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### ONTARIO ENERGY BOARD APPROVES TWO CONTRACTS TO SHIP OHIO NATURAL GAS TO CANADA VIA NEXUS PIPELINE

Two customers of the proposed Nexus Pipeline have won Canadian provincial approval to transport natural gas from Ohio to Ontario.

Texas-based Spectra Energy Corp. on Friday announced that the Ontario Energy Board has approved applications from Union Gas Ltd. and Enbridge Gas Distribution Inc. for 15-year contracts. They want to move natural gas from the Appalachian Basin into the Dawn Hub in Ontario via the Nexus Pipeline, beginning in November 2017.

The approval from the Ontario Energy Board is another key regulatory step for the \$2 billion pipeline, its developers and its gas customers.

In late November, the board's staff had recommended non-approval of the two natural gas contracts as overly costly and unnecessary. The energy board did not agree.

The 255-mile pipeline would run from Columbiana County in eastern Ohio through the Akron-Canton area to Defiance in northwest Ohio. It would then run north toward the Detroit area and connect with existing pipelines that could carry the natural gas from the Utica and Marcellus shales to the Midwest, the Gulf Coast and Ontario.

The pipeline will be able to transport up to 1.5 billion cubic feet per day, enough to heat about 6 million houses. It would be 36 inches in diameter and buried about 3 feet deep.

The pipeline is a joint venture between Spectra Energy and Michigan-based DTE Energy. Union Gas is a subsidiary of Spectra Energy.

"The Nexus project represents a tremendous opportunity for customers to access natural gas from both the Utica and Marcellus shale plays and move it through markets in Ohio and Michigan to the Dawn Hub," said Bill Yardley, president of U.S. Transmission and Storage for Spectra Energy. "These approvals confirm strong, long-term market support for our route and the project ... by these local distribution companies in Ontario."

Establishing a direct transportation link between Ontario and the Appalachian Basin will provide low-cost gas to Ontario, Spectra Energy said in its release.

In addition, the Nexus Pipeline will provide increased natural gas supply diversity, security and reliability to other customers in Ohio, Michigan and Chicago, the company said.

The pipeline must be approved by the Federal Energy Regulatory Commission. It is expected to rule on the pipeline in late 2016.

The pipeline would run through northern Stark, southern Summit,

the northeast corner of Wayne and across Medina County.

The city of Green and a grass-roots group, the Coalition to Reroute Nexus, have urged that the pipeline be routed south of the Akron-Canton-Medina area in more rural southern Stark and Wayne counties. That proposal, which would affect 103 miles of pipeline, has not been endorsed by the Nexus Gas Transmission LLC.

The company hopes to begin construction in January 2017.

Anti-pipeline landowners in Summit and Medina counties have prevented the company from conducting surveys along the pipeline route. That issue is tied up in continuing court fights. Access in other Ohio counties has been resolved in court.

### MORE SPENDING CUTS IN CANADIAN OILPATCH AS CRUDE TESTS NEW LOWS

Oil prices briefly touched new lows in the current downturn Monday as producers and drillers continued to dramatically reduce spending in 2016 in response to the crash.

Encana Corp. announced capital spending will decline to as low as US\$1.5 billion next year and the dividend payments to shareholders will be trimmed from 28 cents to six cents annually while oilfield services firm Trinidad Drilling Ltd. set its 2016 budget at just \$30 million with oil and gas prices

expected to remain depressed.

"We have assumed that existing conditions will remain in place for 2016," Trinidad chief executive Lyle Whitmarsh said in a statement.

The "existing conditions" included West Texas Intermediate crude falling to US\$34.70 a barrel in trading Monday, before closing 69 cents higher at \$36.31, while the benchmark January contract for natural gas in New York declined to US\$1.86 per million British thermal units with a mild start to North America's winter heating season.

A worldwide supply glut has seen oil prices slump to their lowest levels since the global financial crisis in 2009. In Alberta, some producers are selling heavy oil for less than US\$22 a barrel, Bloomberg News reported Monday, while natural gas at the AECO trading hub traded at C\$2.13 per million BTUs.

Encana said its capital budget will be about US\$600 million lower than last year and expects to spend between \$1.5 billion and \$1.7 billion in 2016 with about half of the total allocated to the Permian basin centred in Texas. Encana assumes WTI will average US\$50 in 2016 and forecasts production from its four core areas — Permian, Eagle Ford in Texas; Montney, Duvernay in Western Canada — will increase 12 per cent year over year.

