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### NEWS THIS WEEK...

## Spill report

The commission investigating the Macondo disaster has published its findings.

- **The accident was avoidable, it said, but more oversight of offshore work is needed. The fallout from the leak will continue, though, and is likely to involve years of litigation.** *(Page 2)*

- **A leak on the Trans Alaska Pipeline is not serious, but the timing is unfortunate. Although BP does not oversee the pipeline the accident is likely to tar the company further, given its record at Prudhoe Bay.** *(Page 5)*

- **Apache has announced the start of production from a small deepwater field.** *(Page 10)*

## Eagle Ford

The much-trumpeted Eagle Ford has provided a strong set of results for Newfield Exploration.

- **The company said, following the drilling of a number of wells, it was now convinced its acreage in the shale was in the oil window.** *(Page 7)*

For analysis and commentary on these and other stories, plus the latest oil and gas developments, see inside...

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Edited by Ed Reed

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# COMMENTARY

## Commission calls for dramatic steps offshore

Regulating of work offshore needs to be re-worked, according to the Macondo commission, but energy from this area is critical for the US

By Roberta Harrington

- Offshore work is risky but danger factors can be managed
- BP, Halliburton and Transocean have been picked out for criticism
- The liability cap is likely to increase, possibly to US\$300 million

In a long-awaited final report, a presidential panel has criticised the US oil industry and the government for complacency in the 2010 Macondo disaster. The parties must take “dramatic” steps to expand drilling regulations and establish an independent safety agency in a way that balances protection and profits, said the spill commission’s 380-page report.

“If dramatic steps are not taken, at some point another failure will occur and we will wonder why did Congress, why

did the administration, why did the industry allow this to happen again,” said the co-chairman of the 7-member presidential oil spill commission, Bob Graham, a former Democratic Florida senator and governor. “Drilling offshore is inherently risky, and we will never reduce [that] risk to zero.”

The blowout “was both foreseeable and preventable,” added Graham, whose former constituency was one of the areas hit economically and environmentally by the spill. The Deepwater Horizon rig

exploded on April 20 in the Gulf of Mexico, killing 11 and leading to the worst offshore spill in US history, with around 4.1 million barrels leaking into the waterway.

The panel blamed BP, Halliburton and Transocean as well as industry and regulatory failures. Even so, risks are a “problem that can be managed,” added the panel’s co-chairman, Bill Reilly, the former head of the US Environmental Protection Agency (EPA), in a more conciliatory statement.

“Like it or not, oil and gas companies are in this together, and they must adopt rigorous standards through an industry-wide safety institute, or risk losing access to these leases and resulting profits,” Reilly continued. He recommended an industry-led and self-regulated safety institute not unlike that of the nuclear industry.

The report, from which preliminary details had been published a week earlier, was released on January 11 and immediately sent to US President Barack Obama. It is the first major government report on the spill. The findings are not binding, but are likely to be influential – even though they will face stiff opposition in Congress. ▶▶

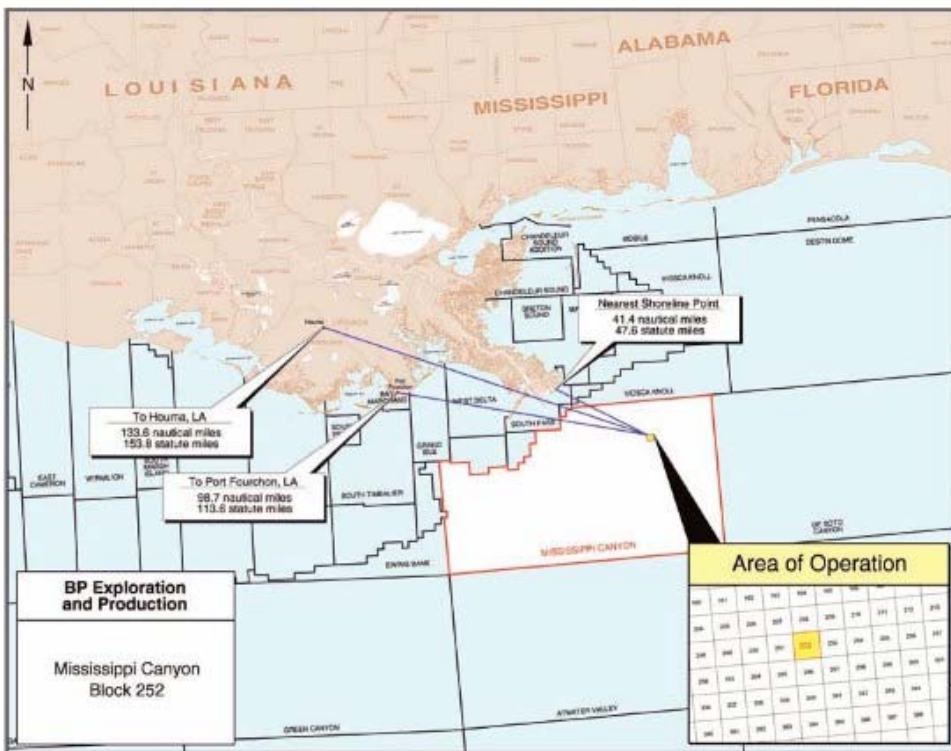


Figure 1. Geographic Location of the Lease and Well.

Deepwater Horizon Accident Investigation Report

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Edited by Ed Reed

## COMMENTARY

### Report recommendations:

- Establishing an independent offshore safety and environmental agency in the US Department of the Interior, headed by a director appointed by the president;
- Strengthening the Department of the Interior, which regulates offshore drilling via the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), the successor to the troubled Minerals Management Service (MMS);
- Collecting industry fees as part of leases contracts to pay for the new costs of regulation and oversight;
- Asking industry to evaluate the risks of drilling a well and prove that safety is adequate, with diagnostic equipment and sensors being mandatory on drilling devices;
- Amending the Oil Pollution Act to increase “significantly” the “totally inadequate” US\$75 million liability cap for spill damage;
- Collect 80% of fines under the Clean Water Act, which could total US\$21 billion, for environmental restoration in the Gulf.

### Responses

In a statement, BP said it would “support the Commission's efforts to strengthen industry-wide safety practices.”

However, Halliburton, which provided the cement used in the Macondo well, and Transocean, the rig owner, disputed the report's conclusions. The report had “selectively omitted information,” said Halliburton. Transocean officials reiterated that BP was responsible. It was “premature to draw final conclusions” until the final probe of the failed blowout

preventer (BOP) had been completed, the company said.

The American Petroleum Institute

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***“Today’s release of the commission’s report needs to end the objections that Republican leaders in Washington have raised to legislative action,” said Democratic Congressman Ed Markey***

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(API) responded quickly and sharply. The industry has already taken significant action to improve safety further in offshore operations consistent with the recommendations of the presidential commission on last summer’s oil spill, the trade group said in a statement.

API is pleased the commission is recommending increased funding for the federal agency responsible for inspecting and monitoring offshore activity, added the group’s upstream director, Erik Milito. But he also said the institute was “deeply concerned” that the commission’s report cast doubt on an entire industry based on its study of a single incident.

“This [report] does a great disservice to the thousands of men and women who work in the industry and have the highest personal and professional commitment to safety,” he said.

“The explosion was a tragic accident that never should have happened,” continued Milito. “But an accurate assessment must acknowledge all the facts, such as the numerous concrete actions that industry has taken both before and since the accident to identify and implement additional safeguards, as

well as the many recommendations made by the industry that have already been adopted by the government and industry.”

He went on to outline the API’s hope that the “administration recognises the work already done and the need to rapidly restore vibrancy to the nation’s offshore oil and natural gas production programme. Both the nation’s energy security and our recovering economy demand it.”

Criticism for the findings was also rapid and predictably partisan. “The spill commission’s independent assessment of America’s worst oil spill must lead to reforms, and today’s release of the commission’s report needs to end the objections that Republican leaders in Washington have raised to legislative action,” said Democratic Congressman Ed Markey, who added that he would introduce legislation to enact the recommendations. However, since the House of Representatives was now controlled by Republicans, the battle would be uphill.

### Liability

An IHS CERA analyst, Candida Scott, told Reuters: “It is still not clear from the government report how liability will increase. There is uncertainty surrounding the onus and responsibility of the self-regulating entity, an independent agent and the drilling companies themselves. The recommendations made in the report are welcome but these will be hard to transpose into specific tasks.”

She added: “There has been a lot of talk about the liability cap and no single number was given today. I think once we have a figure, whether it is the most commonly talked about US\$300 million cap or not, then we can translate this into how much upstream costs will increase.”■

## COMMENTARY

# Mackenzie pipeline approved, but problems remain

Canada has approved the plan for the construction of a large gas pipeline, but doubts persist as to whether it will be built

By Ian McInnes

- The NEB has approved the Mackenzie pipeline plan, although with a number of conditions
- Project participants appear unwilling to commit to such a large-scale project
- Investment uncertainty makes it likely that the project will slip away

The saga of the Mackenzie Gas Project, which is now well into its fourth decade of argument and counterargument, took another lurch forward towards the end of 2010 but is still by no means a done deal.

After much deliberation, Canada's National Energy Board (NEB) has decided the 1,196-km long pipeline – which would carry natural gas from the Beaufort Sea along the Mackenzie Valley in Canada's Northwest Territory before connecting to existing pipeline infrastructure in Alberta – is “in the public interest.”

