ALBERTA’S ENERGY SECTOR: THE UPSIDE TO THE DOWNTURN

Massive layoffs in oil and gas create hiring opportunities for expanding businesses.

Ditch the sticky notes. Bin the markers. Put that giant tablet of paper on a three-legged stand at the back of the storage closet.

Office brainstorming is going high tech and Alberta-based company Nureva is on the cutting edge.

On the 10th floor of a downtown Calgary high rise, Nureva’s director of customer engagement, Rick Kennedy, is demonstrating the product.

“I can pick up an image from my laptop and just drop it in place,” Kennedy tells a room of potential customers. The image pops up on a six-metre projection on the office wall. Kennedy starts sketching on the projection using only his finger.

The meeting room wall has become a giant touch screen to which anyone on the other side of the room or the other side of the world can contribute.

Nureva’s employees mingle in the crowd, fielding questions and doing one-on-one demonstrations with potential customers.

“People are No. 1 in a company,” Nureva CEO Nancy Knowlton says. “So being able to tap into the right skill set is really crucial to our success.” The two-year old tech company has 80 employees and plans to add up to 30 more within a year. Not so long ago that would have been a daunting prospect in Calgary.

For years, with oil prices on the rise, energy companies gobbled up employees with skills and experience. “When oil and gas is on a high, it’s a very difficult thing to compete against it,” Knowlton says.

The shift in the hiring market is directly related to slumping oil prices. The Canadian Association of Petroleum Producers estimates 35,000 oilpatch jobs have been shed this year. That punch in the gut to the energy industry has opened doors for other companies, which may have struggled to expand during the boom in oil.

“We’re certainly seeing a larger number of people apply for our positions and we’re hiring broadly across the company,” Knowlton says. Many of their applicants are coming from oil and gas. IT specialist Ben Dummler was
working for an oil company before he jumped ship to join Nureva. The instability of the energy industry was more gamble than Dummler was willing to take, “You could definitely feel it every time you went into work. There was a talk in the hallway, like ‘whose next?’” Dummler chose to join a job-hunting market filled with thousands who had been laid off. “That was intense. You can sometimes see [in online job applications] how many people have applied, so those were always in the hundreds.”

Alberta companies, which for so long faced worker shortages, are finding them with something they haven’t had in years — choice. It is, says recruiter Paul Landry, the upside to the downturn, “Now companies are getting shortlists of 15 qualified people. Their inboxes are getting overflowed with good candidates.”

CANADIAN OIL INDUSTRY STRUGGLES TO BALANCE ENVIRONMENTAL PRESSURES WITH MONEY

Canada’s oil and gas industry is facing increased environmental and budgetary pressures, with experts saying the sector is struggling to balance the two. Oilsands companies have, in recent years committed billions of dollars to pilot projects that promise to reduce environmental impacts, says Eddy Isaacs, chief executive of Alberta Innovates, a provincial organization that fosters research. But Isaacs notes that as low oil prices drag on, companies are having to give more scrutiny to those programs. “Everything is a lot more scrutinized to make sure it has the impact it intended, whereas previously companies said: ‘Well we’ll give it a try and see how much value it has.’”

And while many projects are still underway, Isaacs has noticed that fewer companies are coming forward to talk about new ones. As well, more of the projects that are going ahead are relying on collaboration, a trend that started before the downturn but now getting more popular. “People do want to leverage their resources,” Isaacs said. “I think the downturn is allowing companies to collaborate a lot more than they would otherwise.”

Suncor Energy, for one, has partnered with Devon Energy Corp, Nexen Energy, Harris Corp, and the Climate Change and Emissions Management Corp (CCEMC) on a $44-million pilot project it launched this past summer to use radio waves rather than energy-intensive steam in underground heavy oil extraction. The project has the potential to reduce energy use by up to 75 per cent and cuts the need for process water, which together would lower both capital costs and the environmental impact. Gary Bunio, general manager of strategic technology at Suncor, said that while he knows some companies have cut back, Suncor
has maintained its research budget of about $150 million and he doesn’t expect it to be cut next year. “In this kind of price environment... technology becomes more important to our business, because you can no longer sustain business as usual,” said Bunio.

