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CANADIAN OIL AND GAS FIRMS 'BLEEDING MONEY' AMIDST DARKEST OUTLOOK IN A DECADE

Canada's oil and gas industry is projected to report the biggest drop in profit in at least a decade starting next week as crude's collapse pummels some of the world's costliest producers.

Earnings per share for Canadian petroleum producers will fall more than half for the 63 members of an energy industry sub-sector of the Standard & Poor's/TSX Composite Index, according to data compiled by Bloomberg. Almost half of those companies, including Calgary-based Cenovus Energy and Canadian Natural Resources Ltd., are expected to post losses in the quarter that ended March 31.

"This will be a brutal quarter for earnings," said Robert Mark, director of research at MacDougall, MacDougall & MacTier Inc. "They're bleeding money right now."

Oil prices remain about 50 per cent below June highs after the Organization of Petroleum Exporting Countries resisted calls to cut production amid surging North



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American output. Benchmark West Texas Intermediate crude oil fell to a six-year low in March of under \$45 but has since rebounded 30 per cent, settling Thursday at \$56.71 US per barrel, its highest level in four months.

Western Canadian Select benchmark — which has risen almost 50 per cent since March 13 — traded at \$44.94 after falling below \$30 a barrel last month for the first time in six years.

The negative sentiment is reflected in a report this week by Calgary investment bank Peters & Co.

"Results will be weak sequentially as th... be the first quarter that fully reflects the fall in crude prices," says the report forecasting first-quarter results from Canadian large, integrated and oilsands producers. "We estimate that for Q1 ... production for the group will

be flat and cash flow will be down 42 per cent quarter over quarter."

Peters said its first-quarter outlook is brighter for companies which locked in future oil and gas prices with extensive hedging programs or that have refineries, which experienced "surprisingly strong" profit margins in February and March after poor results in January. For example, it projects a 50 per

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TUESDAY JUNE 2ND, 2015

* Exhibitor Setup - All Day

Golf Tournament - Exhibitors & Platinum Sponsors

6:30 AM Morning Golf Registration & Breakfast

7:30 AM Morning Flight Shot Gun Start

12:00 PM Afternoon Golf Registration & Luncheon

1:00 PM Afternoon Flight Shot Gun Start

** Courtesy Rides for Golfers - Sponsored by Baker Hughes**

7:00 PM Steak or Lobster Dinner - Sponsored by Gilliss Casing Services

11:00 Grounds Closed - Security Sponsored by ARC Resources Ltd.

WEDNESDAY JUNE 3RD, 2015

10:00 AM - 7:00 PM SHOW HOURS

* 12:00 PM Luncheon Sponsored by Grimes Sales & Service

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* 12:30 PM Guest Speaker - Hon. Bill Boyd - Minister of the Economy

* 1:00 PM 2015 Saskatchewan Oil & Gas Recognition Awards

Oilman of the Year & Hall of Fame Inductees - Presented by the

Board of Governors

* 7:00 PM Prime Rib Dinner - Sponsored by the City of Weyburn

* 8:00 PM Opening Ceremonies - Guest Speakers Hon. Ken Krawetz and Mayor Debra Button

* 8:30 PM SE Sask. Oilman of the Year Awards - Presented by Weyburn Oilshow Board

* 11:00 PM Grounds Closed Sponsored by ARC Resources Ltd.

THURSDAY JUNE 4TH, 2015

8:00 AM - 3:30 PM SHOW HOURS

* 7:30 AM - 9:30 AM Barnstorming Breakfast Sponsored by PSAC

* 10:30 - 11:00 AM - PSAC Information Session by Invitation Only

* 12:00 PM Industry Luncheon Sponsored by Crescent Point Energy

* 12:30 PM Industry Guest Speaker - John Gormley - Sponsored by

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cent drop in quarter-over-quarter upstream cash flow for Cenovus despite record oilsands production — but \$200 million in positive downstream cash flow after a \$322-million downstream loss in the fourth quarter of 2014 thanks in part to lower refinery feedstock prices.

Cenovus (TSX:CVE) will be the first of the large producers to report first-quarter earnings on April 29, followed by Suncor Energy Inc. (TSX:SU), Calgary's largest oil and gas producer, after markets close.

Canada's petroleum industry has hit the brakes, curbing spending and cutting jobs to cope with an oil market meltdown. Many operators are unable to turn a profit at current prices.

The oil plunge prompted the Bank of Canada to slash its first-quarter economic growth forecast to zero from a January forecast of 1.5 per cent.

