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### OIL PATCH PAIN DRIVES BARGAIN-HUNTERS TO EQUIPMENT AUCTIONS

In an auction room a few dozen potential bidders scan a picture of a used oil drilling rig projected on the wall while an auctioneer raises his voice to drum up enthusiasm.

"If you came to this sale not looking for a rig you should be looking at it now," the auctioneer bellows into his microphone. Initial asking price on the rig – complete with water, mud and shale tanks – was \$150,000 and it eventually sold for \$52,500, a fraction of a cost of a new rig that can fetch between \$7-million and \$15-million.

Business is brisk at this 180-acre (0.73 square km) Edmonton site and other North American locations of Ritchie Bros. Auctioneers – a clear sign that the oil industry has little hope that crude prices will recover any time soon.

The world's largest industrial auctioneer stresses it sells more than oilfield equipment, but it is no secret that many sellers are oil companies reeling from the 18-month rout that has driven crude prices near 11-year lows this week.

"All the oil companies are pulling their horns in so there's none of that work. If the price stays low, it's going to get a lot worse," says Frank Richardson, a general contractor from central Alberta.

Richardson uses the auctions to sell

equipment when warranties expire and replace it with newer machinery.

This year was one to forget for the oil industry, but a bumper one for the Vancouver-based Ritchie Bros., with record third quarter gross auction proceeds of \$894.5-million from 54 auctions worldwide. U.S. revenue was up 25 per cent in the first three quarters.

"There's been a slowdown in capital investment, which means people are working less and there's excess assets available," Randy Wall, Ritchie Bros. Canada president, told Reuters.

In six auctions held in Edmonton the company sold more than 38,000 pieces of equipment and trucks for a record of more than \$731-million, as high-cost western Canada oil sands producers were hit particularly hard by tumbling crude prices.

Much of the machinery sold in Ritchie Bros. auctions ends up in logging, construction and farming. Wall said the transport and forestry industries were doing well, making up for weak demand in the oil sector, while the relatively weak Canadian dollar has lured more overseas buyers.

Foreigners usually bid in online "virtual auctions", such as one with the rig on the block – part of a complete sale of equipment of a small Calgary-based oil services firm including trucks, rig mats and catwalks.

In another "virtual auction" in one of Ritchie Bros. three auction rooms fitted with a big screen displaying

the equipment on offer, a 220-ton all terrain crane went for \$405,000 to an online buyer from Egypt, who fended off bids from India and Saudi Arabia.

Some oil patch specific gear, such as vacuum trucks, water trucks and drilling rigs, is selling for around half of what similar used equipment fetched two years ago, according to auctioneer Kevin Tink, a sign buyers expected the oil downturn to continue.

He warns, however, that any crude market recovery could trigger a surge in demand and prices for machinery, which would possibly delay a rise in output.

"People are disposing of anything that has been sitting around and is not being utilized, they are sweeping the corners of the yard," Tink says.

"If demand gets really strong and delivery on a winch tractor is six to eight months, people will pay more for the asset than it costs new, because they want to go to work with it the following morning."

For now, that prospect appears distant. Ritchie Bros. says worldwide prices have come down last quarter from first-quarter levels and bargain-hunters say they expect prices of oil and gas related equipment to fall further next year.

### REPO FIRMS WORK FLAT OUT AMID OIL SLUMP IN ALBERTA

Civil enforcement industry got 25% busier from April to October

While the crash in oil prices idles drilling rigs and empties out downtown Calgary offices, Steven Low's company can barely keep up with the deluge of work.

Low is CEO of Consolidated Recovery Group, an agency in Western Canada that works with lenders and the courts to recover bad debts – by repossessing a car or carrying out an eviction, for example.

It's been a busy year for the company and the work has only picked up as the crude doldrums linger, squeezing the finances of the many Albertans who rely on oil and gas to make a living – either directly, or through its economic spinoffs.

Low says bailiffs at his firm are working around the clock and he's even had to hire more staff to get all the work done.

According to the Alberta Sheriff's Office, civil enforcement industry activity grew by more than a quarter between April and October of this year.

Low says even though his industry is booming right now, he and his staff don't relish profiting off of people's misfortunes.

"We don't gloat or feel terribly excited about the economic conditions right now. We approach every single repo and seizure as an opportunity to help respect the dignity of the debtor," he said.