The pipeline will be capable of moving up to 1.2 billion cubic feet (33.9 million cubic metres) per day of natural gas. In 2007, the estimate was put at more than C\$16 billion (US\$16.1 billion), but that cost is likely to be significantly higher if

and when Mackenzie is built. Backers of the pipeline project include Imperial Oil Ventures, ConocoPhillips Canada North,

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*“The economic benefits would be real and large,” said the NEB. “During the four years of construction, the companies proposing the project estimate they would spend about C\$16.2 billion (2007 estimate) on the project”*

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Shell Canada, ExxonMobil Canada

Properties and the Aboriginal Pipeline Group (APG).

The scheme should have been a game changer, bringing much needed jobs and prosperity to a remote region but there also economic, social and environmental concerns over

the project's impact. The NEB believes it has addressed those concerns with its approval that is subject to over 200 conditions.

Thus, 37 years down the road from the project's first conception one might assume the consortium will seize the opportunity, complete the rest of the formalities and head north with the shovels. That might be what one would expect, but the reality is rather different.

The trouble for the Mackenzie pipeline is that times have moved on since it was first suggested in a most unforeseen way. The shale gas boom in North America means natural gas is plentiful, the price is low and there is, on the face of it, little need to spend what could be C\$20 billion (US\$20.2 billion) to pipe natural gas to a market that does not need it now and may not need it for the foreseeable future either.

## Crunch time

Nonetheless, it is fast approaching decision time for the Imperial-led consortium. The NEB is clear on this.

“By the end of 2013 we require the companies to file an updated cost estimate and report on their decision to build the pipeline,” said the NEB. “In keeping with these needs, we do not agree with the companies that they should be given until 2016 to begin construction of the project. Actual construction must begin by the end of 2015 for our approvals to remain valid.”▶▶



## COMMENTARY

Commenting on the NEB approval, Imperial seemed cautiously pleased. "It's a vital step. It's a significant step. It's a very positive step for the project," an Imperial spokesperson, Pius Rolheiser, told reporters. "But it's only one of a number of necessary steps that need to take place, milestones that need to be achieved before this project could become a reality."

Imperial has already said that, owing to regulatory delays, it will not be able to complete the Mackenzie project until 2018, which could yet be a get out for either side if required. With the US already saying that an Alaskan pipeline is not needed for at least 20 years it could be a decade or so before the natural gas from the Canadian Beaufort Sea can find a profitable market.

### Prediction pitfalls

But how good are people at predicting

the future? Recent events suggest not very. The shale gas boom was largely unforeseen and even this wondrous energy solution may yet turn out to be lacking substance.

As concerns mount about the impact of hydraulic fracturing, the energy industry could yet be forced back to the drawing board. If so, proven conventional supplies of natural gas such as the Beaufort Sea will very quickly be in demand.

Business is always something of a gamble and especially so for long-term and very expensive projects, such as the Mackenzie pipeline. One way forward, perhaps, would be for the Canadian government to partially subsidise the project, because it is simply too big a risk for private enterprise.

"The economic benefits would be real and large," said the NEB. "During the four years of construction, the companies

proposing the project estimate they would spend about C\$16.2 billion (2007 estimate) on the project. This would increase Canada's GDP by more than C\$13 billion [US\$13.1 billion] and almost C\$6 billion [US\$6.04 billion] in labour income would be generated," the NEB said.

Those pluses aside, the NEB also calculated that the Canadian government could benefit to the tune of up to C\$14 billion (US\$14.1 billion) in tax and royalties income.

The alternative route for the consortium and regulators to take would be to continue negotiating and arguing, allowing deadlines to pass until finally the Mackenzie pipeline was allowed to fade quietly away. There are times when brave decisions are needed – now may be such a time. ■

## PIPELINES & TRANSPORT

# Alaska pipeline leak slows North Slope exports

The Trans Alaska Pipeline was reduced to only 5% of capacity on January 8 after a leak was discovered at Pump Station 1, the most northerly pumping facility on the line. Around 90% of the oil lost has been recovered, totalling around nine or 10 barrels.

Alyeska Pipeline Service Company (APSC), the operator of the Trans Alaska Pipeline System (TAPS), said on January 9 that oil had been discovered in the pump station but there had been no known harm caused to the environment.

"We have a significant amount of resources, tools and personnel on site at Pump Station 1 responding to this event," said Tom Barrett, Alyeska President.

"Our goal is to engineer and implement a solution so that we can safely return the pipeline to service as quickly as possible."

One option APSC is considering is bypassing the affected area in order to bring the link back up to its former level.

Giving further details, APSC said the leak appeared to be from "below-ground piping that leads to the basement of the booster pump building."

Before the incident, the pipeline carried around 600,000-650,000 barrels per day of oil from Alaska's North Slope to the ice-free port of Valdez. Despite the substantial slowdown in oil shipments to the US, refiners have been fairly relaxed,

noting that stocks are sufficiently high for the time being and that maintenance has reduced processing anyway.

BP, ConocoPhillips, ExxonMobil, Chevron and Koch Industries have stakes in APSC.

Experts expect APSC to increase throughput fairly quickly, suggesting the loss of production will be quickly remedied, Tudor Pickering Holt, for instance, said it would probably take less than a week.

While the incident is fairly low-level, it is yet another embarrassing lapse for the industry at a time when scrutiny is high, given the Macondo disaster and earlier problems with Prudhoe Bay. ■

## INVESTMENT

# Pioneer sells Tunisian assets to OMV

Austria's OMV has scaled up its operations in Tunisia with an agreement to acquire Pioneer Natural Resources' subsidiaries for more than US\$800 million.

OMV, announcing the deal on January 6, said the deal brought it immediate production and significant exploration and development upside. The Austrian group agreed to acquire 100% stakes in Pioneer Natural Resources Tunisia and Pioneer Natural Resources Anaguid, via its OMV (Tunisien) Production subsidiary.

OMV is to pay US\$800 million plus working capital of US\$65.7 million, although this latter figure will be adjusted on closing based on 2010 results. The deal is expected to close in the first quarter and will have an effective date of January 1, 2011.

The deal includes net production of 5,700 barrels of oil equivalent per day,

the average in the fourth quarter of 2010, of which 90% is oil and 10% gas. As of June 2010, according to a DeGolyer MacNaughton report, the properties had probable reserves of 38 million boe and possible reserves of 59 million boe.

The Austrian company produces around 7,000 boepd in Tunisia, with stakes in two exploration and six production licences.

The new assets, OMV said, would complement the company's existing south Tunisian assets, Jenein Sud and Nawara. The deal also allows OMV to consolidate its ownership of a plan to build a 320-km gas pipeline, the South Tunisia Gas Project (STGP), from the Adam concession to the city of Gabes by 2014.

Cash for the deal will come from existing cash and credit lines.

OMV said, though, that Pioneer's stake in the Anaguid exploration permit and

the Mona/Durra production concession were subject to a pre-emption right. These two assets constitute 13% of the purchase price.

Pioneer's chairman and CEO, Scott Sheffield, said the US company would use the cash from the Tunisian sale to focus on "our high-return oil-related core assets in the US. We plan to utilise the proceeds from the divestiture to accelerate drilling in the Spraberry and the Eagle Ford shale. Our most recent drilling programme called for 30 rigs to be operating in the Spraberry during 2011, but we now plan to increase the rig count to 35 rigs by mid-year."

Tudor Pickering Holt gave its approval of the OMV deal for Pioneer, describing it as "sweet" and noting the US company's Tunisian assets had not been acknowledged in its share price. ■

# Petrohawk sells Fayetteville interests to XTO

Texas-based Petrohawk Energy announced on December 23 it had wrapped up a deal, worth US\$650 million, of Fayetteville shale natural gas interests in Arkansas, to ExxonMobil's XTO Energy.

The assets are located primarily in Cleburne and Van Buren Counties in the central region of the state. The US\$575 million transaction has an effective date of October 1.

Petrohawk has also inked a US\$75 million definitive agreement with XTO for its Fayetteville midstream assets. That deal is expected to close early this year, pending standard closing conditions and regulatory approvals.

The company's estimated proven reserves in the play at the end of 2009 totalled about 299 billion cubic feet (8.47 billion cubic metres) of natural gas, with Fayetteville production of approximately 98 million cubic feet (2.78 million cubic metres) per day.

Petrohawk retained Bank of America Merrill Lynch as its marketing and financial advisor for the deal.

Officials for the company began talking about a potential sale in 2010, noting in the company's third-quarter financial review in November that it was entering the marketing process for a potential sale in the Fayetteville shale.

The XTO transaction was one of four

significant divestiture deals by Petrohawk in 2010. The company also sold 50% of its Haynesville shale midstream operations to Kinder Morgan Energy Partners in April, for US\$875 million in cash.

The deal created the largest gathering and midstream business in the Haynesville, with 173 miles (278 km) of pipeline in service at that time.

The company also sold assets in Louisiana and Oklahoma in March of last year, for a total of about US\$475 million.

In addition to the Fayetteville and Haynesville shales, Petrohawk also concentrates its efforts in the Eagle Ford shale region of south Texas. ■

## PERFORMANCE

# Chesapeake to slow production growth

Chesapeake Energy intends to slow spending on leases and will reduce its two-year production growth rate to 25%.

