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ALBERTA CONSIDERS 2,400KM RAIL LINE FOR CONVEYING OIL SANDS PRODUCTS TO ALASKA

The Alberta government is considering whether to launch a study on the feasibility of a 2,400 kilometer rail line to help convey oil sands products from the north of the landlocked Canadian province to key Asian markets via Alaska.

The Vancouver Sun reports that Alison Redford's government is set to decide in January whether to spend $10 million on a study of the proposed rail line, which would be part of a broader $40 million study.

The rail line would send oil products from Fort McMurray in the north of Alberta to Delta Junction in Alaska, where they would then be conveyed via the Trans-Alaska Pipeline to the Valdez Marine Terminal for shipment by sea to Asian markets.

The business consortium G7G announced in November its plans to build the railway,and has framed the construction of the rail line as part of a Canadian nation-building endeavor.

Energy Minister Ken Hughes said in December that securing a means of conveying the land-locked province's energy resources to overseas destinations is a "strategic imperative," as is obtaining the global premium on these products from core Asian markets such as China and India.

BAD NEWS FOR CANADA'S OIL AND GAS INDUSTRY

Within the last two weeks, the oil market delivered some bad news for oil and gas companies operating in Western Canada. The bad news can be summarized by the headline of an article on the commodity page of the Financial Times: "Canada's oil becomes cheapest in world amid glut in Alberta."

The forces that have created this situation include surging oil production, lower demand due to refinery maintenance and a chronic shortage of pipeline capacity to move growing volumes beyond the regional Canadian market. The impact of these conditions caused the price for Western Canada Select, the regional benchmark for low quality, viscous heavy oil, to fall below $45 a barrel, less than half the cost of other crude oil benchmarks. This price disparity is estimated to be costing the Canadian oil and gas industry about C$2.5 billion per month, or an annualized income loss of C$30 billion, or about 1.6% of Canada's gross domestic product.

With the price of Canada's heavy oil this low, it is selling for less than half the $111 a barrel price (December 26, 2012) consumers are paying for Brent oil, the global oil benchmark. Furthermore, Canada's oil is now selling at about $41 a barrel below the United States' benchmark West Texas Intermediate crude oil, which in turn is trading nearly $23 a barrel below Brent.

The gap between WTI and Canada's oil price is the most since December 2007. Prospects are that the situation is likely to get worse in the first half of 2013 before it improves. These low levels for the benchmark crude oils of North America reflect surging production in the United States that has been unleashed by the oil shale revolution and the rise in Canada's oil sands output. Based on the latest data available from the Energy Information Administration (EIA), Canada's oil production has climbed above four million barrels a day (mmb/d) while U.S. production is the highest it has been since 1998. Until oil consumption ramps up, or Canada finds another export market or the U.S. government liberalizes its oil export restrictions, the glut in North American heavy oil will continue to grow.

Since 2000, with the growth in oil sands output, Alberta's total oil production has increased by about 1.4 mmb/d. Plans call for an additional 100,000 barrels per day of oil sands output coming on line early next year from Imperial Oil Company's (IMO-NYSE) new Kearl mine. Canada's production growth is about equal to the output of Libya, a mid-sized OPEC producer, showing the significance of the country's new output in the global oil market.

Until this production glut is resolved, Canada' crude oil will continue to sell at a steep discount to other benchmark crude oils, costing Canadian producers significant cash flow. That means there is a growing likelihood that as this wide price gap continues producers will be forced to reduce their expenditures compared to what they would spend otherwise.

That could be bad news for the Canadian oil and oilfield service industry in the second half of 2013 if the pricing gap doesn't shrink.

RIG WORKER'S DEATH PROMPTS SAFETY REVIEW AT JURONG SHIPYARD

Jurong Shipyard, a fully owned subsidiary of Sembcorp Marine, has been instructed by Singapore's Ministry of Manpower (MOM) to review its risk assessment and safety procedures before starting further recovery works on board the Noble Regina Allen (400' ILC), following the death of a worker who collapsed on the rig Dec. 30, 2012.

