



## **Activity in the Central Mackenzie Valley is expected to pick up following the largest land posting in the Northwest Territories in memory. MGM Energy announced its latest wildcat well in the Arctic came up dry.**

After almost a decade of regulatory log jams, oil and gas development in the Northwest Territories is set to take off following approval of the Mackenzie Valley pipeline earlier this year.

The department of Indian and Northern Affairs and Northern Development this week posted over one million hectares in the Central Mackenzie Valley and Beaufort Sea in what observers are describing as one of the biggest - if not the biggest - land sales in the NWT in decades.

The postings, which are nominated by anonymous third-party oil companies, are a sure sign that the energy industry is lining up to take a piece of one of the last unexplored frontiers on Earth.

"To have that seven-year long process behind you is a meaningful step," says Henry Sykes, the president of Calgary-based MGM Energy that has been one of the most active companies in the Arctic. "It's looking like this log jam is going to break."

In January the National Energy Board handed down its long awaited decision to approve the pipeline, declaring it "to be in the public interest" following a public hearing process that began in 2004.

The land will be sold in a sealed bid process that will be released this summer, detailing work commitments that will fund future exploration and drilling. Although he wouldn't comment on his company's bidding plans, Sykes said it's clear somebody is trying to snap up most of the available land in the area, which is in proximity to the Norman Wells oilfield, one of the largest onshore oilfields in North America.

Norman Wells was discovered by famed Imperial Oil geologist Ted Link in 1920, and has produced about 250 million barrels to date. It was a major consideration in building the Alaska Highway during the Second World War and is currently pumping about 20,000 barrels per day.

Although the Mackenzie pipeline is a gas line, natural declines from Norman Wells mean that the Enbridge oil pipeline has spare capacity for any new discoveries.

Sykes said the land posted roughly follows the route of the proposed gas line, so it's not clear if somebody is planning to drill for oil or whether they're speculating on the future value of the acreage.

"The view is that when the pipeline goes, that land is going to be worth a significant amount of money," he said.

Although it's unlikely that a Mackenzie gas line would come into service before 2020, companies like MGM have been exploring for oil to take advantage of the declines at Norman Wells.

MGM announced this week that its Windy Island wildcat exploration well came up dry. Although it cost about \$7 million, Sykes said the potential for a major discovery made it a risk worth taking. Geological and other data from the well will be incorporated into future exploration.

International Frontier Resources has been a partner in nine of 14 wells drilled in the area over the past decade including a pair of significant gas discoveries at Summit Creek and Stewart Lake.

IFR president Pat Boswell thinks somebody's trying to buy the entire valley west of the Mackenzie River and south of Norman Wells.

"Somebody must have a play," he said. "Sooner or later somebody's going to find another Norman Wells up there."

Further up the river, the government also posted three offshore parcels in the Beaufort and Mackenzie Delta at the end point of Imperial's proposed pipeline, including one in the Ballantyne Strait at 78 degrees north latitude that is closer to the North Pole than the Alberta border.

The postings come even though the NEB is conducting a review of offshore drilling rules in the wake of BP's Macondo blowout that could take a year or more to complete.

Starting in 2007 companies including Imperial, Exxon, BP and Chevron have pledged to spend almost \$3 billion in the Beaufort Sea to complete work programs and drill new wells.

Bob Reid, the president of the Aboriginal Pipeline Group that has a one-third interest in the pipeline, said the interest in both the Central Valley and Mackenzie Delta is a positive sign that bodes well for the future of the project.

The group is expecting the federal government to issue an Order in Council to accept the NEB recommendation before resuming negotiations with the oil companies on fiscal terms. Speaking in Calgary Friday, TransCanada Corp. CEO Russ Girling - the man charged with building the pipeline - spoke of creating "a new commercial construct" that would allow the project to move ahead despite depressed gas markets.

Reid says he's convinced all the signals are pointing to a positive outcome. "Obviously we don't know who's behind the activity up there but it's a great thing, we're very encouraged by that," he said. "Everybody's really excited about it."

spolczer@calgaryherald.com