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Published By: NEWS COMMUNICATIONS since 1977 **Wednesday November 4th, 2015**

ENERGY SECTOR LAYOFFS PILE UP AS COMPANIES SAY EFFORTS TO CUT COSTS PAYING OFF

Cenovus, Suncor, Athabasca Oil and Calfrac among latest to significantly downsize

Canada's oilpatch continues to move aggressively to cut costs and companies say the efforts are starting to show results.

Cenovus Energy said Thursday that it had increased the number of people laid off in the second half of the year to 700, roughly double what it forecast in July, after cutting 800 jobs in February.

The company said it expects to end the year with 24 per cent fewer staff than it started with and there are plans for more cuts next year as it makes structural changes.

"We're fundamentally changing the way we work," Cenovus chief executive Brian Ferguson said in an interview.

The company is also cutting benefits like giving employees the first and third Friday of the month off, and is looking at all aspects of discretionary spending as it works to drive down costs.

"We're continuing to focus on where and how we improve our cost structure," said Ferguson. "We're leaving no stone unturned."

So far the efforts are paying off, with expected savings of $400 million this year rather than the $240 million Cenovus had forecast earlier. It anticipates further savings of $100 million next year as a result of this year's staff cuts.

Cenovus says its efforts led to a 23 per cent drop in per-unit operating costs in the third quarter at its oilsands projects compared with a year ago.

Ferguson said the company has to keep driving on costs as there is no clear near-term recovery in oil prices.

"There's more uncertainty in the macro environment today than there has been," said Ferguson. "I think you could see the macro environment continue to deteriorate for the next couple of quarters."

Athabasca Oil Corp. said Thursday that in response to the challenging times it had reduced its office and field staff by about 25 per cent this week, without disclosing the number of jobs actually cut.

"Unfortunately, these are the necessary steps required to weather an extended downturn," company spokesman Matt Taylor said in an email.

Fracking company Calfrac Well Services has also significantly reduced staff in the face of continued low oil prices, saying Thursday that head counts have been cut by roughly 40 per cent in Canada and 50 per cent in the United States since the end of 2014.

In order to be profitable with low commodity prices, Calfrac said it is "focused on aggressively managing its cost structure."

So far it is encouraged by results showing a roughly 48 per cent reduction in fixed costs in Canada and a 59 per cent reduction in the U.S.

But the reductions weren't enough to keep the company in the black, with Calfrac reporting a net loss of $24.2 million in the third quarter compared with a net gain of $44.5 million in the same quarter last year.

On Wednesday MEG Energy reported net operating costs of $9.10 a barrel in the third quarter thanks to record-low non-energy operating costs of $5.98 a barrel. The company also lowered its 2015 net spending outlook by $49 million and said it had reduced its workforce by 30 per cent this year.

But again the cost reductions weren't enough to keep the company profitable, with MEG reporting a net loss of $428 million.

Suncor Energy, which had cut roughly 1,300 staff as of July, said cost cutting is paying off after third-quarter results showed its lowest cash operating costs since 2007 at $27 a barrel, compared with $31 a barrel in the same quarter last year.

Suncor Energy chief executive Steve Williams said in a media call Thursday that costs are "pleasantly surprising" so far and that he is seeing increased productivity from contractors at its Fort Hills oilsands site.

"This may well be the first mega-project that is delivered on cost and schedule," said Williams.

TRANSCANADA ASKS U.S. TO TEMPORARILY SUSPEND KEYSTONE APPLICATION

In a surprise move that could have a political ripple-effect in two countries, the company behind the controversy-plagued Keystone XL pipeline has asked the U.S. government to temporarily suspend its application.

Monday's request from TransCanada

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Corp. adds a new dimension to one of the biggest Canada-U.S. political irritants of recent years, potentially making the pipeline a 2016 U.S. election issue to be settled by the next president.

In a letter to U.S. Secretary of State John Kerry, the Calgary-based company suggested the administration should withhold its decision while the Nebraska portion of the route remains disputed.

It represented a major turn of events for an already-epic, years-long battle -- since replicated in similar fights across the continent over other pipelines to export Canada's land-locked oilsands bitumen.