The US-based natural gas company with extensive interests in shale gas will reduce its production growth rate from the 30-40% it previously planned to achieve through asset sales and joint ventures, the company announced on January 6.

"This plan represents a fundamental shift from our aggressive asset accumulation of the past few years to a multi-year period of asset harvest, characterised by a clear focus on capital discipline and maximising returns," said the company's CEO, Aubrey

McClendon.

The most active US gas driller, Chesapeake spent around US\$5 billion on leases in 2010 as it took positions in shale plays, said the company's manager of investor relations and research, John Kilgallon, during a presentation to investors. He added that in 2010, Chesapeake's joint-venture sales amounted to US\$4.4 billion.

Dow Jones quotes Kilgallon as saying: "We think the gas land grab is certainly long gone and we think the liquids land grab is largely over in the first half of 2011 ... You're going to see a dramatic reduction in spending."

The company's buying spree sparked

widespread interest. In October 2010, China National Offshore Oil Corp (CNOOC) announced that it would spend US\$2.16 billion on buying into Chesapeake's interests in the Eagle Ford shale play in Texas.

Chesapeake intends to announce a new joint venture soon, similar to the CNOOC deal, on its acreage in the Niobrara shale formation, in Colorado, Kansas, Nebraska and Wyoming, reported Dow Jones.

Kilgallon added that the company expected to make a separate deal to sell a stake in an unnamed shale play that includes more than 1 million acres (4,046 square km).■

# Newfield celebrates liquids-rich work in Eagle Ford

Newfield Exploration has drilled 11 wells in Texas' Eagle Ford shale since mid-2010, leading the company to state its belief that "substantially all" of its acreage in the Maverick Basin is oil-prone.

Newfield, which has 335,000 net acres (1,355 square km) in the Maverick, Dimmit and Zavala Counties, said six wells had been producing for more than 30 days with average production of 400 barrels of oil equivalent per day. The wells ranged from 400 to 900 boepd at peak, with an average of 630 boepd.

The company has also completed two wells recently, the first of which has begun producing at 860 boepd, while the second is cleaning up following fracture stimulation.

"We are excited about the success of our 2010 assessment programme. Our early assumptions that the Maverick Basin would hold thick, high-quality

Eagle Ford pay and offer us the opportunity to develop a major new resource play are proving true," said Newfield's chairman, president and CEO, Lee Boothby.

He went on to say all Newfield's wells in the Eagle Ford had found light oil and said the company's drilling programme was continuing, with the hope that it would be "in position to substantially increase our investment levels in the play in the second half of 2011."

All 11 of the wells had lateral of around 5,000 feet (1,525 metres) and found oil with API gravities of 30-50 degrees.

The company says that wells drilled with more than 90 days of production hold estimated ultimate recoveries of 200-400 million boe. Oil in place in the company's lower Eagle Ford areas are in the 40-60 million boe range per section, with Newfield holding around 85% in

523 sections.

In order to continue its Eagle Ford work, the company said it had signed a deal with a major services company in late 2010 for completion work in 2011 and 2012.

A note from FBR Capital Markets said: "Without assigning any value to Newfield's northern acreage, we estimate its southern Eagle Ford position to be worth US\$2.7 billion." FBR went on to say that there had been some concern that the shallowness of the Maverick Basin might have made the Eagle Ford position "sub-optimal."

Pre-tax internal rate of return for the project is around 45%, FBR said, which also noted Newfield's plans to double capital expenditure in the Eagle Ford to US\$200 million in 2011, moving into "development mode" in 2012.■

## PERFORMANCE

# Canadian politician calls for greater focus on supplying Asia

An independent lawmaker in Canada's Upper House of Parliament has suggested Ottawa should strike deeper economic and political links with its counterparts in Asia, in order to export increased volumes of crude oil.

"We don't need to ignore the US, but it is too small a market for us," Senator Elaine McCoy and an active participant in the energy, environment and natural resources committee of the Upper House, said at an executive symposium in Calgary. "Canada should be making friends in other parts of the world, or else stand the chance of being marginalised as an oil producer."

Her statements came closely on the heels of an initial agreement signed by the energy ministers of the Canadian provinces of Alberta, British Columbia and Saskatchewan in late December to work together to raise the profile of the three provinces as an oil and gas supplier to Asia. Currently, nearly 75% of Canada's total oil production is exported to the US.

"Oil sands output accounts for over 85% of that [total Canadian exports]," Canadian Association of Petroleum Producers' (CAPP) vice president, Greg Stringham, said. "At present, total bitumen produced in Alberta is 1.55 million [barrels per day] and it is

projected to reach 1.66 million bpd in 2011. The US has been our biggest buyer, but we noticed an eye-opener this year. An average 93,000 bpd was transported to refineries in the US Gulf Coast, while 80,000 bpd was shipped out

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***"Ottawa should treat the Northern Gateway venture as a national treasure and ensure it goes ahead," she said***

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through the Pacific Coast. However, 143,000 bpd of crude oil was exported through the Trans Mountain pipeline in April."

The Trans Mountain pipeline delivers both crude oil and refined products from Edmonton, Alberta, to Kamloops, Sumas and Burnaby in British Columbia. The 1,150-km delivery system has a nameplate capacity of 300,000 bpd.

As a prerequisite to exporting oil to Asia, McCoy said Canada should first set its own house in order.

"Ottawa has a responsibility for creating a collegial bond across the country, but it has not been playing that role. Also, there is ignorance amongst the

provinces about each other's resources. A uniform strategy or consensus is needed to establish a national energy identity," she said.

In July 2011, provincial energy ministers are due to hold talks in Kananaskis, Alberta, on a countrywide energy policy, which will be followed by another session in Ottawa in September. However, McCoy is sceptical of any final outcome.

"There could be a political accord and it could be the first step, but a Canadian energy identity policy is still far away," McCoy said. The outcome will be watched closely. However, McCoy suggested the Conservative Party government of Prime Minister Stephen Harper could take the lead by setting an example.

"Ottawa should treat the Northern Gateway venture as a national treasure and ensure it goes ahead," she said.

The C\$5.54 billion (US\$5.48 billion) pipeline, which is intended to export 525,000 bpd of bitumen through a 1,172-km trunkline from near Edmonton to Kitimat, British Columbia, is now going through a series of regulatory hearings. ■

## POLICY

# Alberta to revisit ethane production policies

The Tory government in Edmonton is weighing options to revise its existing ethane extraction policy to make available incremental feedstock for the

province's petrochemical sector, Alberta Energy Minister Ron Liepert told *NorthAmOil* in an interview.

"A task force has been set up

comprised of members from the industry and the government and they have already held several working sessions," he said. ►►

## POLICY

“We have a tremendous opportunity to harness offgas to be produced from the upcoming oil sands projects. While we are trying to figure out how to make that happen, revising the ethane extraction policy is also on the table for discussion.”

In July 2007, the provincial government issued an incremental ethane extraction policy (IEEP), providing incentives through royalty credits on the volume of ethane consumed in the province. Under the 10-year policy, a credit level of C\$1.8 (US\$1.78) per barrel was set and would apply only to ethane used by petrochemical producers

over their current consumption level.

“Shortage of feedstock gas is a major stumbling block for existing and new investors. [Abu Dhabi-based International Petroleum Investment Company] IPIC has told me that they are prepared to invest if more ethane is available,” Liepert said.

In July 2010, IPIC bought out Nova Chemicals Corporation, which operates an ethane extraction plant at Redwater in the province.

“Oil companies are the likely source of ethane feedstock. But as petrochemicals is not their core business we need to come forward with certain incentives that

will entice them to tap into the offgas,” he said.

Offgas is a mixture of hydrogen and light gases, including ethane, butane, propane and butylenes that is produced from oil sands operations and also when bitumen is upgraded to synthetic crude oil.

“About 60,000-85,000 [barrels per day] of ethane could potentially be available if major oil sands projects and bitumen upgraders get built. This would be sufficient to set up two world-scale ethane crackers in the province, each with capacity of 1.5 million tonnes per year,” Liepert said. ■

## PROJECTS & COMPANIES

# Cairn hires rigs for Greenland work

The UK's Cairn Energy has secured two rigs to carry out work offshore Greenland. Exploration is set to begin in April – two months ahead of the start of the usual drilling season.

On January 4, Cairn said it had signed six-month leases for the Leiv Eiriksson and Ocean Rig Corcovado vessels from Ocean Rig, a subsidiary of Dryships. In a statement, Dryships gave the combined cost of the two rigs as US\$237 million.

Cairn said it intended to drill up to four wells in 2011, subject to government approval.

Although the drilling season in Greenland normally runs between June and the end of September, because of safety concerns over the extreme Arctic conditions, it is expected that the company will be granted permission to drill off the south coast, where ice

melts earlier in the year, two months before this period.

Cairn will then resume drilling in Baffin Bay, further north, in June.

Commenting on the announcement, the company's CEO, Sir Bill Gammell, said: “By contracting two vessels for the Greenland exploration programme Cairn has increased operational capability and flexibility and continues to demonstrate its focus on safety. We look forward to drilling up to four exploration wells offshore Greenland during 2011.”

To fund the programme, Cairn said that stand-by debt funding of US\$900

million had been pledged by HSBC, Standard Chartered and the Royal Bank of Scotland, among others.

