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## ALTON NATURAL GAS STORAGE FACILITY DISPUTE PUTS RCMP IN THE MIDDLE

AltaGas Ltd. and Mi'kmaq protesters at odds over Aboriginal presence on island near proposed gas caverns. The RCMP says it is staying "neutral" as AltaGas Ltd. and Mi'kmaq protesters are at odds over Aboriginal presence on a tiny island near the energy company's proposed underground natural gas storage caverns in Nova Scotia.

Opponents of the Alton storage project briefly went out Sunday to the small island that formed where the tidal Shubenacadie River meets a channel in which briny water is to be discharged. Lori Maclean, speaking for AltaGas, said the company called police because the protesters entered an active work site with construction hazards. The site is restricted for safety. Protesters say they were exercising their treaty rights. Not definitive about future action. The Mounties said they've been contacted by the company and are aware of the incident that drew police cruisers to the scene, but the police force was not being definitive about what officers will do if similar incidents continue. "The RCMP position on people entering the area behind the construction zone is ... we are committed to remaining neutral on all matters. With this, our role in such matters is to keep the peace and to protect property," said RCMP spokesman Cpl. Dal Hutchinson in a telephone interview. Cheryl Maloney, the president of the Nova Scotia Native Women's Association, said she was confident the Mi'kmaq have a right to be on the island for fishing purposes granted by treaty. 6 or 7 police cruisers "We moved over to the island, but they [company security guards] couldn't reach us because there was a channel in between," she said. The police were called to the site by Alton representatives and a number of RCMP cruisers waited near the scene, as a group of private security workers observed an encampment created by Mi'kmaq and other opponents of the storage project, which was approved earlier this year by the province. Hutchinson said six or seven RCMP cruisers were

at the scene on Sunday. 'Exercising our Aboriginal treaty rights'

Maloney says she expects to hear from Alton about the incident, but doesn't believe the Mi'kmaq protesters broke any laws. "I think the police were a little hesitant to arrest us for exercising our Aboriginal treaty rights," she said. As she spoke, the tentpoles and the Mi'kmaq flags were still flying at the site of the tiny island along the banks of the tidal river. "Let them explain that to the courts if they feel we don't have the right to be there. We do have the right to be there. We will be there," she said. The company says it respects the right of individuals to express their views, but adds the project has been approved by the Environment Department, and access to the work site is restricted for safety reasons. AltaGas says it continues to engage with stakeholders. Maclean confirmed that law enforcement agencies were contacted on Monday about the Mi'kmaq presence on the island. "We will continue to engage with the government, the Mi'kmaq of Nova Scotia, local residents and other stakeholders to answer questions about Alton and to address concerns. Since 2006, Alton has been meeting with stakeholders including landowners, community members, government and the Mi'kmaq to share information and exchange viewpoints in a respectful manner," she wrote. The company notes the project has received all needed environmental and industrial approvals for the storage project, following over eight years of scientific monitoring of the tidal river. "Brining is the process to be used at Alton to dissolve an underground salt formation and create the natural gas storage caverns. The water used to dissolve the salt will come from the tidal Shubenacadie River. The brine created by this process, a mixture of tidal water and the dissolved salt, will be released back into the river at a salinity level within the range of normal salinity for the river," Maclean wrote. "We're not budging," say protesters

Maloney said Mi'kmaq and local residents remain concerned that increasing salinity in the river poses a risk to some fish species. The group has erected signs at the site

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declaring it is a conservation zone operated by the Sipekne'katik district of the Mi'kmaq people. She said she and other volunteers plan to create a weir this week to catch fish and create some baseline data so that the Mi'kmaq can carry out their own scientific research to see what impact the project could have. Maloney also said the Mi'kmaq protesters aren't looking for confrontation, but are prepared to exercise Aboriginal rights to use the river. "We're not budging. If Canada ... doesn't want to protect and defend us, we're still going to stay here," she said. Maclean said construction is ongoing at Alton and a date for the start of brining has not been finalized. She notes that a court decision released in July affirms brining can take place.

