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EVEN IN CANADA, BOOMING U.S. OIL AND GAS ELBOWING OUT ALBERTA'S CRUDE

The dramatic rise of U.S. crude oil and natural gas production is disrupting even long-established trade flows inside Canada, as Alberta producers are increasingly finding themselves competing for — and losing — market share to American petroleum suppliers, even in their home province.

U.S. exports of crude — primarily to Canada — are at their highest level in 15 years, according to U.S. government data, and a tide of shale gas from Pennsylvania, Ohio and elsewhere is fast displacing Western supplies in Eastern Canada.

The sudden influx, although still dwarfed by Canada's crude exports to the U.S., has added urgency to the Alberta-based oil sector's hunt for new markets as it seeks to cut dependence on a lone export market that now finds itself increasingly flush with domestic petroleum. But it has also come as a boon for energy-intensive industries from chemical-making to refining, as companies



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north of the border seek to tap cheap energy unlocked by advances in drilling and hydraulic fracturing.

It's been absolutely critical to our success and growth plans, said Grant Thomson, president of olefins and feedstock at Calgary-based chemical maker Nova Chemicals Corp., which is owned by the government of the Emirate of Abu Dhabi.

Nova in June began sourcing ethane by pipeline — with a capacity of 40,000 barrels a day to start — from North Dakota's Bakken region for use in its Joffre, Alta. petrochemical complex.

The shipments have helped offset years of chronic shortages in the province, prompting the company to invest \$1-billion in a new polyethylene unit, due for completion in 2016.

Nova, which manufactures chemical building blocks for everyday items such as grocery bags and food packaging, is also spending \$250-million to upgrade its Corunna, Ont. plant near Sarnia to capitalize on growing supplies of ethane from the Marcellus shale in the U.S. Northeast.

In just four years, production from the region has surged from 3.4



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billion cubic feet a day to 12.8 bcf/d today, and is poised to soar to 21 bcf/d by 2020, according to Wood Mackenzie. Canada, by comparison, produces about 13 bcf/d.

Upgrades to Nova's Ontario facility will enable a switch from a crude-based feedstock to a lighter diet of propane, butane and ethane — byproducts of drilling in the U.S. gas play. The plant was designed in the 1970s to run on naphtha, a crude oil derivative.

We used to import crude from Algeria, Mr. Thomson said. But a surplus of gas-liquids on the U.S. Gulf Coast has pushed down prices for ethane, he said. It is quite attractive now to bring this ethane north into Canada, he said, declining to provide specific figures. The company plans to ramp up Marcellus imports to 37,000 barrels a day by the third quarter, acting CEO Todd Karran said May 1.

Because Canada is exempt from U.S. export restrictions on oil, a steady flow of crude has found its way north from North Dakota's Bakken and elsewhere, replacing higher-priced Brent imports that have threatened the viability of refining on the Atlantic coast in recent years.

U.S. oil exports hit 268,000 barrels per day in April, with almost all of it destined for Canada, the U.S. Energy Information Administration said in June, citing the most recent data from the U.S. Census Bureau. That marked the highest level of crude exports in 15 years, and the fifth month out of the past six that exports exceeded 200,000 barrels a day.

The shipments are helping

Valero Energy Corp. wean its 265,000-barrel-a-day Jean Gaulin refinery near Quebec City from overseas imports, the company has said. Suncor Energy Inc. has also bought crude from Texas and Louisiana in limited amounts for use in its refinery in Montreal's east end, capitalizing on regional price discounts.

The sudden growth in U.S. exports to Canada has also triggered safety concerns. A train carrying Bakken crude to Irving Oil Ltd.'s Saint John, N.B. refinery derailed in Quebec last year, killing 47 people. Canada has since ordered a phase-out of unsafe rail cars, but the U.S. has yet to follow suit.

In some regions, though, new investment remains firmly tethered to the U.S. drilling boom, pushing out Western Canadian producers.