"TransCanada believes that it would be appropriate at this time for the State Department to pause in its review of the Presidential Permit application for Keystone XL," said the letter.

"This will allow a decision on the permit to be made later based on certainty with respect to the route of the pipeline."

It's an about-face in the company's message. Until recently, it would have been unimaginable for TransCanada or its government backers in Ottawa to be requesting a delay, given their repeated demands for immediate approval of a project that would carry nearly one-quarter of all Canadian oil exports.

With opposition on multiple fronts, opponents say, the company obviously hopes to step back and return to the fray under more favourable conditions -- not unlike a military tactical retreat.

The Nebraska political activist who organized ranchers against the project urged President Barack Obama to ignore the company's request -- and reject the pipeline now.

"They are doing this for one reason -- TransCanada hopes a Republican gets into office because they all said they would approve (it)," Jane Kleeb said in an email.

"TransCanada is facing a loss, they know it. So this is their last chance to try and save their project."

Its short-term political prospects seem dim indeed. Obama has repeatedly expressed skepticism. His supporters overwhelmingly expect him to reject it. All the major Democratic presidential candidates also oppose it.

But the pipeline has widespread backing among Republicans. A delay now would almost inevitably punt the issue into the next presidency. Republican candidate Marco Rubio has already said he hopes to work with Canada's next prime minister on the issue.

For prime minister-designate Justin Trudeau, a delay could also affect his new government. He's spoken repeatedly about improving relations with the Obama administration and working with it on climate change.

A delay could offer a reprieve from an early sore point. A pause on Keystone virtually guarantees the initial Obama-Trudeau encounters could focus on other topics, as they cross paths several times this month at the G20, APEC, and Paris climate summits.

There's a big question mark, however, hanging over this delay request.

The U.S. government hasn't yet responded. In fact, just a few hours earlier Monday, a White House spokesman was signalling a decision during Obama's final term.

"Our expectation at this point ... is that the president will make a decision before the end of his administration," Josh Earnest told reporters.

"It's possible (it could happen this year). It's also possible it could happen next year."

The delay idea was billboarded entirely by the company.

And it featured a hairpin-sharp plot twist. In a reversal of roles befitting this seven-year soap opera, the company is now basing its request on a precedent that infuriated it not too long ago.

In early 2014, the U.S. announced a delay. It said it couldn't make a decision on granting a cross-border permit for the pipeline route, because the route was tied up in litigation in Nebraska.

The company and the Canadian government fumed at that. The route is no longer being fought in court. It's back to being reviewed by Nebraska's arm's-length public-services commission.

And the company is now citing what happened in 2014 as a custom: "The company believes there is sound precedent," it said in a statement, "for making this (delay) request."

ALBERTA OILSANDS DOWNTURN HAS U.S. ENVIRONMENTAL GROUPS CELEBRATING

Opponents of Canada's oil industry are celebrating this week over news they see as vindication of a pipeline-fighting strategy that began in the United States with Keystone XL.

Their burst of enthusiasm was prompted by news that Shell was shuttering an 80,000-barrel-a-day project — and specifically citing the lack of pipeline infrastructure as part of the reason.

That announcement prompted a congratulatory message from a political activist who began organizing Nebraska ranchers opposed to Keystone XL five years ago.

Jane Kleeb emailed ranchers Wednesday to say their work against the Alberta-to-Texas project was having a ripple effect across the continent, with the expansion of the Alberta oilsands now in doubt.

"Turns out fighting Keystone XL with all the might of small and large groups in U.S.A. and in Canada is working," Kleeb wrote.

"Not only to stop Keystone XL but to stop the tarsands expansion."

Kleeb helped organize the first of several major fights against export pipelines from the land-locked oilsands, with that so-far-successful stalling effort against Keystone XL now being replicated in protest efforts against different pipelines in Canada.

But advocates for new oil infrastructure have been able to parry their logic in recent years.

They've pointed to the ongoing surge in Canadian production, the increased exports, and the dramatic rise in oil-by-rail which actually pollutes far more than pipelines as proof the pipeline-fighting was counter-productive.

The timing of this week's announcement, however, made Greg Muttitt appear like a fortune-teller.

