Sign Up with the Oilfield News Online

Weekender
# Oilfield NEWS
www.oilfieldnews.ca



Published By: NEWS COMMUNICATIONS since 1977

Saturday November 8th, 2014

## CANADIAN OIL SANDS POSTS SHARP DECLINE IN PROFIT

Canadian Oil Sands Ltd., the largest owner of the Syncrude oil-sands joint venture, Thursday said its third-quarter net profit fell 65% from a year earlier, citing lower revenue and foreign exchange-related losses.

Canadian Oil Sands owns a 37% stake in its main operating asset, Syncrude, which is one of the largest and oldest oil-sands producers. Six other companies own the remainder, including the lead operator, Exxon Mobil Corp. unit Imperial Oil Ltd., and Suncor Energy Inc., Canada's biggest oil and Gas Company.

The Calgary-based company, which has struggled to cope with a series of unplanned outages at Syncrude's surface-mining operations, also slashed its annual maximum output target to 100 million barrels of oil, down from a previous 104 million barrels and an initial forecast of up to 110 million barrels.

Canadian Oil Sands said its net income in the three months to Sept. 30 was 87 million Canadian dollars (U.S. $77.7 million), or 18 Canadian cents a share, down from C$246 million, or 51 Canadian cents a share, in the year-earlier period.

It was hit with C$73 million in foreign-exchange losses in the third quarter, mostly because of its U.S. dollar-denominated long-term debt as the greenback strengthened against the Canadian currency. That was a reversal from the C$31 million it earned on foreign exchange a year ago and reflects a weakening of the Canadian dollar.

Sales volume rose to an average of 87,787 barrels a day in the quarter, up from 84,250 in the same period last year. But the company said average crude prices fell to C$102.58 a barrel, down from C$112.55 a year earlier, and operating expenses increased to C$47.73 a barrel, up from $46.15.

Canadian Oil Sands blamed the increase in operating expenses on higher prices for natural gas, which it uses to power its operations, and maintenance prompted by unplanned outages at processing units. The company has been dogged by reliability issues affecting the up graders used to churn out synthetic crude oil.

A breakdown of coker and sulfur-extraction equipment that processes the heavy bitumen extracted from oil-sands mines has drawn criticism from other Syncrude partners. In a conference call also on Thursday, Suncor Chief Executive Steve Williams expressed concern about those equipment failures.

"It's fair to say that we and the operator have been disappointed in the performance on the asset," he said, adding he believed the problems would be resolved.

## LIQUEFIED NATURAL GAS LTD TO EXPAND BEAR HEAD LNG TO 8MTPA

Liquefied Natural Gas Limited (ASX:LNG; OTC ADR:LNGY) has filed for modifications to the existing construction and environmental permits for its Bear Head liquefied natural gas export project in Nova Scotia, Canada.

This includes the expansion of the initial facility production capacity to 8 million tonnes per annum from the initial 4Mtpa.

Shares in the company should trade higher on the news.

Bear Head was originally proposed for a LNG import terminal. It has established project rights, approvals, LNG tank foundations and significant civil works.

More than $100 million was spent by its prior owners in the early 2000's maintaining the facility in hot-idle status since then.

The Bear Head LNG team has held extensive meetings with business, community, and political leaders provincially and federally, and enjoys the support of officials in the host community of Richmond County and the Government of Nova Scotia.

A final investment decision on the project is expected in late 2015 to 2016 with commercial production starting in late 2018 to 2019.

"This is a major step in adapting Bear Head LNG's 12 existing construction and environmental permits to an export project," Bear Head LNG chief operating officer John Godbold said.

"These key regulatory filings help maintain our accelerated pace in executing the project development plan.

"Bear Head LNG is targeting a higher rate of production capacity based on market response and gas supply projections.

"This change also reflects our conversations with regulatory agencies and political leaders. We have been on a fast-track from day one, with significant permitting approvals already in place and detailed level engineering and initial site construction completed."

He added that with the existing permitting and the construction that is already underway, Bear Head LNG has a material head start of 6 to 12 months against competing LNG projects.

Managing director Maurice Brand said investors had signaled their confidence in the project when the company raised $38.6 million to acquire the Bear Head LNG project in July 2014.

Bear Head LNG is also investigating several options for natural gas supply.

"There are 15 proven and undeveloped significant discovery licenses of natural gas offshore Nova Scotia, with recoverable reserves sufficient to underpin the project," Bear Head LNG chief financial officer Ian Salmon said.

