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"WE WILL FIGHT": KEYSTONE XL PIPELINE FOES FEAR WORST FOR WATER SUPPLY

Facing the sunrise on a frigid morning, Rosebud Sioux tribal leader Royal Yellow Hawk offered an ancient prayer in song, his voice periodically muffled by the whistling prairie wind. Behind Yellow Hawk was a cinematic scene from another century: 30-foot-tall tipis arranged in a half circle, quickly brightening in the morning light.

This tipi encampment was erected this spring to be a visible and ongoing embodiment of opposition to the proposed Keystone XL Pipeline, which, if constructed, would hug the reservation's territory in transporting diluted bitumen oil 1,179-miles from Canada's tar sands to Steele City, Nebraska.

The Keystone XL is being built by the Canadian energy company, Trans Canada. This fourth and final phase of the project—still awaiting approval by the Obama administration—will cost an estimated $5.4 billion. Other segments of the Keystone–at an estimated cost of $5 billion—have been in operation since 2010, bringing the tar sands oil from Hardisty, Alberta, to refineries in the American Midwest and the Gulf Coast.

The tribe's principal fear is that a pipeline leak could have devastating consequences for their main source of water—the vast, underground Ogallala Aquifer. Although the proposed route of the pipeline does not cross their land, water in an aquifer is constantly moving and doesn't observe manmade boundaries. According to the Rosebud, many of their wells are within miles of where the Keystone would be buried.

The health of the Ogallala Aquifer is not only an issue on these lands where the Lakota once hunted buffalo; it's the fountain of life for the entire American Breadbasket. This subterranean sponge of water spreads southward from South Dakota all the way to Texas, touching eight states and covering a massive 111.8 million acres.

"We are taking this prayer all the way through to the end of the fight," says Gary Dorr, who is committed to living at the tipi encampment, on this wind-whipped mesa near the village of Ideal, until the Keystone Pipeline is stopped.

Dorr served in the U.S. military for 11 years, served in Iraq and the

Middle East, and was wearing a hat affixed with the insignia of his unit, the Army's 1st Cavalry Division.

If construction of the pipeline does begin, Dorr says, the next step will be civil disobedience.

"We will have men staked out on the corridor of the pipeline," he says. "As they get arrested, more will step up. There are no weapons here, you notice. The only military attire right now is my hat from my old unit. We're not projecting that image. "

The Ogallala widens and deepens as you go south into Nebraska, where it flows beneath the state's vast Sand Hills, a kind of endless beach of undulating grassy dunes. This bounty of water is inseparable from the success of Nebraska's estimated $24-billion farm economy.

Nebraska farmers–unlike many of their counterparts in Texas and Kansas, where the Ogallala is quickly being sucked to the last drop—know that they are blessed to have wells of gushing water, especially as the grip of a drought across the Great Plains extends into a fourth year and, moreover, as scores of scientists forecast a future climate drier, hotter, windier – in all, more punishing.

This precious water, and the risk that it could be poisoned by oil piped from Canada, has galvanized not only the tribal nations of South Dakota, but also a coalition of Nebraska farmers, ranchers and concerned citizens. Together, they've formed something called the Cowboy-Indian Alliance, and it includes grandmothers and grandfathers suddenly radicalized.

"I'm not rich, been a school teacher all my life," says Art Tenderup, 62, who retired to a small Nebraska farm with his wife, Helen. "We don't live in a fancy house. We don't have fancy cars. We're just common people. But I know the difference between what's right and what's wrong … and this whole thing is wrong."

"I'm not a violent person," he continues, "but I think there's a place for civil disobedience. I never thought I would be talking about something like that. But Helen and I have had some very serious discussions, and we're going to fight this thing as long as we can.

Byron "Stix" Steskal is one of the leading figures of another anti-pipeline group that calls itself the "Pipeline Posse." He lives in Stuart, a town of 590 people with no police officers. Over burgers at The Cast Iron Bar and Grille, his eyes water and his voice trembles as he considers how an unapologetic blue-collar Republican – a guy who installed irrigation rigs for 25 years and now drives trucks and works at Stuart Fertilizer – has turned green and is battling pro-pipeline politicians and a multi-billion-dollar project by a multi-national corporation.

"I waited until I was 60 years old to stand up for something," he says.

"It's about the water," Stix continues. "It's about the kids. What are they going to say if this goes through? They'll wonder: 'What the hell were you thinking?' This way if it still ends up going through, it shows that some of us did fight it."

