

Oilpatch rebounds as crude tops \$100

Energy stocks recover after Monday's rout

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Oil prices bounced back above \$100 on Tuesday, erasing some of the damage caused by Monday's dramatic market sell-off and sending shares in Calgary oilpatch companies higher.

After losing 10 per cent on Monday, the Toronto Stock Exchange's capped energy index recovered about half of the losses, rising six per cent to close at 315.36 in an overall market rally that saw the main board replace 500 of the 800 points it lost the day before.

Stock markets followed crude oil futures higher, which added \$4.27 US to close the day at \$100.64 as lawmakers in the U.S. sifted through the latest proposals to bail out the credit industry.

Analysts warned that the success or failure of the proposed \$700-billion bailout will be the catalyst for sending stocks higher or even lower in the coming days.

"Optimism springs eternal I guess, and (the vote) was pretty close. People probably feel that the next time around it will pass simply because the reasons to vote against it were pretty weak," John Kinsey, a portfolio manager at Caldwell Securities told Reuters.

Other Calgary heavyweights benefitted from investors' change of heart.

Canadian Natural Resources recovered almost all the ground it lost the day before, adding \$7.73 or 12 per cent to close at \$11.84. Nexen Inc. rose 10 per cent, packing on \$2.30 to finish at \$24.70. Suncor climbed \$2.88 to finish at \$44, while Talisman Energy gained 98 cents to close at \$15.02 after falling to a new 52-week low of \$13.72 the day before.

The market meltdown and credit crunch come at a time when oil prices have been flirting with the \$100 level, after losing almost a third of their value since hitting a peak of about \$150 in July.

The ensuing drop has raised questions whether oil prices are now pushing up against the marginal cost of production from places like Fort McMurray, where some observers like UBS analyst Andrew Potter have suggested oilsands now need \$100 to be economically viable.

But in Calgary, oil company CEOs warned against putting too much stock in the day-to-day gyrations of oil prices and whether hundreds of billions of dollars of oilsands expansion projects will remain viable.

"It (oil) went down \$10 (Monday), but basically the long term trend is up," said UTS Energy CEO Will Roach, speaking at the Energy Roundtable forum. "If you're in the oilsands you've got to believe in the long-term, strong commodity price."

UTS holds 20 per cent of the massive Fort Hills oilsands mining project, which is expected to pump 280,000 barrels a day by 2015.

Even with the uncertainty surrounding costs and prices, Roach said he expects the project will go ahead when a final investment decision is made later in the fourth quarter.

"It's still a really good investment proposition," he said.

Speaking in Calgary, Energy Minister Mel Knight joked that cabinet rules preclude him from owning stocks in oil and gas companies, but acknowledged the uncertainty caused by the market turmoil.

Over the long term, he said, Alberta remains an attractive place to invest, particularly in oilsands. He said the government would soon release a comprehensive plan that looks at Alberta's energy future for at least the next 30 years.

"These opportunities are going to present themselves for Canadians, Albertans and certainly for people around the world to look at the technologies that will be employed here and the development of that technology that is saleable around the world," he said.

"I think we're in a very, very good position here in Western Canada and particularly in Alberta."