

# The Processor

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## **In Loving Memory**



### ***Michael Glenmore Gordon***

***December 29, 1964 - January 2, 2015***

Sadly a recent GPAC Board of Director, Michael Gordon, passed away suddenly while pursuing his dream of climbing Mount Kilimanjaro in Tanzania, Africa. This was just another one of Michael's passionate ways to celebrate his 50 years of this life. Michael was born in Wolverhampton, England, immigrated to Canada as a young boy, graduated from NAIT with a Diploma in Chemical Technology and pursued a successful career in Sales, ending at MAXXAM Analytics in Calgary.

Michael's passions included football ('Go Bengals!'), hockey, marathon running and golf. He made friends wherever he went and they never forgot him.

His fellow GPAC Directors will attest to his productivity and good nature bringing positive energy to everything he did. Michael was especially good at balancing the challenges of his responsibilities and the requirement to keep it fun. His contribution to developing the GPAC Entertainment portfolio was significant and it is to his credit that the portfolio has become the effective working group it is today.

Michael is survived by his wife and daughter and will be remembered by those on the Board who served by his side, along with all those GPAC Members who have worked with him over the years.

## PJVA Lunch

**PJVA**, our partner in the annual November conference is hosting a luncheon this Thursday (April 16th) with Alishia Klein, Public Affairs, CNRL on “**Knowledge is Power - Become a Proud Energy Citizen**”.

**PJVA is offering member rates to all GPAC members so [please register today!](#)**

## 2015 GPAC Board of Directors

The GPAC Annual General Meeting was held on March 19, 2015 and we are happy to announce members of the 2015 Board of Directors:

<b>Paul Homik</b>	<i>President</i>
<b>Josh Carter</b> , CNRL	<i>Past President</i>
<b>Greg Bury</b> , Gas Liquids Engineering Ltd.	<i>Vice President</i>
<b>Jonathan Balint</b> , Compass Compression	<i>Treasurer</i>
<b>Steve Summers</b> , TWD Technologies	<i>Membership Director</i>
<b>Cheryl Lafond</b>	<i>Safety Director</i>
<b>Rob Nadalutti</b> , Altagas	<i>Academic Director</i>
<b>James van der Lee</b> , Virtual Materials Group	<i>Program Chair –</i>
<b>Thu Nguyen</b> , Husky Energy	<i>Conferences/Lunches</i>
<b>Paul Naphin</b> , Spartan Controls	<i>Entertainment Co-Chair</i>
<b>Howard Smith</b>	<i>Entertainment Co-Chair</i>
<b>Cam Nichols</b>	<i>G.A.S. Liaison (Alumni)</i>
	<i>Northern Chapter President</i>

## Thank you to all our Corporate Sponsors!

A new year has started and we wanted to thank all the corporate sponsors who have renewed their commitment to us for 2015; we truly appreciate your support.

## Gold Sponsors



## Silver Sponsors



### **Congratulations to Ms. Parul Wadodkar, Winner of the GPAC Bursary Award!**

On the evening of March 26, 2015 GPAC was in attendance to the Annual Student Excellence Awards Ceremony hosted at the University of Calgary. The event recognize the various Scholarship and Bursary Award Recipients for their involvement within the Faculty of Engineering (Schulich School of Engineering), their extracurricular involvements with Student Chapters for their various disciplines, and activities that broaden their experiences and applications of engineering practices in the community and society alike.

GPAC's continued support in these endeavors was greatly appreciated with the 2014/2015 GPAC Bursary Award Recipient – Ms. Parul Wadodkar –

4th Year Chemical Engineering Student. Parul will be graduating in Spring 2015, looking forward to Convocation, travels to Europe and then heading back to Calgary to pursue her career aspirations. Congratulations to Parul for her selection of the award based on the University's criteria.

Parul, along with GPAC hosted a table of five other University of Calgary Engineering Students, enjoyed the festivities and GPAC Academic Chair, Rob Nadalutti, provided insights to the various aspects of the

Oil and Gas Industry, how GPAC has been involved and continues to do so; as well as how they can pay it forward within their careers and social realms.



GPAC continues to provide annual scholarship and bursaries to worthy students studying a variety of technical and engineering aspects and supports the following Academic Schools: University of Alberta, NAIT, University of Calgary and SAIT.

Rob Nadalutti

2014/2015 GPAC Academic Chair

### **Thank You for Joining Us at the 27th Annual GPAC Operations, Maintenance and Safety Conference!**

The Annual GPAC O&M/Safety Conference was successfully held on Friday, March 13, 2015 at the Grey Eagle Resort. With 6 speakers, 9 exhibitors and over 50 participants at the event, we want to thank you for making this event a success.