So much low-cost gas is expected to flow from the Marcellus in the northeast part of the U.S., for example, that Nova is in serious talks to develop a second pipeline into the region, Mr. Thomson said. Access to U.S. feedstock is going to be key in deciding whether to build a second production unit for making high-end polyethylene products at its Sarnia plant, he said.

In the Quebec town of Bécancour, IFFCO Canada Enterprise Ltd. aims to start construction on a \$1.6-billion fertilizer plant by spring next year. But the company, majority owned by a unit of India's largest fertilizer manufacturer and distributor, has warned the project's future hinges on timely access to low-cost gas, including through the

Dawn trading hub in southwestern Ontario, one of the entry points for U.S. gas into Canada.

At the moment Dawn is the cheaper alternative than Western Canada. I don't think this is a surprise, said Simon Pillarella, vice-president, corporate affairs with IFFCO Canada.

It's not only us who's looking for this sort of option, he added. Most clients in Eastern Canada are looking for the cheapest way to supply their gas.

MANITOBA FLOOD: RAIN, FLOOD WATERS SHUT DOWN OIL INDUSTRY

Oil workers go weeks without work, pay in Manitoba's soggy oilfields

Wet weather and flooding in Manitoba is hitting the oil industry hard.

Much of the province's oil patch is in the same area, inundated with water from heavy rain and overland flooding that hit during the Canada Day weekend.

Kevin Dekeyser is going on eight weeks without work or a paycheque due to the impact of flooding in Manitoba's oilfields. (Jill Coubrough/CBC)

The ground is too wet to drill. The majority of wells were shut down during the flooding and roads are still too damaged for trucks transporting oil and equipment.

"It's pretty sad. It's really sad because a lot of us in the area depend on it," said Kevin Dekeyser, who works in the oil-service industry preparing drill sites.

According to the province, in the Waskada-Pierson area, 75 to 85 per cent of the wells were impacted by flooding. Tundra Oil and Gas had 90 per cent of their production shut down over the flood period and Corex Resources had 40 per cent.

Because of a wet spring and then the Canada Day weekend flooding, Dekeyser is going on eight weeks without work or a paycheque.

"The stress is bad, really bad. You wake up in the morning and you're sick, literally sick," he said. "[I'm] thinking about selling stuff to carry on."

"The stress is bad, really bad. You wake up in the morning and you're sick, literally sick." - Kevin Dekeyser

At Melita Resources, a Manitoba oil company, \$6 million worth of rig equipment is collecting cobwebs and each well sitting idle costs the company \$50,000 daily.

"Every minute we stand here, somebody's losing revenue, equipment is not working and it's costing; contractors aren't working. Every rain is another shutdown," said company president Greg Barrows. "So it's very significant."

Equipment sits idle in a wet oilfield south of Melita, Man. (Jill Coubrough/CBC)

His company is operating at 15 per cent capacity and he says the losses will have a domino effect — from water haulers to EMS services that provide services to the locations, right down to agriculture producers losing revenue [from lost service leases]

"It's going to be some time before activity resumes to normal."



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Exactly when production and drilling will resume depends on weather, and ground and road conditions, and that will all be evaluated on a case-by-case basis, according to the province.

It will take at least two months to calculate the financial impact the shutdown will have, provincial officials said.

Greg Barrows, president of Melita Resources, stands at a drill site where \$6 million worth of equipment sits idle. (Jill Coubrough/CBC)

Some in the oil business estimate the losses could be as much as \$5 million per day for the province.

Flooding causes oil spills

Among those in the industry that are keeping busy are environmental remediation teams.

Jill Caldwell, co-owner of Goodlands Environmental Inc., said that between Manitoba and Saskatchewan, her company has dealt with at least three small oil spills.

"Over the last few days, we've discovered some spills that have happened during the flood event that nobody was able to find because the operators have been so cut off from lots of the wells and were unable to see what things were like underneath the water," she said.