Canadian Oil Sands Ltd.

(TSX:COS), among the country's largest oilsands producers, needs a WTI price of about \$50 a barrel to sustain business with no production declines, chief financial officer Robert Dawson said last month.

Some analysts don't anticipate oil will top \$60 a barrel before the end of the year. The Alberta government, in its recent provincial budget, forecast WTI to average about \$55 US a barrel this fiscal year.

The drop in oil and other commodity prices since last summer "has curbed capital spending, with companies shifting to survival mode to try to protect their respective balance sheets to weather the storm," First Energy Capital analysts Robert Fitzmartyn and colleagues wrote in an April 10 note.

Among oil producers, Imperial Oil Ltd. (TSX:IMO) is estimated to post quarterly earnings per share of 50 cents, less than half that of the year-



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earlier period, according to data compiled by Bloomberg. Suncor will report earnings of 14 cents a share, a decline of 86 per cent. The estimates for the group are based on the market-weighted average of the 63 companies in the energy sector index.

"Imperial plans and operates its businesses with a long-term perspective that results in resiliency across a wide range of market conditions," said spokesman Pius Rolheiser, in an e-mail response.

With the price of oil unlikely to return to levels that will make it profitable for many Canadian producers, the outlook could darken, said Mark of MacDougall, MacDougall & MacTier.

"There's probably more pain to come," he said. "If you're over-levered and not hedged, you're in big trouble."

Schlumberger Ltd., the world's largest oilfield services provider, said Thursday that it will eliminate

an additional 11,000 positions. The latest announced reductions bring the company's total to 20,000, making its workforce about 15 per cent smaller than it was during the third quarter of 2014.

SHAKE UP FOR BC DREAMS

The proposed merger of Royal Dutch Shell and BG Group sets the stage for a drastic, long-predicted weeding out of Canada's overcrowded LNG field.

Assuming that anti-trust authorities don't attempt to block the deal, the combined company will make it easier to eliminate one and possibly two of British Columbia's 19 LNG ventures.

Shell Chief Executive Officer Ben van Beurden dropped a clear hint during a conference call when he said that incorporating the BG portfolio will "bring important new LNG optionally to Shell."

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"In Canada, for instance, both companies have plans on the drawing board for LNG exports ... from British Columbia. There is clearly some scope for review there, as you can imagine."

Shell's investor presentation documents bolstered that view by identifying BG's Prince Rupert plan as overlapping with its own LNG strategy in British Columbia.

The United Kingdom-based BG had already stalled an investment decision on its Prince Rupert LNG Exports until at least 2017 after gaining regulatory approval to export from 14 million to 21.6 million metric tons a year, citing the need for more time to examine the economics while it searched

for gas supplies and LNG buyers.

That plan may already have been on the skids according to Noel Tomnay, the head of Wood Mackenzie's LNG research, who said that over the last six months all of the senior employees at the Canadian operation have left, including the head, Madeline Whitaker, who took a position elsewhere in the company in March and has not been replaced.

BG declined to comment on any developments in its LNG plans six months after announcing its final investment decision would be delayed beyond its original 2016 target.

Although doubt accumulates around its British Columbia scheme, BG is a big LNG player as an original

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investor in Trinidad's Atlantic LNG project founded with Amoco; as owner of the Lake Charles LNG terminal in the U.S. Gulf; and as a stakeholder on the United Kingdom's Dragon LNG terminal.

Shell's LNG Canada project (with partners from China, Japan and South Korea holding a combined 50 percent stake) is at a more advanced stage, targeting shipments of 12 million to 24 million metric tons a year, but it, too, has backed away from earlier plans to come on stream in 2020.

However, Tomnay said that closure of the Shell/BG deal this year would likely mean the C\$40 billion venture will be built.

He said the project has "got buyers in the partnership, it's developing a pipeline, it's well ahead with engineering ... so the Shell project is well advanced."

TransCanada has the lead role in building a pipeline from northeastern British Columbia to the liquefaction and tanker terminal.

Karl Johannson, president of TransCanada's natural gas pipelines business, told the Financial Post that his company has seen no signs of Shell "putting down the tools on the project. As a matter of fact, Shell has come out publicly and said North American LNG projects are some of its priorities globally. We are still pretty confident that we are attached to a winner."