We would like to also take this opportunity to thank all of our sponsors and exhibitors once again. The conference would not have been the same without your support.

**Silver Sponsor:** Pengrowth Energy and Sulzer Chemtech

**Bronze Sponsor:** Keyera Corporation

**Lanyard Sponsor:** Vista Projects Limited

**Exhibitors:** Gas Liquids Engineering Ltd., Keywest Projects Ltd., Procon Systems, SMi Faciliop, Spartan Controls Ltd., Virtual Materials Group Inc., Vista Projects Limited and the Workers' Compensation Board

Feedback from conference attendees is very valuable to our planning committee and helps improve the conference experience each year. Thank you to all who took the time to fill out our post conference survey. A big congrats to Keon Schmidt and Dennis Simmons, winners of the \$50 Oceana Seafood, Steakhouse & Bar gift cards.

We hope to see you at the conference next year!

Visit our photo gallery [here](#).

## Safety Awards Banquet

Our annual GPAC safety banquet was held Friday the 13th of March at Grey Eagle Resort. The theme this year was medieval with court jesters, henchmen, fair maidens, ladies in waiting and a king and queen of the ball. There were approximately 80 people in attendance who were entertained by Lord Chamberlain aka Gery Schubert and participated in various mid-century games, dancing the night away. It was another great evening put on by GPAC!

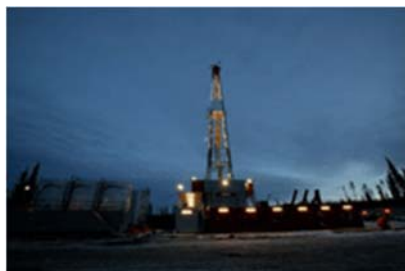
Visit our [photo gallery here](#) as well as see the list of [2014 Safety Award Winners](#).

## GPAC 3rd Annual Curling Funspiel

Visit the photo gallery [here](#)

## Another Year of Weak Natural Gas Prices Forecast

By [Elsie Ross](#) – March 18, 2015 – reprinted with permission



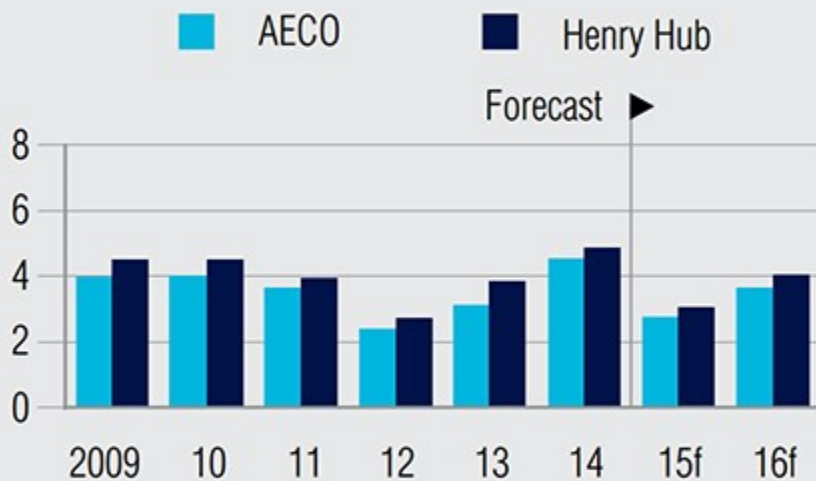
High inventory levels and low prices will continue to put pressure on the Canadian natural gas extraction industry, which is expected to remain weak through 2016, says a new report from the **Conference Board of Canada**. In its report, *Canadian Industrial Outlook:*

*Canada's Gas Extraction Industry*, the Conference Board says that lower prices and production in 2015, with a loss in export market share, will translate into the industry's lowest revenue since 1998.

Revenue is expected to fall 39.4 per cent this year to \$10.2 billion from \$16.8 billion in 2014 when prices were higher. By 2019, revenues are forecast to recover to \$18.4 billion as prices begin to recover from the current inventory overhang, says the report.

Gas at Henry Hub is forecast to average US\$2.60 per mcf this year, its weakest since 2012, and down from \$4.60 per mcf last year. In Western Canada the fall in the price is expected to be less severe, but still averaging well below C\$3 per mcf as a weaker Canadian dollar eases the spread between AECO and Henry Hub.