Cairn began drilling in west Greenland in July 2010, with partners Nunaoil and Petronas. However, the company was forced to abandon two of its three exploration wells, leading it to write off GBP117 million (US\$182 million) in costs. At the time, Gammell described Greenland as “a marathon, not a sprint.”

In related news, Royal Dutch/Shell and Statoil said on January 5 that they would not begin drilling at their two Baffin Bay licences for another four years.

“The next four years we will concentrate on seismic and electromagnetic exploration. We do not plan any exploration drilling [during] the next four years,” said Shell Denmark's communication manager, Regitze Reeh. ■



## PROJECTS & COMPANIES

# Shell faces continued permit trouble in Alaska

Environmentalists have successfully challenged a government decision to grant Royal Dutch/Shell two air-quality permits to drill in the arctic seas off Alaska.

The revoking of the Environmental Protection Agency (EPA) permits, one for the Beaufort Sea and one for the Chukchi Sea, was upheld by the agency's Environmental Appeals Board after arguments by environmental and Eskimo groups. They claimed EPA had used outdated emissions standards.

Drilling may cause disproportionately high and adverse human health or environmental impacts in native Alaskan communities, wrote Judge Anna Wolgast for the board. EPA, the judge wrote, "had

clearly erred in the limited scope of its analysis of the impact of NO2 emissions on Alaska native 'environmental justice' communities located in the affected area."

The decision is a blow for Shell, which spent US\$2.1 billion to obtain leases in 2008 in the area. The company has since scaled back its plans and has been intending to drill one exploration well in the Beaufort Sea in 2011, which is considered the less promising of the two seas.

A company spokesman, Curtis Smith, said that without the permits the company could not proceed with its drilling plans in 2011, reported Associated Press.

Shell was awarded the permits in 2010 by the US Environmental Protection Agency (EPA). The permits, which must now be renegotiated, would have allowed the company to operate a drilling ship and support vessels. The region's oil reserves could total 25 billion barrels.

EPA said it was reviewing the appeals board's decision and determining how best to proceed, said the Wall Street Journal.

Alaskan Governor Sean Parnell said of the decision: "Nothing can replace the jobs that Alaska and America lose when one resource project after another is delayed by endless appeals." ■

# Apache's Balboa steps into the deepwater ring

Despite the problems of working in the US' deepwater, Apache Corp. has brought production onstream from its Balboa field, in the Gulf of Mexico's East Breaks Block 597. The field is Apache's first operated development in the area.

The company, in a statement on January 6, said initial flow rates had stabilised at around 30 million cubic feet (850,000 cubic metres) per day and 1,400 barrels per day of oil. Production began on December 28, 2010.

Apache is the operator of the development, via a subsidiary, with a 50% stake. Apache acquired the asset when it bought Mariner Energy in November 2010. The remainder of the field is held by Marubeni Oil & Gas

(USA).

The field is in water depths of around 3,350 feet (1,021 metres), 130 miles (209 km) south of Galveston.

The field is a one-well development with a six-mile (9.7-km) tieback to the Boomvang spar, operated by Anadarko Petroleum, in East Breaks 643.

Apache said the Balboa reservoir included an oil-bearing sandstone with a natural gas cap. The well was completed close to the crest of the structure in order to maximise recovery. Production is initially to include natural gas and liquids, but as time passes the ratio will shift more towards liquids.

"Subsea tieback technology has significantly improved the economics for deepwater developments by lowering the

threshold for commercial accumulations," said Apache's co-chief operating officer and president for North America, John Crum. "Through acquisitions completed in 2010, Apache now has both the capability in-house and the portfolio of properties in the deepwater Gulf of Mexico to exploit assets such as Balboa and add shareholder value."

Apache has a range of assets in the Gulf, although some have run into difficulties because of the slow return to activity following the Macondo disaster in April last year. Scotia Capital, in July 2010, said the company's gross resource in the area was 128 million barrels of oil equivalent. ■

## NEWS IN BRIEF

### OIL

#### BP closes part of Prudhoe Bay after setback in land dispute

BP shut down a small portion of the Prudhoe Bay oilfield last week after a judge ruled that federal regulators failed for years to get approval from the Inupiat Eskimo family that owns the land. The shutdown affects less than 1% of production from the nation's largest oilfield, but so far it's the most visible consequence of a significant legal victory for the Native family, which has battled lawyers for the federal Bureau of Indian Affairs and BP in federal court over the oil production from its land. Federal claims court judge Nancy Firestone ruled this fall that the Oenga family is owed millions in unpaid rent because the BIA improperly allowed BP to tap three offshore oil deposits from the family's allotment on the northern edge of the vast Prudhoe oilfield.

**ANCHORAGE DAILY NEWS,**  
**January 5, 2011**

#### Macondo findings boost chance of criminal charge

Months of investigation by a presidential commission and other panels reinforce the likelihood that companies involved in the Gulf oil spill will be slapped with criminal charges that could add to the huge fines they already face, legal experts said Thursday. The reports don't blame a single person or group responsible for the series of mistakes. That means in the end no one may go to prison for the worst offshore oil spill in US history. BP, Transocean and Halliburton should survive thanks to their financial arsenal, though charges would take another chunk out of their armour.

**AP, January 6, 2011**

#### AOPL: pipelines' share of US petroleum transportation rising

US crude oil and product pipelines continued to increase their share of total US petroleum transportation in 2008, the Association of Oil Pipe Lines said on Jan. 4 in its latest annual report.

"Pipelines accounted for 71% of all petroleum transportation in 2008, up from 66.8% in 2007 and 54% in 1990," AOPL Pres. Andrew J. Black said.

"Shippers recognise that pipelines are the most efficient, reliable, and safe method of transporting liquid fuels." AOPL's report considered four major transportation modes – pipelines, motor carriers, water carriers, and railroads – and two major petroleum categories: oil and products. For 2008, it said, total ton-miles for all transportation modes grew by 5.6% from the previous year.

**OGJ, January 5, 2011**

#### CEO: W&T to boost drilling in 2011

Oil and gas explorer W&T Offshore said Wednesday it would ramp up drilling in the Gulf of Mexico and onshore this year as well as look to acquire energy producing properties. "I think it's becoming more of a buyer's market," Chief Executive Tracy Krohn told investors. "I think you'll be very pleased by what you'll see in 2011 from W&T along the acquisition front in particular." Krohn said during a webcast meeting with investors that the five-month moratorium on deepwater drilling that followed BP's Deepwater Horizon oil spill and subsequent delays in new drilling permits has not caused W&T to lose any of its Gulf of Mexico leases. Krohn gave no indication that the uncertainty surrounding permitting could hamper the company's plans to next year drill eight new Gulf wells, including one in deepwater.

**DOW JONES, January 5, 2011**

#### Tiny particles used by oil drillers in big demand

State geologists are hopeful North Dakota's sands and clays will work as a substitute for increasingly sparse imported materials used to boost the recovery of crude. A worldwide supply crunch of so-called proppants – ultra-hard sand grains and tiny manmade ceramic balls – has some drillers using lesser-grade particles that have cut the yield of oil wells in the Bakken and Three Forks formations in western North Dakota. "The reality is people are sold out of everything," said Mike Vincent, a Golden, Colo.-based engineer. "People are taking whatever they can – an extremely low quality material is being pumped into the Bakken."

**AP, January 9, 2011**

#### Alaska lawmakers likely to revisit oil taxes

Some legislators are gearing up to roll back the oil tax increase put in place during former Gov. Sarah Palin's administration. The oil profits tax still has influential defenders, including Senate Democrats. But tax opponents say they'll try again to cut the tax when the 90-day legislative session starts Jan. 18. Critics say the tax structure, known as Alaska's Clear and Equitable Share, or ACES, has stifled jobs and needed oil production. House Speaker Mike Chenault told the Anchorage Daily News he wants a major tax overhaul. Supporters say state finances would be in trouble if the tax is repealed.

**AP, January 7, 2011**

#### PXP to spend US\$1.2 billion in 2011

Plains Exploration & Production said Monday that it would slightly increase its capital spending this year to US\$1.2 billion, from the US\$1.1 billion it spent in 2010, and continue to shift its focus toward producing oil instead of natural gas. ▶▶

## NEWS IN BRIEF

Like many of its peers, Houston-based Plains in the last year has tilted its resources toward the production of oil and liquid natural gasses, which trade in energy markets at a premium over dry natural gas, or methane. In an investor presentation that the company included in a regulatory filing late Monday, Plains said 73% of its spending would be aimed at oil and liquids production while 27% is marked for natural gas production and exploration. That compares with only 7% of spending that was allocated for oil and liquids production in 2009 and 24% in 2010, the company said.

**WSJ, January 10, 2011**

### US lawmakers work to renew federal pipeline safety law

US lawmakers are looking to renew a pipeline safety law that expired last year as Alyeska Pipeline Service Co. works to restore service to the 800-mile Trans Alaska Pipeline System following the discovery of a leak. Sens. Jay Rockefeller (D., W. Va.) and Frank Lautenberg (D., N.J.) plan to introduce a bill "early" in this congressional session to re-authorise the pipeline safety law, a Senate aide said. Rockefeller chairs the Senate transportation committee while Lautenberg heads up the infrastructure subcommittee. In the House of Representatives, meanwhile, Transportation and Infrastructure Committee Chair Rep. John Mica (R., Fla.) is looking to hold hearings on the issue.