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Others are less positive. Overshadowing the global outlook is a looming glut of LNG, with Moody's Investors Service warning on April 7 that the "vast majority" of North American projects face cancellation because of the collapse of oil prices that LNG proponents had once eagerly tried to use in negotiating LNG deliveries to Asia.

Whatever emerges, the combined portfolios of Shell and BG would represent about 16 percent of the "global LNG market, further propelling Shell's position as a leader in this sector," said RBC Capital Markets analyst Biraj Borkhataria in a research note.

Shell now delivers 34 million metric tons per year of LNG to customers, led by its Nigerian LNG operation, which was first designed to squeeze more cash out of gas flared from its oil field in the Niger Delta and has since turned into a highly profitable enterprise.

Randy Ollenberger, a BMO oil and gas equity analyst, said his company has long anticipated consolidation among Canada's LNG players even without the Shell-BG transaction.

Otherwise he said the deal would have only "minimal impact" on other Canadian operations, which include Shell's focus on the oil sands and unconventional gas/liquids, none of which overlap with BG's assets.

"Shell may dispose of some non-core unconventional assets, but again they would likely have pursued that anyway," he told the Globe and Mail.

OILSANDS CRUDE WORSE FOR ENVIRONMENT THAN OTHER OILS, REPORT SUGGESTS

Report compares greenhouse gas emissions for 30 types of crude oil worldwide

Some types of crude oil are much worse than others when it comes to their role in climate change, and that from Alberta's oilsands is among the worst offenders.

That was the conclusion of a report that compares the greenhouse gas emissions of 30 varieties of crude worldwide — from the oilfield to the refinery to the tailpipe.

The University of Calgary's Joule Bergerson contributed to the report, along with researchers from Stanford University and the Carnegie Endowment for International Peace.

Using publicly available data, the researchers found there was more than an 80 per cent difference between the highest and lowest carbon-emitting fuels on a per-barrel basis.

The total greenhouse gas emissions range for "extra heavy oil" — which includes Alberta's oilsands — were the highest of the bunch, along with "high flare" ones that require excess natural gas to be burned off.

Bergerson says Alberta's oilsands industry was one of the most open with its information, compared with other global players.

VOTERS THINK ALBERTA DEPENDS TOO MUCH ON OIL AND GAS

Most Albertans believe the province is too dependent on oil and gas revenues, according to new data on economic issues released Wednesday by CBC Vote Compass.

Eighty-six percent agreed that the economy is too dependent on oil and gas.

However, 71 per cent say resource companies should pay higher royalties with only three per cent suggesting they should pay less.

Political beliefs influence how people feel about the royalty issue. Two-thirds of Wildrose supporters want companies to pay more, compared to just over half of PC supporters.

About 46 per cent of Albertans believe First Nations should have less say over how natural resources are used. About 27 per cent say the status quo should prevail and another 21 per cent say they should have more.

On the Keystone XL pipeline, 61 per cent of Albertans want the government to continue lobbying Washington to approve the project.

"The data suggests that Albertans don't view economic diversification as a zero-sum game," said James Aufrecht of Vox Pop Labs, the organization that developed Vote Compass.

"Their support for Keystone XL indicates a desire for continued growth in the energy sector, but within a

more diverse economy."

The findings are based on responses from 24,251 people, who used Vote Compass from April 7 to April 15,

The data are a non-random sample from the population and have been weighted in order to approximate a representative sample.

Vote Compass data have been weighted by geography, gender, age, educational attainment, occupation, religion, religiosity, and civic engagement to ensure the sample's composition reflects that of the actual population of Alberta, according to census data and other population estimates.

NATURAL GAS PIPELINE, FACILITIES GET NEB APPROVAL

The National Energy Board has given approval for the construction of a natural gas pipeline and new facilities proposed by TransCanada Corp. (TSX-TRP) in northern B.C.

The \$1.7-billion North Montney Mainland Project would include a 300-kilometre pipeline connecting from northeast B.C. to the proposed Prince Rupert Gas Transmission Pipeline for export of liquefied natural gas.

The board found that the projects did not pose significant adverse environmental effects, although the construction is still subject to government approval.

There are 45 conditions attached to the approval for such issues as pipeline



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integrity, environmental protection and aboriginal consultation.

TransCanada president Russ Girling says the project is a critical component in the infrastructure chain that links Canada's natural gas supply to new markets.

The project is one of several pending in what Premier Christy Clark has boasted will be a multibillion-dollar industry for the province.