Small spills aren't uncommon and teams typically respond within two hours, but high water and road closures meant it was days before teams could reach the spills, she said.

"What happened was really a result of how quickly [the water] came," Caldwell said.

"It's really important that our infrastructure is maintained and that the roads are maintained and we can safely get where we need to get and we can get equipment where we need to get equipment to look after these sites."

BLACKBIRD ENERGY INC. ANNOUNCES FARM OUT AGREEMENT AT ITS MANTARIO OIL PROJECT AND OPERATIONAL UPDATE FOR ITS ELMWORTH MONTNEY ACREAGE

Blackbird Energy Inc. (TSX VENTURE:BBI) ("Blackbird" or the "Company") is very pleased to announce that it has entered into a Farmout Agreement (the "Agreement") with a private oil and gas investment company ("PrivateCo") to drill the first two horizontal wells at Blackbird's Mantario Oil Project (the "Project"). Blackbird also is pleased to give an update on its operations pertaining to its Elmworth Montney Acreage.

Mantario Farm Out Agreement

Under the terms of the Agreement, PrivateCo will pay an aggregate of approximately \$1,600,000, or 100% of the costs to drill, complete and equip two horizontal wells with a minimum of 600 metres of horizontal length, in order to earn a 50.0% working interest in the Project. There is no payout being offered with respect to this agreement.

In addition to the capital commitments noted above, the Agreement also provides for the cash payment by PrivateCo of an aggregate

of approximately \$200,000 for land acquisition costs and data incurred by Blackbird in respect of the subject lands. Blackbird will be the operator for the project.

Blackbird and PrivateCo expect to commence drilling operations at the beginning of Q4 2014 subject to rig availability.

Garth Braun, CEO of Blackbird noted "We are very pleased to be bringing in a financial partner to our Mantario Oil Project that will not only accelerate the development of our oil discovery in Saskatchewan but will also allow Blackbird to add further focus to the development of its Montney acreage at Elmworth."

Elmworth Montney Update

In the Elmworth area Blackbird has a total of 31 sections (19,840 acres) of Montney rights (27 contiguous sections). Blackbird has surveyed its first surface location that will be used to target the upper and middle Montney formation. Blackbird is currently in the process of licensing its first well targeting the upper Montney.

About Blackbird

Blackbird Energy Inc. is a Western Canadian based company that explores, develops and produces oil and natural gas in Western Canada. The Company is managed by a proven technical team. Blackbird trades on the TSX Venture Exchange under the symbol BBI. Blackbird's team is focused on originating new high quality oil and liquids rich gas projects in NW Alberta and Saskatchewan.

CANADA IS GREAT AT CREATING BILLION-DOLLAR COMPANIES— AS LONG AS THEY SELL OIL AND GAS

Canada added 23 10-figure companies in the last 10 years, but lags on diversification

The ranks of Canada's billionaire club are swelling, but too many new entrants have oil on their boots according to a new report from the Centre for Digital Entrepreneurship + Economic Performance (DEEP) examining the country's billion-dollar firms.

Canada's Billion Dollar Firms: Contributions, Challenges and Opportunities examined the change in the country's top-tier companies from 2003 to 2012, comparing figures to five mature economies. "We found that on a per-capita basis we outperform Germany, the UK and the US in the creation of billion dollar companies," explains Anthony Williams, DEEP co-founder and president. "Sweden and Australia and Canada are pretty close; Sweden is maybe slightly ahead on a per-capita basis, that's a very small country population-wise compared to Canada."

Unsurprisingly, much of the growth in domestic top-tier companies has been in the energy and utilities area, while manufacturing has taken the biggest hit.

The resources boom has boosted Alberta's share of the country's mega-large corporations; the Energy Province now was 52 billion-dollar firms, almost as many as traditional



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economic powerhouse Ontario.

