Sign Up with the Oilfield News Online

Oilfield NEWS

www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977 **Wednesday November 11th, 2015**

IRVING OIL SPENDING $80M TO REACTIVATE DARTMOUTH FUEL TERMINAL

Saint John-headquartered company seeks to compete with Exxon in Nova Scotia market

After an absence of more than 10 years, Irving Oil Ltd. is spending about $80 million to reactivate its marine terminal and fuel storage facility in the Dartmouth, N.S., neighbourhood of Woodside.

About 200 people are currently employed on the construction project, which Irving Oil says it plans to complete by next fall and is part of the company's business strategy to compete head-to-head with Exxon in the Nova Scotia market.

"Yes, we will be supplying our own needs once this terminal is operational in the fourth quarter of next year," said Mike Thompson, logistics and distribution manager for Saint John-headquartered Irving Oil.

"And we are expanding to meet the need of our customers and future customers."

Irving Oil is adding a new jetty at its marine terminal on the Dartmouth side of Halifax Harbour where it expects three or four tankers a month.

It is also building an expanded, six-lane truck-loading facility at 500 Pleasant St. That's where trucks will pick up gasoline and home heating oil for delivery all over the province.

New sections of pipeline are being installed under Pleasant Street and along Highway 111 so petroleum brought in by ship can flow to eight Irving storage tanks up the hill.

Those tanks were mothballed back in 2001, but by next year will hold two grades of gasoline, low-sulphur diesel, furnace oil, jet fuel and marine fuel.

Two things are behind Irving Oil's relaunch into the Nova Scotia market.

A reciprocal agreement between Irving and Exxon signed in 2001 expires at the end of December. That deal essentially allowed Exxon and Irving to divvy up the gasoline market, with Exxon continuing to supply most retail gas stations in mainland Nova Scotia and Irving Oil supplying all retail gas stations in New Brunswick.

It meant Irving stations in Nova Scotia sell Esso product, while Esso stations in New Brunswick sell Irving gas.

"That reciprocal agreement has run its course and we've made the decision the time is right to invest in our own infrastructure," said Thompson.

"The greater Halifax market and Nova Scotia market as a whole continues to be a core market for us. We have been here for 80 years and we will be here for the long haul."

Until Exxon shuttered its Imperial Oil refinery in Dartmouth in 2013, the agreement meant consumers could rely on Irving Oil's Saint John refinery and Imperial to back each other up if supplies ran low.

The Dartmouth closure disrupted that deal as consumers learned over the September Labour Day weekend when most gas stations in mainland Nova Scotia ran out of gas, many for a few days.

Exxon took responsibility for a shortage it attributed to delays in ship arrivals and a shipment not meeting federal specifications.

Irving Oil trucked in gasoline from its Saint John refinery to fill up its own pumps and some of Wilson Fuels's largest-volume stations in the Halifax area.

"Reactivating the Irving terminal will undoubtedly improve the overall supply chain for petroleum products in Nova Scotia," Thompson told CBC News in an interview from Saint John .

"It's hard to say whether it will totally eliminate any and all disruptions, but it will surely help."

The provincial government has hired two people to look into why the gasoline shortage occurred and recommend how to prevent future shortages. Their review is due at the end of this month.

The introduction of competition into the Nova Scotia gasoline market is welcome news for independent gasoline retailers and re-sellers such as Wilson Fuels.

What's unclear is whether the province will have enough volume to keep both Exxon and Irving in business.

Over the past few years Exxon has sold off marine terminals in the northeastern U.S. where it does not operate refineries.

And federal standards mandating that cars become five percent more fuel efficient each year between now and 2025 could also affect the size of the market.

BARACK OBAMA REJECTS KEYSTONE XL PIPELINE

The 1,900-kilometre proposed

pipeline had been in limbo for more than seven years

The Obama administration rejected TransCanada's application to build the Keystone XL pipeline on Friday, capping a seven-year saga that became an environmental flashpoint in both Canada and the U.S.

Speaking from the White House, Obama said Keystone "will not serve the national interests of the United States."