Shell's cancellation notice came just hours after Muttitt released a 40-page report that predicted the growth of Alberta's oilsands would be stalled — and the cause would be a lack of pipelines.

His report for the anti-oilsands group Oil Change International had offered a three-part conclusion: pipelines are almost full; rail is too expensive to justify new projects; and oilsands expansion is about to stall.

This is good news, according to his group.

Funded by environmental and progressive organizations like the Rockefeller Brothers Fund and the Tides Foundation, OCI concurs with studies citing oilsands expansion as a major climate liability.

One that appeared in the journal Nature concluded that to avoid a disastrous temperature increase of 2 degrees C, the vast majority of proven oil reserves need to remain untapped — including 85 per cent of the oilsands.

Shell's announcement proved his report right, Muttitt said.

"That was a very significant confirmation of our analysis. And fortunate timing, from our standpoint," he said, crediting activists for the anti-pipeline movement of recent years.

An energy economist agrees the pace of oilsands expansion is in doubt.

But he argues that other market forces are playing a starring role in this production.

The pipeline-fighters, he argues, can claim a cameo appearance at best.

"It's taking credit for something they are influencing, but not responsible for," said Michal Moore of the University of Calgary.

"It'll be the price of oil. And (it'll be) the fact that the world appetite for oil has slacked off and there are a lot of other places producing oil today: Brazil, Mexico, Nigeria, down in Indonesia, it's available from so many different places in a lighter, sweeter characteristic that it's just hard for Canadian heavy oil to compete, other than at the margin."

Research from other energy economists also suggests oil prices are a make-or-break factor in total output. The study for the international Deep Decarbonization project examined two scenarios, based on price.

Both scenarios showed Canadian production increasing into the 2030s. But they levelled off at vastly different

amounts: at a long-term price of more than $100 a barrel, they predicted more than six million barrels per day of production from Canada.

At under $70 a barrel, production would still grow a bit but stall at four million barrels per day.

CANADIAN OIL GROUPS WARY OF TRUDEAU

Justin Trudeau's rise to power has met with anxiety in Canada's beleaguered oil industry, where the legacy of his father's controversial energy policy still incites "riots at cocktail parties".

As many Canadians express hope for the future after Mr Trudeau's Liberals sealed a remarkable election win, oil executives face the end of nearly a decade of oil-friendly Conservative power under outgoing prime minister Stephen Harper, who had vowed to make Canada an "energy superpower".

The Trudeau name stings in Alberta. Three decades after former prime minister Pierre Trudeau left office, memories of his national energy programme still provoke hostility, says Michal Moore, professor at the University of Calgary.

In a recent meeting in Calgary, he observed oil executives arguing heatedly over the prospect of a Liberal government. "They go: 'Well his son could get in and when he does he will reinvent the national energy programme ... the [Liberals] always have their eye on the riches out here'."

Pierre Trudeau's programme had given the federal government more control over the energy sector, introducing taxes and price controls that ultimately crippled producers, carving a sharp rift between western and eastern Canada.

Canadian oil companies have been hit hard by the dive in the oil price. The thick, sticky crude extracted from Canada's tar sands requires years of planning, making producers unable to nimbly adjust to price changes. Canada is the world's fifth-biggest oil supplier, producing about 2.3 million barrels a day from Alberta and Saskatchewan.

A Liberal majority adds another layer of uncertainty after a shock election result in May when the leftwing New Democratic party won provincial polls in Alberta, ending 44 years of Conservative rule.

The reaction to this new political landscape has been divided between smaller oil companies, which have languished under lower oil prices and are therefore more wary of the change, and large corporations that are better able to cope, says Mr Moore.

A week before the election vote, Grant Fagerheim, president and chief executive of Whitecap Resources, a small-cap producer, said he was "very concerned" that Mr Trudeau would win.

Mr Harper had fought for new pipelines to ship Canadian oil to global markets. But he was attacked for pushing policies forward at the expense of the environment, and many of his efforts failed. US president Barack Obama is yet to make a decision on the Keystone XL pipeline while other proposals have been delayed. Observers say Mr Harper's heavy hand may have actually hurt the oil industry he championed, branding it with an ugly image and making Canadians sceptical of all new pipelines.

