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FOX CREEK FRACKING OPERATION CLOSED INDEFINITELY AFTER EARTHQUAKE

Magnitude 4.8 quake rattles area, but no injuries or damage reported, energy regulator says

A hydraulic fracturing operation near Fox Creek, Alta., has been shut down after an earthquake hit the area Tuesday.

The magnitude 4.8 quake was reported at 11:27 a.m., says Alberta Energy Regulator, which ordered the shutdown of the Repsol Oil & Gas site 35 kilometres north of Fox Creek.

Carrie Rosa, spokeswoman for the regulator, says "the company has ceased operations ... and they will not be allowed to resume operations until we have approved their plans."

Rosa added the company is working with the energy regulator to ensure all environmental and safety rules are followed.

In a statement, Repsol confirmed the seismic event and said the company was conducting hydraulic fracturing operations at the time it happened.

"Repsol immediately shut down operations and reported the event to the AER and other local authorities," the statement said.

"The company is investigating the

event, which includes reviewing and analyzing available geological and geophysical data, as well as the onsite seismic monitoring data. Operations will not resume at this location until a full assessment of the event has been completed and approval has been received from the AER."

There were no reports of injuries or damage to the site, Rosa said.

The energy regulator automatically shuts down a fracking site when an earthquake hits a magnitude of 4.0 or higher in the area in which a company is operating.

"It's too soon to tell if it's related to fracking," said Camille Brillon, a seismologist with Natural Resources Canada. "It was a light earthquake that would have been felt."

Brillon added the quake was "quite large for the area, larger than normal." It was so strong that it was felt in St. Albert, 280 km away.

Jeffrey Gu, associate professor of geophysics at the University of Alberta, said the area surrounding Fox Creek has been experiencing a proliferation of quakes lately.

He estimates in the last six months there have been hundreds of quakes in the area ranging in magnitude from 2.0 to 3.0.

But it is not considered a risky area with a such low population, said

Gu, who added that Fox Creek and the surrounding region is carefully monitored by the energy regulator.

"There are faults in this area that have been mapped, have been reported in that area, but nothing of significance," he said.

"It's a relatively safe area without major, major faults."

Still, Gu said, there were two fairly large quakes in the area in January 2015, one of which had a magnitude of 4.4.

He wasn't able to confirm that they were caused by fracking, but said it is "highly probable."

The energy regulator said at the time that the 4.4 magnitude quake was likely caused by hydraulic fracturing.

The previous large quake near Fox Creek occurred on June 13, with a magnitude initially measured as 4.4. And that was the first time AER issued a stop-order on fracking under its new rules, which came into effect in February. After some investigation the magnitude was set at 3.9, Gu said.

If it is revealed that fracking induced Tuesday's 4.8 quake, Gu said, it would be the largest such quake in Canada's history.

A 4.6 magnitude fracking-related earthquake in B.C. in August was confirmed by scientists as the largest so far in Canada, perhaps even the world.

Alberta Premier Rachel Notley said her officials are looking into Tuesday's quake.

"The AER has been engaged in a review of fracking, in particular as it relates to this issue, and I'll be asking them to speed that review ... to come up with some recommendations that we can consider sooner than later."

Area resident Jesse Christensen was in Fox Creek at the time of the quake.

"We were all just kind of standing around ... and everybody just looked at each other and said, 'Did you feel that?'"

"It didn't feel uneasy or anything," he said. "It was just like some shaking through your feet a little bit, but not too much."

Fox Creek, 263 kilometres northwest of Edmonton, is a town of about 2,000 people largely sustained by oil and gas development.

4 OIL FORECASTERS POINT WHICH WAY PRICES WILL GO

\$10, \$20, \$30, \$40, \$50? Crude prices could plunge much further before recovering

After four oil forecasters delivered their expert opinions about where the price of oil is headed this year, the moderator of the conference in Calgary responded, "interesting and somewhat depressing."

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That was the general feeling in a crowd of about 100 people at the Conference Board of Canada event on Tuesday.

The consensus is that oil prices will average about \$40 US a barrel in 2016. While the forecasters spoke at the conference, oil kept sliding in the markets, trading below \$30 US for the first time since 2003.

"It's possible that oil prices will go to \$20 for a week or two, even \$10," said Glen Hodgson, the Conference Board's chief economist.

Investment in the Canadian oilpatch dropped by 40 per cent and Alberta's economy shrank by one per cent last year, according to the Conference Board.

"We're getting clobbered," said Hodgson.

The notion that oil could sink into the \$20 range has been put forward before by Ed Morse, the global head of commodities for Citi Research. He reiterated that possibility Tuesday, arguing there is too much supply and no place to put it.

"To cut supply, you probably need a much lower price for a period of time," said Morse. "That's probably where we are going."

The global supply and demand should begin to balance out again at the end of 2016, said Morse, but it will be an ugly time for the oil sector until that happens.