Obama said the State Department rejected the proposed pipeline it would not make a meaningful longterm contribution to the U.S. economy.

The U.S. president said he has informed new Canadian Prime Minister Justin Trudeau, who he said was "disappointed."

Killing the pipeline allows Obama to claim aggressive action on the environment, potentially strengthening his hand as world leaders prepare to finalize major global climate pact within weeks that Obama hopes will be a crowning jewel for his legacy. Yet it also puts the president in a direct confrontation with Republicans and energy advocates that will almost surely spill over into the 2016 presidential election.

TransCanada shares were down six per cent to $32.29 US on the NYSE prior to the announcement. On the TSX, TransCanada was trading at $42.91, also down about six per cent.

Although the project is dead for now, Obama's rejection will likely not be the last word for Keystone XL.

The pipeline's backers are expected to challenge his decision in court, and the Republican-controlled Congress may try to override the president, although those efforts have previously failed. The project could also get a fresh look in 2017 if a Republican wins the White House and invites TransCanada to reapply.

Another open question is whether the Calgary-based energy giant will try to recoup the more than $2 billion US it says it has already spent on the project's development. Earlier in the year, the company left the door open to suing the U.S. government under NAFTA.

The 1,900-kilometre proposed pipeline has been in limbo for more than seven years, awaiting a series of U.S. reviews that have dragged on more than five times longer than average, according to a recent Associated Press analysis. The pipeline requires a presidential permit to cross the U.S.-Canadian border.

Over time, the pipeline took on symbolic value of epic proportions, elevated by environmentalist and energy advocates alike into a proxy battle for climate change. Although Obama insisted both sides had overhyped the pipeline, his many delays only fuelled the mushrooming political controversy.

Obama forecast his reluctance to authorize the pipeline on Wednesday when his administration rejected TransCanada's unusual request to suspend — but not withdraw — its application. The White House suggested the move was aimed at delaying until Obama leaves office and is potentially replaced by a Republican, although TransCanada insisted that wasn't the case.

TransCanada first applied for

Keystone permits in September 2008 — shortly before Obama was elected. As envisioned, Keystone would snake from Canada's oilsands through Montana, South Dakota and Nebraska, then connect with existing pipelines to carry more than 800,000 barrels of crude oil a day to specialized refineries along the Texas Gulf Coast.

Democrats and environmental groups latched onto Keystone as emblematic of the type of dirty fossil fuels that must be phased out. Opponents chained themselves to construction equipment and the White House fence in protest, arguing that building the pipeline would be antithetical to Obama's call for cutting greenhouse gas emissions.

But Republicans, Canadian politicians and the energy industry touted what they said were profound economic benefits — thousands of U.S. construction jobs and billions injected into the economy. They argued transporting crude by pipeline would be safer than alternatives like rail, and charged Obama with hypocrisy for complaining about the lack of investment in U.S. infrastructure while obstructing an $8 billion project.

Amid vote after vote in Congress to try to force Obama's hand, the president seemed content to delay further and further into the future.

The first major delay came in 2011, when Obama postponed a decision until after his re-election. He cited opposition to the proposed route through Nebraska's sensitive Sandhills region and said the U.S. would wait while the route was revised. When Congress passed legislation requiring a decision within 60 days, Obama rejected the application, but allowed TransCanada to re-apply.

For TransCanada, the financial imperative to build Keystone may have fallen off recently amid a sharp drop in oil prices that could make extracting and transporting the product much less lucrative. But TransCanada's CEO has insisted that isn't the case. When the company first proposed Keystone in 2008, oil was suffering an even bigger plunge and the global economy was collapsing.

JUSTIN TRUDEAU 'DISAPPOINTED' WITH U.S. REJECTION OF KEYSTONE XL

Environmental groups applaud move as a victory in fight against climate change

Prime Minister Justin Trudeau doesn't like the U.S. decision to reject the Keystone XL pipeline, but says it will not hurt the strong bond between the two countries.