What is initially sucked out of the Alberta tar sands is a new version of crude oil – thick, peanut-butter-like bitumen. And it has a potentially devastating quality if it leaks into any body of water: it can sink.

Of recent major spills involving Canadian dilbit, the most notable occurred four years ago, in Michigan, and the clean-up isn't finished yet.

In 2010, a 30-inch pipeline operated by Canada's Enbridge Energy, carrying oil from the Alberta tar sands, spilled nearly a million gallons into the Kalamazoo River, closing it for 35 miles. The tear in the pipe was only five inches at its widest point. Within days, the bitumen sank to the river bottom. At $1 billion, it is already the costliest on-shore cleanup in U.S. history.

In an e-mail responding to the claims that the Keystone XL presents a threat to the Ogallala Aquifer, Trans Canada spokesman Davis Sheremata noted that "phase one of the Keystone Pipeline, which has been operating since July 2010, has safely moved over 600 million barrels of oil to market, and traverses the entire states of South Dakota and Nebraska."

Regarding Trans Canada's safety response, Sheremata wrote: "We monitor our pipeline system through a centralized high-tech center 24 hours a day, 365 days a year. We use satellite technology that sends data every five seconds from thousands of data points to our monitoring center, and if a drop in pressure is detected, we can isolate any section of our pipeline by remotely closing any of the hundreds of valves on the system within minutes."

But after what has been a relentless, five-year campaign to secure permission to build the Keystone XL through 12 Ogallala-fed counties in Nebraska – 10 of which do not have oil pipelines – reportedly more than 100 landowners have rejected significant offers from Trans Canada, as high as six figures.

"This lady makes us feel like we won the lottery," says Tenderup, of the offer he received. "You know, we're going to get a lot of money; the oil is going to reduce our fuel prices; it's going to give Americans jobs. It's going to do all these wonderful things. It was like I'd be un-American if I didn't jump on this bandwagon."

Tenderup, who says he rejected a $130,000 payment for an easement, sees Trans Canada waging a war of attrition all around him. Recently, he said, one neighbor received an added signing bonus of $45,000.

"My wife is very passionate about this farm," Tenderup says, his voice tinged with determination and emotion. "This farm has been in her family for about 100 years. Her parents, her grandparents, they took care of this land. They survived through the Dust Bowl. We've got to be strong like they were … We've got to preserve what's here, because it's not just the fact that it's our land. It's the fact that life is underneath it … in … that … water!"

In part, these holdouts have not been assured by Trans Canada's safety promises. In an independent report by the University of Nebraska's engineering department, Professor John Stansbury said Trans Canada had underestimated the time it would take to detect a spill and also underestimated worst-case scenarios. Stansbury noted that it took Enbridge Energy technicians in Edmonton, Alberta 17 hours to stop the Kalamazoo leak. He also said just one spill from the Keystone XL could pollute 4.9 billion gallons of Ogallala groundwater.

Sheremata, Trans Canada's spokesman, indicated that since Keystone began operating in July 2010, there have been "10 reportable releases of oil" in the United States, totaling 427 barrels (approximately 18,000 gallons). Of that total, Sheremata claimed only five barrels "left our pump station property."

The pipeline fighters have also been enraged but what one landowner has called "eminent domain running amok."

Many were first shocked to learn that a 1963 state law allowed even a foreign oil-pipeline corporation, like Trans Canada, to take the land of Nebraska residents if they didn't cooperate. In 2012, that law was superseded by another which gave Nebraska Governor Dave Heineman– who first opposed but now supports construction of the pipeline — sole power to execute the authority to exercise eminent domain. Three Nebraska citizens challenged the law as unconstitutional, on the grounds that it was a piece of special legislation for the benefit of Trans Canada.

A Nebraska district judge agreed in February; the state is appealing. Citing the ongoing litigation, in April the Obama administration again postponed a decision on allowing the Keystone XL.

"Both Trans Canada and our elected officials underestimated the people of Nebraska, underestimated the unique bond we have with our land and water," Nebraska's York News-Times publisher Greg Awtry wrote in a May editorial, "(they) underestimated the fact that we would not allow a pipeline company to influence our state legislature into passing a law that was clearly unconstitutional, and underestimated the fairness of allowing a foreign corporation to threaten landowners with eminent domain to build a project that poses unacceptable risk and very little reward."