"There's a problem with lack of trust in the [pipeline approval] process," says Jackie Forrest, an analyst at ARC Financial, who added that restoring trust through a Trudeau government would be "good in the long term for the industry". The Liberals may also help the oil patch by mending the relationship between the US and Canada, after Mr Harper butted heads with Mr Obama over Keystone.

Mr Trudeau has promised to make national targets for greenhouse gas emissions and reduce fossil fuel tax incentives, which "will definitely not aid in reversing pressure on smaller firms", said First Energy analysts, making the new government "mildly negative" for smaller energy stocks.

On pipelines, he has supported Keystone XL, but is against Enbridge's Northern Gateway and has not taken a stance on Energy East.

He said he would revamp the pipeline evaluation process, which analysts say could slow any new projects. Enbridge said it "won't speculate" on the impact of a Liberal government.

The brand that propelled Mr Trudeau into power - that of a leader willing to listen - may thaw what has been a chilly relationship between the Liberals and the oil industry. The younger Trudeau aimed to make amends for his father's past in his campaign, visiting Alberta often. "My last name is Trudeau and I'm standing here at the Petroleum Club in Calgary," he told a crowd in February.

The Liberals won two seats in Calgary last week, marking the first time since 1968 a Liberal will hold a parliamentary seat in the heart of the oil patch.

Ms Forrest says: "Under the top-down approach of Harper ... the federal government signed up for emissions targets without talking to the provinces. It sounds like [Mr Trudeau] wants to do more. So we're optimistic ... "

CANADIAN OIL SANDS POSTS $174-MILLION NET LOSS

In their third-quarter report, Canadian Oil Sands, Syncrude's biggest shareholder, remained firm in their rejection of Suncor Energy's hostile takeover bid, even as the company posted a $174-million net loss.

"The COS Board of Directors has reviewed the Suncor Energy Inc. bid with its external financial and legal advisors and has determined that the bid substantially undervalues COS and is not in the best interests of COS and its shareholders," the report stated. "The Board unanimously recommends shareholders reject this undervalued, opportunistic, and exploitive bid."

COS released their quarterly results late Thursday, one day after Suncor argued they could improve Syncrude's performance if the $4.3-billion bid was accepted.

The $174-million net loss is a steep drop from the $87 million profit the company earned during the same period last year. COS said this drop came from unrealized

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foreign exchange losses on U.S. dollar-denominated debt.

Operational cash flow also fell, averaging $82 million compared to $302 million in the same 2014 quarter. The company attributed this largely to lower synthetic crude prices.

A process fire in late August also damaged a section of piping at Syncrude's upgrader, limiting shipment levels while damages were assessed and repaired. The fire hurt production by 7 million barrels during the quarter, with 2.6 million barrels net to COS.

However, Syncrude achieved more than $1 billion in operational and capital cost reductions in the first nine months of 2015, with $367 million net to COS. Syncrude has increased targeted savings for the year to $1.3 billion.

"The Syncrude project is entering a new era of lower cost operations. A major period of reinvestment that will sustain production for decades has come to a close and Syncrude is driving down costs in its base operations," said Ryan Kubik, president and CEO of COS. "Canadian Oil Sands is demonstrating its ability to weather this period of low oil prices and even a modest improvement in oil prices will generate robust expansion of cash flow."

HIGH WINDS COULD STALL SS ARROW OIL RECOVERY MISSION

Coast Guard SS Arrow clean up costs, duration unknown

Heavy winds and seas on Thursday could sideline the oil recovery operation underway from a sunken oil tanker in waters off Arichat, Nova Scotia.

The Canadian Coast Guard has been pumping thick viscous oil from the shattered wreck of the SS Arrow, lying on the bottom of Chedabucto Bay, where it sank 45 years ago.

"I cannot speak to what's still on board the vessel; I can only speak to what we have recovered and at this time its 4,400 litres. We try to get as much as we can each given day," said the Coast Guard's Kyle Jarvis in an interview from the Arichat wharf.

Jarvis says each day, weather determines if the environmental response vessels, dive boat and barge carrying a vacuum truck, are dispatched to the site.