**DOW JONES, January 10, 2011**

### Alaska pipeline to restart temporarily

The operator of the Trans Alaska Pipeline system said Tuesday that it plans to temporarily restart the pipeline late Tuesday night to ensure the pipes and oil in the system don't freeze while crews work to replace a damaged pipe. "We expect that oil will start flowing through the pipeline tonight," Alyeska Pipeline Service Co. spokeswoman

Michelle Egan said late Tuesday. Most Alaska oil production has been shut in since Saturday as Alyeska scrambles to replace a section of damaged pipe that is crucial for permanently restarting the pipeline system. Each day the system is down amid below-freezing temperatures at Alaska's North Slope oilfields, the possibility looms that something else could go wrong.

**WSJ, January 12, 2010**

### Pengrowth oil pipeline rupture investigated

A fire erupted after an explosion this weekend at a gas pipeline in the area of Swan Hills, Alta., about 220 km northwest of Edmonton, an oil and gas company has reported. Pengrowth Energy Corp. issued a news release saying its line ruptured north of a processing facility. The company said it followed its emergency-response plan, and the pipeline was "quickly isolated and contained." There were no injuries, the company said, adding the as-yet unexplained rupture took place in an isolated area with no homes nearby. Police and firefighters responded to the incident, and an investigation into what happened is under way, the company said. Repairs are expected to take five to 10 days, the company said.

**POSTMEDIA, January 3, 2011**

### Syncrude production falls on Enbridge pipe restrictions

Canadian Syncrude production fell 3.1% to 345,800 barrels per day in December from 356,800 barrels a day in November, Canadian Oil Sands Ltd. said in a notice on its website. December output was affected by export pipeline constraints, according to the notice. Shipments on crude pipelines owned by Enbridge, the biggest carrier of oil to the US from Canada, were curtailed by repairs during the month. Syncrude's mining operations and upgrading facility are located about 25 miles (40 km) north of Fort

McMurray in Alberta. It is a joint venture among seven oil and gas companies, of which Canadian Oil Sands holds a 36.74% interest, according to its website. Canadian Oil Sands Trust converted to a limited company effective Dec. 31. Canadian equity markets were closed today for the New Year holiday. The company will begin trading as Canadian Oil Sands Ltd. tomorrow.

**BLOOMBERG, January 3, 2011**

### American Petro-Hunter announces NOS227 PLANS

American Petro-Hunter has finalised plans for the next oil well to be drilled at the North Oklahoma Project. The well has been designated NOS227 and is planned for a depth of 4,000 feet. NOS227 will be a vertical well that is a direct offset to the recently completed commercial oil well at the NOJ26 location. The new well is taking advantage of a favourable oil producing geological trend up dip and to the west where the productive Woodford and Mississippi Formations are the primary objective. The location also offers excellent potential in the Simpson and Wilcox formations. A multiple objective well minimises risk given the four potentially productive horizons. The company has received an AFE (Authority for Expenditure) from the operator for a 50% working interest in the upcoming well. The planned spud date will be announced shortly as soon as the schedule can be confirmed with the drilling contractor. Given that the No. 1 well and the NOJ26 well responded to acidisation and fracture stimulation of the oil reservoirs, the company expects that a similar completion programmes will be implemented on the NOS227 well. The production target for this well is in the 125 to 150 bpd range. However, if multiple objectives are all productive, rates may be higher.

**AMERICAN PETRO-HUNTER, January 4, 2011**

## NEWS IN BRIEF

### Mogul Energy announces lease acquisition, JOA

Mogul Energy International recently acquired the oil and gas rights on more than two dozen leases in Jackson County, Texas. The acreage will provide the first of two potential locations in Mogul's south Texas drilling programme announced earlier this year. In addition, Mogul entered into a participation agreement and signed a joint operating agreement (JOA) with Fossil Oil Company and the C H Squires Family to add adjoining acreage already leased and to participate equally in the drilling of the prospect. The additional acreage would add three to five prospective well locations. The combined leases total approximately 480 acres. Mogul will be the operator of record for this prospect with the first well to be permitted and drilled by mid-February 2011. "Our plan is to drill the initial well to a total depth of 7,400 feet and test multiple zones within the Frio formation that have been identified as productive or having the potential of being productive based upon the well data in the area," executive vice president Tim Turner said. "Mogul has made a commitment to pursue multiple drilling opportunities in the Texas Gulf Coast region. This is the first of several prospects we have planned in the area over the next 18 months."

**MOGUL ENERGY  
INTERNATIONAL, January 3,  
2011**

### Denbury completes Encore sale

Denbury Resources announced that on December 31, 2010, it closed the previously announced sale of its ownership interests in Encore Energy Partners LP to Vanguard Natural Resources, LLC. Denbury sold to Vanguard 100% of its interest in ENP's general partner and approximately 20.9 million ENP common units, representing approximately 46% of ENP's outstanding

common units. Total proceeds from the sale were approximately \$393 million, consisting of US\$300 million cash and 3,137,255 Vanguard common units valued at approximately US\$93 million based on the December 31, 2010 closing price of Vanguard units of US\$29.65. In addition, the existing bank debt of ENP, which was US\$234 million as of December 31, 2010, remained with ENP in the sale. At year-end, Denbury had no bank debt outstanding under its US\$1.6 billion bank credit facility, and available cash, primarily from the sales proceeds, of more than US\$300 million is expected to be more than sufficient to fund any shortfall between the company's estimated cash flows from operations and currently planned capital expenditures during 2011. The company's Vanguard common units acquired in the transaction, representing approximately 11% of Vanguard's outstanding common units, are covered by a registration rights agreement requiring Vanguard to register Denbury's Vanguard units within 30 days following a demand made after July 31, 2011. The company also announced that the last phase of the Green Pipeline was completed in mid-December 2010 and CO2 injections at Hastings Field commenced on December 16, 2010. In addition, the company recently received its US Army Corps of Engineers permit for facility construction at Hastings Field and anticipates receiving its permit for facility construction at Oyster Bayou in January 2011.

**DENBURY RESOURCES,  
January 4, 2011**

### Savoy Energy inks LOI for Texas lease

Savoy Energy Corporation signed a letter of intent to acquire a 135 acre lease in central Texas. The lease includes proven non-producing reserves in the Austin Chalk formation. Geological studies performed have identified this lease as being within the oil window of the Eagle Ford Shale Formation. The company's strategy to place potentially valuable Eagle Ford acreage under contract

continues with this lease. CEO Arthur B. Bertagnolli said: "This acreage is exciting for multiple reasons: location within the Eagle Ford Shale Formation, the possible re-entry and re-completion of the existing vertical well bore and the future development of the remaining acreage. With the completion of this lease acquisition, the company will continue to demonstrate the ability to pool its resources and stay on course."

**SAVOY ENERGY  
CORPORATION, January 10,  
2011**

### Solara Exploration tests new Cardium well

Solara Exploration has recently completed the drilling, fracking and completion of its previously announced horizontal well in Section 17-45-5-W5M located in the Pembina (Buck Lake) area of Alberta. The company undertook testing operations from December 19, 2010 to January 6, 2011, during which time it recovered all of the load fluid and subsequently achieved testing rates of approximately 1,497 barrels of oil per day and 1.9 million cubic feet of natural gas per day for an aggregate rate of 1,816 boepd of field production, ending on January 6, 2011 with a flowing pressure of 3700 kpa. Solara's partner in the well has taken over facility tie in operations and is currently in the process of equipping the well for production and anticipates that these activities will be completed within 30 days. Management's estimate of Solara's share of initial production from the well is estimated to be approximately 484 boepd. The company has additional horizontal drilling opportunities on its lands in the Pembina Buck Lake area, which complement its recent drilling success.

**SOLARA EXPLORATION,  
January 10, 2011**

## NEWS IN BRIEF

### Canadian energy grid lacks protection

Canada still has not identified its critical energy infrastructure sites in need of protection from terrorism almost 10 years after the Sept. 11 attacks, according to a scathing report recently released by the Department of National Defence. The report, commissioned by the DND's research branch, concludes that Canada has yet to develop more than a patchwork strategy to protect installations such as oil refineries, power plants and offshore drilling platforms from attacks from al-Qaeda, homegrown extremists or cyber-hackers. Various governments have claimed that emergency management and critical infrastructure protection are major priorities, but "the reality appears rather different from the rhetoric," wrote Angela Gendron, the report's author and a senior fellow at the Canadian Centre of Intelligence and Security Studies at Carleton University. Gendron's report found that Canada's key installations are typically well-protected, although offshore production platforms may still be vulnerable to assault by sea or air. Gendron also hit out at the effectiveness of the government's protection plan, which she said will depend upon the voluntary participation of various public and private sector stakeholders, as well as building a culture of collaboration and information-sharing among them. More than 80% of energy sector assets and installations are privately owned or operated, she noted.

**CBC, January 5, 2011**

### Suncor Energy production meets 2010 target

Suncor Energy reported today that the company's oil sands production during December averaged approximately 323,000 barrels per day. The company achieved its oil sands production target for 2010 with annual production averaging approximately 283,000 bpd. Production slipped compared to

November when Suncor averaged approximately 325,000 barrels per day, according to the company. Production numbers include upgraded sweet and sour synthetic crude oil and diesel, as well as non-upgraded bitumen sold directly to the market, from all Suncor-operated facilities. Reported volumes do not include Suncor's proportionate production share from the Syncrude joint venture.