After the morning prayer greeting sunrise on the Rosebud reservation, visitors were invited into a nearby mess tent to speak with tribal leaders about their deep opposition to the Keystone XL. Hot soup and coffee were waiting.

"This land is what we're fighting for," Dorr said. "We will fight to protect the land. We will fight to protect the resources that are here."

For much of the time, Keith Fielder – a member of the Land & Nature Committee of the Rosebud Sioux Tribe – chose to listen quietly, patiently standing in a corner. But he would have the last words.

"We have to return to our hearts and be smart about how we want to live," he said. "Do we want to live in prosperity and love for one another, and respect for all things? Or do we want to be what the Sioux called the non-Indian back in history: 'the grabbers of the fat'? If people want to be like that, we're going to seek our demise at an earlier time."

"We're connecting here with our spiritual side, because that will overcome anything. I never dreamed I'd be talking like this, let alone praying. But it makes me feel good to be connected again."

CANADIAN DOLLAR ADVANCES AS OIL PRICES RALLY

The Canadian dollar gained ground against most major currencies in European deals on Friday, as oil prices rose on concerns over possible disruption of supplies, following the shooting down of the Malaysian flight over Ukraine and on escalating tensions in the Gaza strip.

Crude oil for August delivery rose 0.35% to 103.54 per barrel.

Both the Ukrainian government and the pro-Russiaseparatists denied any responsibility for downing aMalaysian Airlines passenger plane that was shot down over war-torn eastern Ukraine on Thursday. According to media reports, US intelligence officials have concluded the plane was shot down but were divided over the origin.

The news of plane crash raised concerns over intensified sanctions on Russia that could lead to an interruption in oil supplies.

Meanwhile, Hamas Spokesman Fawzi Barhoum warned Israel against consequences saying the Israeli occupation authorities will pay dearly for the ground operation launched by the army on Gaza Strip Thursday night.

Traders await Canada's consumer price inflation for June, due shortly. Annual inflation is seen rising to 2.3%, matching previous month's reading.

On month, inflation is expected to rise 0.1% in June, following a 0.5% increase last month.

The loonie advanced to 1.4520 against the euro, from an early 2-day low of 1.4560. If the loonie continues its advance, it may find resistance around the 1.44 zone.

The euro area current account surplus declined in May as the income and the surplus on visible trade decreased from April, the European Central Bank said.

The current account surplus fell to a seasonally adjusted EUR 19.5 billion from EUR 21.6 billion in April.

The loonie reversed from its early Asian session's new 4-week low of 93.90 against the yen, rising to 94.39. On the upside, 95.00 is seen as next possible resistance level for the loonie.

Members of the Bank of Japan's monetary policy board were satisfied with the pace of the country's economic recovery and they expect the recovery to continue, according to minutes from the bank's June 12-13 meeting.

Inflation expectations appear to be rising as the central bank draws nearer to its stated goal of 2% following years of deflation, it showed.

After falling to a 2-day low of 1.0765 against the greenback at the beginning of the Asian session, the loonie climbed to 1.0738 during European deals. The next possible upside target for the loonie is seen around the 1.066 mark.

Meanwhile, the loonie stablised against the aussie, after falling to a 2-day low of 1.0094 at 3:20 am ET, from its early high of 1.0044. The pair was worth 1.0060 at yesterday's close.

Apart from CPI data, Canada wholesale sales for May and Reuters/University of Michigan's preliminary consumer sentiment index for July and US leading indicators for June are due shortly.

CLEAN UP CONTINUES FOLLOWING TRAIN DERAILMENT NEAR CARON

Canadian Pacific crews were still clearing the tracks Thursday, after 24 rail cars derailed west of Moose Jaw, near Caron, on Wednesday.

Sixteen of the cars were carrying gasoline, five of them had lumber, and three had asphalt.

The derailment happened in an area surrounded by ranch land and farmland, which made the site difficult to access.

"The incident happened along a curve on tracks, but it's an awkward area because it goes through a marshy-boggy area," said one Caronport resident to Global News. "Nearest house would be about a mile away. Population is pretty low around here."

The rail company called Moose Jaw Fire around 1:30 p.m.Wednesday.

Fire crews were on scene for a couple of hours to ensure none of the rail cars were leaking gasoline.

"We have a number of trained hazmat technicians on our department, so part of our job is to go back and evaluate the scene. First we make sure the scene is secure and then slowly try and determine whether we have any hazardous materials leaking from the cars," said Deputy Fire Chief Brian Wilson. "Moose Jaw Fire has gone to a couple derailments in the past. That's probably one of the more significant ones we've had in the recent past."