It expects to produce between

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340,000 and 370,000 barrels of oil equivalent overall a day next year, down from between 395,000 and 430,000 in 2015. Encana has "considerable capital flexibility" and will review its budget monthly, chief executive Doug Suttles said on a conference call with analysts. He said the company "updated our guidance in February because of the changes in the market that were happening in December and January, and we're prepared to do that again in 2016 if we need to."

Encana shares traded at a 52-week low Monday on the Toronto Stock Exchange and closed down 68 cents at \$7.63.

It is the latest oil and gas producer to announce sharply scaled back spending for 2016 as the Canadian Association of Petroleum Producers estimates companies have shed 40,000 direct jobs — with another 60,000 more disappearing across Western Canada — since WTI began its slide from US \$107 a barrel in June 2014.

Encana has cut 600 staff this year to reduce its workforce to 2,900.

Trinidad has cut its workforce by half since the start of 2015— primarily field staff — and has also reduced wages, salaries, director fees and dividends. Trinidad shares were down two cents in Toronto to \$1.98.

The downward trend has become well established as companies released 2016 budgets in recent weeks.

Cenovus Energy has said its 2016 will be almost 20 per cent lower this year than last at \$1.4-\$1.6 billion while Canadian Natural Resources said it will spend about \$1 billion less than last year at between \$4.5 billion and \$5 billion while Husky Energy said it will spend 15 to 20 per cent less than its historical average at up \$3.1 billion.

Suncor Energy, Canada's largest oil producer, was the exception as the oilsands producer intends to increased spending by about \$1 billion to as much \$7.3 billion.

"More than one-third of the global oil production is not economical at these prices," Ehsan Ul-Haq, a senior consultant at KBC Advanced Technologies, told Bloomberg. "Canadian oil producers could have difficulty in covering their operational costs."

### CANADIAN REGULATOR: 4.6 MAGNITUDE QUAKE CAUSED BY FRACKING

British Columbia's energy regulator has confirmed that a 4.6 magnitude earthquake in northeast British Columbia in August was caused by fracking and is likely

to be the largest fracking-induced seismic event ever recorded.

The earthquake struck on August 17, 2015 about 110 kilometers northwest of Fort St. John in British Columbia. Its epicenter was close to a fracking site operated by Progress Energy Canada Ltd. Workers at the drill site reported their pick-up trucks shook and power poles swayed by the quake prompting the natural gas production company to temporarily halt operations.

British Columbia Oil and Gas Commission, which regulates the fracking industry, had launched an investigation into the cause of the quake. It released a report last week stating that the 4.6-magnitude earthquake was caused by fluid injection during hydraulic fracturing from an operator in the area.

Ken Paulson, chief operating officer of the OGS, said:

Progress Energy Canada Ltd., followed regulations and stopped operations as soon as the magnitude was known. We allowed them to continue operations with a reduced pump rate, but if another event were to occur of 3.5 or greater, you have to shut in again and we'll try something different.

Honn Kao, a research scientist with Geological Survey of Canada, said that the quake could very likely be the largest fracking-caused earthquake in the world.

If this is proven to be linked to hydraulic fracturing, this would be a world record in terms of size. In theory, a bigger injection of fracking fluid can certainly trigger a bigger quake.

Recent studies have shown that fracking-induced quakes are shallow, triggering stronger ground motion and shaking which may become damaging in places without much earthquake preparedness.

### ALBERTA OIL WORKER UNWITTINGLY FEATURED IN ISIS PROPAGANDA

"It was shocking," says military veteran Will Hammond. It's the last place Will Hammond expected to see his picture.

The Alberta oilfield worker was alarmed to learn his image is being used in a propaganda video for ISIS.

"It was shocking," he said.

Hammond, 35, is a field engineer with Calgary-based Burns McDonnell. But before moving to Alberta, he served a year in Iraq and 16 months in Afghanistan with the U.S. Army.

Hammond discovered that a nine-year-old magazine photo of him

was featured in a recruitment video for the terrorist group, when the clip was posted by a friend on Facebook.

"You can see a lot of similarities between that recruitment video and a western-style military recruitment video," said Hammond. "I've heard and read a lot about ISIS's

ability to recruit online, but to see it firsthand is pretty shocking."

The video titled "No Respite" was posted online by the terror group in late November.

In the four-minute animated video, a narrator boasts about the growing stature of the Islamic

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State, describes U.S. presidents as "liars" and "fornicators," and taunts American soldiers about high rates of suicide in the military. "You may have the numbers and the weapons, but your soldiers lack the will and resolve, still scarred from their defeats in Afghanistan and Iraq, they return dead or suicidal," reads the ISIS narrator.