Kirk Andries, managing director of CCEMC, which distributes funds from Alberta’s carbon levy for environmental projects, said he has seen some companies pull out of projects even after their funding was approved. “We’ve had some projects in our last round that we were prepared to fund, and they came back and said well, under the current economic circumstance, we’re no longer able to proceed,” said Andries. He said that in this economy companies are looking at ways to boost efficiency and reduce costs, rather than find breakthrough transformative technologies, but the narrower focus still helps the environment. “In our world, if you increase efficiency you typically have a reduction of greenhouse gas emissions,” he said. One of the larger projects CCEMC has partially funded is a $103-million pilot project with Imperial Oil Ltd. that will test using solvents at its Cold Lake, Alta., operation to boost oil recoveries from around 30 to 40 per cent to a hoped-for 50 to 60 per cent. But while some companies are focusing on more incremental gains, research groups are still trying to encourage more breakthrough solutions.

Both CCEMC and Canada’s Oil Sands Innovation Alliance (COSIA) have launched major competitions to attract ideas and innovation from other industries and around the world, with CCEMC’s $35-million Grand Challenge and COSIA helping launch a US$20-million XPrize, both focused on finding uses for captured carbon dioxide. And COSIA, which was founded on the idea of encouraging collaboration on oilsands environmental research, is helping develop unconventional projects like using algae to convert carbon dioxide into biofuels, satellites to monitor carbon emissions and molten carbonate fuel cells to generate electricity from oilsands CO2 emissions. Soheil Asgarpour, president of the Petroleum Technology Alliance Canada, says he’s hopeful the energy industry can balance environmental and budgetary pressures.
“There was this conventional wisdom that there’s a trade-off between environmental performance and financial performance. We see that innovation will enable you to deliver both,” said Asgarpour.

As examples he pointed to a synthetic replacement for sand in fracking that is much lighter so cuts down on water use and energy costs, and the improved capture of leaking methane at natural gas wells that cuts emissions and increases the amount of gas companies can sell.

**CENOVUS ENERGY STOCK RATING UPGRADED BY ZACKS (CVE)**

Zacks upgraded shares of Cenovus Energy (NYSE:CVE) from a hold rating to a buy rating in a research note released on Tuesday morning. Zacks currently has $18.00 price target on the stock.

According to Zacks, “Cenovus Energy is an integrated oil company headquartered in Calgary, Alberta. The Company’s operations include their growing enhanced oil projects and established natural gas and crude oil production in Alberta and Saskatchewan. The Company has four top-quality enhanced oil projects: Foster Creek, Christina Lake, Pelican Lake and Weyburn. Foster Creek, Christina Lake and Pelican Lake are located in northeast Alberta, and Weyburn is in Saskatchewan. The Company also has ownership interest in two high-quality refineries in Illinois and Texas. Cenovus Energy’s ongoing objective is to advance technologies that reduce the amount of water, steam, natural gas and electricity used in their operations and to decrease surface land disturbance.”

Shares of Cenovus Energy (NYSE:CVE) traded down 3.13% during trading on Tuesday, hitting $16.07. The stock had a trading volume of 1,258,655 shares. Cenovus Energy has a 1-year low of $11.85 and a 1-year high of $25.74. The firm’s 50 day moving average is $15.00 and its 200 day moving average is $15.80. The company’s market cap is $13.39 billion.

Cenovus Energy (NYSE:CVE) last released its earnings results on Thursday, July 30th. The company reported $0.18 earnings per share (EPS) for the quarter, beating the consensus estimate of $0.10 by $0.08. During the same period in the prior year, the business earned $0.62 earnings per share. Equities research analysts anticipate that Cenovus Energy will post ($0.04) EPS for the current fiscal year.

The firm also recently disclosed a quarterly dividend, which was paid on Wednesday, September 30th. Stockholders of record on Tuesday, September 15th were given a dividend of $0.1227 per share. This represents a $0.49 dividend on an annualized basis and a dividend yield of 2.96%. The ex-dividend date of this dividend was Friday, September 11th.