**SUNCOR, January 7, 2011**

### Canadian prime minister backs "ethical oil"

Prime Minister Stephen Harper is embracing the notion Canada's controversial oil sands are an "ethical" source of energy, strengthening his support of the maligned resource and kicking off a new chapter in the debate over what critics call "dirty oil." The Prime Minister told reporters his government wants to "explain to the world" that petroleum from Western Canada's oil sands is superior in respects to crude from other countries. Harper said the oil sands were important source of economic growth for the country, and that it was critical to develop it in a responsible and environmental way. He said Canada was "a very ethical society and a safe source for the US" compared to other nations. Harper's comments build on newly minted Environment Minister Peter Kent's declaration that the oil sands are an "ethical" source of energy and one that should take priority in the US over foreign producers with poor democratic track records or those that use petrodollars "to fund terrorism." Canada's tarry resource has acquired a reputation as an environmental scourge outside the country due to its greenhouse-gas-intensive extraction methods and the ensuing damage inflicted on surrounding ecosystems.

**GLOBE AND MAIL, January 7, 2011**

### Horizon outage reduces Western Canada oil glut

Price spreads for synthetic crude have tightened with Canadian Natural Resources Ltd's oil sands plant down for an unknown period, reducing pressure on an overloaded export pipeline network, market sources said on Monday. Canadian synthetic light oil for February delivery was quoted at 30 US cents on either side of flat with benchmark West Texas Intermediate, compared with about 5 US cents over to US\$2.25 under WTI on Friday. Canadian Natural, whose 110,000 bpd Horizon oil sands upgrader in Alberta caught fire, said it may be able to resume limited production with two coker drums that appear to have suffered less damage than the other pair. It did not offer an estimate on Monday of how long it might take for any production to resume at the facility. Five people were injured in the incident and one remains in hospital. The market appeared to be pricing in a shutdown of some or all of the output at Horizon of at least two weeks to a month, market sources said. Before the shutdown, synthetic was quoted at US\$2.50-\$4 a barrel under WTI, under pressure due to a glut of crude in Western Canada blamed on tight restrictions and over-nominations on Enbridge Inc's export pipeline system.

**REUTERS, January 10, 2011**

### Tethys Petroleum to start Kazakhstan drilling project

Calgary-based Tethys Petroleum has received approval for its Doris oil pilot production project in Kazakhstan. TethysAralGaz, the company's wholly owned Kazakh subsidiary, has received state approval from the Ministry of Oil and Gas for the pilot production project for the Doris oil discovery on the Akkulka field. ▶▶

## NEWS IN BRIEF

The approval grants the right for oil production on the Akkulka field during the exploration period and allows the company to install and operate production facilities for the planned 3,000-4,000 bpd production target planned for the second quarter of 2011. Currently TAG is producing under test production at a permitted level of 750 barrels of oil per day. Once the pilot programme is completed the relevant final reserve calculations will be submitted to The Ministry of Oil and Gas to receive a production contract that will allow for full field development and foreign or domestic sales. The company is expected to apply for a production contract after the appraisal programme for the Doris Oil discovery is complete which is forecast for the end of 2011. The next two wells to be drilled on the Doris oil discovery have been identified with the first planned to drill in early February 2011 with an already contracted ZJ30 rig.

**TETHYS PETROLEUM, January 11, 2011**

### Talisman Energy to maintain modest drilling budget

Talisman Energy will hold exploration and development spending flat at about US\$4 billion this year with the aim of boosting overall output 5% to 10% as natural gas prices languish. Talisman, Canada's No. 4 independent oil producer, said it will concentrate its North American efforts on liquids-rich shale plays, such as the Eagle Ford on Texas, and conventional oil prospects, while slowing drilling in the Marcellus in Pennsylvania. The company will cut shale gas spending in North America by 35% from 2010 levels. The moves are similar to strategies announced recently by other gas-focused energy companies, such as Encana Corp. and Chesapeake Energy, in response to stubbornly weak prices for natural gas due to rising production and high inventories. Talisman, which also has oil and gas operations in Southeast Asia, the North

Sea and Colombia, estimates 2010 production at about 415,000 barrels of oil equivalent a day. This year it sold C\$2.2 billion of older assets as it pushed more into unconventional plays. Despite the cut in gas spending, Talisman will advance its Farrell Creek play in the Montney shale of British Columbia, for which it signed a US\$1 billion joint venture deal with South Africa's Sasol last month, drilling 35 wells.

**REUTERS, January 11, 2011**

### GAS

### Qatar Petroleum, ExxonMobil to develop gas project

ExxonMobil and state-run Qatar Petroleum signed an agreement today to develop an US\$8.6 billion project for supplying gas to users in the Persian Gulf emirate. The Barzan venture is Qatar's most expensive energy project since Royal Dutch Shell announced the Pearl gas-to-liquids plant, now budgeted at US\$19 billion, in 2006. Qatar Petroleum owns 93% of Barzan, with ExxonMobil holding the remainder. Barzan will produce 1.4 billion cubic feet of gas a day once its two production plants are completed in 2015, Saad al-Kaabi, Qatar Petroleum's director of oil and gas ventures, said at the signing ceremony in the Qatari capital, Doha. Ras Laffan Liquefied Natural Gas Co. will be lead developer of the gas complex. JGC Corp. of Japan and South Korea's Hyundai Heavy Industries Co. won contracts to engineer and build the facility.

**BLOOMBERG, January 6, 2011**

### US gas assets likely to trade at discount for 2011

US natural gas assets will likely continue trading at a large discount to equivalent liquids assets in merger and acquisitions (M&A) activity during 2011, with only a modest growth in gas prices predicted, said Eoin Coyne, M&A expert at London-based Evaluate Energy. Smaller

US gas focused companies may consolidate or be acquired by companies who can afford to take a longer view on gas price predictions, Coyne noted. Meanwhile, shale plays in Europe may start to attract larger investments, although this prediction may be one year too early. Oil sands merger and acquisitions have been quiet in recent years since the credit crisis and consequent drop in oil prices; however, this area may be revived if the oil price continues at current levels.

**RIGZONE, January 7, 2011**

### Kinder Morgan, Copano expand Eagle Ford Gathering venture

Kinder Morgan Energy Partners and Copano Energy plan to expand the scope of their Eagle Ford Gathering joint venture with an investment of about US\$100 million by the end of 2011. In a joint announcement, the companies said the expansion will provide more than 200,000 MMBtu per day of incremental gathering and processing capacity to producers in the Eagle Ford Shale through construction of additional pipeline facilities and a long-term agreement with Formosa Hydrocarbons for additional processing and fractionation services. Eagle Ford Gathering's previously announced about US\$175 million, 30-inch pipeline in the western portion of the shale play is under construction and remains on schedule to be completed in the third quarter of 2011. Copano will serve as operator of the 30-inch pipeline and serves as managing member of Eagle Ford Gathering. The expansion plan calls for Eagle Ford Gathering will build a 54-mile, 24-inch diameter crossover pipeline between existing Kinder Morgan pipelines, and an additional 20-mile, 20-inch diameter pipeline that will enable the joint venture to deliver gas to Formosa, the companies said in a joint statement. Kinder Morgan will construct and operate the two additional pipelines.

**PRNEWswire, January 6, 2011**

## NEWS IN BRIEF

### Encana to trim 2011 capital spending

Low natural gas prices have prompted Canada's largest natural gas producer to drop its 2011 capital budget, said an Encana Corp. executive. The Calgary-based company will spend less money on operations this year as prices for the fuel remain weak, the head of the company's US operations said. Jeff Wojahn, president of the company's USA Division, told a conference in San Francisco he expects a range of US\$4 billion to US\$4.5 billion when Encana releases details of its capital spending budget in about three weeks. In October Encana cut its 2010 budget by C\$200 million to C\$4.8 billion and warned 2011 could be a leaner year if gas prices stay weak. The company is known for its unconventional gas plays in British Columbia, the US Rockies, Texas and Louisiana. Prices at Alberta's benchmark trading hub AECO will be punished this year because of relatively high storage levels exiting winter, and competition from all other export markets pushing volumes back into Western Canada, said Martin King, with FirstEnergy Capital Corp. The investment brokerage reduced its spot price at AECO to C\$3.25 per thousand cubic feet for 2011, down from C\$4 per mcf averaged last year.

**CALGARY HERALD, January 5, 2011**

### High Plains Gas commences PRB NG operations

High Plains Gas has officially taken over the operations of Marathon Oil's Powder River Basin natural gas wells known as the North and South Fairway assets effective December 1, 2010. These assets consist of 1,614 coalbed methane wells with associated flow lines and over 155,000 net acres producing 17,000 gross Mcfpd. 803 of the recently acquired wells are not currently producing gas and are considered idle wells. "The company's primary focus in its first

months of operation is an aggressive identification and reactivation of idle wells that have historically produced significant levels of natural gas," said operations vice president Greg Greenough. "With the previous HPG wells we have recompleted, we have averaged a 300% increase in daily gas production per well." Greenough also commented that the gas coming from these wells is pipeline spec gas, which means it is considered clean gas that is ready to be marketed. In the month of December 2010, HPG reactivated 52 of the newly acquired idle wells. A major focus of the company will be the reactivation of idle wells and stimulation of select wells within the various fields identified. HPG has also recently installed a 150 horsepower electric screw compressor in the previously idle Kingsbury field and of the existing 247 wells in that field it plans to reactivate another 75 idle wells by the end of January. "The Kingsbury field has been idle for over a year now and with the installation of the new compressor we anticipate these newly activated wells will begin to produce an impressive volume of gas. I estimate Kingsbury could produce around 1,000 Mcfpd," Greenough said.

