Weekender
Oilfield NEWS
www.oilfieldnews.ca
Sign Up with the Oilfield News Online
Published By: NEWS COMMUNICATIONS since 1977
Saturday January 31st, 2015

KITSELAS SIGNS UP FOR THREE LNG PIPELINE DEALS

The Kitselas First Nation has signed three pipeline deals with the province which will provide it with close to $1 million right away, additional payments which could amount to more than $4 million based on construction and a share of ongoing annual payments should natural gas ever start flowing through them.

The deals are tied to one pipeline, TransCanada's Coastal GasLink which would serve the LNG Canada facility at Kitimat, and two pipelines destined for the Prince Rupert area – TransCanada's Prince Rupert Gas Transmission to serve the Pacific NorthWest LNG plant on Lelu Island and Spectra's Westcoast Connector Gas Transmission to serve Prince Rupert LNG, a BG Group project.

Dollar values of each deal, which are part of an overall provincial pipeline benefits program aimed at First Nations, are based on the number of kilometres a pipeline travels through a particular First Nation's territory and other factors. The agreements are also meant to provide, says the province, the certainty needed in order for LNG developers to commit to construction.

For each of the three projects, in addition to upfront payments, the Kitselas are to receive payments based on construction – half when construction starts and half when a pipeline goes into operation.

In the case of Coastal GasLink, for example, the upfront payment amounts to $230,000 and construction payments work out to $575,00 when construction starts and $575,000 when the pipeline goes into operation.

The upfront payments were worth 20 per cent of the overall agreements for the Kitselas because they signed before the end of December, 2014.

Had they signed this year, that payment would have been reduced to 15 per cent.

Construction-related payments for the two pipelines bound for Prince Rupert area LNG plants could, however, vary depending upon how close one is built to the other.

Should a portion of one or other of the two pipelines be built within 70 metres of the other, the construction payment will be reduced.

"This considers the reduced impact that additional natural gas pipelines would have on a First Nation's traditional territory if the pipelines are in close proximity to one another," stated the province in releasing details.

In return for the money, the Kitselas First Nation has agreed to support the projects.

And it has agreed, as long as the province follows through with its obligations, not to "bring any courtactions or proceedings that directly or indirectly challenge any government actions in relation to each natural gas pipeline project on the basis that the province has failed to consult or accommodate the Kitselas ..." indicates one section of the agreement.

The Kitselas have also agreed not to "support or participate in any acts that frustrate, delay, stop or otherwise physically impede" development of the pipelines.

In an emailed statement, Kitselas chief Joe Bevan said, "it is important to ensure that members of our communities benefit from economic development on land that we have been interconnected with for generations. By partnering with B.C. today, we have secured the assurance that members of the Kitselas First Nation will share in the prosperity of a new LNG export industry in B.C."

These agreements are also to be outside any land claims treaty signed between the Kitselas and the province.

And once a pipeline is in operation, the Kitselas are to receive a portion of an annual $10 million payment from the province to be divided between all of the First Nations who have traditional territory over which the pipeline crosses.

That amount per First Nation is to be decided between the First Nations by the middle of June or the province will step in and decide the matter.

The Kitselas are already beneficiaries of an earlier provincial benefits agreement tied to the Pacific Trails Pipeline which would serve the Chevron-based Kitimat LNG plant at Kitimat.

These agreements are separate from any economic impact agreements the Kitselas would sign with the pipeline builders themselves.

Late last year, the Kitselas did sign an impacts agreement with Pacific NorthWest LNG, a large plant which would be built on Lelu Island near Prince Rupert, which provided it with an amount upon signing and annual payments.

That was based on historical Kitselas fishing practices in the Skeena River area around Lelu Island. In return, the Kitselas have agreed to support the project which would be supplied by the Prince Rupert Gas Transmission line.

FRAC SAND DRILLING PLANS IN NORTH ARM, INCLUDING POPULAR BEACH, RAISE CONCERNS

N.W.T. aboriginal groups weigh in on Husky Oil's plan to drill for frac sand in Tlicho region

Some N.W.T. aboriginal groups are expressing concern with Husky OilOperation's plan to drill for high-quality silica sand near a popular area on the north arm of Great Slave Lake.