"This is a world where not only companies can go bankrupt, but countries can go bankrupt," he said.

The situation in Western Canada

is worse than elsewhere in North America because the oil is generally sold at a lower price owing to the limited export pipeline capacity.

Western Canada Select, a type of heavy oil, is selling for less than \$20 US a barrel.

"We are already looking at the cheapest, lowest crude prices anywhere in the world right here in our own backyard, so things are looking somewhat dire in the short term," said Martin King, a forecaster with FirstEnergy Capital.

Despite the crash, King expects the Canadian oilsands will keep pumping out oil. He says the operational costs for an in-situ operation are \$8 US a barrel and the break-even point is about \$40 US. The longer-established oilsands mines have operational costs of \$25 US and a break-even point of \$35 US.

"All of these projects are losing money on a per barrel basis right now. All losing money. Will they shut in? Unlikely. They build these to last 40, 50 years or longer," said King.

Oilsands companies are choosing to defer future projects, which could mean an anticipated cut in supply by 2020 of 250,000 barrels per day, according to King.

While oil keeps sliding, some experts wonder if the markets have overreacted to the crude oversupply.

Michael Wittner, the head of oil research with Société Générale, said there is so much fear about commodity prices that prices may have shot to the downside. However, in the same breath, he

warns prices might keep dropping.

"The market continues to look in the short term looking towards U.S. shale, because it is the most price sensitive, to be the first mover in the rebalancing process underway," said Wittner. "As long as it is not happening, absolutely prices could go lower. There is nothing stopping them from going lower."

All four oil forecasters avoided declaring that oil prices have reached the bottom, although they suggest that should happen later this year.

OILSANDS PLANT EXPLOSION NEAR FORT MCMURRAY LEAVES 1 DEAD, ANOTHER CRITICAL

Person in critical condition flown to University of Alberta burn centre

One person is dead and another is in critical condition after an explosion Friday afternoon at Alberta's Nexen Long Lake facility, Wood Buffalo RCMP say.

The person in critical condition was flown by air ambulance to the University of Alberta's burn centre.

The blast occurred at around 4:30 p.m. at the facility located near Fort McMurray, said Staff Sgt. Jeremie Landry.

The Nexen facility is approximately 75 kilometres south of Fort McMurray, outside the hamlet of Anzac.

Brad Grainger, Wood Buffalo's deputy fire chief, said his crew got the call from Nexen at 4:30 p.m. The department sent an ambulance and fire truck to the site and was put on standby.

"Lots of debris and stuff around, and active fire, but it didn't take long for the Nexen crews to get the fire under control and extinguished," Grainger said.

Grainger initially said that the explosion was caused by a coker.

But then later Landry said in the first phase of the RCMP's investigation it appears the blast occurred in the facility's hydrocracker.

On their website Nexen explains that the hydrocracker is used to improve the oil quality and produce synthetic crude by combining the partially upgraded oil with hydrogen to remove sulphur.

RCMP also said the explosion does not appear to be suspicious.

The Alberta Energy Regulator is on the scene investigating.

"Nexen notified the AER of an explosion on Jan. 15 in the afternoon," said Carrie Rosa, spokeswoman for the regulator.

"They are in the process of shutting down their facility, which is expected to take about 12 hours.

"They have established an emergency response centre at the Long Lake facility, and the AER have dispatched staff to the site."

In a news release, Nexen said its "emergency response plan has been activated, and response personnel, including first responders from the Regional Municipality of Wood Buffalo, are on site.

"We are deeply saddened to confirm one fatality and a second person is at hospital. All other personnel are accounted for."

Nexen said there is no immediate danger to neighbouring communities or personnel still at the site.

KINDER MORGAN PROTEST LEADS TO 7 ARRESTS

Group protesting Trans Mountain's proposed pipeline were removed from a barge used for test drilling

Seven people were arrested Monday morning while protesting the proposed Kinder Morgan pipeline.

According to Burnaby RCMP, four protesters boarded a barge sitting about 100 metres offshore at Westridge Marine Terminal on Sunday, and remained there overnight.

Police were called Monday, after more activists joined the protest, and were asked to remove them.

The boat is being used for test drilling.

A group of around two dozen protesters also delivered what they are calling a "People's Injunction" to the National Energy Board's office in Downtown Vancouver Monday morning.

The notice demanded the suspension of the Kinder Morgan pipeline hearings, scheduled to begin tomorrow.

"We're here to protest the Kinder Morgan pipeline review process which is going to start this week," climate activist Claris Figueira told CBC News.

"Basically, what we're demanding, is that Justin Trudeau cancel or suspend the National Energy Board review process."

Last week, the B.C. government said it was not prepared to support the proposed \$6.8-billion expansion of the Trans Mountain pipeline from Alberta to Burnaby, citing concerns over the company's lack of information around its proposed spill prevention and response plan.

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