"We are disappointed by the decision but respect the right of the United States to make the decision," he said in a statement.

"The Canada-U.S. relationship is much bigger than any one project and I look forward to a fresh start with President Obama to strengthen our remarkable ties in a spirit of friendship and co-operation."

"We know that Canadians want a government that they can trust to protect the environment and grow the economy. The government of Canada will work hand in hand with provinces, territories and like-minded countries to combat climate change, adapt to its impacts, and create the clean jobs of tomorrow."

U.S. President Barack Obama personally delivered the news to Trudeau in a phone call this morning.

"While he expressed his disappointment, given Canada's position on this issue, we both agreed that our close friendship on a whole range of issues — including energy and climate change — should provide the basis for an even closer co-ordination between our countries going forward," Obama said.

One of Trudeau's cabinet subcommittees will focus on Canada-U.S. relations. Chaired by Minister of International Trade Chrystia Freeland, its mandate is to consider issues "concerning the fostering of strong relations between Canada and the United States and the advancement of mutual interests."

Interim Conservative Leader Rona Ambrose urged Trudeau to open new talks with Obama to voice Canada's position that building the pipeline is environmentally sustainable and will create jobs.

"We are extremely disappointed that President Obama succumbed to domestic political pressure and rejected the Keystone XL pipeline. It has been clear for some time that — despite the facts, economic benefits and environmental safeguards — the White House's decision was a fait accompli."

Former Conservative finance minister Joe Oliver said the Keystone pipeline became a politically charged "symbol" for the environmental movement.

"We've lost sight of the facts, and when you get into symbolism and you get into politics, you lose sight of what really is important both for the environment and for the economy," he told CBC News Network.

NDP House leader Peter Julian welcomed the decision and urged Trudeau to ensure a "rigorous" environmental assessment process for other projects.

"The Keystone XL pipeline would have shipped quality, middle-class Canadian jobs across the border. It was a bad deal for Canadians, bad for both the environment and the economy. Conservatives and Liberals lobbied hard for Keystone XL, but President Barack Obama is standing with progressives across North America by rejecting it."

Alberta Premier Rachel Notley said the decision underscores the necessity for the province to work with the industry in reducing greenhouse gas emissions. Asked about the president's description of "dirty" oil, she said it isn't necessary to be so critical in language.

"We anticipate in the future where pipeline infrastructure is discussed on its merits," she said in a news conference. "We need to be able to have careful, drama-free conversations about the economics of our energy infrastructure."

Calgary Mayor Naheed Nenshi also weighed in with a statement.

"I am very disappointed that one pipe, nearly a metre wide, is being asked to bear all the sins of the carbon economy," he said. "Nonetheless, Canadian energy must have access to markets, and I will continue to partner with industry and other orders of government to advocate for other alternatives, of which there remain many viable options."

Saskatchewan Premier Brad Wall said pipelines are safer than rail for transporting oil, and called the decision "very disappointing" for the energy sector and for the signal it sends about Canada-U.S. relations.

"Given the facts of the project as canvassed by the U.S. State Department, this decision is more about U.S. domestic politics than it is about good environmental policy," he said in a statement. "This decision makes approval of [TransCanada's proposed] Energy East [pipeline] even more crucial, and it will be one of Saskatchewan's top priorities as we begin our work with the new federal government."

Obama's decision comes just weeks before world leaders gather in Paris for a United Nations conference on climate change.

Adam Scott of the Environmental Defence advocacy group urged the new Liberal government to take a lesson from the U.S. decision and rethink Canada's economic strategy. Instead of focusing on the export of fossil fuels, Canada should invest on a transition to a clean-energy system that creates jobs and wealth, he said.

"Obama's rejection of Keystone XL demonstrates historic leadership by saying no to new fossil fuel infrastructure. For the first time, a pipeline has been rejected because it puts our climate at risk — a litmus test that the new Canadian government should adopt," he said.

"This rejection sets an important new precedent in the run-up to the Paris climate summit. We have hope that the prime minister will accept that we cannot protect the climate and approve new pipelines at the same time. Doing so is a contradiction."

