Welcome to the 2015 Spring / Summer Lochend Industry Producers Group newsletter.

You have more than likely been aware of falling oil prices and have heard a lot in the news about how this is influencing the Alberta economy. In this issue of our newsletter we discuss the life cycle of industry activity and how the evolution of the Lochend pool, in combination with falling prices, will affect area activity. The update on the gas capture and conservation efforts undertaken by LIPG member companies is highlighted on page three. We have reached a new high in conservation numbers with 98% of all gas being gathered into pipelines and conserved. We are proud of the efforts of all our member companies in this collaborative effort.

The LIPG is four years old this year. We started as individual companies who wanted to work together to effectively utilize infrastructure in the Lochend and to engage the local community. We’ve been through many changes, including the most recent one – TriOil Resources changed their name to ORLEN Upstream Canada Ltd.

There is an article on page three with some of the specific accomplishments in the Lochend area.

Featured in this newsletter is Randene Seeman, Manager of Surface Land at Tamarack Valley Energy. You may have met her at the Cochrane Light-Up Festival this year when she braved the cold while handing out cookies and answering questions at the LIPG booth. Useful links are located on the back page with information on industry practice and technology as well as contact information for each of the member companies in the LIPG.

On behalf of the LIPG member companies, we hope you find this newsletter helpful and informative.

year-long sponsorship commitment

Due to our active sponsorship of events in the Cochrane / Lochend area, the LIPG was approached by the Cochrane & Area Events Society (CAES) to become a Gold Level sponsor. As a result, Lochend Industry Producers Group will be supporting the following community events in 2015; Light Up Festival, Winterfest, Summerfest and the Labour Day Parade.

Marni Fedeyko, Executive Producer for CAES, commented that, “long-term support like this means that we can plan events and commit to activities further ahead of time and know that funding is in place.” The Lochend Industry Producers Group is excited to participate in these events together with the community.

In addition the above mentioned activities, the Lochend Industry Producers Group is also proud to have been a multi-year sponsor of the Cochrane Lions Club Rodeo. Our member companies also make numerous individual investments in the community including the Cochrane Turf Association, the Cochrane Foundation, the Glenbow Ranch Park Foundation and the Canadian Cowboy Challenge.

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As shown by the graph at left, LIPG continue to make significant process increasing conservation from approximately 40% in September 2012 to over 90% since 2013 and more recently to 98%.

Once a well is drilled, it is completed using hydraulic fracturing techniques where over 99% of the completion is done with water, sand and nitrogen with less than 1% additives being used to assist in the completion.

To help in the flow-back or clean-up stage of a well, we use nitrogen (an inert gas that makes up 78% of the earth’s atmosphere) to create energy; much like the fizz in soda drinks. Before conserving the gas into pipelines, we need to lower the concentration of nitrogen by burning the returning gas in high efficiency incinerators.

On a case-by-case basis, some LIPG member companies have been able to reduce this flow-back period from two weeks to one week or less.
reduced activity expected at Lochend

A combination of low oil prices and fewer drilling opportunities will see energy activity in the Lochend area reduced in 2015 to the lowest level in 5 years. According to Larry Stewart, chairman of the Lochend Industry Producers Group (LIPG), the four-member group expects to complete an estimated 3-5 wells this year in contrast to the 27 that were drilled in 2014.

“Falling oil prices have forced all energy companies to review their capital programs and adjust exploration and production plans accordingly,” said Mr. Stewart. “While the reduction in drilling activity is reflective of the current pricing environment, it also speaks to a natural decline in exploration activity as companies move toward a steady-state production phase of the Cardium development in Lochend.”

“We haven’t seen the end of drilling,” he said, “but even when prices recover, we would expect the level of activity to be less than in previous years.”

“This means that our neighbours will see less road traffic and fewer active drilling sites,” said Stewart, adding that “production sites typically only require a daily inspection by a single field operator and occasional maintenance work.”

To date, the LIPG companies have drilled a total of 139 wells in the area, almost all are connected by pipelines that collect both gas and oil production. Because the member companies utilize, where possible, multi-well drill sites these wells have been drilled by using less than 50 surface sites, significantly reducing the land required for our operations. The system of pipelines, which totals more than 194 kilometres, has reduced the need to incinerate gas produced from the reservoir.

the life cycle of a well

At the Operation and Production stage, the company installs a well head and places pumping equipment on the site to extract oil and gas. Equipment may include a surface pump jack, gathering-system piping, and collection tanks. Field operators check the pumping and gathering systems regularly, track performance data, arrange for transport of the produced oil and gas, and prepare reports for regulators and company management. Also at this stage, areas of the well-pad site that are no longer needed may be re-vegetated. Production can continue for years or decades. At the end of the well’s productive life cycle, all equipment is removed, the well is safely plugged, cut and capped and the site is reclaimed to its equivalent condition.

history of the Lochend Industry Producers Group (LIPG)

In spring of 2011, five oil and gas companies began working together collaboratively on development, infrastructure and stakeholder engagement in the Lochend area. The intent was to develop a coordinated, proactive approach to communications with the local residents and community groups concerning industry activities in the region. To that end, the five companies, including Pengrowth Energy Corp. (assets formerly owned by NAL Resources), Lightstream Resources (formerly Petrobakken Energy), Tamarack Valley Energy Ltd., ORLEN Upstream Canada Ltd. (formerly TriOil Resources Ltd.) and Equal Energy (assets acquired by Pengrowth), formed the Lochend Industry Producers Group (LIPG).