The forecast is not encouraging for Thursday with rain and winds gusting from 60 to 80 km/h.

Jarvis says it is not known how long the clean up will take or what it will cost.

"Cost won't be known until the end of the operation," he said.

In Arichat, fisherman Louis Boudreau is frustrated there is oil coming from the SS Arrow.

Most of the 108,000 barrels of oil the tanker was carrying to a pulp and paper plant in Port Hawkesbury spilled into the ocean back in 1970.

The oil was spotted again in August on the ocean surface and washing ashore on Isle Madame.

Last week the Coast Guard said it believes 20,000 litres remain on board.

"It should have been all done at once and not wait 45 years after," said Boudreau, "45 years afterwards, it's kind of late."

Marine historian Roger Marsters of the Maritime Museum of the Atlantic in Halifax says what is happening off Arichat is part of a world wide phenomenon. He says many oil tankers have sunk in coastal waters and deep seas with large oil cargos and other toxic materials still on board.

"They really are going to continue to represent a problem for many, many years because as the integrity of the hulls of these vessels is breached, those cargos are still there and ready to be dispersed into the broader environment," Marsters said.

Back in Arichat, where the recovery operation is based, there is hope this latest breach poses a far smaller threat than in 1970 when a large volume of oil washed up on the southern shores of Isle Madame.

"This time around we're being assured it won't have the same impact as it had the last time," says Robert Fougere, a resident of Arichat.

"There is much less oil to deal with and hopefully everybody is being truthful and it'll be done in short order," he said.

Fougere says everyone is hoping for fair weather so the clean up can continue.

CANADA'S HUSKY ENERGY CUTS 1,400 JOBS, POSTS LOSS

Calgary firm joins long line of struggling oil-and-gas companies

Canada's Husky Energy Inc. on Friday reported a third-quarter loss of more than 4 billion Canadian dollars ($3 billion) as a result of a hefty write-down related to slumping oil prices, and said it had cut around 1,400 jobs to shave costs.

The Calgary, Alberta-based integrated oil company, like its oil-patch peers, has been scaling back spending and cutting costs to help shore up its balance sheet in the wake of low oil prices.

Aside from the job cuts, of which about 80% were contractors and 20% were full-time employees, Husky said it is considering selling certain oil and natural-gas properties in Western Canada, will extend a company-wide salary freeze and will pay out its latest quarterly dividend in stock rather than cash. Husky also warned more job cuts will be implemented as needed.

"We are fortifying the business for today and for the long term," Chief Executive Asim Ghosh said in a statement.

Husky, which said any sale of properties would not include heavy oil or oil-sands assets, is also mulling the sale of third-party royalty interests on about 2,000 barrels of oil equivalent a day of production in Western Canada.

NO LONG-TERM OIL THREAT FOR CANADA

Canadian provinces may miss their short-term budget targets because of lower oil prices, though balance is expected long term, Moody's said.

The provincial government in Alberta introduced a new budget last month that aims to reduce the provincial reliance on non-renewable

resources. With lower crude oil prices and decreased exports to the United States, provincial Finance Minister Joe Ceci stressed the government can't be reckless during the market downturn.

A research note published from Moody's Investors Service said provincial budgets in Canada may be squeezed by lower crude oil prices.

"More Canadian provinces may miss their 2015-16 budget targets because of weaker than expected economic growth and resulting lower tax revenues," the firm said.

A salary freeze for Cabinet ministers and hiring restraint across the public service spectrum in Alberta is one of the ways in which the oil-rich province aims to balance its budget without "reckless cuts."

Last week, Royal Dutch Shell said an uncertain market and the lack of infrastructure needed to move Canadian oil to the global market means it's time to cancel its Carmon Creek oil project in Alberta and take a $2 billion write down for the loss.

Sanctioned in 2013, the company said it had moved in early 2015 to retool construction operations at the oil sands project, which was expected to yield 80,000 barrels of oil per day.

Despite the short-term slump, Moody's said it expected the Canadian market would emerge relatively unscathed from the downturn.

"While oil producing provinces continue to face deep deficits due to a fall in oil royalties, we see no change in the long-term trend toward balanced budgets and stable debts for the sector overall," it said.