## North American Gas Prices Fall in the Near Term on Full Storage (\$ per thousand cubic feet)



f = forecast

Sources: The Conference Board of Canada; U.S. Energy Information Administration; FirstEnergy Capital.

With inventories expected to be close to capacity by the end of the injection season in October, the Conference Board is forecasting continued weak prices through 2016 before stronger demand in the United States from power generation and LNG for export will help to absorb the excess supply.

“It might be a bit optimistic but 2015 could be the last year where we have this trapped production in North America without

really a demand outflow,” **Michael Shaw**, economist for the Conference Board, said in an interview. However, when the price of gas does recover, “we’re not talking about it leaping to [C] \$6 [per mcf],” he said. “Our best scenario is to \$4.50 or \$4 or \$5 [per mcf].”

In the meantime, a low draw on gas storage this winter has resulted U.S. gas inventories that are 575 bcf above last winter when lower storage levels going into winter and unusually frigid temperatures over the next few months drew down U.S. storage to a decade-low 820 bcf and Canadian gas to 205 bcf. Although the weather has been cold and snowy in the U.S. Northeast since early February, that just wasn’t enough to make a significant dent in gas storage and drive up prices, said Shaw. “We would have had to have six weeks of exceptionally large draws [like last year].” He also suggested that the market essentially shrugged off the effect of the recent cold snap because the gas industry proved last year that even if inventory dropped to below one tcf, it could turn around and inject three tcf into storage over the summer.

With U.S. production remaining strong, and with high injections into storage over this coming summer, inventories are forecast to exceed four tcf by the start of the 2015-2016 storage season, according to the report. However, it’s not all doom and gloom despite the lower prices and declining production in Canada, according to the board. It is forecasting a profitable year overall in 2015 after modest losses in the first half of the year, with a return to healthier profits by 2017 as gas prices begin to pick up. The

natural gas industry in Canada is in a much stronger position than in 2012 and is much more disciplined, said Shaw. "If it's not a high quality asset, they don't go after it anymore," he said.

"Years of consolidation during which employment fell from a peak above 35,000 in 2006 to under 20,000 in 2013 ... have left an industry that is populated by only the best operators," says the report. As a result, for the first time in years, the gas extraction industry is set to outperform the oil industry, it says.

In a climate of weak oil prices, the gas industry also will get some relief on the competition for labour and materials, helping to increase profitability, according to the Conference Board. That reprieve, though, likely will be short-lived as the labour market will continue to be tight in Alberta, especially for skilled trades, Shaw acknowledged. Although the gas industry might be able to get some wage and cost concessions, mainly from the oilfield services side, "it's not going to be a lot," he said. With an expected normalization of interest rates beginning in 2016, capital costs also will face upward pressure, says the report.

### **U.S. demand growth**

While high storage levels will depress the industry in the short term, consistently low prices and changing U.S. regulations should result in a growth in demand for gas in the medium term, says the Conference Board in its report. The **U.S. Environmental Protection Agency** has set a goal of a 30 per cent reduction in carbon dioxide emissions from 2005 levels by 2030. As coal-fired generation produces one-third of all greenhouse gas emissions and 38 per cent of U.S. electricity, the power generation sector is expected to shift aggressively toward natural gas generation which is less carbon intensive, says the Conference Board.

Much of the estimated 50,000 megawatts of coal power capacity is expected to be retired by 2020, with much of that replaced by natural gas. Currently 12,000 megawatts of gas-powered capacity is under construction and is expected to be in operation in 2017. The demand for gas-powered generation is expected to climb to 23.6 bcf per day in 2019 from 21.3 bcf per day in 2014, with the increase representing more than half of total U.S. gas demand growth over this period. The fuel-switching will extend into the future with gas surpassing coal in power generation by 2034, according to the report, citing the U.S. Energy Information Administration. Industrial demand also is responding to low gas prices. Natural gas consumption for industrial use was expected to reach 20.8 bcf per day in 2014, its highest level since 2000. Demand growth, led by the fertilizer and chemical sectors that are taking advantage of low gas prices and a recovering U.S. economy, is forecast to increase by 5.6 per cent this year and by 1.9 per cent in 2016.

U.S. exports of LNG also are expected to contribute to stronger gas prices. At present, 6.7 bcf per day of



LNG export capacity is under construction, with three projects on the Gulf Coast and one on the U.S. East Coast. By the end of this decade, LNG exports are forecast to climb above eight bcf per day, representing nearly 10 per cent of U.S. gas consumption.

