Sign Up with the Oilfield News Online

Weekender

Oilfield NEWS

www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977

Saturday April 4th, 2015

MARK MILNE
LUXURY REAL ESTATE
www.markmilne.com

BLACKGOLD OILSANDS PROJECT ON HOLD, HARVEST CUTS 105 JOBS

Korean-owned Harvest Operations Corp. has cut 105 jobs and will delay start-up of its 10,000-barrel-per-day BlackGold thermal oilsands project until benchmark New York oil prices improve to above $60 US per barrel.

The Calgary-based arm of Korea National Oil Corp. said it has completed construction of well pads, connecting pipelines and the central processing facility at BlackGold but will perform only “minor pre-commissioning activities” throughout 2015.

“In a very low price environment we see today, it does not make commercial sense to start steaming and trying to start production,” chief operating officer John Wearing said on a Wednesday morning conference call.

“Our target for start-up would be somewhere above $60 WTI (West Texas Intermediate), which would give us, we think, commercial viability to start the project.”

On Wednesday, WTI closed at $50.09.

Delaying start-up is an unusual move for a producer’s first oilsands project as most want to prove the resource to investors and start generating returns.

But Harvest has the luxury of taking its time, company executives said on the call. They confirmed they have access to an undrawn $171-million loan facility from KNOC to act as a liquidity lifeline in case low commodity prices persist.

In an interview, Wearing said Harvest has about 550 employees following the layoffs. About 70 of the lost jobs were in Calgary. Of the 105, about 30 were directly related to the oilsands project and the rest with its conventional drilling activities.

Harvest increased its cost estimate for BlackGold, a steam-assisted gravity drainage project southeast of Fort McMurray, last year to about $900 million because of weather-related construction delays and because it decided to pre-build parts of its planned 20,000-bpd second phase.

The number doesn’t include the cost of buying the leases in 2006 and is nearly double the estimate made when KNOC sanctioned the project in 2010.

#8 1342 Shaunna Road, Kelowna - $449,900

Do you want the perfect lock and leave home close to everything but still with a feeling of being in the country? Here it is! This almost new immaculate home still has lot's of warranty left on it, but it is unlikely you will need to use that, as this beautiful home is VERY well built. Enjoy looking out over rolling hills as you have your morning coffee on the well appointed balcony. Inside you will love the open plan lay out that makes use of every square inch of this home. Vaulted ceilings and two gas fireplaces are just a few of the excellent features awaiting the new owners. Hurry this property will NOT last as it's priced below dated homes that need a lot of money sunk into them. Just move in here and enjoy@ Call 250.575.1432 rightnow or go to BerggHomes.com to view the home in full H.D.

The Bergg Homes Team

Steven Bergg Allen Epp Annette Jensen-Bergg

Visit our website for a detailed market report:

bergghomes.com

- FULL STATISTICS AND COMMUNITY INFO
Get the latest trends for sold homes, properties for sale, inventory counts, and more.
- GET DETAILED INFO ABOUT EVERY PROPERTY
View all the detailed information with the listing view or the map view.

All listings MLS® unless otherwise indicated

RE/MAX KELOWNA

Based on MLS® Active Listings Taken & Sold Units as Reported by OMREB in 2012 for Central Okanagan.

SCS SAFETY COORDINATION SERVICES
Safety Compliance Health Environmental Learning Leaders

Working safely may get old, but so do those who practice it. Because life and limb are on the line, we have assembled one of the best safety training libraries anywhere.

www.safetycoordination.com

On-site & On-location Training
7 Days A Week

780.485.3585

7633 50 St, 2nd Flr.
Edmonton AB
T6B 2W9

* First Aid
* TDG
* H2S Alive
* Ground Disturbance
* Confined Space Entry/Rescue

Keeping You Safe

LSS

www.leducsafety.com 1903 - 4th Street, Nisku AB

P: 780.955.3300 * F: 780.955.7651 * T: 1.800.668.4299

Oilsands analyst Michael Dunn of FirstEnergy Capital, who doesn't cover Harvest, agreed the delaying strategy is unusual.

"Smaller projects have a higher operating cost structure than larger projects so, assuming that in the meantime Harvest's fixed cost base at BlackGold is not that severe, it might make sense," he said.

He added there aren't many other small projects scheduled to start up in the immediate future. Athabasca Oil Corp.'s 12,000-bpd Hangingstone is one, "but they will not delay steaming as they want to prove to investors that Hangingstone will work."

Wearing said Harvest has spent about $250 million to complete most of its 2015 drilling campaign in the first quarter. He wouldn't give a full-year capital budget number because he said it will depend on the commodity price.

"In terms of the constrained commodity price environment, we've basically shut down our capex activities after the quarter," said treasurer Grant Ukrainetz on the call. "Our goal … is to live within our means."

Harvest reported fourth-quarter 2014 production from its conventional western Canadian operations of 42,500 barrels of oil equivalent per day, down from 49,200 boe/d in the same period of 2013.

The numbers don't include production from its joint ventures with Kerr Canada Co. Ltd. struck in the second quarter of last year. Kerr is owned by a consortium of Korean investors and is providing cash to develop land contributed by Harvest under a multi-year agreement.

Harvest said it received an average fourth quarter price of $62.75 per barrel for oil and natural gas liquids, down from $70.68 a year earlier, and $3.21 per thousand cubic feet for natural gas, versus $3.86. Its revenue was $172 million, versus $223 million, and it posted an operating loss of $283 million, compared with income of 2.3 million.

It said it sold heavy oil assets in Alberta and Saskatchewan in the fourth quarter for net proceeds of $197 million, using some of it to buy Hunt Oil Company of Canada, Inc., for $36 million in cash to add to its core areas in Alberta.

