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CUT-RATE OIL STIRRING ALBERTA POLITICS AS LEADERS DEBATE SPENDING

Alberta Premier Jim Prentice clashed with challengers to his party's decades-long grip on the petro- province over how to live with less oil money when voters want more services but no tax increases.

Prentice, facing a provincial vote on May 5, is proposing higher levies to offset the collapse of revenue from Alberta's oil sands and energy industry, while protecting corporations from paying more. The Wildrose Alliance, leading in the polls, pledges to reverse those increases, while the New Democratic Party, also ahead of Prentice's Progressive Conservatives, would boost corporate taxes and spend more on health and schools.

"Instead of making tough choices in tough times, Mr. Prentice has chosen to take money out of everyone's pockets," said Wildrose Leader Brian Jean, in a televised debate on Thursday. "One of the reasons we're in this mess is because the Progressive Conservatives have wasted billions in corporate handouts."

Prentice called an early election to win support for a budget designed to tackle the revenue shortfall caused by oil's plunge. His Conservatives, which have ruled the province with uninterrupted majorities since 1971, lost an early lead to the Wildrose and the NDP.

Polls show a three-way race with the Wildrose garnering about 35 percent of the vote, 32 percent for the NDP and 26 percent for the Conservatives, with none of the parties likely to win enough seats to form a majority, according to polling aggregator threehundredeight.com. Alberta has never had a minority government.

Thursday's debate was the only one in the month-long election and was the first chance for many voters to see the Wildrose's Jean, a former federal member of parliament who became leader on March 28. In addition to the three front- runners, Liberal Party head David Swann also joined the debate.

"It is a more competitive election than we've seen previously and all of the leaders are brand new," said Duanne Bratt, chairman of the department of policy studies at Mount Royal University in Calgary, in an interview on CTV news. "Prentice delivered a pretty bad-news budget," he said. "They're going into an election with a budget that increases taxes and cuts spending simultaneously."

Alberta, Canada's third-largest

economy, is on the brink of recession, with the government predicting growth slowing to 0.4 percent this year, from about 3.5 percent in 2014, and a deficit of $5 billion ($4.1 billion US) in the fiscal year that started this month. West Texas Intermediate, the U.S. benchmark crude, traded at almost $58 US a barrel, still 46 percent lower than last year's high of $107.

"Today Alberta faces important choices," Prentice said during the debate. "Tonight is about who can provide stability" and "break the boom and bust cycle."

Prentice, previously a Canadian Imperial Bank of Commerce vice chairman and former federal cabinet minister, was sworn in as premier in September just as the price of oil was sinking. He then spent several months preparing Albertans for changes to the budget that would reduce the province's dependency on oil and natural gas revenue, warning them that "tough choices" lie ahead.

With the fall in crude prices, companies from Suncor Energy Inc. to Strad Energy Services Ltd. have cut thousands of jobs and slashed investment. The government expects more than 30,000 jobs to be lost this year.

In the budget presented last month, Prentice excluded increases to corporate taxes and calls to introduce a sales tax, which would bring Alberta in line with every other Canadian province. He scrapped the flat income tax, vaunted for years as the "Alberta advantage," and lowered health care spending, the biggest expenditure for the government.

To counter those moves, Wildrose would roll back the tax increases and maintain the current level of taxation on corporations and royalties. Leader Jean is also pledging to boost the province's wealth fund from oil revenues to $200 billion within 20 years and ban government grants and loans to companies.

The NDP under Notley is promising to support job creation, review oil royalties and increase taxes for corporations to 12 percent, from 10 percent now, and on family incomes of more than $125,000 a year. The centre-left party also plans to increase the number of hospital beds in the province and create an energy efficiency and renewable energy strategy.

"We all want to wean the province off the oil revenue roller-coaster," said Notley. "Unfortunately one of us is a member of the party that built the roller-coaster. It's time for profitable corporations to do a little bit more."

This isn't the first time the Conservatives have faced the threat of defeat at the polls. In 2012, under former premier Alison Redford, the party was poised to lose the reins of government to the Wildrose. In the early 1990s they were threatened by the Liberal Party, then under former popular mayor of Edmonton Laurence Decore.

"I'm campaigning to represent a Conservative majority," Prentice said. "We need the stability and leadership of a Conservative majority government."

NEBRASKA PIPELINE CRITIC WARNS CANADIAN FARMERS

Ben Gotschall is a beef producer, dairy farmer and poet.