Mike Hudema, of Greenpeace Canada, said the decision is a victory for advocacy groups who protested against the pipeline.

"Five years ago it was said to be a done deal and it was only because of the tremendous pressure from citizens groups, from First Nations communities, from young people and from people across the U.S and Canada that really put the pressure that made today's decision possible," Hudema said.

B.C. FIRST NATION LEADERS ASK PM TO REJECT LNG TERMINAL SITE

First Nations call on Liberal leader to say no to Lelu Island project

First Nation leaders in B.C. have made a direct appeal to Prime Minister Justin Trudeau to stop a major liquefied natural gas project from being built adjacent to juvenile salmon-rearing habitat.

Leaders of the Lax Kw'alaams, Gitxsan, Gitanyow, Gitanmaax, Kispiox, Glen Vowell, Wet'suwet'en, Fort Nelson and Saulteau First Nations - all in northern B.C. - have signed a letter calling on the new prime minister and his Liberal government to reject Lelu Island as a terminal site for the $36-billion Petronas-led Pacific NorthWest LNG project.

Federal government approval is the final regulatory hurdle for the project near Prince Rupert to export natural gas to energy-hungry Asia, which already has the go-ahead from the B.C. government.

While Malaysian state-controlled Petronas and its partners have not made a final investment decision and face headwinds caused by lower petroleum prices, the company continues to indicate it will go ahead if it gets approval from Ottawa.

The federal approval had been delayed under the previous Conservative government as the Canadian Environmental Assessment Agency review awaited more information on the environmental effects of the project. First Nations are concerned the terminal - which includes a 1.6-kilometre suspension bridge from Lelu island to a pier - will harm Flora Bank eel grass beds adjacent to the island, where juvenile salmon spend time growing before heading for the open ocean.

As far back as the 1970s, the area was identified in federal research as prime salmon-rearing habitat that should be protected.

The Lax Kw'alaams say recent studies they have commissioned show Flora Bank contains many times the juvenile salmon of other habitats sampled in the Skeena River estuary.

The company has said it recognizes the importance of Flora Bank, but says research it has commissioned shows the project can be built without harming salmon.

In total, more than 70 groups and people have signed the letter to Trudeau, including environmentalists and tourism businesses.

"I really hope and pray this letter will make a difference," says Lax Kw'alaams hereditary chief Donnie Wesley.

Wesley, also known as Sm'ooyget Yahaan, has led an occupation camp on Lelu Island that is now 10 weeks old.

"This particular habitat should be saved for everybody that uses it because it's a food source, it's an economic base," said Wesley.

The letter - the idea for it was Wesley's - reminds the prime minister he has promised to strengthen federal reviews, protect B.C. marine resources and renew relationships with First Nations.

However, while Trudeau has rejected Enbridge's $7.9-billion Northern Gateway oil pipeline to B.C.'s northwest coast, he said during the election campaign he is open to LNG development.

Among those who have signed the letter are Lax Kw'alaams mayor Garry Reece, Wet'suwe'ten hereditary chief John Risdale (Na'Moks), Fort Nelson chief Liz Logan, Gitxsan hereditary chief Charlie Wright (Luutkudziiwus) and Union of B.C. Indian Chiefs president Stewart Phillip. Lax Kw'alaams leaders, including Wilson, have said they are not necessarily against LNG development but do not want it to proceed at Lelu Island.

In community votes earlier this year, the Lax Kw'alaams rejected a $1.15 billion benefits package from Pacific NorthWest LNG and the B.C. government.

Others who signed the letter to Trudeau include environmentalist David Suzuki and author Naomi Klein.

Skeena Watershed Conservation Coalition energy coordinator Greg Horne said the letter was the biggest, unified statement of opposition to the use of Lelu Island yet.

"This is just showing that people are fed up with the goldrush mentality that they've been fed by the B.C. government and they want to stand up and take control at the community level," he said, noting sports and commercial fishing from the Skeena is valued at $100 million annually.