Hammond's image was lifted from a Time magazine article from 2006.

Taken at the base of a hill in Afghanistan, the photograph shows two soldiers with bandaged heads, sitting on the open bed of a military pickup truck. Hammond is pictured on the far right, holding a rifle.

"Obviously I'm not happy to be portrayed in enemy propaganda," he said. "It's disappointing, but I can certainly see why they used it. And quite frankly they did a good job of putting it in the video."

Hammond said it's disturbing and fascinating to see what he describes as a high-quality production.

"I can see a young, disenfranchised Muslim, who is disenfranchised with American culture, seeing that video and taking that as a call to arms because they feel that it's an ideal and noble cause when really they're just a bunch of criminals, perpetrating violence."

### **B.C. TECH STARTUPS THREATEN TO DISRUPT 'DINOSAUR' INDUSTRIES**

One technology startup is using artificial intelligence to save people who book online flights up to 80 per cent.

Another helps farmers boost their crop yields with a mobile app that manages operations from seed to sale.

A third new technology firm aims to replace conventional bank accounts with only a card and an app.

They're all samples of a boom in digital-technology startups in Vancouver that are revolutionizing traditional industries with tech savvy.

The companies are challenging old methods of doing business, and they're out to "disrupt" everything from travel to agriculture to financial services.

"You adapt or you die," said Ray Walia, CEO of Launch Academy, a leading non-profit firm that trains and mentors such startups.

The organization has helped entrepreneurs start more than 350 companies, raising about \$57 million in funding and creating over 635 jobs across 15 industries. They include TripDelta, Farm At Hand and Koho.

Walia said employers outside the technology world must change the mindset that "bleeding-edge" advancements don't matter to their own industries.

The youth-propelled trend is also flourishing in the technology hubs of Toronto and Montreal, and is considered most prolific in San Francisco's Silicon Valley.

About 84,000 British Columbians were employed by over 9,000 tech companies in 2014, according to the provincial Technology Ministry – more than in mining, forestry, and oil and gas combined.

Earlier this month, Premier Christy Clark announced the province is betting on startups as engines for job creation by establishing a new \$100-million venture capital fund to launch in 2016.

It's the first prong in a multi-year government strategy to enhance the industry's role in the provincial economy. Plans to attract new talent and open markets are expected to be announced in January, when the province hosts the B.C. Tech Summit, its largest-ever technology business conference aimed at mingling entrepreneurs with those in established industries.

Vancouver is home to more than a dozen "incubator" facilities and "accelerator boot camps," which provide crash courses for early-stage companies on taking technology ideas to market. Millennials are strongly represented, with many aspiring to hatch the next company valued at \$1 billion – broadly dubbed a "unicorn" in tech circles, or "narwhal" in Canada.

Hootsuite, Slack and Avigilon have already joined the Narwhal Club, while another 12 Vancouver companies are considered emerging. Ten others have been acquired by more established companies, according to Launch Academy.

Walia said innovative new business models are developing, with some entrepreneurs realizing product ideas with just a 3D printer, then turning to online freelancers for logo design and marketing.

Others write code in their basement and harness remote servers to increase efficiency and prevent disastrous losses of data.

Employees also collaborate from far-flung cities using social apps and video streaming, while avoiding overhead costs.

Those seeking venture capital have participated in American Idol-style pitch competitions that have sold tickets out the door and down the block in Vancouver's Gastown district.

Millennial startups are also often motivated by doing social good, the result of a hyper-awareness of pressing issues from constant immersion in social media. Many for-profit companies are incorporating philanthropy into their business model.

"If you don't adapt, you're not going to succeed," said Vivian Chan, who coordinates an accelerator program for wireless companies with Wavefront. "You can join the rest of the crew, or you're going to be left behind."

Chan said millennials are thirsty to run their own businesses, their way.

"It's the cool thing to do."

But rags-to-riches success stories such as Uber and Airbnb have put a halo over the current wave of startups,

warned HeroX CEO Christian Cotichini, who has successfully built four companies over 24 years.

He predicted there will be a rise in failures of startups in the coming year, but suggested that won't be as painful as more notorious tech-industry crashes of the past.

Cotichini also predicts more millennials will dump the pursuit of Facebook CEO Mark Zuckerberg-style rockstar status and instead focus on building a career out of their small, sustainable businesses.

Industries invented before the Internet are "de facto obsolete," he said.

"We're really on a super cycle of leveraging all this new technology to make our lives better."



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