In late 2011, LIPG member companies voluntarily replaced flare stacks with incinerators, which combust more than 98% of all solution gas. In an incinerator, gas and air are mixed and ignited in an enclosed chamber resulting in higher combustion temperatures and improved combustion efficiency, without the presence of a visible flame. These incinerators exceed the requirement of government regulations.

Over the past four years the LIPG has remained committed to cooperative infrastructure development amongst the members and proactive engagement with the community, which has resulted in the undertaking of various initiatives including:

- Developed joint operational excellence standards
- Launched a community questionnaire to better understand resident concerns and how they wanted to be engaged
- Collaborated and shared resources (e.g. water) and infrastructure, including building a central facility to gather and process oil and gas, thereby reducing the potential number of individual sites
- Eliminated flare stacks
- Improved gas conservation performance (98% conservation to-date) through the building of over 194km of oil and gas gathering pipelines
- Standardized protocols for water well testing
- Initiated an area water study characterizing local ground and surface water resources to provide a baseline for future comparison
- Initiated voluntary disclosure of hydraulic fracturing fluid components prior to it being a regulatory requirement
- Coordinated emergency response plans
- Provided informational articles in the local newspaper on various aspects of horizontal well drilling, hydraulic fracturing and ground water protection
- Launched an LIPG website with regular updates and resources
- Ongoing regular newsletter publications with relevant information about operations distributed in the community

In addition, the LIPG has participated in, and continues to support the local community through sponsorship and donations, both in Lochend and Cochrane area.

The LIPG has also worked closely with the Alberta Energy Regulator (AER) to not only meet but often exceed regulations.

The regulator states that, “The AER has always supported the LIPG for the good work it is doing. Through the LIPG, companies have committed to sharing information, addressing stakeholder concerns, and limiting surface impacts in the area. The group has achieved many successes to date and the AER congratulates and applauds these companies for their efforts!”
Cochrane Light Up Festival

On November 29, 2015, the LIPG member companies enjoyed interacting with the community by way of handing out cookies and prizes on the big wheel, along with sharing information about our oil and gas activities at the annual Cochrane Light Up Festival. Despite the cold weather, approximately 4,000 people attended this event, which provided a great opportunity for the Lochend Producers Group to be part of the festival’s 30th anniversary celebration and also allowed us to engage on a more personal level with those who visited our booth. We just hope that the next Light Up Festival falls on a day when the temperature does not drop to minus 35 again!

LIPG employee profile

The ability to build and gain trust with stakeholders can make or break any energy project. Randene Seeman, Surface Land Manager at Tamarack Valley Energy Ltd., knows that this is really what’s at the very heart of her job. “Treat people fairly. Be honest. Listen with the sincere intention to solve problems and address concerns and find common ground,” she says. And perhaps most importantly, be proactive. “Don’t wait for concerned residents to come and find you. By then, they are already frustrated.”

Perhaps that’s why Randene didn’t mind braving -35C temperatures at the LIPG information booth during the Cochrane Light Up Festival in December. She knew that’s where thousands of people in the community would be and recognized if anyone had a question about oil and gas activities in the area that they could come right up and ask her about them. “We go where the community is,” she says. “It’s an absolute priority that community knows who we are and can access information about our projects.”

As a Surface Land Manager, Randene spends a good deal of time working with landowners discussing new projects, compensation, negotiations, or responding to questions about current operations. To do so, she is licensed and regulated under the Alberta Land Agents Licensing Act and is required to adhere to certain standards of conduct and ethics in order to obtain and sustain that license. But the way she sees it, ethical standards and regulations notwithstanding, being good at this kind of work, also requires empathy. Having grown up on a grain farm in Lampman, SK, a small community of 700 people, Randene says she understands landowners because she is just like them. “The people that I meet remind me of people from home,” she says. “They’re accepting, willing to listen and you know that when they give their word, that still really means something.”

Randene’s focus is to create and build trust between landowners and her employer. “We’ve worked hard to reach resolutions, but it’s been worth it because our stakeholders feel they have been fairly treated and involved in the process,” she says. Randene is also pleased that Tamarack is an active member in the LIPG, saying it demonstrates to the community that operators are coordinating efforts to maximize economic and social benefits to the community.

resources

Below is a list of resources providing information on industry practices and technology:

Canadian Society for Unconventional Resources
www.csur.com

Canadian Association of Petroleum Producers
www.capp.ca

Petroleum Services Association of Canada
www.psac.ca

Alberta Energy Regulator
www.aer.ca

AER Directives
http://www.aer.ca/rules-and-regulations/directives

AER Film on Hydraulic Fracturing
http://youtu.be/Ek7AjRtQrTY

Alberta Environment and Sustainable Resource Development
http://www.esrd.alberta.ca/

Alberta Surface Rights Board
http://www.surfacerights.alberta.ca

Alberta Farmer’s Advocate
http://www.farmersadvocate.gov.ab.ca

“THROUGH COMMUNITY INVESTMENT, EMPLOYMENT AND TAX REVENUE WE ARE ABLE TO CONTRIBUTE TO THE ECONOMIC VIABILITY OF COMMUNITIES.”