However, he is also the energy

director for an organization called Bold Nebraska and is likely best known for his work to stop TransCanada Corp.'s proposed Keystone XL pipeline from going through the state.

Last week he was part of a Council of Canadians tour through Manitoba and Saskatchewan to protest TransCanada's Energy East project, which would see an existing natural gas line converted and extended to carry diluted bitumen from the Alberta oilsands to St. John, N.B., for export.

The pipeline would be able to move 1.1 million barrels of oil a day, but opponents say the existing pipeline is 40 years old, spills are inevitable and the risk is too great.

Gotschall said his opposition to Keystone stemmed from the risk to water and the way TransCanada conducted itself. He believes Canadian landowners should educate themselves about Energy East and the company.

"In Nebraska, we fought very hard against the taking of private land for a private company's profit," he said in an interview.

" 'No eminent domain for private gain' was a big part of our messaging."

He said many landowners sold their land to TransCanada because they believed the company when it said it could take their land whether they agreed or not.

He urged landowners who signed easements with the original pipeline that is now proposed as Energy East to find the documents and see if the terms still apply.

"In my opinion, if I was a landowner here I would be fighting tooth and nail to get a new easement with new terms with new payment that protects your interest for this type of product because 40 years ago they didn't know what diluted bitumen was," he said. "I would argue those easements don't cover putting diluted bitumen" in that line.

However, he said water is the biggest issue when it comes to pipelines. He and Council of Canadians president Maude Barlow both said the question isn't if there will be pipeline spill, but when.

The Keystone XL line was proposed to travel over the Ogallala aquifer, a shallow aquifer located under the U.S. Plains region, including Nebraska.

"It provides over 80 percent of the drinking water for the state," Gotschall said. "It provides 30 percent of the agricultural irrigation water for our country."

Nebraska irrigates more acres than any other state and is the top producer of red meat, he said.

Three in four jobs are directly related to agriculture in Nebraska, and the state has an agricultural economy of more than $22 billion. As a result, Gotschall said a $12 billion pipeline isn't that significant when considering what losing part of the state's agricultural production would mean.

The bitumen that is expected to move on Energy East would require the addition of chemicals such as benzene to push it through the line, making it of even greater concern.

Barlow said the pipeline would cross 1,000 waterways, which in Saskatchewan includes South Saskatchewan River, Moose Jaw River and Swift Current Creek. It would also pass within 15 kilometres of Buffalo Pound Lake, which provides drinking water to Regina and Moose Jaw.

B.C. FIRST NATION SIGNS BENEFIT DEAL OVER NATURAL GAS PIPELINE

The company planning to build a 900 kilometre natural gas pipeline across northern B.C. has signed a benefit agreement with the Kitselas (KIT'-sell-us) First Nation.

TransCanada (TSX:TRP) announced the deal, when signed, will provide financial and other benefits related to the Prince Rupert Gas Transmission project.

Project president Dean Patry says the agreement is an important milestone and reflects his firm's commitment to engage with First Nations.

Kitselas Chief Joe Bevan says it gives his members economic benefits and employment training and also ensures environmental concerns have been adequately addressed.

TransCanada has signed similar agreements with the Nisga'a and Gitanyow First Nations.

The pipeline, which has yet to receive regulator approval, would deliver natural gas from near Hudson's Hope in northeastern B.C. to the proposed Pacific Northwest LNG facility at Lelu Island, off the coast near Prince Rupert.

CENOVUS ENERGY EXPLORES WESTERN CANADA LAND SALE

Cenovus Energy Inc. has hired bankers to explore the possible sale or initial public offering of some of its oil and natural gas lands in Western Canada.

The so-called royalty lands, which generate revenue from drilling by other companies, are located across Alberta, Saskatchewan and Manitoba. The deal could raise as much as C$1.6 billion ($1.3 billion), according to one analyst's estimate.

Cenovus has retained Toronto-Dominion Bank to advise on the process, Brett Harris, a spokesman for the Calgary-based company, said in an interview. He declined to comment on timing.

"We've been looking at a number of options for those fee lands, including a potential IPO and a potential sale," he said.

The decision to monetize the properties comes after the dramatic drop in oil prices affected Cenovus's business. Cenovus raised C$1.5 billion in a share sale in February as it sought to weather the slump.