"We'll even go out of our way to seize a vehicle around the corner or allow the person to bring it out of their place

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of work so that co-workers don't see their vehicle being towed away. Anything we can do to help a debtor, who's co-operative of course, to save face is something that we seek to do."

John Shortridge, who runs Allied Shortridge Civil Enforcement, figures he's twice as busy now as in the spring.

Shortridge is a veteran of the business — first with the Alberta Sheriff's Office and then on his own after civil enforcement functions were privatized in the province in 1996.

He already has the sense this oil price bust is going to be worse than the one brought on by the Great Recession in 2008 and 2009, which was followed by a relatively speedy recovery.

"This reminds me more of '82 and '83. It was bad and it was long... My view is this is going to be a long haul," Shortridge said.

"In some ways, every recession is the same in that the first thing that goes are the toys — so the motorcycles, the fifth-wheel trailer, the campers, the cottage," he said.

"All the extras go first. And then people work their way down to more basic things — the house and the car being the last two payments that they would default on."

Shortridge said he doesn't think the full impact has hit yet, as many laid off employees are still able to make ends meet thanks to severance packages. Once those run out, he expects to be even busier.

Shortridge said he looks to hire bailiffs who have a mixture of "thick skin and compassion" to conduct tasks that are often emotionally fraught.

"When the bailiff goes to the door, you can't yell at the economy, but here's somebody you can yell at," he said.

### MASSEY TUNNEL UPGRADE WON'T OPEN B.C. TO MORE LNG TANKER TRAFFIC

The B.C. government's move to replace the George Massey Tunnel with the biggest bridge in the province will not likely open the lower part of the Fraser River to more tanker traffic.

Environmentalists have long feared the province was undertaking the massive upgrade to one of Metro Vancouver's main commuter arteries in part to create more export opportunities for liquified natural gas, which has been a major priority for the current provincial Liberal government.

However, the Fraser River is too slim and the new bridge will be too low for any of the largest tankers that travel to export markets in East Asia, according to Werner Antweiler, an economics professor at the University of British Columbia.

As well, the lone LNG terminal proposed for the waterway is slated to open while the tunnel is still in use, and will ship to local and regional markets using carriers the same size as vessels now plying the river. "The bridge itself isn't going to be the game-changer that some people feared," Prof. Antweiler said. "I really don't see that it opens the door to a huge expansion of dock facilities along the Fraser there. Any expansion that is being planned right now is something that is happening even without [the bridge being built]."

When the 3.3-kilometre-long bridge opens in 2022 above the existing tunnel along Highway 99, it will be 57 metres above the high-tide mark, Transportation Minister Todd Stone announced this week.

That height is well below the 65 metres that Port Metro Vancouver originally requested so that larger LNG tankers and the 61-metre-tall Solstice class of cruise ships could pass safely underneath, said port spokesman John Parker-Jervis. (At the time, the port was studying whether a cruise terminal on the Fraser might one day be feasible during the 100-year lifespan of the new bridge, he said.) "The potential for LNG was there, so that was one thing that we looked at," Mr. Parker-Jervis said.

Doubt has been cast on how many of the 20 LNG proposals touted by the provincial Liberals might come to fruition. Mr. Parker-Jervis said that

there are no proposals to export LNG from the Fraser apart from a terminal to send the gas from FortisBC to local and regional markets.

WesPac Midstream, a Canadian subsidiary of a U.S. energy firm, wants to export LNG from the Tilbury Island site three kilometres upriver from the Massey Tunnel. The B.C. Environmental Assessment Office is reviewing WesPac's proposal, and public consultation on the project ends on Sunday. The company plans to start construction on the site next year, begin operations by 2018 and run the facility for at least three decades using mid-size carriers.

Vicki Huntington, Delta South's Independent MLA, said she believes the port will seek to create further LNG terminals on the river. "They will need to do additional lateral dredging in the Fraser, but I know they're already looking at whether

or not it will be done," she said.

She said the reason the bridge wasn't built higher is because the grade would have made it inaccessible to commercial traffic.

"To make it higher would have been almost impossible using the existing highway system because the trucks would have had a great deal of difficulty getting up and over with the elevation," she said.

Kevin Washbrook, a director with Voters Taking Action on Climate Change, which is mobilizing the public to oppose the WesPac project, said the group is relieved about the lower height of the bridge. But he said he's still worried about the environmental impact of the Tilbury Island terminal, as well as the increase in tanker traffic from the Fraser Surrey Docks coal terminal further upstream.



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