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### MEET THE ALBERTA 'ROUGHNECK' WHO MADE A MOVING PLEA ON PARLIAMENT HILL IN SUPPORT OF CANADIAN OIL

Bernard Hancock speaks for oilpatch workers who 'can't articulate what they're feeling'

It's not every day that you see an oil rig worker, dressed in his hard hat and coveralls, deliver a speech on Parliament Hill. But that's exactly what Bernard Hancock did on Tuesday in support of a petition tabled by Lakeland MP Shannon Stubbs calling on the federal government to do more to support Canada's energy industry. The video of Hancock's moving plea, which focused on the thousands who have lost their jobs because of the dropping price of oil, is going bananas on social media. "I can't believe that people care what a guy like me gotta think. I'm just a roughneck," he said on Wednesday.

Hancock is adamant that he is an unofficial and unpaid spokesperson for the oilpatch, and has "taken no money" from the Canadian Association of Oilwell Drilling Contractors (CAODC) — the

organization that brought him to the nation's capital this week.

He said CAODC paid for his flight from Grande Prairie, Alta. and covered his Ottawa hotel. "I'm taking five days off the rig to come here and do this. So I'm losing money ... If you looked at my fingernails and seen all the blood underneath my nails — you'd know I'm not a lobbyist. I'm a roughneck." It all started in January, when Hancock had moved back to his hometown of Vancouver while he was between jobs. He had some time on his hands, and decided to check out a protest that was transpiring in Burnaby, B.C. during the National Energy Board (NEB) hearings into the expansion of Kinder Morgan's Trans Mountain pipeline. "There was no one supporting clean, ethical Canadian oil. They were all anti," said Hancock. So he decided to speak up, giving a pro-oil media interview which has had close to 600,000 view on YouTube. "Ever since then people have been saying 'you gotta keep talking, you gotta keep talking.' "But it hasn't all been sunshine and lollipops. Hancock said he's had hate mail and been heckled. "Twice, I've had guys jump me and try to pick a fight with me." There were times when

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he wanted to quit his crusade, but then someone told him this: "There's a lot of people in the patch who don't know how to articulate what they're feeling in the way that I can, and I'm speaking up for them."

### BLACKPEARL WANTS PARTNER FOR NEW CANADIAN OIL SANDS PROJECT

Canadian independent producer BlackPearl Resources is looking for a partner to develop its 80,000-barrel-per-day (BPD) Blackrod oil sands project in northern Alberta, the company's CEO said. Blackrod is the largest energy project approved by Alberta's liberal New Democratic Party government since it was elected 16 months ago, Kallanish Energy understands. The Ministry of Energy also approved Surmont Energy's 12,000 BPD Wildwood thermal project and Husky Energy's 3,000 BPD Saleski project.

Developing Blackrod to its full 80,000 BPD capacity would move BlackPearl from a small oil sands player producing less than 10,000 BPD, into a mid-sized player in the Canadian energy industry. But given persistent

low prices, BlackPearl CEO John Festival said the company would not be advancing Blackrod on its own, and would instead concentrate on the second phase of its Onion Lake project in Saskatchewan. "We do not have plans to go out and build at Blackrod, but we would entertain a partnership with someone else if they want to come in and carry us for the first phase," Festival indicated. Festival said U.S. crude would need to average \$55-\$60 a barrel for the company to break even on the full-cycle cost of building the project and get a 10% return on investment. That is well above the current price of roughly \$43/Bbl, but Festival told Reuters now was a good time to build given low labor costs in Alberta and the fact the plant will take two years to build and produce for 30 years, in which time prices could recover. Mark Smith, CEO of privately-held Surmont Energy, said his company was looking for financial backers and estimated it would need roughly \$125 million to move forward with the first 3,000 BPD phase of its project. The break-even cost of Wildwood is an estimated \$50/Bbl, Smith said, although technological advances in processed water treatment meant



Surmont is hoping to get that below \$40/Bbl. A spokesman for Husky said there was no development timeline for Saleski, and any decision would need to be reviewed in light of the current environment.