The Yellowknives Dene First Nation, the North Slave Métis Alliance and the Tlicho Government have all cited issues with Husky's proposed Chedabucto exploration project, which would take place 50 kilometres west of Yellowknife.

At its north end, the claim block where Husky hopes to begin work includes an area called Whitebeach Point, known for its smooth, white sand and a popular area for beachgoers, fishers and even hunters.

"There are some people who are concerned about the area and the environmental impacts," says Behchoko Chief Clifford Daniels. "Lots of people do go out there from Behchoko. Some people have some traditional trails out there too. Even myself."

The Tlicho government says it's concerned that not all the drilling locations have been specified by Husky and that some drilling may occur in Dinàgà Wek'èhodì, an ecologically-diverse, 590-square-kilometre area that the Tlicho Government and other groups hope to set aside for conservation per the NWT Protected Areas Strategy.

Behchoko chief Clifford Daniels says some people are concerned with Husky's plans to drill for silica sand near the North Arm's Whitebeach point. 'Some people have some traditional trails out there... Even myself.'

The Tlicho governments wants the Wek'eezhii Land and Water Board, which is currently reviewing Husky's application to determine whether it should undergo an environmental assessment, to include a measure in Husky's land use permit ensuring the company does not drill in the proposed protected area.

According to staff at the territorial government's Protected Areas Strategy Secretariat, there is only a small amount of overlap between Husky's claim block and Dinàgà Wek'èhodì, known for hosting boreal woodland caribou, wolverines and short-eared owls.

But staff say Husky is allowed to drill there because its land was staked prior to the 2013 institution of a temporary land withdrawal for Dinàgà Wek'èhodì.

The Tlicho government says silica's use in the process of hydraulic fracturing — as a "proppant" used to prop open underground cracks created during fracking — has some Tlicho members confused and apprehensive.

"I've heard people say, 'Fracking — where? Is it in the Tlicho area? Where's this going to happen?'" says Daniels. "But that fracking isn't going to happen in our area. It's somewhere else."

The Yellowknives Dene First Nation had given the project its conditional support based on a program of 100 drill holes. But with the company's application now calling for approximately 200 drill holes, "YKDFN is not prepared to support an expanded drill program," the band recently wrote the land and water board.

Husky hopes to begin its drill program in March or April.

A decision on whether the project will require an environmental assessment before Husky receives its permit is expected in February.

TOP CANADIAN OIL PRODUCER CUTS SPENDING

Cenovus Energy says layoffs expected as Canadian energy sector slows.

Canada's second-largest oil producer, Cenovus Energy, said Wednesday it was cutting its capital expenditures for 2015 deeper than originally planned.

The company in December said it was trimming its capital spending plan by 15 percent to $2 billion. With oil prices off roughly 30 percent since then, the company said it was cutting the projected spending again to around $1.5 billion.

Cenovus President and Chief Executive Officer Brian Ferguson said the company has the flexibility to make further cuts without compromising growth objectives.

"Our plan is to continue to pursue our long-term growth strategy, but at a pace we believe is more in line with the current pricing environment," he said in a statement.

The Canadian Association of Petroleum Producers said last week oil production nation-wide is expected to drop by more than 100,000 barrels per day because of slumping oil prices. The National Energy Board, meanwhile, said demand for Canadian crude oil is down because of the growth in U.S. shale oil production.

Nearly all of the exported Canadian oil targets to the U.S. market.

Ferguson said total crude oil production for 2015 was estimated to average 200,000 bpd, unchanged from the December forecast. He said the slowdown in the Canadian energy sector, however, meant reductions in its workforce can be expected.

"We're taking the actions we deem prudent to help protect the financial resilience of Cenovus without compromising our future," he said.

29-Jan-15				
	Active	Down	Total	% Active
Western Canada				
AB	260	305	565	46%
SK	57	86	143	40%
BC	62	13	75	83%
MB	9	8	17	53%
WC Total	388	412	800	49%
Eastern Canada				
QC	1	-	1	100%
Canada	389	412	801	49%