

# Report suggests huge potential in Bakken

Firm says Alberta play could be nation's largest

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An early-stage tight oil play that straddles the Alberta-Montana border will produce more than Canada's largest conventional pool, if a bold new prediction

by Wood Mackenzie holds true.

The research and consulting firm said Tuesday energy firms could recover 2.6 billion barrels of oil from the cross-border section of the Bakken formation that stretches from northern Montana northwest through Alberta and into British Columbia and the Northwest Territories.

"That's a lot of oil," said analyst Gordon Tait of **BMO Capital Markets**, who noted Alberta's Cardium conventional play in the Pembina oilfield — the biggest in the

country — has produced just one-fifth of its eight billion barrels of oil in place since the 1950s.

Tait is bullish on the exploration-phase Alberta and northern Montana Bakken, which has prompted energy firms to put up hard cash for rights to land they're now starting to drill.

"You've got small explorers and bigger companies making bets," Tait said.

BMO called the Alberta Bakken an early-entry speculative play in 2010, a year when companies scooped up the most

prospective lands, with the priciest parcel going for more than \$10,000 a hectare.

Though early indications are "promising," a large degree of uncertainty surrounds development, with just a few horizontal wells targeting the formation to date, Wood Mackenzie said in its report.

Following a land rush, consolidation among energy companies that bought in is sure to ensue provided encouraging well results continue, the report said.

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Bowood Energy Inc.'s first well being drilled into the Alberta Bakken. Wood Mackenzie predicted Tuesday the Bakken formation in Alberta and northern Montana could contain 2.6 billion barrels of recoverable oil.

## BAKKEN: Early results confidential

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A 280-kilometre long over-presurized fairway across the Alberta-Montana border suggests the potential for high flowing wells at a relatively low cost, Wood Mackenzie said, adding that early results are largely confidential due to the demand for acreage.

The company's base case well, with an average one-month initial production rate of 250 barrels per day in the play, cost \$4 million US.

Under Alberta's royalty regime, this well breaks even at oil prices under \$70 US per barrel.

Robert Mercier, chief executive of Calgary's Alberta Bakken-focused junior **Bowood Energy Inc.**, said Wood Mackenzie's vision for the Bakken is "beautiful," but couldn't elaborate on the company's success on its wells so far, only to say it has been "as expected, which is good."

Mercier said he views 2.6 billion barrels of recoverable oil as representing seven to 10 per cent of the oil in place in the formation. "With success, there is that potential down there."

It's tough to assess well performance yet, though, since companies paying royalties only have to reveal

monthly production data in the first stages of exploration.

In Alberta, only 16 wells are producing out of 31 drilled of a total of 47 licensed. Northern Montana only has eight producing wells, out of 23 completed and 36 licensed.

The Alberta and northern Montana Bakken formation is different from the formation that's the source of a producing light, tight oil Bakken play in the Williston Basin, which stretches through eastern Montana, North Dakota, Saskatchewan and Manitoba.

Though the rocks attracting industry in both cases formed during about the same time period, they were deposited in different settings, making geological makeup distinct.

**FirstEnergy Capital Corp.** analyst Cody Kwong said his firm is taking a "cautious" view on the Alberta Bakken, noting "mixed results" from early wells have shown some water production and lower flow rates.

"I just don't think we've hit a regional sweet spot yet," said Kwong, who's betting on firms like Calgary's **Crescent Point Energy Corp.**, which while holding the biggest land position in the Alberta Bakken, is

diversified with other assets.

With more than 400,000 hectares, Crescent Point allocated 10 per cent of total capital spending this year on the exploration play.

CEO Scott Saxberg has articulated high hopes, saying the Alberta Bakken has "significant potential."

**Shell Canada, Murphy Oil Corp., Dee Three Exploration Ltd.** and **Nexen Inc.** have also taken interest.

Smaller players include **Argosy Energy Inc., Blacksteel Energy Inc., Compton Petroleum Corp.** and **Wild Stream Exploration Inc.**, while many of Canada's larger producers — including **ExxonMobil Corp.** and **ConocoPhillips Co.**, all hold legacy land positions, but have not announced development plans.

In Montana, the most active driller **Newfield Exploration Co.** holds some 13,000 hectares, with **Primary Petroleum Corp.** and **Quicksilver Resources Inc.** coming in second and third as large players. **Abraxas Petroleum Corp.** and **American Eagle Energy Inc.** also have land positions.

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