Several other research firms have also issued reports on CVE. Citigroup Inc. dropped their target price on Cenovus Energy from $23.00 to $21.00 and set a neutral rating on the stock in a research report on Monday, July 6th. Societe Generale lowered their price objective on Cenovus Energy from $20.00 to $18.00 and set a hold rating on the stock in a research report on Friday, August 21st. Barclays cut Cenovus Energy from an equal weight rating to an underweight rating and set a $23.00 target price on the stock. in a research note on Monday, October 12th. TD Securities raised their price objective on Cenovus Energy from $25.00 to $27.00 and gave the company a buy rating in a research note on Tuesday, August 4th. Finally, Scotiabank cut their target price on Cenovus Energy from $27.00 to $25.00 in a research note on Tuesday, September 29th. Four equities research analysts have rated the stock with a sell rating, nine have given a hold rating and six have given a buy rating to the stock. The company has an average rating of Hold and an average price target of $21.55.

Cenovus Energy Inc. is a Canadian integrated oil company. The Company is engaged in the company of developing, producing and marketing crude oil, natural gas liquids (NYSE:CVE) and natural gas in Canada with refining operations in
America. The Organization operates in four segments: Oil Sands segment, participated in the development and creation of Cenovus's bitumen assets at Foster Creek, Christina Lake and Narrows Lake, as well as jobs in the early stages of development, like Grand Rapids and Telephone Lake, and Athabasca natural gas assets; Traditional section, engaged in the development and production of conventional crude oil, NGLs and natural gas in Alberta and Saskatchewan, such as the heavy oil assets at Pelican Lake; Refining and Marketing section, participated in the transporting, selling and refining crude oil into petroleum and chemical goods, and Corporate and Eliminations segment.

ALTAGAS RECEIVES C$43.67 CONSENSUS PRICE TARGET FROM BROKERAGES (TSE:ALA)

Altagas (TSE:ALA) has earned a consensus rating of “Buy” from the eight analysts that are currently covering the stock, ARN reports. Three research analysts have rated the stock with a hold rating and four have assigned a buy rating to the company. The average 1-year price objective among brokerages that have covered the stock in the last year is C$43.67.

In related news, insider Timothy William Watson bought 2,400 shares of the stock in a transaction on Wednesday, August 12th. The shares were purchased at an average price of C$34.35 per share, with a total value of C$82,431.12.

Altagas (TSE:ALA) traded down 2.47% during trading on Friday, hitting $34.30. 320,479 shares of the company were exchanged. The company has a market capitalization of $4.65 billion and a price-to-earnings ratio of 64.47. The company has a 50 day moving average of $34.54 and a 200 day moving average of $37.53. Altagas has a 12 month low of $27.09 and a 12 month high of $48.23.

Altagas (TSE:ALA) last announced its quarterly earnings results on Thursday, July 30th. The company reported $0.06 earnings per share (EPS) for the quarter, missing the consensus estimate of $0.09 by $0.03. Analysts forecast that Altagas will post $1.14 EPS for the current year.

Several analysts have issued reports on the stock. Scotiabank cut their price objective on shares of Altagas from C$43.00 to C$40.00 and set a “sector perform” rating for the company in a research report on Friday, July 31st. RBC Capital dropped their price target on shares of Altagas from C$47.00 to C$40.00 and set a “sector perform” rating for the company in a research report on Tuesday, August 4th. TD Securities decreased their price objective on shares of Altagas from $50.00 to C$47.00 and set a “buy” rating for the company in a research report on Thursday, August 6th. Raymond James decreased their target price on shares of Altagas from C$46.00 to C$44.00 and set an “outperform” rating for the company in a research note on Saturday, August 1st. Finally, Canaccord Genuity upgraded shares of Altagas from a “hold” rating to a “buy” rating in a research note on Thursday, October 1st.