A spokesperson representing the MOM told Rigzone Friday that the ministry's preliminary findings show that the worker was carrying out preparation work in a utility room for the recovery of the oil rig, when he collapsed inside the room. The worker was sent to National University Hospital (NUH) for treatment, but he subsequently passed away.

NUH certified that the cause of death of the worker was due to coronary occlusion. MOM confirmed that investigations into the accident are ongoing.

The deceased was an employee of Belfor Asia, a disaster recovery and property restoration company that has been hired by Jurong Shipyard to perform recovery (protection) work on the rig.

A spokesperson at Belfor Asia told Rigzone on Thursday that the deceased was wearing a hard hat, a safety belt secured to the platform, safety boots and eye protection at the time of the incident. The spokesperson also confirmed that the air quality in the area was good, with no hazardous gases present.

This incident follows closely on the heels of an earlier accident that took place in December last year. The accident – described as one of Singapore's worst industrial accidents – occurred on the rig Dec. 3, 2012, when a brake failure caused the Noble Regina Allen to tilt initially at ten degrees. The rig was buffeted by strong waves, and subsequently, it tilted to 17 degrees. About 980 people were on board at that time, and 89 workers were injured in the accident.

MOM Occupational Safety and Health Inspectorate imposed a stop-work order (SWO) for all production works on the rig. The SWO, which is still in place, permits only work related to the recovery of the rig to be carried out. Sembcorp Marine confirmed Jan. 2, that no construction work was carried out on the rig since Dec. 3, except recovery work performed by SMIT Salvage and Belfor which was done in sequential stages to bring the rig to an upright position.

The rig, at present, still remains tilted.

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ESG SOLUTIONS ANNOUNCES SUCCESSFUL DEPLOYMENT OF INNOVATIVE MICROSEISMIC ACQUISITION SYSTEM FOR RESEARCH CONSORTIUM

ESG Solutions, an industry leader in microseismic technology and services, is pleased to announce the successful deployment of its SuperCable™ microseismic acquisition system. In use by a Microseismic Research Consortium to monitor hydraulic fracturing operations in Western Canada, the system provides longer-term borehole acquisition at lower cost than traditional wireline-based acquisition equipment.

"Wireline deployment is the accepted method for temporary downhole microseismic monitoring," says Shan Jhamandas, General Manager for Western Canada at ESG. "Unfortunately, conventional wireline tools are typically not designed for extended deployment periods and as a result, the equipment becomes too costly over longer durations." For long-term reservoir monitoring, many operators choose to deploy permanent systems, for which ESG has manufactured and installed proprietary instrumentation for over 15 years. The SuperCable™ represents an innovative monitoring solution that offers the flexibility of temporary wireline deployment, with the performance and cost benefit of long-term monitoring systems.

Developed, tested and commercialized by ESG's dedicated R&D division, the SuperCable™ is a retrievable, multiuse recording system designed specifically to break the trade-off between wireline-based monitoring projects and permanent installations. "What makes the SuperCable™ unique is the way it is deployed," says Jason Forks, Director of US Hydraulic Fracturing Sales at ESG. "The system employs ESG's instrumentation traditionally used to detect induced seismicity in permanent reservoir monitoring applications, with an innovative method that mimics wireline deployment."

Initially deployed to monitor a hydraulic fracturing operation, the SuperCable™ continues to listen for seismic activity within the reservoir months after the wells are completed. The method is also ideal for monitoring projects spanning a few months to a year, including carbon sequestration and thermal recovery operations. ESG designs, manufactures and installs its own permanent microseismic instrumentation for longer-term reservoir stimulations and surface-based regional seismic networks. ESG also provides wireline data acquisition, processing and advanced analytics for hydraulic fracturing.