"In addition, we believe there is potential to access onshore natural gas from prolific North American production basins to provide feedstock to Bear Head LNG."

Bear Head LNG

The Bear Head LNG project is located on the deep, iceand dredge free waters of the Strait of Canso in Point Tupper, Richmond County, Nova Scotia.

It is being developed on a 255-acre site comprising industrial-zoned land (180 acres) and deep-water acreage (75 acres).

In August, LNG Ltd acquired the project from Anadarko Petroleum Corporation (NYSE:APC) for US$11 million, giving it a second North American LNG project that expands and diversifies its development pipeline.

Prior owners had spent more than $100 million to design, and complete engineering work and site construction of the Bear Head LNG site in the early 2000's maintaining the facility in hot-idle status since then – all benefits that Bear Head LNG is utilising.

The project already has 12 permits in place to build an LNG facility, including an approved environmental assessment; permits to construct a gas plant facility from both the Department of Natural Resources and the Nova Scotia Utility and Review Board; and a Development Permit from the municipal government in Richmond County.

Modifications of these existing permits to apply to a LNG liquefaction facility are the subject of recent filing.

Bear Head LNG will also benefit from design and engineering work nearing completion for the LNG export terminal under development in Louisiana by Magnolia LNG, also a wholly owned subsidiary of LNG Ltd.

Adding to its other advantages, the site is about half the shipping distance to major European markets compared to U.S. Gulf ports.

This also puts the project closer than its North American competitors, including those in British Columbia, to burgeoning natural gas markets in India, Argentina, and other major LNG markets.

Analysis

The filing of modifications to the existing construction and environmental permits, including the doubling of LNG processing capacity to 8Mtpa, demonstrates LNG Ltd's confidence in the Bear Head LNG project.

It also follows on the significant progress its LNG projects have made in the past month.

This includes progress of the Magnolia LNG Project in Louisiana through the U.S. Federal Environmental Regulatory Commission regulatory process as well as steps taken to recommence development of its Fisherman's Landing LNG Project at Gladstone, Queensland.

Other achievements include the company entering the ASX200 Index in the September quarter.

LNG Ltd remains well funded with a cash balance of $63.9 million as at 30 September 2014.

Share price kickers ahead include:

MLNG Project

- Execute definitive Tolling Agreement for firm capacity of 3.4 mtpa from the first two trains with a design capacity of 4mpta for the MLNG Project;

- Execute an Engineering, Procurement and Construction Contract including a fixed lump sum turnkey capital cost; and

- Secure the release of a Notice of Schedule and the Draft Environmental Impact Statement (DEIS) from FERC.

Bear Head LNG Project

- Secure permits and licences to change the Bear Head LNG site from an approved 11.3Mtpa import terminal to a 8Mtpa LNG export terminal;

- Submit and secure a LNG export license from the Canadian National Energy Board;

- Obtain Letters of Intent to secure Tolling capacity in the Bear Head LNG Project;

- Enter into gas pipeline capacity agreements to supply gas to Bear Head LNG; and

- Integrate the Magnolia LNG FEED with the existing FEED work completed by Anadarko Petroleum Corporation.

Fisherman's Landing LNG Project

- Work with TriStar Petroleum Company on gas supply for 90 petajoules per year to FLLNG;

- Continue to actively seek additional gas supply for FLLNG; and

- Continue to progress discussions with potential LNG Tollers.

The company will also seek to evaluate and secure a third North American LNG opportunity as well as appoint a Financial Advisor to evaluate options to further unlock shareholder value in North America.

It will continue to secure global patents for its OSMR® LNG Process Technology.

LNG Ltd has been the standout performer on the ASX with shares rising about 1,210% to its current price of $3.86 since its close of $0.295 on 10 February 2014 prior to the release of a research report by Proactive Investors the next day.

## ENBRIDGE LINE 9B REVERSAL PROJECT DELAYED

Enbridge Inc. (TSX:ENB) said reported Wednesday a net loss of $80 million in its latest quarter as it warned its plan to reverse the flow of a pipeline running between southern Ontario and Montreal has been delayed.

The pipeline company said the National Energy Board approved the project subject to conditions in March, however the board has requested additional information related to one of the conditions.

"Our objective with the Line 9B project has always been to meet, if not exceed, regulatory requirements and to assure our stakeholders of our commitment to operate our pipeline safely and protect the environment," Enbridge president and chief executive Al Monaco said in a statement.