The report, produced in collaboration with the Business Development Bank of Canada, the Canadian Digital Media Network, Export Development Canada and Industry Canada, suggest that it's been a good decade for Canada. But Williams cautions that the country's economy needs to diversify, highlighting life sciences and technology two sectors of strategic importance in which Canada under-performs. "We've seen some changes in who the players are, because of the evolution of those particular industries. So Nortel has disappeared since, but OpenText has come into the fray as an example," he explains. "And we only have one billion-dollar life sciences company in all of Canada, despite pretty significant investment in those sectors in Ontario and Quebec."

The list of firms that qualified for DEEP's scrutiny is a who's-who of Corporate Canada: Air Canada, Barrick Gold, Magna International and BlackBerry all lead their respective sector listings. But there are also some innovative new entrants, including market darling Dollarama in consumer retail and movie giant Cineplex Inc.

There's a set of companies just under the billion-dollar mark ready to make the jump, with a significant number in the beleaguered manufacturing sector. But there are only 83 firms in the \$500-999 million category, compared to 169 in the \$1 billion-plus range, suggesting that Canada's impressive top-

tier growth may soon stall.

A broad base is important for future economic prosperity, Williams insists:

Canada has leveraged its strength and its natural endowments in natural resources to boost economic growth in this country and to create new billion-dollar enterprises but we lack diversity in the sources of growth across the country. If we want to diversify our growth in the future, and we want to see broad-based regional growth and not just growth concentrated in one province or one area of the country then we need to think about how we're going to boost the success of other sectors and in particular think about life sciences, technology,

DEEP recommends closer collaboration between the private and public sectors to boost corporate growth. Among its suggestions are the development of industry-academic partnerships to foster research commercialization and the establishment of a nationwide network of collaborative research and innovation centres.

Corporate Canada will rightly celebrate a positive decade of company growth, but the DEEP report suggests that continued innovation and investment are essential to maintaining that success.

NORTHERN GATEWAY PIPELINE: FIRST NATIONS OUTLINE CONSTITUTIONAL CHALLENGES

Plans to fight Enbridge pipeline project discussed at B.C. news conference

Several B.C. First Nations are launching at least nine court challenges to try to block Enbridge's Northern Gateway pipeline, leaders revealed at a news conference this morning in Vancouver.

The First Nations leaders said they will argue the proposed pipeline and its recent approval by the federal government is a constitutional violation of their aboriginal land rights in their respective territories, particularly in light of the Supreme Court of Canada victory last month by the Tsilhqot'in First Nation.

Grand Chief Stewart Phillips said he was aware of at least nine separate legal actions being launched by various First Nations, as part of a coordinated effort to stop the project.

Phillips ruled out any sort of deal with Enbridge that could see the project go ahead for a share of the revenue or a cash payment.

"When I am standing out on the land ... shoulder to shoulder, it's not going to be for a better deal. It's going to be to protect the land and the environment," said Phillips.

Ellis Ross, chief councillor for the Haisla, said compared with the efforts of the provincial government in B.C., the federal government has failed to properly consult with First Nations.

"That day and age of us being ignored is over. This is a tremendous waste of taxpayers' money when we are all trying to build an economy."

"It is a shame we have to go to court, not to establish case law, but to uphold existing case law," said Ross.

Martin Louie, chief councillor of the Nadleh Whut'en, said the

majority of British Columbians and many people across Canada support their fight to block the pipeline.

"We call this beautiful B.C., and that is what we want to keep it as," said Louie.

Clarence Innis, acting chief councillor for the Gitxaala, said his First Nation filed a court action Friday.

"Canada has a duty to consult and that hasn't happened. Gitxaala will protect its rights. Eighty per cent of our food comes from our territory," said Innis.

Jessie Housty, councillor for the Heiltsuk, said her First Nation was applying for a judicial review of the federal approval of the project.

Peter Lantin, the president of the council of the Haida Nation, said they plan to challenge the project's approval by the federal government, because the mandate of the joint review panel excluded meaningful consultation with First Nations.