**A BATTLE BREWING IN TORONTO COULD DECIDE THE FUTURE OF CANADA'S NATURAL GAS INDUSTRY**  
 After years of losing market share to U.S. competitors, Canadian natural gas producers and one pipeline company are looking for a way to fight back and regain their traditional market of Toronto,

the country's biggest consumer for residential power and heat. The battle to sell natural gas into Toronto and the surrounding area pits Calgary-based TransCanada Corp. against Dallas-based Energy Transfer Partners LP, which wants to build a new pipeline called Rover from a prolific gas formation in Pennsylvania to southern Ontario, and Houston-based Spectra Energy Corp., which has proposed the Nexus gas pipe to Ontario. Spectra, of course, was purchased this week for \$37 billion by TransCanada's old rival, Enbridge Inc. The issue of whether Canadian gas can compete with U.S. gas is at the heart of the fight for access to the Toronto and southern Ontario markets. Lower-cost natural gas from nearby Pennsylvania has pushed domestic supplies out of Ontario for years and Canadian producers hope TransCanada's offer to cut the tolls on its existing pipeline system to Dawn, Ont., can reverse that trend before the U.S. producers sign multi-year commitments for their proposed pipelines. The prospect of even more U.S. gas getting to Toronto has stoked fears among many executives in Calgary.

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"I have been more than surprised that we gave up the strategic Eastern Canadian gas market almost without a fight," said Questerre Energy Corp. chief executive Michael Binnion. After discussions this summer with many oilpatch executives, TransCanada is taking up that fight and actively looking to spoil the plans of both U.S.-routed pipelines.

TransCanada spent the summer gauging the interest among gas companies to ship more of their production to Canada's largest centre and it has offered to cut tolls on its line by 40 per cent to make that happen. "Discussions have been fruitful," said company spokesperson Mark Cooper, adding TransCanada could launch its open season, officially calling for new shipper commitments on the line, as early as this month. "This is absolutely

critical for Canadian producers," Gas Processing Management Inc. associate Ed Kallio said. Without LNG exports to the West Coast or more natural gas shipments eastward, he said, "drill bits will stop turning here." The Canadian Association of Petroleum Producers is actively supporting TransCanada's plan because the group is worried that if more Canadian gas doesn't get to Toronto, U.S. producers will cut domestic producers out of the market for the next 10 years. CAPP chief executive Tim McMillan said southern Ontario currently imports 60 per cent of its gas from the U.S., with the other 40 per cent coming from Western Canada. Since pipeline contracts are usually struck for terms of 10 years or more, "The decisions that we will be making here in the next few weeks and months will have

a large effect on Western Canada and Eastern Canada for decades to come," McMillan said. Jackie Forrest, vice-president of energy research at ARC Financial Corp., said the southern Ontario and Quebec markets consume an average of 3 billion cubic feet of natural gas per day, which is not a large enough market to support TransCanada, Nexus and Rover all delivering volumes to the Dawn, Ont., natural gas pricing hub. "If you look at the size of the market, it's difficult to see them both going forward with the volumes they're putting forward right now," Forrest said. Asked whether the Nexus pipeline was a priority for Enbridge after its merger with Spectra, spokesperson Todd Nogier said in an email that the company "undertook significant due diligence on Spectra's portfolio of secured and

potential growth and are very excited about integrating their development into the combined entity." Edward Jones analyst Rob Desai said Nexus would be a high priority for Spectra and now Enbridge, "because if you look at the timeline, it's a project they hope to complete in the next couple of years." TransCanada, however, is betting that it can move first and hurt Spectra — now with Enbridge, its biggest rival — and Energy Transfer.

BMO Capital Markets analyst Danilo Juvane said in a research note that "TransCanada's official proposal to lower its mainline tariffs from Empress (Alberta) to Dawn puts (both competing U.S. pipeline) projects on the hot seat given expectations for a deluge of gas supplies into Dawn." TransCanada believes it can compete with both projects. "We have the advantage of having pipes in the

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ground," Cooper said. The problem, however, is that those pipes aren't currently being used to their full capacity. "Even though we do have a lot of physical pipe, we don't have a lot of economic pipe," Kallio said. He hopes TransCanada's revised tolls will change that by making gas from Western Canada competitive with gas from Pennsylvania. The company has offered to slash tolls between Empress and Dawn to 82 cents per gigajoule from \$1.41 per GJ if producers agree to ship an additional two bcf/d on the mainline. If gas companies agree to ship less than that, the tolls wouldn't drop as far: TransCanada would charge 90 to 95 cents if shippers agree to move 1.5 bcf/d and \$1.10 if total shipments are one bcf/d. It is possible that some Albertan producers will not take TransCanada up on its offer, especially those shippers that use the interruptible service model. Darren Gee, chief executive of Peyto Exploration and Development Corp., said TransCanada will need to change the type of service it offers on the mainline to attract more producers. Gee, who runs the lowest-cost natural gas producing company in Western Canada, said he's frustrated with TransCanada's outages on another pipeline network, the Nova gas transmission system, because Peyto and other producers pay for space on the line even when it's out of service. "You still pay for service even though they're not taking your gas," he said. "That kind of experience and frustration that we've had over the last year would play into a decision over taking additional mainline service, because, obviously, if you can't get your gas on the system in Alberta, it's never going to get on the system where it joins the mainline." Gee said Peyto markets all its gas in Alberta,

