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FORT ST. JOHN AND DAWSON CREEK NAMED BEST PLACES TO WORK IN 2015

Fort St. John and Dawson Creek have been named the best cities to work in B.C., but at least one local industry leader is throwing cold water on those assessments.

On Thursday, BC Business magazine released its listing of 36 cities across the province with populations above 10,000.

Fort St. John was ranked number one last year and retained its spot for 2015. Dawson Creek jumped from number five last year to number two this year.

The move comes despite a significant slowdown in the oil and gas sector that has led to a steady rise in unemployment in the region over the last three months.

"There's been a decline in the sector, but Fort St. John and Dawson Creek are still leading the province in many metrics," said BC Business Editor-in-chief Matt O'Grady.

"It may be that next year things shift, but so far things are holding up in the northeast."

Some of the factors that gave Fort St. John and Dawson Creek the top spots were average household income for primary earners under 35, unemployment rates, population changes, and a five-year income growth from 2010 to 2015.

Art Jarvis, who represents the local oil and gas service sector through Energy Services BC, was a bit surprised to hear the news.

"There are some big projects going on like hotels and franchise chain restaurants, but none of it is local money," he said. "It's all perception from companies and individuals out of the area who think that there is money flowing here."

Jarvis said many think Northeast B.C. is booming.

"Well, not really," he said. "We've gone past the point of a wave of people coming through the door. I think those people have moved away because we are not seeing a whole pile of people trying to get work, I think they've given up."

He said they've probably gone home or moved south.

BC Business was "out of touch" with its analysis, he added. But they were right about one thing.

"Everyone in-the-know is saying hang on because it's not over by a long shot," Jarvis said of the downturn.

Analysts he's spoken to said costs will have to come down it B.C. for it to be competitive.

"You want to be really careful what you spend because there is probably going to be a real strict eye on service companies cost," Jarvis said.

The environment is one of "huge competition" with Alberta and Saskatchewan, which are seeing the same downturn, he said.

"Those companies that are close to us are coming here and bidding really low to keep a cash flow," Jarvis said.

"The bottom line is people better be prepared for this to last at least another half a year if not a whole year."

Fort St. John Chamber of Commerce president Tony Zabinsky saw the report as "very good news."

"We've always been the area of growth for the province," he said.

Zabinsky remained optimistic despite slumping commodity prices. For him, the combination of Site C and potential LNG projects mean Northeast B.C. will continue to be a good place to work. At the same time, he called the designation "a double-edged sword."

"We just don't want the transient people to come here to work," Zabinsky explained.

"We also want to make sure that... they want to sit down... to be more entrenched in our community."

PIPELINE ROUTE UNCHANGED

TransCanada has not made any changes to the proposed Energy East pipeline route in the North Bay area.

Tim Duboyce, a TransCanada spokesman for the project, confirmed that Friday, indicating no changes are planned for this area because the route crossing the Trout Lake watershed involves the conversion of an existing gas pipeline. The pipe

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is already in the ground, he said.

The estimated costs to build the Energy East pipeline have increase 30 per cent to $15.7 billion. The new price tag was reported Thursday as TransCanada filed an amendment to its application with Canadian regulators.

Duboyce said TransCanada has undertaken some 700 route changes since the launch of the project two years ago in response to issues and concerns raised by municipalities, land owners and others.

"That is one of the main reasons why the project cost has gone up from $12 billion to $15.7 billion," he said.

The pipeline would see crude oil shipped from Alberta and Saskatchewan to New Brunswick. A major change is the removal of a marine terminal at Cacouna, Que. The company still expects the pipeline to be in operation by 2020.

The city and numerous residents have raised concerns about its proximity to Trout Lake – the city's source of drinking water. And it, along with other local groups, have applied as intervenors during National Energy Board (NEB) hearings.

The NEB will have 15 months to review the merits of the project and provide its recommendation to the federal government once it has reviewed the amendments filed Thursday and deemed the application complete.

In August, a report by the Ontario Energy Board suggested TransCanada should reroute its proposed pipeline around environmentally sensitive areas such as Trout Lake, or justify why altering the route is not necessary.

The report noted that the Energy East pipeline would be near many Ontario waterways, including the Mattawa River, Lake Nipissing, Lake Temagami and North Bay's Trout Lake.

"In light of this proximity, the OEB believes that TransCanada needs to assess whether it is appropriate to take a route originally chosen for a natural gas pipeline and use it for the transportation of crude oil," stated the report, which suggested the company either provide justification and list specific mitigation measures or reroute the existing pipeline in instances where it is too close to environmentally sensitive areas.

PRAIRIESKY ROYALTY LTD MAY CUT ITS DIVIDEND, BUT IT'S STILL IN GOOD SHAPE

PrairieSky Royalty Ltd. may have solidified its position as Canada's premier oil and gas royalty company after its recent deal with Canadian Natural Resources Ltd., but the weak commodity price environment will probably still lead to a dividend cut.

The $1.8-billion cash-and-stock deal for 5.4 million acres of Canadian Natural's land, equivalent to 81 per cent of PrairieSky's royalty portfolio, should be accretive to its cash flow per share in the range of roughly three to five per cent.

Management has indicated that its dividend will be reviewed in February and adjusted only once a year.

Given the challenging business environment, CIBC World Markets analyst Arthur Grayfer expects PrarieSky will cut its dividend to somewhere between 90 cents and $1.00 per share from $1.30.

He continues to see upside in the stock due to its above-average cash flow margin, strong balance sheet and long-term growth prospects resulting from a very large land position.

As a result, Grayfer maintained a sector outperform rating on PrarieSky, but cut his price target to $27.50 from $34.

The analyst lowered his third-party capex forecast, thereby reducing his 2016 production estimate by approximately 1,000 barrels of oil equivalent per day to roughly 22,300.

"In our view, the Viking in west central Saskatchewan is the crown jewel of the acquisition," Grayfer told clients, noting that about 270 of the approximately 480 wells that came on production in 2014 on Canadian Natural's royalty lands were in the Viking.

The analyst also noted that activity in the Viking remains relatively robust (only down about 50 per cent year over year), despite challenging oil prices, and more than 600 wells have been drilled as of the end of the third quarter.

"Consistent performance and low capital costs have been a key reason why the Viking continues to attract capital, even in a depressed commodity price environment," he said.

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