In last month's landmark ruling, the Supreme Court of Canada recognized the Tsilhqot'in First Nation's aboriginal title over a wide area to the south and west of B.C.'s Williams Lake, which it considers its traditional territory.

The court also established what title means, including the right to the benefits associated with the land and the right to use it, enjoy it and profit from it.

However, the court declared that title is not absolute, meaning economic development can still proceed on land where title is established as long as it has the consent of the First Nation, or where the government



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can make the case that development is pressing and substantial.

The court also made it clear that provincial law still applies to land over which aboriginal title has been declared, subject to constitutional limit.

Other First Nations have also been quick to push forward their claims on traditional lands in light of the ruling.

The Gitxaala First Nation, with territory on islands off the North Coast, have already announced its own plans to file a lawsuit in the Federal Court of Appeal challenging the Northern Gateway pipeline.

Last week the hereditary chiefs of the Gitksan First Nations served notice to CN Rail, logging companies and sport fishermen to leave the 33,000 square kilometres they claim as their territory along the Skeena River by Aug. 4.

And the Kwikwetlem First Nation also raised the ruling in its claim to title of all lands associated with the now-closed Riverview Hospital in Metro Vancouver along with other areas of its traditional territory.

PROTEST STOPS CONSTRUCTION ON ENBRIDGE'S LINE 9 PIPELINE IN ETOBICOKE

Approximately a dozen protestors stopped construction work on the Line 9 pipeline in Etobicoke Monday, stating that the existing pipeline was structurally unsafe and posed a danger to local residents and the environment in the area.

The protestors gathered Monday morning under a hydro corridor near the intersection of Rexdale Boulevard and Kipling Avenue, surrounding two

construction sites that had exposed the Line 9 pipeline in preparation for a planned flow reversal project.

The flow-reversal project would make the Line 9 pipeline flow east to west from Westover, Ontario to refineries in Montreal, as well as expand the capacity of the pipeline to include different types of crude such as the heavier oil sands diluted bitumen, or dilbit, shipped from Alberta.

"There are many, many concerns [with this pipeline]," said blockader Lana Goldberg Monday afternoon. "This pipeline isn't safe and it's putting communities, rivers, and sensitive ecosystems at risk."

"While what we are doing today is just a day action, there are other groups committed to stopping this project all together."

According to the protestors, Enbridge has failed to address over 13,000 instances of corrosion, crack, and dents on the pipeline, and have raised concerns that Enbridge will use higher temperatures and pressure within the pipeline to transport the oil sands dilbit, contributing to green house gas emissions and making the entire pipeline more dangerous for those living close to it, something Enbridge denies.

"We have seen these tired old myths again and again," said Enbridge spokesperson Graham White. "We have repeatedly and very publicly countered these myths."

"Dilbit transported from the tar sands has been proven to not be more toxic than anything else the pipeline is transporting, and we will not be using increased heat or pressure in the pipeline to transport it."

The "vast majority" of the 13,000

pipeline anomalies cited by protestors as making the pipeline unsafe would never have an impact on the safety or operation of the pipeline, according to White, who called the accusation "a complete misrepresentation of the facts."

"What they are doing is just a band-aid," said Goldberg. "Enbridge has had a terrible safety record in the past, and a pipeline expert has already said this pipeline has a 90% chance to rupture in the next five years."

"We have seen these tired old myths again and again. We have repeatedly and very publicly countered these myths" Protestors also opposed the

pipeline on the grounds that its expansion would contribute to the expansion of oil-sands extraction in Alberta and contribute to global environmental degradation.

According to a report done by the Polaris Institute, a research and advocacy organization which tracks oil spills in Canada, there were approximately 804 spills associated with Enbridge pipelines between 1999 and 2010, which collectively released 161,475 barrels worth of hydrocarbons into the environment.

According to Polaris, that makes up approximately half of the oil spilled from the Exxon Valdez oil tanker crash in 1988.

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