Some First Nations have signed benefits agreement with the Pacific NorthWest LNG project, including Metlakatla and Kitselas, B.C. Natural Gas Development Minister Rich Coleman has continued to be bullish on LNG prospects in B.C. and has said he believes First Nation concerns over Lelu Island will be resolved.

CHEVRON TO LAY OFF 6-7000 AS OIL PRICE PLUNGE HITS

Saudi Arabia, the OPEC kingpin, is evaluating steps to balance budget.

The company announced massive job cuts, downgraded its production targets, and is now facing a possible collapse in the Chevron stock price as the ongoing oil price downturn continues to hammer away at energy companies. Oil prices rallied in the hours leading up to the 2 p.m. announcement as investors widely expected the Fed to delay a rate hike. Belt tightening is the order of the day.

Imperial Oil Ltd., a Canadian affiliate of Exxon Mobil Corp., said profit in the third quarter sank even after it boosted production as oil stuck near six-year lows. The company reported $1.00 earnings per share (EPS) for the quarter, missing the consensus estimate of $1.11 by $0.11. The California-based company is trying to dial back its capital spending by 25 per cent next year to between $US25 billion and $US28 billion ($34.9 billion and $53.2 billion).

Chevron's downstream segment achieved earnings of $2,211 million, considerably higher than the profit of $1,387 million past year.

The company expects to spend between $25 billion to $28 billion in 2016 and said that there may be further cuts in spending in 2017 and 2018 as well. Major start-ups during the last few quarters include the Jack/St. Malo and Tubular Bells deepwater developments in the Gulf of Mexico, Bibiyana Expansion Project in Bangladesh, liquefied natural gas (LNG) project in Angola, deepwater Usan project and the Escravos Gas-to-Liquids facility in Nigeria, Caesar/Tonga project in the deepwater Gulf of Mexico, and the Chirag development in the Caspian Sea.

Shares of Exxon were up 0.8 percent at $82.90 on Friday afternoon.

Crude oil declined more than 55 percent since previous year, and this descend is felt throughout the global energy industry, forcing many producers and their suppliers to make tough choices. The firm last reported earnings per share of $1 for the quarter ending on 2015-06-30. For instance, its earnings for the second quarter of 2015 declined $4.6 billion year-over-year owing to reduced upstream earnings, somewhat offset by robust chemical and downstream results.

Exxon Mobil Corporation (NYSE: XOM) traded with a cut of -0.19 points or -0.23% at $81.04 per share.

Exxon Mobil (NYSE: XOM) announced its quarterly earnings results on Friday.

Daily production in the quarter averaged the equivalent of 386,000 barrels of oil, an increase of 26 percent from the year-earlier period.

Exxon reported net income of $4.24 billion, or $1.10 per share.

Despite weaker crude oil pricing, XOM may actually beat analyst expectations thanks to lower commodity prices. Exxon Mobil stock has already trimmed its lucrative buyback program twice this year.

It also sold off $491 million in assets to improve its bottom line.

In addition to job losses, production forecasts were trimmed to growth of 13-15% through the end of 2017 from 20%.

The British oil giant BP is in no different situation. It is slashing costs as it prepares for a long-term low oil price environment.

OIL BELOW $44 US ON RATE FEARS, CHINA TRADE DATA

Saudis signal they may not cut production in December, putting more pressure on prices

North American oil prices fell below $44 US a barrel on Monday, hurt by reports of China's economic slowdown and a high U.S. dollar.

West Texas Intermediate oil, the benchmark North American contract, was down by 42 cents to $43.87 US a barrel on Monday at midday. Brent, the international contract traded in London, fell 20 cents to $47.21 US a barrel.

Oil prices have been in decline for the last four trading days, after a strong U.S. jobs report and comments by Federal Reserve chair Janet Yellen pointed to a strong likelihood of a rate increase by the U.S. this year.

A rate increase could push the American currency higher, making oil more expensive for the rest of the world.

The U.S. dollar is already higher in anticipation and the Canadian dollar was trading at 75.30 cents US.