Altagas Ltd. is a Canada-based energy infrastructure firm with a focus on natural gas, electricity and regulated utilities. The Company operates through three segments: Power Gas and Utilities. Gas segment functions companies in the Western Canadian Sedimentary Basin (TSE:ALA) and transacts over 2 billion cubic feet per day (Bcf/d) of natural gas. Gas segment contains natural gas processing, transportation, storage and natural gas advertising. Power segment contains electricity generation assets, power purchase agreements for power supply, and sale of electricity to Commercial and Industrial (C&I) customers. Power section also includes around 1,285 megawatts (MW) of electricity generation capacity from gas-fired, coal fired, wind, biomass and run-of-river assets, along with an added 81 MW of assets under construction. Utilities section comprises a controlled natural gas storage utility in America and
controlled natural gas distribution utilities across North America.

CANADA LOOKS LOCALLY TO ADDRESS LNG TALENT SHORTAGES

The government of British Columbia (BC), Canada, and LNG Canada has announced a joint funding program to boost skills around BC’s growing liquid natural gas industry.

LNG Canada, a joint initiative led by Shell, will introduce the Trades Training Fund, a program with a CAD$1 million budget available to employers in construction for training and apprenticeships that will support the LNG sector.

This will be complemented by the Canada-B.C. Job Grant (CJG), a three-way partnership between federal government, provincial government and employers. The CJG will provide CAD$500,000 for training between now and April 1st 2016.

BC jobs minister Shirley Bond said, “The LNG industry represents tremendous opportunities for British Columbians, with the potential to generate billions of dollars in investment and create thousands of jobs in B.C. This is an exciting, transformative time and we want to prepare all British Columbians – and B.C. businesses – to seize the LNG opportunities coming our way.”

She also acknowledged at a press briefing at an LNG conference in Vancouver, however, that training alone won’t cover the nascent LNG sector’s skills needs. “We also recognize that there will be a role for immigration – permanent pathways for people to be involved,” she said. “At peak times, it may well be that there is a requirement for workers to be here on a temporary basis, but that will only be if and when needed, and after British Columbians have been considered.”

“We are seeing in fact numbers of people return to British Columbia, particularly those who have gone to Alberta in the past to find work, and many of those workers are coming home,” Bond said. The period from 2011 to 2013 saw more BC residents moving to neighbouring Alberta, another oil-producing province, than the other way round. That trend began reversing last summer, however, and in the first six months of 2015 BC saw a net gain of around 2,300 people from Alberta.

LNG Canada external affairs director Susannah Pierce said that energy construction projects in BC would need affordable ways to hire large pools of workers. “When necessary at peak times, we will have to call on international workers. But we know that in order to have success in this province and in Kitimat, we must go to local first, and local means to local businesses and First Nations,” Ms. Pierce told a conference panel.

HUSKY ENERGY (HSE) TO RELEASE QUARTERLY EARNINGS

Husky Energy (TSE:HSE) will be issuing its quarterly earnings data before the market opens. Analysts expect the company to announce earnings of ($0.08) per share for the quarter.

A number of analysts have recently weighed in on HSE shares. Raymond James reduced their price objective on Husky Energy from C$25.00 to C$24.00 in a research note on Friday. Barclays cut their target price on Husky Energy from C$33.00 to C$31.00 in a research note on Tuesday, July 7th. CIBC cut their price objective on shares of Husky Energy from C$27.00 to C$26.00 in a research note on Wednesday, September 23rd. TD Securities lowered their target price on Husky Energy from C$34.00 to C$32.00.

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and set an “action buy list” rating on the stock in a report on Wednesday, July 29th. Finally, Citigroup Inc. dropped their price target on Husky Energy from C$25.00 to C$22.50 and set a “neutral” rating on the stock in a research note on Tuesday, September 15th. Six research analysts have rated the stock with a hold rating and two have assigned a buy rating to the company. The stock currently has an average rating of “Hold” and a consensus price target of C$28.50.

Shares of Husky Energy (TSE:HSE) traded down 2.94% during trading on Monday, reaching $21.77. 621,549 shares of the company’s stock traded hands. Husky Energy has a 1-year low of $20.41 and a 1-year high of $29.48. The company has a market capitalization of $21.42 billion and a price-to-earnings ratio of 131.94. The company has a 50 day moving average of $21.81 and a 200-day moving average of $23.97.