but added that reduced tolls could help Canadian producers compete in Ontario if TransCanada is able to amend its offer. Enbridge and Veresen Inc. recently cut tolls on their jointly owned Alliance natural gas pipeline to Chicago and changed the structure of their tolls on the line to reduce the risk for gas producers to use the line. That line is now full and analysts say TransCanada could refill its mainline using the same tolling structure, allowing Canadian companies to compete in Toronto the way they now do in Chicago. Forreast said that TransCanada's proposals could make gas from Alberta and B.C. competitive with U.S. supplies. "Based on what's come out in public filings, it seems like the proposed tolls for TransCanada would be competitive with what we would be seeing from the Marcellus area into Dawn using the Nexus pipeline," she said. Doug Suttles, chief executive of Encana Corp., said during his company's second-quarter conference call in July that Encana "has been very actively involved" in discussions to reduce tolls on the mainline. Analysts expect Encana will commit to shipping more gas with TransCanada from Alberta and B.C. to southern Ontario.

If TransCanada is able to ship two bcf/d of additional volumes to Ontario beginning in November 2017 as planned, analysts expect Enbridge, now that it has Spectra, and Energy Transfer will need to review their plans for Nexus and Rover, respectively. Both could still be built, but will likely offload more gas in different markets in Ohio and the U.S. Midwest. "There's still a path for those two to go forward, it's just they wouldn't be delivering the same volume of gas into Dawn," Forreast said. But if TransCanada is not able

to secure enough commitments, Kallio thinks the domestic gas production industry is in danger. "It's difficult to sustain an industry here (without improved access to markets)," he said. "So all those communities like Fort St. John (B.C.) and Grande Prairie (Alta.) are just going to die — including Calgary."

### EXPLOSION AT B.C. ENCANNA FRACKING WATER FACILITY INJURES WORKER

'No environmental damage and no risk to the public.' An explosion at an Encana facility that produces water for fracking has injured one worker and shut down the plant near Dawson Creek. Encana's Water Resource Hub purifies aquifer water considered too saline for human or animal use, so it can be used for hydraulic fracturing at Encana's gas wells. RCMP have now taken control of the facility. B.C.'s energy regulator and a WorksafeBC fatal and serious injury officer are at the scene investigating. "We're aware of an injury, but for privacy issues, we can't give you any more information than that," said Trish Knight Chernecki, senior manager for media relations at WorksafeBC. B.C.'s Oil and Gas Commission said the explosion caused no environmental damage, and there was no risk to the public although it did cause emergency responders to converge on the facility Monday morning. Local residents were also notified, said Phil Rygg, director of communications for the B.C. Oil and Gas Commission. Encana spokesperson Doug McIntyre said the facility has been "secured and [we] are beginning our work to determine the cause." The Encana facility is 20 kilometres from Dawson Creek in northeastern B.C.

### NATURAL GAS PRICES RISING FOR FORTISBC CUSTOMERS

Average B.C. customer will pay extra \$82 per year

The average B.C. household is going to be paying an extra \$82 per year to heat their home with natural gas this winter, FortisBC has revealed. The company blames the price hike on rising demand across North America and a declining production. "Natural gas prices have risen since spring 2016. The hotter-than-normal summer, for most of Canada and the US, has resulted in higher-than-expected continental demand for electricity, which is often generated by natural gas," said Dennis Swanson, vice president of energy supply, in a statement released by FortisBC. "This, combined with a slowdown in natural gas production, has led to an increase in prices during the past few months. Despite this, natural gas prices are still near their lowest levels in a decade." The company points out the rates are regulated by the B.C. Utilities Commission and are reset every three months based on market conditions. FortisBC does not mark up the price of gas for customers and changes in the market price of gas are either refunded or recovered from customers.

The company makes money on the delivery charge, which is added to every bill.

Anyone already signed up for fixed prices with a Customer Choice program will not be affected by the price increase, the statement noted. And propane rates for Revelstoke customers remained unchanged due to healthy propane storage levels and relatively stable oil prices over the past few months, the statement said.

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