of rigs currently drilling for gas is 103 lower than last year's level of 914. Year-over-year oil exploration in the U.S. is up 53.3 percent. Gas exploration is down 11.3 percent. The weekly average of crude oil spot prices is 14.8 percent higher than last year and natural gas spot prices are 34.8 percent lower. Canadian rig activity is up 140 at 261 for the week of January 6, 2012 and is 61 (14.5%) lower than last year's rig count.

EU AND JAPAN PREPARE FOR IRAN OIL EMBARGO

Europe and Japan moved ahead on Tuesday in planning for punitive cuts in oil imports from Iran, where a senior official dismissed Western anger at news Tehran is enriching uranium deep underground as cover for ulterior motives. A day after Iran confirmed the start of enrichment at a mountain bunker near the holy city of Qom - and also sentenced an American to death for spying - the European Union brought forward a ministerial meeting that is likely to match new U.S. measures to hamper Iran's oil exports. Japan took precautions in case it joins an international embargo on buying Iranian crude by asking Saudi Arabia and the United Arab Emirates to help it make up any shortfall. Iran's envoy to the U.N. nuclear body, the International Atomic Energy Agency, was scathing about reactions to Monday's news, confirmed by the IAEA, that the Fordow site was enriching uranium - something Western powers say is aimed at developing nuclear arms, rather than the civilian uses that Iran asserts. Noting that Fordow had been monitored by the IAEA for two years, Ali Asghar Soltanieh told Iran's ISNA news agency that Western reaction had "political purposes". The clerical leadership in Tehran, under pressure from sanctions that are disrupting the economy ahead of a parliamentary election, often accuses Western powers of seeking to overthrow it. In Brussels, the European Union said it brought forward by a week, to Jan. 23, a meeting at which foreign ministers from the bloc, rivaling China as Iran's biggest customer for crude, are expected to confirm an embargo on oil purchases. The 27 EU governments are still debating how quickly some of their ailing and oil-dependent economies can afford to do without a key supplier. Though officially a mere administrative shift to avoid a diary clash with a meeting of EU leaders on Jan. 30, bringing the foreign ministers' meeting forward could increase the pace of implementation of sanctions, following U.S. President Barack Obama's move on New Year's Eve to stop payments to Iran for oil. On New Year's Eve, U.S. President Barack Obama signed into law by far the toughest financial sanctions yet against Iran, which if fully implemented could make it impossible for most countries to pay for Iranian oil. The Islamic Republic's decision to carry out enrichment work deep underground at Fordow could eventually make it much harder for U.S. or Israeli forces to carry out veiled threats to use force against Iranian nuclear facilities. That in turn could narrow a time window for diplomacy to avert any attack. The U.S. State Department on Monday called uranium enrichment at Fordow a "further escalation" of Iran's "ongoing violations" of U.N. resolutions. France called for measures of "unprecedented scale and severity" against Tehran. Germany and Britain also condemned it. Others, including Greece and Italy, which are bigger customers for Iranian oil, are seeking delays before cutting off imports.

OLIVER SAYS RADICALS WORKING AGAINST OILSANDS

Natural Resources Minister Joe Oliver said Monday that environmental and other "radical groups" are trying to block trade and undermine Canada's economy. Oliver's comments came one day before federal regulatory hearings begin on whether to approve Enbridge's Northern Gateway pipeline, which would deliver crude from Alberta's oilsands to Kitimat, B.C., for shipment to Asia. More than 4,300 people have signed up to address the proposed pipeline over the next 18 months. "Their goal is to stop any major project no matter what the cost to Canadian families in lost jobs and economic growth. No forestry. No mining. No oil. No gas. No more hydro-electric dams." Oliver says the groups "threaten to hijack our regulatory system to achieve their radical ideological agenda," stack the hearings with people to delay or kill "good projects," attract "jet-setting" celebrities and use funding from "foreign special interest groups." Prime Minister Stephen Harper says his government will look into measures to prevent the approval process for energy projects from being "hijacked" by opponents of the developments. The prime minister said the government is prepared to review how public consultations are conducted to ensure they don't get overloaded for the purpose of slowing down the process.