"We have responded to the board's request for clarification of our approach and additional information. We continue to work with the Board to understand and respond to its questions and to meet its requirements."

Enbridge said its net loss for the quarter amounted to 10 cents per share for the quarter ended Sept. 30 compared with a profit of $421 million or 51 cents per share a year ago.

However, adjusted earnings, which excluded unrealized derivative gains and losses and other one-time items, amounted to $345 million or 41 cents per share, up from $278 million or 34 cents per share a year ago.

Revenue totalled $8.3 billion, down from $9 billion in the same quarter last year.

Enbridge said its full year adjusted earnings are on track to meet its guidance for $1.84 to $2.04 per share.

The company's Line 9, built in 1976, originally shipped oil from Sarnia, Ont., to Montreal, but was reversed in the late 90s in response to market conditions to pump imported crude westward. Enbridge wants to switch the direction back.

The company plans to move 300,000 barrels of crude oil per day through the line, up from the current 240,000 barrels, with no increase in pressure.

Opponents, however, have argued Enbridge's plan puts communities at risk, threatens water supplies and could endanger vulnerable species in ecologically sensitive areas.

## CANADIAN DOLLAR SINKS TO 5-YEAR LOW ON OIL PRICE WAR, 'VERY DOVISH' BANK OF CANADA

The Canadian dollar is at its lowest level in more than five years this morning, hit by an oil price war sparked by Saudi Arabia and a "very dovish" Bank of Canada governor.

The loonie, as Canada's dollar coin is known, sank below 88 cents U.S. today, touching the lowest level since the summer of 2009, as crude prices tumbled to their lowest in about three years.

"I think what we have is really everything working against the Canadian dollar here," said chief currency strategist Camilla Sutton of Bank of Nova Scotia.

The loonie, which hit a low point of 87.51 cents at one point today, could falter even more given global and domestic developments.

The Canadian dollar has now lost more than 2 per cent over five trading days as blow follows blow.

“These developments include a disappointing GDP release last Friday, coupled with the collapse in oil prices and a dovish Governor Poloz, all of which have taken place in an environment of broad [U.S. dollar] strength,” Ms. Sutton said.

“The near-term CAD outlook has deteriorated materially and the downward trend is too strong to fight,” she added, referring to the Canadian currency by its symbol.

The collapse in oil prices, spurred on yesterday by Saudi Arabia’s announcement of a cut in prices in the United States, diminishes the economic outlook for Canada, Ms. Sutton explained.

Add to that the fact that there’s no bottom in sight.

Saudi Arabia’s decision to cut U.S. prices and raise Asian prices suggests the oil-producing giant is becoming “more competitive” in the United States, Ms. Sutton said.

As The Globe and Mail’s Shawn McCarthy reports, there are now concerns that the world’s major producers, which, of course, includes the Saudis, want to protect their market share, which could mean even lower prices.

“Word is that Saudi Arabia cut prices for crude sold in the U.S., adding to speculation that Middle East producers are working to defend market share amid surging U.S. output,” said senior economist Robert Kavcic of BMO Nesbitt Burns.

This is rippling through global markets today.

“Oil prices are dropping fast again in European trading after Saudi Arabian Oil Co. stated yesterday that it will cut prices for all oil grades that is sells to the U.S., oil stocks in the U.K. including BP and Shell are trading lower which could see Exxon and Chevron under pressure in the U.S.,” said analyst Jasper Lawler of CMC Markets in London.

Feeding into the erosion of the loonie were yesterday’s comments from Bank of Canada Governor Stephen Poloz, which again suggested interest rates are on hold at rock-bottom levels for some time yet.

This, of course, means the Canadian central bank will lag its U.S. counterpart, the Federal Reserve, in eventually hiking.

As The Globe and Mail’s David Parkinson writes, Mr. Poloz defended his low-rate policy, which he said is key to bolstering Canada’s economy in the post-crisis era.

## KINDER MORGAN PIPELINE HEARINGS A ‘FARCE,’ SAYS FORMER BC HYDRO HEAD

Marc Eliesen has withdrawn as an intervener, calling the process ‘fraudulent’

The former head of BC Hydro, Marc Eliesen, has pulled out of the federal hearings on the proposed Kinder Morgan pipeline project.

In a scathing letter to the National Energy Board, Eliesen calls the public hearing process around the project “a farce,” noting the removal of the oral cross-examination phase.

“Unfortunately, I have come to the conclusion that the board, through its decisions, is engaged in a public deception,” the letter states.