Investigators from the Transportation Safety Board arrived Wednesday night to do their own independent report.

A spokesperson for CP said she's not sure how long its investigation will take before the cause of the derailment is made public.

"CP's emergency protocols and safety precautions and measures are taken as our crews respond to the situation," said Salem Woodrow with the rail company.

The rail line reopened at 5 p.m local time. Before that trains were being diverted and CP says there were no disruptions in service.

In May, CP also responded to a derailment near Estevan. Four tanker cars carrying crude oil went off the tracks, but no leaks were reported.

NATURAL GAS PRICES HIT BY COOL SUMMER

Natural gas prices are lagging the lofty predictions of just a few months ago, skidding on cool summer weather and heaping pressure on the shares of energy producers that had been on a roll.

Prices for the fuel – which surged during this year's frigid winter – are sharply lower in Canada and the United States than even month-ago levels following a string of large weekly storage injections.

Now, widespread worries that the industry could get caught short of inventory by the time the upcoming winter heating season starts in November are subsiding, and that is starting to give investors in gas-producing companies' jitters.

The industry's ability to ramp up production from major shale plays, such as the Marcellus in the U.S. Northeast and the Haynesville in Texas and Louisiana, has proven to be a bigger factor than initially thought, said FirstEnergy Capital Corp. analyst Martin King, who is now less bullish on the commodity than he was even four weeks ago.

The U.S. inventory tally – the most influential data for gas traders – is still below year-ago and five-year average volumes, though recent injections, as reported by the U.S. Energy Information

Administration, have been hefty.

"I thought absolute storage levels would win out at the end of the day and keep prices elevated, and now the market's basically turned that on its head and said, 'What we think is important in terms of pricing gas is looking at the supply growth. Storage is not unimportant, but it's less important to us,'" Mr. King said.

The market moves highlight just how shale gas fields, which also include the Montney in Northeastern British Columbia, have transformed the industry over the past decade. Energy companies have tapped massive reserves from previously stingy rock layers across North America with horizontal drilling and hydraulic fracturing technology.

Still, as recently as April, many forecasters wagered producers would struggle to refill storage volumes that had been depleted to levels well below the average of the previous five years.

In June, Mr. King had forecast third-quarter gas on the New York Mercantile Exchange to average $5.03 (U.S.) per million British thermal units (mmBtu), projecting the market would need supplies for both air conditionings load and increased storage requirements.

On Friday, it settled at $3.95 per mmBtu, down from $4.71 a month earlier.

The story is much the same north of the border. Canadian benchmark gas at the AECO storage hub in southeastern Alberta sold on Friday for $3.85 (Canadian) a gigajoule, down 16 per cent from a month ago, according to the NGX electronic exchange.

An unusually strong gas outlook has been one of a number of factors that has lifted Canadian oil and gas stocks this year. The Toronto Stock Exchange's energy group rose was up 24 per cent by mid-June, but has since slipped by 4.5 per cent as the market for the fuel softened.

Encana Corp., Birchcliff Energy Ltd., Cequence Energy Ltd. and NuVista Energy Ltd. are among Canadian gas-weighted producers whose shares have fallen in the past month.

"When you get nine triple-digit injections in a row you really bite into that storage deficit in big chunks. That's what we've been seeing and that's the dynamic force that really weighs on prices," said Jim Ritterbusch, president of Chicago-based energy advisory firm Ritterbusch & Associates.

"It tends to force a focus on end-of-season supply, which now could be ample."

Of the 15 weekly reporting periods since the start of the withdrawal season in April, nine have have shown inventory builds of 100 billion cubic feet or more. On Thursday, the U.S. Energy Information Administration reported an inventory increase of 107 bcf, beating a Bloomberg survey of industry players by 7 bcf.

Mr. Ritterbusch predicted U.S. storage could reach 3.5 trillion cubic feet by the start of winter, which would be about 8 per cent below average.

"But with production running at a record pace, that would be enough juice," he said.

Still, conditions are not dire. Prices remain above last year's levels, especially in Canada where a contract change in 2013 on TransCanada Corp.'s mainline pipeline system to central Canada in 2013 led to a deep short-term discount to U.S. prices.

In addition, there are still two months of summer, during which an extended heat wave in Ontario, the U.S. Northeast or Midwest would prompt a major increase in demand for power generation to boost air conditioning, taking volumes away from storage injections.