**HIGH PLAINS GAS, January 7, 2011**

### REFINERS

### Lawmaker introduces bill to delay US EPA GHG regulation

Congresswoman Shelley Moore Capito, a West Virginia Republican, introduced a bill Thursday to delay for two years the US Environmental Protection Agency's (EPA) regulation of carbon dioxide and methane gases. "I cannot imagine an issue more timely or more relevant to the West Virginia economy than preventing the EPA's regulatory overreach from killing jobs and raising energy prices across the board," Capito said in a

statement. The bill, titled the "Protect America's Energy and Manufacturing Jobs Act," is Capito's first of the 112th Congress and follows efforts in the previous Congress by members such as Senator John Rockefeller, a Democrat also from West Virginia, to delay EPA regulations of greenhouse gases. Capito said she favoured a permanent suspension of EPA's power to regulate these emissions under the Clean Air, but believes the two-year suspension has enough support to pass.

**PLATTS, January 6, 2011**

### US Senators oppose higher ethanol blends in gasoline

More than half a dozen US senators have come out against the US administration's recent decision to allow higher levels of ethanol in gasoline. In a letter to the Environmental Protection Agency Thursday, Sens. Susan Collins (R., Maine), Benjamin Cardin (D., Md.), James Inhofe (R., Okla.) and others say ethanol can cause damage to engines for which it isn't approved and ask the agency to reconsider its decision to increase ethanol blends for newer vehicles. The senators are opposing the EPA's decision to allow higher ethanol blends as auto makers and other industry groups file lawsuits to overturn the decision in court.

**DOW JONES, January 6, 2011**

### EPA say 'on track' to make E15 decision for more cars

The US Environmental Protection Agency is "on track" to make a decision on whether to allow higher ethanol blends in more non-flex-fuel cars and trucks, the agency said Wednesday. The comments came as the oil industry warned the transition to E15 would not go as smoothly as the move to ultra low sulphur diesel a few years ago. ►►

## NEWS IN BRIEF

EPA is using data from the Department of Energy to decide whether to back E15 (15% ethanol-gasoline blend) for conventional vehicles of model years 2001-06. The agency has already approved E15 for model years 2007 and newer. In the past, EPA had approved up to E10 for those vehicles, something that remains in all non-flex-fuel car and truck warranties.

**PLATTS, January 5, 2011**

### Rare earths shortage becoming problem for refiners

The skyrocketing cost of rare-earth metals coming out of China is pushing up the cost of gasoline production in the US, the latest sign of the wide-reaching impact of Beijing's decision to restrict exports of the minerals. Prices for some of the chemicals refiners use to process gasoline have risen exponentially after China, which controls about 95% of the world's rare-earth supply, said it would slash exports of the metals by 35% in 2011. The increase could raise gasoline production costs by about a penny a gallon and potentially lead some refiners to cut back on fuel production, and is expected to become a topic in many refiners' earnings conference calls in the first quarter of 2011.

**WSJ, January 7, 2011**

### Horizon output fell in December on coker repairs

Canadian Natural Resources said output at its Horizon oil sands project in northern Alberta fell 22% in December from the previous month as it shut down its upgrading plant to repair a coker unit. The company, Canada's No. 1 independent oil producer, said Horizon's output averaged 83,700 barrels per day in the month, down from 107,800 bpd in November as it shut down the upgrader's coker unit for repairs. Upgraders convert bitumen stripped from the oil sands into refinery-ready synthetic crude. The company says the unit was restarted last

month. Canadian Natural said Horizon's fourth-quarter production averaged 92,900 bpd, 32% more than the year-before quarter. It said it expects 2011 output to average between 105,000 and 112,000 bpd. The company said last month that it plans to expand production at Horizon to 250,000 bpd through a series of small projects aimed at avoiding the hyper-inflation that plagued the development of oil sands projects before the financial crisis in 2008.

**REUTERS, January 6, 2011**

### Sunoco adds Garden State Parkway stations

Sunoco has agreed with the New Jersey Turnpike Authority and Getty Petroleum Marketing to begin operating the nine fuel stations at service plazas along the Garden State Parkway, one of the most heavily traveled roads in the nation. The six-year agreement begins January 2011 and runs through December 2016, the Philadelphia-based oil refiner and marketer said. Sunoco also announced an extension on the two fuel stations along the Palisades Parkway, also in New Jersey, through December 2015. These developments come less than a month after Sunoco announced that it would sell fuel on the Ohio Turnpike beginning in 2012 and acquired 25 retail sites in upstate New York. "These latest additions to our retail portfolio strengthen our position in the Northeast, a region where we enjoy solid brand recognition and customer loyalty," said Lynn L. Elsenhans, Sunoco's chief executive officer.

**BUSINESSWIRE, January 10, 2011**

### CB&I buys rest of Catalytic Distillation from Shell

CB&I has acquired a 100% interest in Catalytic Distillation Technologies by purchasing Chemical Research and Licensing from CRI/Criterion, a subsidiary of Royal Dutch Shell, for

undisclosed terms. Prior to this acquisition, CB&I noted, it's Lummus subsidiary held a 50% interest in Catalytic Distillation develops and licenses advanced refining and petrochemical processes based on its proprietary catalytic distillation technology. Technologies developed by Catalytic Distillation include those used to produce low sulphur and high octane blendstocks for use in reformulated gasoline.

**BUSINESSWIRE, January 3, 2011**

## SERVICES

### US starts 2011 with 1,700 rotary rigs drilling

US drilling activity increased slightly during the first week of 2011, up by 6 rotary rigs to 1,700 working, compared with 1,220 at work a year ago, Baker Hughes Inc. reported. The US rig count exceeded 1,700 units drilling in 4 of the last 5 weeks of 2010, finishing the year with 1,694 working the final week. Land operations accounted for the bulk of the latest gain, up by 5 units to 1,661 working. Offshore drilling increased by 1 rig to 25, all in the Gulf of Mexico. Inland waters activity was unchanged with 14 rigs drilling. Of the US rigs working, 914 were drilling for natural gas, 5 fewer than the previous week. The number drilling for oil increased by 12 to 777. There were 9 rotary rigs unclassified. Horizontal drilling increased by 19 to 966. Directional drilling dropped 1 to 211.

**OGJ, January 7, 2011**

### Three majors ink deal on offshore rig

Husky Energy, Suncor Energy and Statoil Canada have signed a deal to share an offshore rig, helping support continued activity off the Newfoundland and Labrador coast. ►►

## NEWS IN BRIEF

The three-year agreement will see the major oil and gas producers share use of the Henry Goodrich semi-submersible drilling unit for separate projects. It is the second such rig-sharing deal between the corporations with drilling contractor TransOcean, operator of the ill-fated Macondo rig for BP in this spring's offshore US Gulf of Mexico disaster. The prior agreement led to the drilling of the Ballicatters well on the Grand Banks by Suncor Energy, Statoil Canada's Mizzen discovery in the Flemish Pass Basin and exploratory drilling on the Glenwood well in the Jeanne d'Arc Basin by Husky Energy, the provincial government said Thursday. Minister of Natural Resources Shawn Skinner lauded the co-operative agreement, noting high costs could deter companies from exploration and development drilling in the challenging waters offshore Newfoundland. According to the province, the three companies will continue similar

operations under the new deal.

**CALGARY HERALD, December 31, 2010**

### High court to review class action vs. Halliburton

The Supreme Court agreed today to hear an appeal by Halliburton shareholders who want to pursue a class-action lawsuit claiming the oil services company inflated its stock price starting when former Vice President Dick Cheney ran it. The court said it will take up a challenge to an appeals court ruling against the shareholders, who want to represent all investors who bought Halliburton stock between June 1999 and December 2001. Cheney, who is not named in the lawsuit, was Halliburton's chief executive until 2000, when he resigned to run for vice president. The merits of the lawsuit are not at issue

before the court, only whether it may proceed as a class-action. Class-actions increase pressure on businesses to settle lawsuits because of the cost of defending them and the potential for very large judgments.

**AP, January 7, 2011**

### MOVES

#### Greenfields Petroleum names Curzadd interim CFO

Greenfields Petroleum announced Wayne Curzadd, currently vice president and controller, will serve as interim chief financial officer, replacing Mark Witt who is leaving the company to pursue other opportunities. Witt will continue to provide consultation to the company regarding financial matters.