The business also recently declared a quarterly dividend, which was paid on Thursday, October 1st. Stockholders of record on Friday, August 28th were given a dividend of $0.30 per share. This represents a $1.20 dividend on an annualized basis and a dividend yield of 5.35%. The ex-dividend date was Wednesday, August 26th.

Husky Energy Inc. (TSE:HSE) is an international integrated energy business. The Company operates in two segments: Upstream and Downstream. Upstream comprises exploration for, and development and production of, crude oil, bitumen, natural gas and NGL (Exploration and Production) and advertising of the Company’s and other manufacturers’ crude oil, natural gas, Natural Gas Liquids (NGL), sulphur and petroleum coke, pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas (Infrastructure and Advertising). Downstream includes updating of heavy crude oil feedstock into synthetic crude oil (Upgrading), refining in Canada of crude oil and marketing of refined petroleum products, including gas, diesel, ethanol blended fuels, asphalt and ancillary products, and production of ethanol (Canadian Processed Products) and refining in the USA of primarily raw oil to create and market gasoline, jet fuel and diesel fuels.

PACIFIC NORTHWEST PLANNING 2016 LNG START DESPITE LEGAL CHALLENGE

The president of Pacific NorthWest LNG says the energy consortium is poised to start construction next year, undaunted by a native group’s legal challenge of the project’s proposed British Columbia site for exporting liquefied natural gas.

“We’re shovel ready, and ready to move ahead as soon as we’ve got the final federal government approvals and final permits,” Michael Culbert said in an interview during an international LNG conference in Vancouver. The Canadian Environmental Assessment Agency is expected to rule in early 2016 on the proposal submitted by Pacific NorthWest LNG, a consortium led by Malaysia’s state-owned Petronas.

Three weeks ago, the Allied Tribes of Lax Kw’alaams filed a court claim for title to Lelu Island and Flora Bank in the Port of Prince Rupert, arguing that LNG export plans interfere with aboriginal fishing rights.

Mr. Culbert said the uncertainty surrounding ownership of the proposed site for an $11.4-billion export terminal on Lelu Island won’t be a showstopper. Lelu Island and Flora Bank have been labelled as federal Crown properties by the administrator, the Prince Rupert Port Authority.

“At the end of the day, we look at it and say, ‘There’s a question as to who the landlord might be.’ When that answer is clear, we will then take our agreement that we have and pay the landlord appropriately,” he said.

Some Lax Kw’alaams hereditary chiefs said recently they are willing to work with Pacific NorthWest LNG, but other members are opposed to
the Lelu Island site because it is located next to a juvenile salmon habitat in Flora Bank, a sandy area visible at low tide. And some members of the Gitxsan First Nation are opposed to TransCanada Corp.'s plans to build the Prince Rupert Gas Transmission pipeline from northeastern B.C. to Lelu Island.

The First Nations file is a complex file in British Columbia," Mr. Culbert said. "The challenge for a project of our nature, and the scope of it, is the vocal minority sometimes is a very small group of people, and in most cases the silent majority is indeed silent."

Pacific NorthWest LNG wants to build a suspension bridge and pier from Lelu Island to a planned dock for Asian-bound LNG tankers. "We haven't settled on the exact final plans to build the Prince Rupert Gas Transmission pipeline from northeastern B.C. to Lelu Island. We think that working with the First Nations and making sure that they're aware that we're willing to commit dollars to the salmon habitat are extremely important."

There is a rift among the Lax Kw’alaams about whether Lelu Island is a suitable site for the export terminal. Donnie Wesley, a Lax Kw’alaams clan leader of the Gitwilgyoots who objects to Lelu Island as the proposed site, and his tribe who are opposed to Lelu Island are willing to commit dollars to the salmon habitat, let alone even Flora Bank. We think that working with the First Nations and making sure that they're aware that we're willing to commit dollars to the salmon habitat are extremely important."