### FIRST NATION SAYS GRAND RAPIDS PIPELINE APPROVAL WAS 'BOTCHED'

The northern Alberta band says government officials failed in their duty to consult

A northern Alberta First Nation has filed a court challenge over the Grand Rapids pipeline project, alleging the approval process was "botched." In documents filed in the Alberta Court of Queen's Bench, the Athabasca Chipewyan First Nation (ACFN) asserts that consultations for the project were procedurally flawed, unaccountable and denied First Nations their constitutional rights. The case alleges the Alberta government's Aboriginal Consultation Office made a serious error in July 2014, in deciding that ACFN had no right to be consulted about the pipeline. Chief Allan Adam says the regulatory process for the pipeline was "botched." The band originally filed a challenge in January 2015, but decided to revive the case after growing dissatisfied with the NDP government. "The NDP government is still being run by the same old bureaucrats, and nothing has changed in regards in trying to address to some of the issues the ACFN on the health issues, environmental concerns and Treaty rights," Adam said in an interview

"We feel the system is still broken." In a written statement Monday, Richard Feehan, Minister of Indigenous Relations, blamed the previous government. "I understand Chief Adam's frustration," he said. "Our government inherited a First Nations consultation process that has too often failed to address concerns early on, or failed to resolve conflicts before they reach the courts." After two weeks of hearings, the Alberta Energy Regulator approved the \$3-billion project in October 2014, with 26 conditions.

Proposed by TransCanada and Brion Energy Corporation, a subsidiary of state-owned PetroChina, the 460-kilometre pipeline will carry up to 900,000 barrels of diluted bitumen per day from Fort McMurray to a terminal in Hardisty, southeast of Edmonton.

ACFN has argued the Grand Rapids project is key for more high-profile projects such as Energy East and Keystone XL to go ahead. But TransCanada has disputed that characterization,

saying the other lines don't hinge on the Grand Rapids line.

The ACFN says the pipeline will intersect with areas where their members practise their treaty hunting, fishing and trapping rights, and will cross a number of major waterways upstream from their community. Furthermore, the band argues the government failed to provide the band an adequate opportunity to present evidence, and prove their right to consultation. The only time the Aboriginal Consultation Office wrote directly to ACFN was to inform them of their decision that Alberta had no duty to consult them, the First Nation alleges. Band officials say they have never had a clear explanation as to why they were shut out of the process when other neighbouring bands in the area, such as the Mikisew Cree First Nation, were included. "We repeatedly asked the Alberta Consultation Office why we were not to be consulted by TransCanada," said ACFN spokesperson Eriel Deranger in an interview. "We received no notice other than a single letter from them stating that they did not deem us impacted, shortstop, period, end of conversation." There was no explanation. The court hearings have been scheduled for Nov. 8 to 10 in Calgary. "We're really hoping that something can be done," said Deranger.

"Because it's obvious that the system that has been set up in Alberta is failing to meet the needs of First Nations ... and it largely comes down to the duty to consult and who is making those decisions." In a project update posted to its website in September of 2016, TransCanada indicated that construction on the pipeline was progressing, and it is set to be operational in 2017.

### PETROLEUM BOARD READY TO GRANT EXTENSION IN ST. LAWRENCE OIL DRILLING LICENCE

Critics are irate, as many groups have been calling for a moratorium to prevent offshore oil drilling in the Gulf of St. Lawrence over concerns of a potential spill. A regulator's proposal to give more time to an energy company that wants to drill in the Gulf of St. Lawrence is provoking anger from opponents who say it's high time the federal government intervene to protect the area. The Canada-Newfoundland and Labrador Offshore Petroleum Board said it's proposing to grant Corridor Resources a new four-year exploration licence in an area known as Old Harry. Otherwise, the board said there wouldn't be enough