In November, Harvest sold its money-losing oil refinery at Come by Chance, N.L., to SilverRange Financial Partners LLC of New York.

It didn't reveal the purchase price at the time but in a filing with regulators Tuesday said the sale brought in $70.5 million. The difference between buying and selling price resulted in a net loss of $56.6 million.

KNOC inherited the refinery when it bought Calgary-based Harvest Energy Trust in 2009 for $1.7 billion.

Harvest reported that as of Dec. 31, its total proved plus probable reserves base was 427 million barrels of oil equivalent, an eight per cent decrease from 2013.

NEARLY 437,000 BARRELS OF VOLATILE BAKKEN SHALE CRUDE OIL PER DAY MAY PASS THROUGH OHIO ON TRAINS

Ohioans have known for some time that numerous trains carrying highly volatile Bakken Shale crude oil pass through their neighborhoods each day en route to East Coast refineries.

What they didn't know, until Tuesday, was a number: as many as 437,000 barrels per day.

That volume figure surfaced Tuesday when the federal government for the first time released monthly data on crude oil shipments by rail. Such shipments have raised safety concerns following fatal accidents and derailments.

In January, the region that includes the Midwest and North Dakota's Bakken Shale was by far the largest shipper of crude by rail, averaging 732,000 42-gallon barrels per day.

The East Coast region was the largest recipient, taking in 437,000 barrels a day by rail from the Midwest in January. That's enough Bakken crude to fill 612 rail tank cars every day.

Much of that volume passed through Ohio on rail lines en route to the East Coast.

Activist Teresa Mills of Columbus called the figure "disturbing."

"Ohioans need to know that that much volatile Bakken crude is passing through our state on 'bomb' trains that run through some of our major cities," she said.

Citing a recent report in the Columbus Dispatch, she noted that about 1.4 million people live within a half-mile of tracks that carry crude oil trains across the state in northern and central Ohio.

Mills said she fears that a major crude oil train derailment in Ohio would overwhelm the ability of first responders to handle it.

Recent derailments

In February, a 100-car Canadian National Railway train hauling crude oil derailed in northern Ontario. Two days later, a 109-car CSX oil train derailed and caught fire near Mount Carbon, W.Va. Another oil train derailed and caught fire March 5 near Galena, Ill.

The worst of the crude oil derailments happened July 6, 2013, and involved a runaway train that killed 47 people in the town of Lac-Megantic, Quebec.

The number of rail accidents remains relatively small compared to total rail traffic, but fiery accidents involving crude oil are increasing because U.S. and Canadian oil production is booming.

Previously, estimates had been made on the volume of crude oil shipments by rail. In January, Ohio said that between 17 and 49 oil trains per week pass through Ohio.

Rail shipments are necessary because there are no pipelines to move the Bakken crude east to refineries.

The volume of crude shipments by rail in the United States has grown from 55,000 barrels a day in 2010 to more than 1 million barrels per day in 2014, the U.S. Energy Information Administration said in a teleconference.

Seventy percent of that oil came from North Dakota and Montana, where Bakken Shale crude production had grown to 1 million barrels per day from 2010 to 2014.

The second-largest source was the Niobrara Shale in Colorado, Wyoming and Nebraska, where production has grown to 300,000 barrels of crude per day in those five years.

Tracking shipments

"The new crude-by-rail data provides a clearer picture on a mode of oil

SIDEWINDER COIL SERVICES INC.

Milling and cleanouts in Northern British Columbia to fracturing, underbalanced cleanouts, E-coil perfing and logging, etc. in Alberta, Saskatchewan and Manitoba.

We Do It All!!

info@sidewindercoil.com
Tel: 306.891.6668

SAFETY FIRST

www.sidewindercoil.ca

transportation that has experienced rapid growth in recent years and is of great interest to policy makers, the public and industry," Adam Sieminski, administrator of the U.S. Energy Information Administration, said in a statement.

The agency already tracks shipments via pipelines, tankers and barges.

The data is limited in that it only tracks movements within and between the five regions into which the EIA divides the country, as well as movements between Canada and each region.

Much of the information came from the federal Surface Transportation Board, officials said.

In a related development, one railroad on Monday announced new safety standards for crude oil trains.

Texas-based BNSF, which hauls much of the oil from North Dakota, has said it was imposing slower speed limits in major cities and increasing track inspections near waterways. It is also stepping up efforts to find and repair defective wheels before they can cause derailments.

TRANSCANADA CONFIRMS IT WON'T BE BUILDING ENERGY EAST TERMINAL AT CACOUNA, QUE.

TransCanada Corp. (TSX:TRP) has confirmed that it no longer plans to build a terminal at Cacouna, Que., as part of its Energy East pipeline project.

The Calgary-based company says it's making the decision in part because of concern for beluga whales near the site.

TransCanada also says it will look at alternative locations in Quebec for a marine and tank terminal.

Refineries in Quebec and New Brunswick would continue to be connected directly to Energy East under TransCanada's proposal.

The company says it expects the Energy East pipeline will be in service by 2020.

TransCanada's announcement follows a Montreal La Presse report that it had ditched plans to build an oil port in Quebec.

It had previously suspended construction of a port at Cacouna in eastern Quebec because of the presence of belugas, which have seen their numbers dwindle to about 1,000 according to a federal wildlife committee's report last year.

1-Apr-15				
	Active	Down	Total	% Active
Western Canada				
AB	60	468	528	11%
SK	5	125	130	4%
BC	35	46	81	43%
MB	-	15	15	0%
WC Total	**100**	**654**	**754**	**13%**
Eastern Canada				
QC	-	1	1	0%
Canada	**100**	**655**	**755**	**13%**