TRANSCANADA RELEASES KEYSTONE XL JOB DATA

TransCanada Corporation released further details Tuesday that highlight the thousands of jobs Keystone XL would create for Americans. The $7 billion oil pipeline is the largest infrastructure project on the books in the U.S. right now. It would create 20,000 jobs: 13,000 in construction, 7,000 in manufacturing. Construction of the 1,600 mile pipeline is broken down into 17 U.S. pipeline spreads or segments, with 500 workers per spread - that's 8,500 jobs Keystone XL also needs 30 pump stations worth tens of millions of dollars. Each station requires 100 workers - that's 3,000 jobs. Add another 600 jobs that would be needed for the six construction camps and tank construction at Cushing, Oklahoma A project of such magnitude needs construction, management and inspection oversight - that would create 1,000 jobs, bringing the overall Keystone XL total to 13,000 direct, on-site jobs. TransCanada alone has contracts with over 50 suppliers across the U.S.. Manufacturing locations for our equipment include: Texas, Missouri, Pennsylvania, Michigan, Oklahoma, South Carolina, Indiana, Georgia, Maryland, New York, Louisiana, Oklahoma, Minnesota, Ohio, Arkansas, Kansas, California and Pennsylvania. Construction of Keystone XL is expected to create 7000 manufacturing jobs. Key support companies include: Welspun (pipe from Arkansas), Cameron (valves from Louisiana), Siemens (pumps, motors and related control equipment manufactured in Oregon, Ohio and Indiana) and dozens of other companies manufacturing everything from nuts and bolts to complex electrical control equipment. The pipeline construction contractors must also procure hundreds of millions dollars worth of equipment and materials. Hundreds of jobs will be created through requirements for fuel, coating materials, welding supplies, concrete materials, geo-textile materials, pipeline weights, native seed materials for reclamation, cathodic protection materials, crushed rock, sediment barrier materials, valve and pigging assemblies, field trailer manufacturing, construction mats, power facility materials, aggregate manufacturing, road construction materials, water and waste facility manufacturing, fencing materials, communication infrastructure, bridge construction materials and many others. As Keystone XL supports oil sands development, the impact on jobs in America becomes even more pronounced. The Canadian Energy Research Institute (CERI) predicts a $521 billion increase in the U.S. gross domestic product and the creation of 465,000 U.S. jobs. For every two oil sands jobs created in Canada, one job will be created in the U.S. Every State will benefit from this development. At least 1000 American companies supply goods and services to Canadian oil sands and pipeline companies - Berg Steel Pipe in Houston, Siemens Energy from California and the Michelin plant in Greenville, South Carolina are just three examples. The $6 billion Keystone pipeline that has safely delivered over 160 million barrels of oil to the U.S. Midwest since the summer of 2010 created 9,000 construction jobs and thousands more manufacturing jobs. Keystone XL has the capacity to deliver 830,000 barrels of oil per day to U.S. refineries in Cushing, Oklahoma and the Gulf of Mexico. Up to 25 per cent of that capacity has been provided for the delivery of U.S. domestic oil from the Bakken fields in Montana and North Dakota and oil from Cushing. Long-term, binding contracts for more than 150,000 barrels per day from the Bakken fields and Cushing have already been signed. This supports the desire in the United States to ultimately achieve domestic energy security. "The fundamental issue here is that the U.S. imports 10 million barrels of oil each day - forecasts predict that will not change for decades. So the question is where will that oil come from? Will it come from U.S. and Canadian sources or will it continue to be higher priced conflict oil from the Middle East and Venezuela - regions that do not share American values," concluded Girling.