Shares in the company rose as much as 4.5 percent and closed 2.3 percent higher at C$23.44 in Toronto.

Last May, Encana Corp. spun off its own royalty lands, raising C$1.46 billion in the initial public offering of PrairieSky Royalty Ltd. An additional C$2.6 billion was obtained in a secondary offering of

PrairieSky's shares last September.

TD, Canada's second-biggest bank, also led the PrairieSky offerings.

Cenovus, spun off from Encana in 2009, has 3.1 million net acres of royalty lands that produce the equivalent of 7,600 barrels a day. The properties also generated C$150 million in pretax operating cash flow for the company, according to Shailender Randhawa, a Calgary-based analyst with RBC Capital Markets.

Randhawa estimates the value of the properties at between C$1.5 billion and C$1.6 billion. He said potential bidders would include other royalty companies like PrairieSky, Freehold Royalties Ltd., or mining royalty firm Franco-Nevada Corp. It may also draw bids from pension plans or private-equity players.

Royalty companies collect payments from producers that drill on their land and don't depend on oil prices to be at a certain level to cover their costs.

Freehold, for example, agreed to buy two royalty packages last week from Penn West Petroleum Ltd. for C$321 million.

"If you own the land, it's a real-estate/finance company," Randhawa said. "It's hard to lose a dollar."

Canadian Natural Resources Ltd. has also said it will look to sell or spin off its own royalty lands in 2015. Those properties could be worth as much as C$2.5 billion, according to an estimate from Canaccord Genuity.

MULLEN CUTS 1,000 EMPLOYEES AS OIL CRASH HITS SERVICE SECTOR

Mullen Group slashed its employee head count by 1,000 — more than 13 per cent — in the first quarter to control costs in its oilfield services division as its producer customers deeply cut spending to deal with low commodity prices.

The report from the trucking and oilfield services company Thursday sets the stage for what is expected to be a series of disappointing first-quarter reports from Calgary-based companies whose profits depend on selling barrels of oil that are worth half of what they were last summer.

Earlier this month, the Canadian Association of Petroleum Producers estimated its members had laid off 4,500 workers so far. The Canadian Association of Oilwell Drilling Contractors, meanwhile, said its 2015 rig activity forecast suggests more than 23,000 fewer oilfield services staff would be needed in 2015.

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Murray Mullen, chairman, president and chief executive, said on a conference call Thursday the job reductions are similar in scale to the cuts in the last significant downturn in 2009, adding full recovery didn't come until 2011. He said the company will likely pay out about $1 million in severance.

"Most of these are people in small communities that do the service work for the oil and gas companies so they are the ones taking the brunt here of this downturn," he said, adding the 40 to 45 employees at its Okotoks head office haven't been affected.

"There's just no work. So, mostly it's field people, maybe 10 per cent would be admin staff and we did some consolidation in some other areas. … Usually you do seasonal layoffs in the second quarter but this isn't seasonal. It's permanent."

He said the company gained about 1,500 employees last year with acquisitions, taking the head count to about 7,500 employees. But the reductions have dropped the overall number of jobs to 6,500.

Mullen Group's cost-cutting in the first quarter included idling equipment, shutting terminals, reducing wages, introducing job sharing and lower profit sharing.

The oilfield services segment brought in revenue of $158 million in the first three months of the year, the company reported, down 42 per cent from $273 million in the same period of 2014. It said its 16 operating entities in the division did less transportation of fluids, serviced fewer wells, had oilsands core drilling programs cancelled and faced delays in large diameter pipeline construction projects.

The decline was offset by gains in the trucking division to $180 million versus $140 million, mainly due to the acquisition of Manitoba-based Gardewine Group LP for $172 million in January. The purchase added a fleet of about 660 trucks and 1,300 trailers through a network of 23 owned and 11 leased terminals, employing over 1,500 permanent and 140 contract owner operators.

In a note to investors, analyst DanaBenner of AltaCorp Capital said the oilfield services revenue fell 3.3 per cent below his estimate while profit margins dropped just 520 basis points to 20.5 per cent, a feat which was "impressive in context."

Scott Treadwell, an analyst for TD Securities, called the results a "mixed bag," with revenue misses that were balanced by better-than-expected margins.

Mullen Group posted first-quarter net income of $2.8 million, down from $36 million, reflecting a $26.4 million decrease in operating income, a $7.9 million charge in net unrealized foreign exchange, a $2.3 million increase in finance costs and a non-cash $1.4 million variance in the value of investments.