“Continued involvement with this process is a waste of time and effort, and represents a disservice to the public interest because it endorses a fraudulent process.”

NDP environment critic Spencer Chandra-Herbert says it’s time for a made-in-B.C. review of the project.

“I think the province should pull out of the Kinder Morgan process, and instead run our own environmental assessment process, where we can hold Kinder Morgan accountable and not let them get away without answering tough questions about their ability to respond to oil spills,” he said.

Last week, Kinder Morgan asked a B.C. Supreme Court judge to stop protesters from blocking survey work on a new pipeline route through Burnaby Mountain.

## REGULATOR PROBING REPORTS OF WATERFOWL LANDING ON TAILINGS PONDS

The Alberta Energy Regulator is investigating several reports that waterfowl have landed on tailings ponds in the Athabasca oilsands region near Fort McMurray.

The first report came in about noon, and by evening the AER had investigation teams on the scene, said spokesman Ryan Bartlett.

"We've had several reports from a few different companies in the area," Bartlett said.

He did have not have details about which companies or how many waterfowl were involved.

The AER teams were sent to the oilsands facilities to ensure that "companies in the area are taking all steps to respond appropriately," the AER said in a news release.

The issue of waterfowl and tailings ponds has been political dynamite in Alberta for years.

In April 2008, about 1,600 of migrating birds died after landing on a tailings pond in northern Alberta owned by Syncrude Canada.

The story made headlines around the world and focused international attention on an industry that is the economic lifeblood of Alberta.

Syncrude was later charged with one count under Section 155 of the Alberta Environmental Protection and Enhancement Act for failing to provide appropriate waterfowl deterrents at the pond. The company was charged with one count under the federal Migratory Birds Convention Act.

During a lengthy and well-publicized trial in 2010, dramatic pictures and video of ducks struggling in a toxic waste pond were entered as evidence.

Syncrude was found guilty on both charges and ordered to pay a $3-million penalty.

## GREENPEACE BRINGS SOLAR MESSAGE TO EDMONTON DERRICK

Greenpeace activists scaled the 40-metre historic Leduc drilling platform at Edmonton's Gateway Park to push a "Go Solar" message Monday.

Four people climbed the 40-metre derrick to hang banners urging Alberta to switch focus from developing the province's oilsands to generating solar power.

The stunt comes a day after a report from the Intergovernmental Panel on Climate Change warned that at least three quarters of fossil fuel reserves must stay in the ground to avert "severe, widespread, and irreversible impacts" from climate change.

Premier Brian Gallant changing how he speaks about fracking

Gallant says he remains opposed to hydraulic fracking, but is less certain about other methods

A subtle change in the language being used by Premier Brian Gallant around his promise of a moratorium on fracking is raising questions about whether Liberals may allow the practice after all.

Gallant says he remains opposed to hydraulic fracking, but is less certain about other methods.

In Saint John Wednesday to announce grants for community groups, Gallant said clearly: "We believe there should be a moratorium on hydraulic fracturing due to the lack of information concerning the risks to our environment, our health, and our water," he said.

It was one of six specific references he made to "hydraulic fracturing" in a brief exchange with reporters. He went on to say: "I think it's important for people to know what we're concerned about - it's the process of extraction called hydraulic fracturing."

Gallant's answers were straight forward but his use of the term "hydraulic" raised a question about a subtle shift in his position.

In the legislature last spring, Gallant often pressed the Alward government to ban fracking. During those exchanges, he seldom used the full term "hydraulic fracturing" when discussing the issue.

Fracking opponents say that is why Gallant's current use of the term hydraulic seems significant, especially after GASFRAC Energy Services was hired this past summer to refrac wells in the Sussex area. It is a method some argue is not hydraulic because it uses a propane gel instead of water.

Green party Leader David Coon is already calling it a distinction without a difference and vows to fight any move in that direction.

| 6-Nov-14 | | | | |
|---|---|---|---|---|
| | | | | |
| | Active | Down | Total | % Active |
| Western Canada | | | | |
| AB | 271 | 294 | 565 | 48% |
| SK | 73 | 74 | 147 | 50% |
| BC | 52 | 15 | 67 | 78% |
| MB | 15 | 10 | 25 | 60% |
| WC Total | 411 | 393 | 804 | 51% |
| Eastern Canada | | | | |
| QC | - | 1 | 1 | 0% |
| Canada | 411 | 394 | 805 | 51% |