SHELL CANCELS BIG CANADIAN OIL SANDS PROJECT

With pipeline projects mired in environmental battles and oil prices trapped below $50 a barrel, Royal Dutch Shell announced Wednesday it is halting its oil sands project in Canada.

Abandoning multibillion-dollar ventures in Alaska and Canada cost Shell $4.6 billion in write-offs and restructuring charges related to layoffs and other items, and low energy prices forced another $3.6 billion in impairments in its US shale business and elsewhere.

Shell's rival, BP, on Wednesday said it would slash costs as it prepares for an era of cheap oil lasting years.

The charges in question include Shell's decision to cease its exploratory operations in the Arctic "for the foreseeable future", with a cost of around $4.1 billion.

The giant Anglo-Dutch oil company took charges of $7.9 billion in the quarter after scrapping a number of big ticket projects. Eni SpA, Italy's largest oil producer also reported a net loss for the third quarter today.

Adjusted CCS earnings were $1.8 billion compared with $5.8 billion previous year.

The Brent crude index edged up Wednesday but remained below $50 per barrel, less than half of its price from one year ago.

As part of its talks with Iran earlier this year, Shell discussed its debt of around $2 billion to the National Iranian Oil Company for crude lifted in early 2012 but not paid for due to the imposition of sanctions. Before the oil prices lowered further, Total SA of France and Statoil SA of Norway also postponed their projects for an indefinite duration. A few $3.7 billion came as the company revised its long-term view of the oil price - and so the value of its assets - down.

Although Shell would have to bear write-offs, but it appears a good decision in general interest of global oil markets. Downstream profits rose 55% compared with a year earlier to $2.48 billion, helped by strong refining margins during the third quarter.

Since becoming Royal Dutch Shell's chief executive, Van Beurden has been redirecting capital spending and earlier this year launched a $ 70 billion merger with BG Group - a leader in liquefied natural gas.

The loss will be posted in Shell's earnings report expected to be released Thursday, reports Bloomberg.

In February 2015, Shell withdrew its application for the 200,000-bpd Pierre River oilsands mining project to focus on the projects that were already under development, such as Carmon Creek, for which the company had already made a positive final investment decision.

"In the nine months year to date, many are delivering cash flows above expectations and balance sheets in the same state of health as this time last year, and therefore the dividend payment potential remains intact", he added.

SHELL THROWS KITCHEN SINK AT LOW OIL

Shell is kitchen-sinking its business in the face of low oil. The Anglo-Dutch major's third-quarter earnings were scarred by a net charge of $7.9 billion. The hits are painful, but reflect healthy realism at Shell ahead of the expected completion of its deal with BG early next year.

The headline numbers reported on Oct. 29 are grim. The market was braced for some write-offs after Shell recently ditched exploration in Alaska and a Canadian oil sands project. Even so, the charges were bigger than expected. Some $3.7 billion came as the company revised its long-term view of the oil price – and so the value of its assets – down. Yet excluding write-offs, the earnings were still 70 percent lower. Currencies partly explain why the headline earnings were about $1 billion below consensus. Shell's upstream business, however, lost money.

The figures look even worse compared to a brighter picture from rival Total. The French oil major reported a 23 percent fall in profit, better than peers and ahead of expectations. It also upped its production growth guidance to 9 percent this year, while Shell warned its fourth-quarter production would suffer after growing 3 percent in the quarter.

Nor has Shell followed BP and Total in promising to cover dividends with organic cashflow at $60 oil by 2017. Shell, however, points to the fact that it has already managed to balance the books in the last 12 months with the oil price averaging $60, though this includes asset sales.

Shell has some cushion: net debt is 12.7 percent of total capital, against 20 percent at BP. Costs also has come down by $3.7 billion this year, according to analysts at Barclays, already close to a 2015 target of $4 billion. Capex may come in below budget for the year.

Investors are skeptical: the dividend yield is above 7 percent. That may overstate the risk of a dividend cut since Shell saves cash by paying around a quarter of the dividend in shares. Shell says it will maintain the dividend this year and the next and that it covered dividends with cashflow in the last year. With the current oil price below $50, however, the balancing act is only going to get more difficult.

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