There is also concern about reduced global demand as the world prepares for the climate change summit in Paris.

And trade data out of China, the second largest economy, shows its demand for crude has gone into decline.

China's imports fell by 18.8 per cent in October from a year earlier, while exports shrank 6.9 per cent in a sign of weak global demand.

The oversupply of global crude as cut oil prices in half in the past year.

And there were fresh indications that the glut would continue, after Saudi Arabia signaled it has no plans to cut production at the December meeting of the Organization of Petroleum Exporting Countries.

"The only thing to do now is to let the market do its job," said Khalid al-Falih, chairman of the state-owned Saudi Aramco told the Financial Times. "There have been no conversations here that say we should cut production now that we've seen the pain."

In Canada, oil companies are pulling back from capital spending and major projects are being shelved as oil at these prices makes new development uneconomic.

Jeff Rubin, an economist and the author of The Carbon Bubble, is predicting oilsands development may come to a halt, not just because the U.S. has rejected the Keystone XL pipeline, but also because there will be strict emissions controls in place after the Paris summit.

Rubin, who in 2008 predicted oil would climb to $200 a barrel, wrote an opinion piece today saying oilsands crude will be too expensive to develop for years.

And before markets recover, the need to lower emissions will halt further development of the oilsands.

“Global oil demand will be destroyed in the future by the imperatives of stabilizing atmospheric carbon at 450 parts per million and avoiding the worst consequences of global climate change,” he wrote.

PRAIRIESKY BUYING CHUNK OF CANADIAN NATURAL ROYALTY HOLDINGS FOR $1.8B

Canadian Natural Resources Ltd. (TSX:CNQ) is selling most of its royalty land holdings to PrairieSky Royalty Ltd. (TSX:PSK) for $1.8 billion in stock and cash as it looks to strengthen its balance sheet in the face of low oil prices.

The friendly deal would see CNRL transfer 81 per cent of its royalty volume to PrairieSky, consisting of the equivalent of 6,700 barrels per day of oil and natural gas production, and about 21,850 square kilometres of royalty land -- nearly four times the size of Prince Edward Island.

“This is truly a win-win deal,” said CNRL president Steve Laut in a conference call with analysts Monday, adding that shareholders of both companies will benefit from the combined strength and diversity of the assets.

Under the deal, PrairieSky would pay $680 million in cash and about 44.4 million of its common shares, priced at $25.20 each, for the royalty portfolio. The company says it has lined up investors to provide the $680 million in cash through a private placement of equity that’s expected to close by Dec. 2.

Desjardins Capital Markets analyst Justin Bouchard said in a note that while the sale will help CNRL insulate its balance sheet, it is “by no means a game-changer.”

The deal follows Cenovus Energy’s (TSX:CVE) sale of its royalty business for $3.3 billion in June to the Ontario Teachers’ Pension Plan as the company sought to shore up its finances.

Dundee Capital Markets analyst Chad Ellison said the deal should be positive for PrairieSky as the company picks up the “last high quality royalty asset” and should add to cash flow while also increasing the quality of the company’s portfolio.

The deal significantly adds to PrairieSky’s land holdings in the Viking light oil play in Saskatchewan and the Deep Basin natural gas prospects in Alberta and British Columbia, bringing the company’s total land holdings to about 59,500 sq. km in the three provinces.

CNRL said it has preserved the right to develop about 420 sq. km of land in western Saskatchewan through a leasing and drilling commitment with PrairieSky.

The agreement Monday came as PrairieSky, which was spun off last year from Calgary-based Encana (TSX:ECA), also announced its third-quarter financial results.

As with most other oil and gas companies, which have suffered from a plunge in global prices that began about a year ago, PrairieSky’s revenue and profit have plunged but its production has increased.

Its revenue in the three months ended Sept. 30 dropped to $44 million from $91.4 million in the same quarter last year, while net earnings were down to $14.1 million from $61.2 million. Production was up to 16,026 oil-equivalent barrels per day -- primarily from natural gas -- compared with 15,448 a year earlier.