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time to complete consultations and an environmental assessment before its current licence expires Jan. 14. "We're reeling, absolutely reeling," said Mary Gorman, co-founder of the Save Our Seas and Shores Coalition, which has been pushing against the Halifax-based company's drilling plans for the nine years it has had a licence for exploratory drilling in Old Harry. "It's like 'Groundhog Day.' You're stuck in some kind of time warp that keeps repeating itself." The Save Our Seas and Shores Coalition and other environmental and First Nation groups have been calling for a moratorium to prevent offshore oil drilling in the Gulf of St. Lawrence over concerns of the potential effects a spill would have on the area's sensitive ecology. "I would say to the honourable prime minister, 'Where's

the beef?'" Gorman said. "What are you actually doing to protect the East Coast.... You got every seat out of us. Where are you for us now?"

Natural Resources Canada spokeswoman Angela Kokkinos said the government would take into account feedback received through the Canada Gazette process in deciding whether to approve the new licence. "Our Government is committed to restoring public trust in Canada's environmental assessment process that protects Canada's rich natural environment, respects the rights of Indigenous Peoples, and supports a resilient and sustainable energy sector," Kokkinos said in an email. "The Government of Canada recognizes the importance of the Gulf of St. Lawrence to Canadians and we acknowledge that stakeholders have

concerns regarding environmental sensitivities."The petroleum board, which regulates Newfoundland's offshore oil industry, said its proposal would give it the time needed to conduct a review of drilling in Old Harry. The proposal requires the approval of the provincial and federal governments. Provincial Natural Resources Minister Siobhan Coady said in a statement that the government will take time to consider it. "Our decision will be informed by evidence, including feedback from stakeholders, as well as our social licence," Coady said. "We support responsible economic development, protection of the environment, and worker health and safety in Newfoundland and Labrador's offshore."Corridor Resources did not respond to multiple requests for comment. The federal government has estimated that the Gulf and surrounding areas potentially hold 39-trillion cubic feet of natural gas and 1.5-billion barrels of oil. The Old Harry site is located about 80 kilometres off the southwest tip of Newfoundland.

### **PIPELINE OPPOSITION A SIGN OF THINGS TO COME**

Protests in Canada and the US likely to be repeated elsewhere as environmental awareness increases. The oil and gas industry has been hit by a wave of pipeline protests in North America by various groups intent on disruption. Campaigners in Canada have stepped up their actions against the Energy East and Trans Mountain expansion pipelines.

South of the border, there are a host of projects under siege from other groups worried about environmental impacts. Opposition may have been stoked by the Paris climate change deal, which highlighted the need for a fast transition to a lower-carbon future and put a question mark over fossil fuels. This has surely encouraged green and aboriginal rights groups at the heart of the Canadian protests. However, they also have a more sympathetic ear in Liberal Prime Minister Justin Trudeau, who has committed to ratify the Paris agreement in the coming weeks. US President Barack Obama has ratified the deal at the recent G20 summit in China. And since Obama ruled against the massive Keystone XL pipeline project late last year, 11 other fixed-link projects in the US have either been cancelled or postponed. Some of these schemes have collapsed under the impact of low oil prices, but there is little doubt that environmentalists have felt a new found confidence to win over public opinion — and politicians in Washington.

US protests are currently focused on the Dakota Access pipeline, which Energy Transfer Partners wants to build to carry Bakken shale oil to refineries on the US Gulf Coast.

Despite a judge ruling the construction should go ahead, Obama has told developers to halt work, at least temporarily. Campaigners are also trying to stop pipelines in other parts of the US. Oil companies privately assume that protests could increase if Hillary Clinton wins her bid for the White House. Her Democratic Party has a vision that "America must be running entirely on clean energy by mid-century". Clinton wants an 80% reduction in greenhouse gas emissions by 2050 and a reduction in drilling on public lands.