NORMAN WELLS HAS ITS SAY ON DRAFT FRACKING REGULATIONS

Last of sessions planned for Sahtu region in Tulita Wednesday night

Calls for a moratorium on fracking mixed with calls for further oil and gas development at a session in Norman Wells to discuss the N.W.T. government's planned regulations for hydraulic fracturing.

A group of about 25 people attended the session at Norman Wells' Legion Hall early Wednesday afternoon, with tensions sometimes running high.

The meeting began with Heidi Hodgson-Deschene, a board member representing the Norman Wells Land Corporation, reading a prepared statement saying that the sessions being hosted by the territorial government aren't sufficient — a concern voiced by residents in Fort Good Hope during a session held earlier this week.

Deborah Archibald, the government's assistant deputy minister of mineral and petroleum resources, told the audience in Norman Wells that David Ramsay, the minister of Industry, Tourism and Investment, will hold separate sessions to consult aboriginal groups.

"This is not consultation. This is public engagement," said Archibald.

Later, Todd McCauley, the president of the Tulita District Land Corporation and the owner of a company seeking to offer telecommunications services to oil and gas companies with projects south of Norman Wells, spoke in favour of further development.

"This town needs economy," he said. "Canoeists coming down the river ain't gonna cut it."

Another local business owner, Chris Buist, told CBC he couldn't attend the session because it was happening at lunch hour, a bad time for businesspeople, he said.

There are currently no companies conducting hydraulic fracturing in combination with horizontal drilling in the N.W.T. ConocoPhillips fracked two wells south of Norman Wells in early 2014, but has since said it has no plans to return to the wells "in the foreseeable future" to do further exploration work. Husky Energy, another player in the Sahtu region's Canol shale oil play, has said it has no plans to drill next year.

Fracking and the work that accompanies it is seen by some as a way of injecting new life into Norman Wells' oil and gas economy, which for years has been anchored by Imperial Oil's Norman Wells production field.

Though production at that field has been in decline for years, Imperial Oil said at a hearing last summer that production at the field is expected to continue until 2025 or 2030.

RIISING OIL COULD PROVIDE SOLID FOOTING FOR CANADA ETFs

After weakening in response to the plunge in oil prices, Canadian markets and related exchange traded funds are bouncing back, with the fallout in energy mostly put behind them.

For example, the Guggenheim Canadian Energy Income Fund (NYSEArca: ENY), which tracks Canadian oil and gas producers and oil sands resources categories, jumped 4.1% Wednesday, following the Energy Information Administration's bullish inventory report and rising demand. ENY has gained 13.4% over the past month.

Meanwhile, the iShares MSCI Canada ETF (NYSEArca: EWC) also rose 2.1% Wednesday

and increased 7.2% over the past month. The energy sector is the second-largest sector component in EWC, accounting for 22.9% of the ETF's portfolio.

"It's been a good day for crude oil, and that's helping Canada. For the moment, it looks as though crude oil is bottoming out," Colin Cieszynski, chief market strategist at CMC Markets said. Moreover, the Currency Shares Canadian Dollar Trust (NYSEArca: FXC), which tracks the Canadian dollar's movement against the U.S. dollar, is also recovering after the Bank of Canada suggested that the damage from the sudden oil shock is beginning to dissipate. FXC was up 1.6% Wednesday and rose 2.4% over the past month. The strengthening CAD may have also contributed to higher returns in Canada stock-related ETFs Wednesday, as the funds are exposed to currency moves.

According to the Bank of Canada, the oil price shock's effects should wane by mid-year, reports Paul Vieira for the Wall Street Journal.

"The bank's assessment is that the impact of the oil price shock will be more front-loaded than predicted in January, but not larger," the central bank said in a statement. "The ultimate size of this impact will need to be monitored closely."

Nevertheless, the decline in oil prices will continue to weigh on the economy, with the Bank of Canada lowering its growth projection to 1.9% from 2.1% for the year. Looking ahead, the economy may continue to expand at a slower pace, supported by the central bank's loose monetary policies — the BOC made a surprise rate cut in January and now keeps its lending rate at 0.75%. [Tepid Response by Canada ETFs to Surprise Rate Cut]

"The Bank of Canada already provided a tremendous stimulus jolt to the economy that won't be felt for months or quarters down the road," David Rosenberg, chief economist at Gluskin Sheff & Associates, said in the Bloomberg article

16-Apr				
2015				
	Active	Down	Total	% Active
Western Canada				
AB	51	477	528	10%
SK	4	126	130	3%
BC	26	55	81	32%
MB	-	15	15	0%
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