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Donnie Wesley, a Lax Kw’alaams clan leader of the Gitwilgyoots who objects to Lelu Island as the proposed site, and his supporters set up a protest camp on Lelu Island in late August. He warns there will be a devastating impact on the eelgrass in Flora Bank that nurtures young salmon. "We understand the issue is salmon and salmon habitat," Mr. Culbert said. "We can demonstrate from a scientific perspective that indeed the salmon habitat is safe. Would we have liked to have gone on a faster timeline? Absolutely." Still, he emphasized that the Canadian Environmental Assessment Agency is right to put the proposal through a rigorous review.

"Is the project still willing to change in the context of adjustments. The answer is yes," Mr. Culbert added.

On Wednesday night, Mr. Wesley's son Joey joined more than 180 protesters at an anti-LNG rally in downtown Vancouver, stopping in front of the building that houses Pacific NorthWest LNG's head office. The demonstrators raised a range of concerns, from climate change to hydraulic fracturing to salmon habitat. B.C. Deputy Premier Rich Coleman said new scientific studies by Pacific NorthWest LNG will show that juvenile salmon can co-exist with the marine infrastructure. "By the time the science hits, we'll actually be enhancing fish. And I think that it could actually turn out to be a good story," he said.

**SUNCOR ENERGY RECEIVES CONSENSUS RECOMMENDATION OF “BUY” FROM ANALYSTS (TSE:SU)**

Shares of Suncor Energy (TSE:SU) have been assigned an average rating of “Buy” from the twelve analysts that are currently covering the firm, ARN reports. Two analysts have rated the stock with a hold recommendation and nine have assigned a buy recommendation to the company. The average twelve-month target price among brokerages that have issued a report on the stock in the last year is C$42.67.

Shares of Suncor Energy (TSE:SU) traded up 0.30% during mid-day trading on Monday, hitting $36.86. 2,631,962 shares of the stock traded hands. Suncor Energy has a 12 month low of $30.89 and a 12 month high of $40.93. The firm has a 50 day moving average of $35.29 and a 200 day moving average of $36.12. The stock has a market cap of $53.29 billion and a price-to-earnings ratio of 38.60.

The business also recently announced a quarterly dividend, which was paid on Friday, September 25th. Stockholders of record on Friday, September 4th were paid a dividend of $0.29 per share. The ex-dividend date of this dividend was Wednesday, September 2nd. This represents a $1.16 dividend on an annualized basis and a dividend yield of 3.15%.

SU has been the topic of several research analyst reports. Raymond James upped their price objective on shares of Suncor Energy from C$40.00 to C$41.00 and gave the company an “outperform” rating in a report on Saturday, August 1st. TD Securities cut their price target on Suncor Energy from C$44.00 to C$43.00 and set a “buy” rating on the stock in a research report on Friday, July 31st. Scotia bank boosted their price objective on Suncor Energy from C$42.00 to C$45.00 in a report on Wednesday, July 8th. BMO Capital Markets dropped their target price on Suncor Energy from C$48.00 to C$44.00 and set an “outperform” rating on the stock in a report on Tuesday, June 30th. Finally, Goldman Sachs started coverage on Suncor Energy in a research report on Monday, June 29th. They issued a “buy” rating and a C$34.00 price objective on the stock.

Suncor Energy Inc. (TSE:SU) is an integrated energy company. The Business is focused on developing Athabasca oil sands, Canada’s petroleum resource basin. The Organization operates in three business segments: Exploration, Oil Sands and Production, and Refining and Marketing. The Oil Sands segment of the Business contains Oil Sands operations and Oil Sands enterprises operations. It’s Exploration and Production section is made of offshore operations off the east coast of Canada and in the North Sea, and onshore assets in North America, Libya and Syria. The Refining and Marketing segment of the firm is engaged in Supply and Refining, and Downstream Advertising. In addition, the Organization explores, for, acquires, develops, produces and markets crude oil and natural gas in Canada and internationally. The Company markets petroleum and petrochemical products primarily in Canada, and also transports and refines crude oil.