### **Industry trends**

In the meantime, though, the short-term outlook for Canadian gas remains weak as U.S. demand growth is expected to be met primarily by shale gas production from the Marcellus and Utica formations in the Northeast U.S. that has grown by eight bcf per day in the past two years alone, pushing Canadian gas out of that region. Total Canadian exports to the eastern U.S. have fallen from a recent peak of 2.8 bcf per day in 2007 to one bcf per day in 2014, accounting for 58 per cent of the total drop in gas exports. In the same period, imports of U.S. gas into southern Ontario have risen to two bcf per day from 1.3 bcf per day for a combined loss of nearly 2.5 bcf per day, or 15 per cent of Canadian production, since 2007.

However, the Conference Board expects that by early 2017, higher U.S. demand will reverse the decline in Canadian gas pipeline exports to 7.5 bcf per day in 2019 from a low of 6.8 bcf per day in 2016.

### **Effect of the oil price collapse**

The collapse in oil prices is also hurting the outlook for the export of natural gas liquids (NGLs) and liquefied natural gas (LNG), which were expected to support the industry in the current low price gas environment, says the Conference Board report. As gas prices fell in relation to oil, producers targeted NGL-rich formations such as the Montney and Duvernay to benefit from the price premium associated with heavier NGLs such as propane, butane and condensate. However, with weak oil and gas prices in 2015, the price of both product streams — NGLs and raw gas — will weigh on all but the highest-yielding NGL wells, says the report. It cites **Canadian Energy Research Institute** estimates that with oil prices at US\$60 per bbl, near that expected by the Conference Board by the end of 2015, only wells with NGL yields above 90 bbls per mmcf will generate a return in a natural gas market below US\$3 per mcf. “As a result, the weaker oil prices are expected to further slow growth in the already-consolidating gas extraction industry and concentrate gas drilling activities in the most prolific NGL regions,” says the report.



## Gemini Corporation – Corporate Profile



Gemini is a professional services firm that has been providing multi-disciplined engineering and field solutions for energy and industrial facilities since 1982. We are a public company headquartered in Calgary, Alberta with field offices in Ponoka, Sherwood Park and Fort Saskatchewan, Alberta.

Gemini combines our engineering expertise with our field services capabilities to deliver integrated solutions for our clients. We are capable of servicing projects from beginning to end through our Design-Build advantage, which has tremendous value-added benefits and is an integrated project delivery methodology that makes us unique. These benefits include cost effectiveness, schedule compression, enhanced teamwork and one point of accountability. Our design engineers, regulatory technicians, fabricators and constructors all work together as one to plan and execute projects with the greatest efficiency to realize savings in time and costs.

Gemini has many years of experience assisting our clients in advancing technically-innovative projects from feasibility through pilot, to commercial operations. We've been involved in industry-leading projects ranging from oil & gas to renewable energy. We employ innovative solutions to expedite to a producing facility.

Our integrated service capabilities and flexible approach towards project execution uniquely positions us as one of the few companies capable of providing comprehensive and cost-effective project solutions. From engineers to journeymen, Gemini has professional expertise in-house to meet the needs of your project. We leverage the best technology and knowledge to deliver the right solution for your business. By maintaining a project-focused approach, Gemini delivers quality, schedule-efficient outcomes within a safe work environment.

Whether you need a stand-alone or integrated solution, Gemini's unique ability to combine our professional services to deliver your project the way that best suits your operation is what sets us apart. We can provide a full scope of engineering disciplines and we pride ourselves in successfully executing projects that are safe, high quality, cost effective and on schedule.

To learn more, please visit [www.geminicorp.ca](http://www.geminicorp.ca).

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## What else is happening this year?

We have several events scheduled, including:

### July 8, 2015

GPAC/ISA Calgary Chapter Annual Flapjack Feast  
Flames Central

### September 3, 2015

54th Annual Golf Classic  
Earl Grey Golf Club



### November 2015

GPAC/PJVA 22nd Annual Joint Conference  
Date & Location TBC

#### Luncheons

May 26, 2015

September 30, 2015

November 25, 2015

**PJVA**, our partner in the annual November conference is hosting a luncheon this Thursday (April 16th) with Alishia Klein, Public Affairs, CNRL on “**Knowledge is Power - Become a Proud Energy Citizen**” **PJVA is offering member rates to all GPAC members so please register today!** Event details and registration will be on the [Events Calendar](#) as they become available.

## Join GPAC's LinkedIn and Twitter!

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Just click on the icons below and join our group!



(Please note: if you DON'T have a LinkedIn® or Twitter® account, this is a great time to create a profile! Just go to [www.linkedin.com](http://www.linkedin.com) or <https://twitter.com/> and follow the prompts to get started.)