This is in direct contrast to controversial Republican contender Donald Trump, who rejects the Paris climate change agreement, is opposed to the introduction of a carbon price and wants to open up the US for greater oil and gas exports. Both presidential hopefuls have been slightly equivocal about fracking, although it is a fair bet that shale drillers believe they would get a better hearing from Trump. How can the industry counter this trend which is undermining oil and gas projects? A key way is to ensure that no corporation continues to fund groups in any way attached to climate change denial. That can only fatally undermine the credibility of the industry and make it harder to get any hearing. Around 97% of scientists agree that global warming is real, although there is much debate about the scale and the timing of its impact. Oil will be needed far into the further reaches of this century, and gas is generally accepted to be a good bridge fuel to a low carbon economy. But for the industry to be listened to, it must be seen to be responsible partners that are helping, not hindering, energy transformation. Pipeline and other developers must plan more carefully than ever. Consultation must not just be done with locals impacted by any projects but seen to be done with the wider public. Global warming and the environment were always sensitive issues for oil and gas — they are burning ones now.

### **TRUDEAU'S CHALLENGE IS TO LEAD ON PRICING CARBON AND BUILDING PIPELINES**

This fall feels pivotal, because on these 2 issues PM can't keep everyone happy

Canada's first commitment to reduce greenhouse gas emissions was made by Brian Mulroney in 1988, at

an international conference on the "changing atmosphere" in Toronto. It was pledged then that Canada would seek a 20-per-cent reduction in its annual greenhouse gas emissions by 2005. Two years later, that target was adjusted to merely stabilizing GHGs at 1990 levels by 2005. Still, that would have kept emissions to 613 megatonnes per year. Instead, in 2014, the last full year for which data is available, Canada emitted a total of 732 megatonnes of greenhouse gases, a 20-per-cent increase since 2005. If Mulroney had put Canada on a path to achieving that target of 1990, if Jean Chrétien or Paul Martin or Stephen Harper had set Canada on its way to achieving any of the targets they subsequently set, Justin Trudeau would now be heading into a merely interesting fall, the biggest issue of which would be the negotiation of new health accords with the provinces or the consideration of a new electoral system. Instead, as MPs return to within shouting distance of each other in Ottawa on Monday, this fall feels potentially pivotal, for the prime minister and for the country. In November, he is due to meet the premiers to finalize a national plan on climate change, or at least the makings thereof. By Dec. 19, his cabinet must decide whether to approve the Trans Mountain pipeline proposal that would transfer oil from Alberta to the port of Vancouver. And between those two, Trudeau gets to wrestle with questions of federalism, the national economy and the future of humanity on a warming planet. The climate change plan seems likely to include some kind of mechanism for pricing carbon. And while putting a price on carbon has become the focal point of debate about what to do about climate change, pipelines have, fairly or not, become a focus of attention for those who worry about the impact of GHGs on the planet. The prime minister has, either explicitly or implicitly, committed to doing both. A single pipeline might not be the difference between Canada succeeding or failing to make meaningful reductions in GHG emissions, but without a plan to make those reductions, a pipeline is easier to oppose. That, for instance, would be the easiest lesson to draw from the Keystone XL rejection by the U.S. In the case of Trans Mountain, there would still be concerns about a spill, particularly in the waters off the coast of British Columbia, and so the Trudeau government will presumably need to address that if it has any interest in approving the pipeline. But if Trans Mountain can fit within the mission of Canada hitting its international targets, the Trudeau government will