**GREENFIELDS PETROLEUM, January 7, 2011**

## TENDERS & CONTRACTS

<b>PROJECT</b>	<b>American Drilling Feasibility</b>
<b>Project Sector</b>	Upstream
<b>Location</b>	North America, USA, New Mexico Area
<b>Project Holder/Operator</b>	Enhanced Oil Resources Inc.
<b>Scope of work</b>	FS - Feasibility Study Contracts
<b>Current /Past Phase</b>	Drilling and various appraisal works have been carried out
<b>Contract Value Estimate</b>	Over US\$ 585 million
<b>Start up Timing</b>	From 2012 - 2013
<b>Development Stage</b>	Operational Project
<b>Brief</b>	The project is associated with the enhanced recovery of St Johns carbon dioxide and Helium field
<b>Future &amp; Potential Sales Prospects</b>	FEED - Front End Engineering Design Contracts EPC - Engineering, Procurement & Construction Contracts EPCC - Engineering, Procurement, Construction and Commissioning Contracts EPCM - Engineering, Procurement, Construction & Management Contracts EPIC - Engineering, Procurement, Installation & Commissioning Contracts
<b>PROJECT</b>	<b>American Extension Project</b>
<b>Project Sector</b>	Upstream
<b>Location</b>	North America, USA, Alaska State
<b>Project Holder/Operator</b>	Anadarko Petroleum / ConocoPhillips
<b>Scope of work</b>	O&M - Operations and Maintenance Contracts
<b>Current /Past Phase</b>	The project had been on a completion phase
<b>Contract Value Estimate</b>	Over US\$ 110 million
<b>Start up Timing</b>	From 2009 - 2010
<b>Development Stage</b>	Operational Project
<b>Brief</b>	The project is associated with the ACX1 and ACX2 expansion of Alpine Capacity
<b>Future &amp; Potential Sales Prospects</b>	MC - Multi Contracts FC - Framework Contracts LSTK - Lump Sum Turnkey Contracts PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts
<b>PROJECT</b>	<b>American Field Development</b>
<b>Project Sector</b>	Upstream
<b>Location</b>	North America, USA, Gulf of Mexico, East Breaks Area
<b>Project Holder/Operator</b>	Pioneer Natural Resources / Marubeni Corporation
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts
<b>Current /Past Phase</b>	The project had been on a completion phase
<b>Contract Value Estimate</b>	Over US\$ 440 million
<b>Start up Timing</b>	From 2009 - 2010
<b>Development Stage</b>	Operational Project
<b>Brief</b>	The project is associated with the development of Falcon Corridor facilities
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contracts MC - Multi Contracts PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts

## TENDERS & CONTRACTS

<b>PROJECT</b>		<b>American Exploration Project</b>
<b>Project Sector</b>	Upstream	
<b>Location</b>	North America, USA, Gulf of Mexico, Green Canyon Area	
<b>Project Holder/Operator</b>	StatoilHydro ASA / Murphy Oil Corporation / Eni S.p.A. / Poseidon Oil Pipeline Co LLC	
<b>Scope of work</b>	EPIC - Engineering, Procurement, Installation & Commissioning Contracts	
<b>Current /Past Phase</b>	The project had been on a completion phase	
<b>Contract Value Estimate</b>	Over US\$ 735 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the development of Front Runner, Front Runner South, Quatrain offshore oil field	
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts	

<b>PROJECT</b>		<b>American Chemical Expansion</b>
<b>Project Sector</b>	Downstream	
<b>Location</b>	North America, USA, Texas State	
<b>Project Holder/Operator</b>	Nippon Oil Corporation	
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts	
<b>Current /Past Phase</b>	The project had been on a completion phase	
<b>Contract Value Estimate</b>	Over US\$ 40 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the Nippon expansion and development of Pasadena chemical unit	
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts	

<b>PROJECT</b>		<b>American PET Extension</b>
<b>Project Sector</b>	Downstream	
<b>Location</b>	North America, USA, South Carolina State	
<b>Project Holder/Operator</b>	Eastman Chemical Company	
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts	
<b>Current /Past Phase</b>	The project had been on a completion phase	
<b>Contract Value Estimate</b>	Over US\$ 90 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the extension and development of polyethylene terephthalate facilities	
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts	

## TENDERS & CONTRACTS

<b>PROJECT</b>	<b>American Polyols Project</b>
<b>Project Sector</b>	Downstream
<b>Location</b>	North America, USA, Louisiana State
<b>Project Holder/Operator</b>	BASF
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts
<b>Current /Past Phase</b>	The project had been on a completion phase
<b>Contract Value Estimate</b>	Over US\$ 120 million
<b>Start up Timing</b>	From 2009 - 2010
<b>Development Stage</b>	Operational Project
<b>Brief</b>	The project is associated with the Geismar development of BASF Polyols complex
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts
<b>PROJECT</b>	<b>American Chemical Unit Development</b>
<b>Project Sector</b>	Downstream
<b>Location</b>	North America, USA, Texas State
<b>Project Holder/Operator</b>	ExxonMobil
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts
<b>Current /Past Phase</b>	The project had been on a completion phase
<b>Contract Value Estimate</b>	Over US\$ 145 million
<b>Start up Timing</b>	From 2009 - 2010
<b>Development Stage</b>	Operational Project
<b>Brief</b>	The project is associated with the expansion and development of Baytown chemical unit
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts
<b>PROJECT</b>	<b>American Storage Feasibility</b>
<b>Project Sector</b>	Midstream
<b>Location</b>	North America, USA, Arizona State
<b>Project Holder/Operator</b>	Chevron
<b>Scope of work</b>	FS - Feasibility Study Contracts
<b>Current /Past Phase</b>	The project had passed the planning phase
<b>Contract Value Estimate</b>	Over US\$ 40 million
<b>Start up Timing</b>	From 2012 - 2013
<b>Development Stage</b>	Potential Project
<b>Brief</b>	The project is associated with the development of Picacho gas storage facilities
<b>Future &amp; Potential Sales Prospects</b>	FEED - Front End Engineering Design Contracts EPC - Engineering, Procurement & Construction Contracts EPCC - Engineering, Procurement, Construction and Commissioning Contracts EPCM - Engineering, Procurement, Construction & Management Contracts EPIC - Engineering, Procurement, Installation & Commissioning Contracts

## TENDERS & CONTRACTS

<b>PROJECT</b>		<b>American Compressor Module Development</b>
<b>Project Sector</b>	Midstream	
<b>Location</b>	North America, USA, New Mexico Area	
<b>Project Holder/Operator</b>	Southern Union Co / GE Commercial Finance Energy Financial Services / Transwestern Pipeline Company / CrossCountry Energy / CrossCountry Energy	
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts	
<b>Current /Past Phase</b>	The project had been on a completion phase	
<b>Contract Value Estimate</b>	Over US\$ 130 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the Transwestern expansion and development of San Juan pipeline	
<b>Future &amp; Potential Sales Prospects</b>	FC - Framework Contracts LSTK - Lump Sum Turnkey Contract s MC - Multi Contract s PMC - Project Management Contracts TC - Term Contracts O&M - Operations and Maintenance Contracts	

<b>PROJECT</b>		<b>American Pipeline Extension</b>
<b>Project Sector</b>	Midstream	
<b>Location</b>	North America, USA, Oklahoma State	
<b>Project Holder/Operator</b>	El Paso Corporation	
<b>Scope of work</b>	EPC - Engineering, Procurement & Construction Contracts	
<b>Current /Past Phase</b>	The project had been on a completion phase	
<b>Contract Value Estimate</b>	Over US\$ 55 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the Raton Basin extension and compressor station development of Colorado Oklahoma pipeline	
<b>Future &amp; Potential Sales Prospects</b>	FC, LSTK, MC, PMC, TC, O&M	

<b>PROJECT</b>		<b>Canada Pipeline Expansion</b>
<b>Project Sector</b>	Midstream	
<b>Location</b>	North America, Canada, New Brunswick District	
<b>Project Holder/Operator</b>	Emera / Maritimes & Northeast Pipeline LLC / ExxonMobil / Spectra Energy Corporation	
<b>Scope of work</b>	BOO - Build Own Operate Contracts	
<b>Current /Past Phase</b>	Project application had been submitted for a planning consent	
<b>Contract Value Estimate</b>	Over US\$ 310 million	
<b>Start up Timing</b>	From 2009 - 2010	
<b>Development Stage</b>	Operational Project	
<b>Brief</b>	The project is associated with the phase IV expansion of TMaritimes & Northeast pipeline	
<b>Future &amp; Potential Sales Prospects</b>	BOOT, BOT, CD, CC, LSTK, MC, R&M, TC, FC	

# NEWSBASE INFORMATION

## HEADLINES FROM A SELECTION OF NEWSBASE MONITORS THIS WEEK

### Oil and Gas Sector

#### AfrOil

OMV is to acquire Pioneer Natural Resources Tunisian assets for more than US\$800 million.

#### AsianOil

ONGC has been in talks with PetroChina on the possibility of forming a JV to explore for oil and gas in India.

#### ChinaOil

China has approved PDVSA and PetroChina's US\$8.7 billion refinery plan.

#### EurOil

Ineos and PetroChina have signed a joint venture, safeguarding over 2,000 jobs at Grangemouth refinery.

#### FSU OGM

Construction work on the first leg of the Nord Stream gas pipeline is reportedly 75% finished.

#### LatAmOil

Petrobras has reportedly offered US\$4.7 billion for Eni's 33.3% stake in Galp Energia.

#### MEOG

Iraq is preparing a new licensing round this year focusing on gas exploration.

#### Unconventional OGM

Unconventional resources represented more than 33% of total worldwide upstream transaction value in 2010.

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