Adjusted net income was $25 million, down from $47 million a year earlier.

Mullen said on the call his phone is "ringing off the hook" with competitors looking to sell their companies but he will wait for signs of an oil price recovery to emerge before making big investments in the oilfield services division.

Small investments, however, can proceed. In the first quarter, the company spent $8 million to buy minority stakes in two oilfield services companies, Evolve Energy Services Corp., a waste disposal company operating near Grande Prairie, and Cordova Oilfield Services Ltd., an oilfield hauling company specializing in pipe storage, handling and transportation near Fort St. John, B.C.

Mullen stock fell as much as 4.8 per cent in early trading before recovering. It was trading at about $21, down 56 cents, at mid-afternoon.

OIL SPILL EXPERT DENIES COAST GUARD'S CLAIM ABOUT VANCOUVER FUEL LEAK

A U.S. oil spill expert says he never described the Canadian Coast Guard's response to a fuel leak on Vancouver's English Bay as "exceptional," despite the Coast Guard's claim.

In fact, Steven Candito, president of the National Response Corporation, one of the largest oil-spill removal operations in the world, says the Coast Guard's response may have been too slow.

The fuel spill was reported around 5 p.m. on April 8 by a person on a sailboat. The Coast Guard has said it did not recognize the seriousness of the spill until 8 p.m. It has said a boom was secured around the leaking vessel, the MV Marathassa, by 5:53 a.m.

The Coast Guard's response has been criticized by Vancouver Mayor Gregor Robertson, B.C. Premier Christy Clark, and some area residents. Mr. Robertson has said it took too long for the boom to be put in place, and has also taken issue with the fact the city wasn't notified about the spill for more than 12 hours after the original report.

The Coast Guard has vigorously defended its efforts. In a lengthy statement April 12, Commissioner Jody Thomas said: "The Canadian Coast Guard's response to the Marathassa spill was exceptional by international standards, a fact corroborated by a U.S. oil spill expert."

The Twitter account for Fisheries and Oceans Canada's Pacific region also referenced an unidentified U.S. oil spill expert. It initially said the expert called the response "adequate." It later said the expert deemed the response "quick and effective."

A request to the Canadian Coast Guard last week for more information on the U.S. expert was referred to Transport Canada. A Transport Canada spokeswoman then said the question should be redirected to the Coast Guard. A Coast Guard spokesman this week identified Mr. Candito as the expert.

Mr. Candito, in a phone interview, said he has not followed the Vancouver spill very closely, though he did conduct an interview with CBC on April 10. He said he was surprised his comments had been referenced by the Coast Guard.

Mr. Candito noted that at the time of the CBC interview the Coast Guard said the boom had been in place by midnight, a response he then characterized as "fairly good." The Coast Guard later revised the containment time to just before 6 a.m., which Mr. Candito told The Globe seemed slow for a spill that took place so close to a major city.

"It sounds like it took too long," he said.

"… These are obviously very difficult things to evaluate if you don't have all the facts. In that context, yeah, I would say to get [the] boom in the water around a vessel that's berthed in a harbour like Vancouver where there's presumably a lot of resources, it shouldn't take 12 hours, right?"

Mr. Candito said the public is always concerned when a spill occurs, and rightly so. But he said each spill is different and sometimes the public outcry can go too far. He said mystery spills, in which neither the source of the leak nor the material involved is immediately known, can prove a challenge.

Frank Stanek, a Fisheries and Oceans Canada spokesperson, in an e-mail Thursday said it still considers the Coast Guard's response "exceptional, as evidenced by the trace amounts of oil remaining on the shores."

The Coast Guard has said 80 per cent of the spill was recovered within 36 hours. Mr. Candito, when asked about that figure during the CBC interview, said he would expect a better recovery rate in an enclosed harbour but 80 per cent was still "very good."

Mr. Stanek did not provide a response to a question about Mr. Candito now indicating the response time may have been too slow.

28-Apr-15				
	Active	Down	Total	% Active
Western Canada				
AB	51	476	527	10%
SK	4	128	132	3%
BC	24	57	81	30%
MB	-	15	15	0%
WC Total	**79**	**676**	**755**	**10%**
Eastern Canada				
QC	-	1	1	0%
Canada	**79**	**677**	**756**	**10%**