need to explain how. And regardless, there will be complaint. That the federal government has failed over the last 28 years to adequately address the threat of climate change is a matter of political will, but also public will. If it were easy and wildly popular to do something, someone would have done it already. The moment a price on carbon is set, Conservatives (perhaps with the notable exceptions of Patrick Brown and Michael Chong) will howl. But environmentalists will cry foul if the plan to deal with climate change is not sufficiently robust and also condemn any decision to approve a pipeline. Hanging over the pipeline question is some possibility Trudeau will have to choose between his suggestion that "communities grant permission" for pipelines and his view that getting national resources to market is a fundamental responsibility of any prime minister. Suggestions of the honeymoon's end are now cliché: the public's regard for Trudeau has held up so far despite several moments at which the shine seemed to be in danger of coming off. But now Trudeau is coming up to decisions that will attract louder complaints than he has so far faced. Which brings up another notion that is now verging on the cliché: that Trudeau has capital to burn and might have to set some of it alight. Mulroney has lectured Trudeau on the need to bring all interested parties to agreement on pipelines, an idea that is complicated by the regulatory process. In a speech two years ago, the former prime minister presented an alluring definition of what constitutes real leadership. "Leadership is the process, not only of foreseeing the need for change, but of making the case for change," he said. "Leadership does not consist of imposing unpopular ideas on the public, but of making unpopular ideas acceptable to the nation." That is arguably what Mulroney did with free trade. Real action on climate change might surpass that accomplishment, and a pipeline would add extra credit. Trudeau has succeeded so far in winning approval and building trust, and he certainly has some room to disappoint and still remain electable. But a greater



question emerges from Mulroney's theory. Beyond merely withstanding or minimizing the damage, can Justin Trudeau use whatever faith he has attracted to bring the Canadian public along with him? Can he win the arguments and establish wide acceptance for contested ideas like pricing carbon and building pipelines? The profound decisions that loom will no doubt burden the prime minister. But there is also an opportunity for him to demonstrate a willingness and ability to lead.

**RAIL SHIPMENTS OF OIL WILL GROW WITHOUT NEW PIPELINES, NEB SAYS**

Daily oil-by-rail shipments are set to climb tenfold within 25 years if no new major pipelines are built to help move Western Canadian oil to domestic refineries and international markets, the National Energy Board told a Senate standing committee studying the transport of crude. The oil industry is heading into its third year of low commodity prices and the corresponding cancellation of new Canadian oil-sands projects. Still, the country's oil production as a whole is set to grow to 6.1 million barrels a day by 2040, said the NEB, from current production levels of about 3.8 million barrels a day.

But at least 1.2 million barrels of that daily 2040 production will need to travel by rail – more than ten times what was transported by rail per day in the first three months of this year, according to the national energy regulator's "constrained-case" model. From the expansion of Kinder Morgan Inc.'s Trans Mountain pipeline to Enbridge Inc.'s controversial Northern Gateway project, both the work of the NEB and Canadian pipeline building has

increasingly come under scrutiny in recent years. Earlier this month, the board's regulatory process for TransCanada Corp.'s \$15.7-billion Energy East pipeline project was temporarily halted when the board members hearing the application stepped down amid project opponents' allegations of pro-industry bias. With the construction of major new pipeline projects in doubt, the NEB said Wednesday that the extra costs associated with rail transport will, in turn, dampen investment in the oil and gas sector, according to the NEB. "Rail is more costly. And so from a producer perspective, the netbacks are lower," Shelley Milutinovic, chief economist for the NEB, told the travelling Transport and Communications Senate committee in Calgary. She added that with no new major pipelines, production in 2040 will be 500,000 barrels a day lower than it would have been otherwise. For the energy sector and many politicians, new pipelines will bring economic and job benefits – derived from an expansion of the country's oil and gas industry – along with access to global oil hubs where Canadian crude could fetch higher prices than producers now get in the U.S. markets they are beholden to.

But First Nations and municipalities have expressed concerns about water contamination in the event of a pipeline or tanker spill. Environmentalists have used the issue of new pipelines as a proxy in their battle against increased oil and gas production they say will push Canada's greenhouse-gas emissions beyond government-mandated caps.

"You have to have pretty significant increases in production beyond 2020 for there to be [pipeline] constraints," said Dale Marshall, national

program manager for Toronto-based Environmental Defence. NEB chairman and chief executive Peter Watson told the Senate committee that the board does not take a position as to what means of transport is the best to move crude. He also couldn't provide any certainty about the timeline for when Energy East hearings will resume, as the new panel members must be appointed by the federal cabinet. "We will move expeditiously once that new panel is struck."



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