TALISMAN ANNOUNCES 2012 CAPITAL PROGRAM

Talisman Energy Inc. has announced its capital spending plans for 2012. The company expects to spend slightly over $4 billion this year, a decrease of approximately $500 million over 2011, although it will increase spending on liquids opportunities within the portfolio. Talisman will release its year-end 2011 results on February 15. All values in this release are in US$ unless otherwise stated. "Our plans for 2012 have been shaped by low North American natural gas prices and a cautious view of the economic landscape in general," said John A. Manzoni, President & Chief Executive Officer. "Fortunately, our portfolio provides lots of optionality. At the same time as we trim short-term capital spending, we are investing more into profitable liquids projects, and strengthening and focusing our portfolio. "We expect to spend approximately $4 billion in cash capital expenditures this year. We are reducing capital spending in dry gas plays in North America, which accounts for the majority of the decrease over 2011. Underpinning this is a belief that North American gas prices will remain low for some time; we have also assumed a relatively conservative oil price forecast. "Production from ongoing operations averaged approximately 425,000 boe/d in 2011, an increase of 9%. We expect production growth of up to 5% in 2012. Had we maintained spending into dry gas, we could have achieved our medium-term target of 5 – 10% growth in 2012. However, given the current gas price environment, we believe value will be maximized by focusing on profitability rather than headline production growth. "Strategic repositioning of the portfolio will continue in 2012, through high grading the North American portfolio, seeking to reduce our interest in some North Sea assets over time, and focusing the exploration portfolio. To that end, Talisman is looking to sell between $1 billion – $2 billion of non-core assets this year. "We will reduce our exploration spending in 2012, with greater emphasis on oil and oil linked opportunities, with shorter term monetization options. As an example, exploration and follow-up development spending in Colombia will almost double this year to $300 million. "The diversity of our portfolio gives us the ability to redirect capital towards higher-return opportunities. Our three-year reserve replacement cost continues to show an improving trend as the underlying efficiency of our capital spending improves over time. We are continuing to invest to maintain our 5 – 10% medium-term growth target, and as a result of the shift in capital, we expect to see liquids volumes grow at more than double the rate of natural gas volumes over the next few years. 2 "Over the course of the past few years, we have transitioned our portfolio to secure long-term growth potential. In 2012 we are continuing to invest into this potential." Capital spending in North America is expected to be approximately $1.8 billion in 2012, which is approximately $400 million lower than 2011, primarily as a result of reducing expenditures on dry gas plays. Over 40% of the program will focus on liquids-rich opportunities. Production from the shale portfolio is expected to range between 630 – 660 mmcfe/d (105,000 – 110, 000 boe/d). Spending in the liquids-rich Eagle Ford play will increase from $350 million last year to $500 million in 2012. The company expects to exit 2012 with 14 rigs, up from 10 at the end of 2011. In the Marcellus, in light of current gas prices, we will reduce activity from 11 rigs at year-end to between five and seven rigs in 2012. Talisman achieved record production of approximately 485 mmcf/d in the fourth quarter of 2011. Even with five rigs, we expect to be able to hold 2012 production in the play to about 500 mmcf/d. Spending in the Marcellus is expected to be upwards of $600 million, with significant investment in infrastructure in new parts of the play. With a four-rig program planned this year, we will also reduce activity in the Montney. This is due to gas prices, as well as efforts to build a better understanding of the different zones which make up the thick Montney shale. We have also planned a six-well program to continue piloting the liquids-rich Duvernay shale. Spending in the conventional portfolio is expected to range between $300 million – $350 million, with production relatively flat at 80,000 boe/d, of which 25% will be liquids. Roughly one-third of spending will be in the liquids-rich Wild River play. We will continue to actively focus our North American conventional portfolio. Some assets are non-core to Talisman and should be sold. In other areas, we will seek to use third-party expertis to accelerate activity and optimize value.

TWIN BUTTE COMPLETES EMERGE MERGER

Twin Butte Energy Ltd. has announced that the business combination between Twin Butte and Emerge Oil & Gas Inc. Pursuant to the Arrangement, Twin Butte issued approximately 54.1 million common shares to acquire all the issued and outstanding common shares of Emerge. After giving effect to the Arrangement, approximately 189.6 million Twin Butte Shares are outstanding). Immediately upon completion of the Arrangement, Twin Butte and Emerge amalgamated under the *Business Corporations Act* (Alberta), continuing as Twin Butte Energy Ltd. In connection with the completion of the Arrangement, Tom Greschner, the former Chairman, President and CEO of Emerge, was appointed a director of Twin Butte. Post-Arrangement the attributes of Twin Butte include: An enterprise value in excess of $600 million (based on the current trading price of the Twin Butte Shares and estimated current net debt); A strong balance sheet with approximately $146 million in net debt, relative to a new credit facility of $205 million. Twin Butte will continue to pursue non-core asset sales to focus operations and improve the quality of its asset base, maintain cost control and further strengthen the balance sheet; Tax pools of approximately $560 million; Current production of approximately 13,450 boe/d (79% oil and NGLs, and 21% natural gas); Proved Reserves of 30.0 mmboe and Proved plus Probable Reserves of 51.1 mmboe based on the combination of Twin Butte's and Emerge's independent reserve reports disclosed in their respective annual information forms for the year ended December 31, 2010; A Proved plus Probable reserve life index ("RLI"), in excess of 10 years, leading to a low annualized decline rate of 27%