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Alberta Bakken Drawing More Junior Interest

By James Mahony

As many of Canada's junior producers continue their shift to crude oil and natural gas liquids development, the Bakken play, especially those sections underlying Saskatchewan and North Dakota, has received ample coverage.

On the other hand, the "newer" Bakken play in southern Alberta has had far less exposure, although at least one junior with acreage there is playing up the region's potential to raise light oil production in the province's southernmost region.

"We maintain the productivity potential of the Alberta Bakken is comparable to what we're seeing in the Williston Basin," says **Robert Mercier**, president and chief executive of **Bowood Energy Inc.**, which holds some 110,000 net acres in the Alberta Bakken fairway.

At the same time, Mercier also described the Alberta Bakken as an exploration play, one in which Bowood is active through a joint venture with **Legacy Oil + Gas Inc.** Estimated at 25 miles wide by 110 miles long, the Bakken fairway runs roughly north-south, straddling the Canada-U.S. border between Alberta and Montana, Mercier said. On both sides of the border, several producers are active.

Along with executives from other junior producers, Mercier was speaking Monday to an audience of investors, industry analysts and journalists attending this week's Oil and Gas Investor Showcase being presented in Calgary by the **Small Explorers and Producers Association of Canada (SEPAC)**.

Bowood and Legacy aren't alone in the Alberta Bakken. Other producers currently active in the play include **Nexen Inc.**, **Penn West Petroleum Ltd.**, **Murphy Oil Company Ltd.**, **Royal Dutch Shell**, **DeeThree Exploration Ltd.** and **Crescent Point Energy Corp.** According to Mercier, Bowood-Legacy's JV acreage lies at the heart of the fairway. "It's an exploration play driven by multi-stage fracturing technology," he said.

"We have light oil recovery [and] where we're seeing it, it's between 35 and 40 degrees API," he added. As for information from other producers, he said there have been some "quite encouraging" announcements, but others that were discouraging. Yet, production results announcements from the play have been sparse.

"One of the reasons there hasn't been a lot of information released on the southern Alberta fairway is that, of the wells that [were classified as confidential], we're just starting to see some information come out," said Mercier. "At this point, we have [the first] five wells coming off confidential."

With the passing of time, more well data will become available as confidentiality periods expire.

Further east, a recent estimate put total production from the more proven and established Bakken and Three Forks plays in the United States' Williston Basin, mainly in North Dakota, at more than 400,000 bbls per day. Bakken production in Canada is more modest, estimated at 70,000 bbls per day, according to another junior producer (the latter figure includes Saskatchewan's Bakken production).

While North Dakota is enjoying its Bakken boom, it's not clear how the Alberta Bakken will play out. So far, no one has publicly offered any estimate of current production from the play. To date, some 87 wells have been drilled in what Mercier terms the Bakken fairway. Of these wells, about one third -- 36 wells -- were drilled in Montana, the rest in Canada. Of the latter, 34 have been rig-released, 27 were horizontal and 20 are classed as producing wells.

In addition to its Bakken light oil potential, Mercier described the fairway as a multi-resource play, since juniors could also see production from the Middle and Upper Banff formations and the Second White Specks. Bowood currently has two fairway wells drilling -- both spudded in late October -- and plans to license six

more on the Blood First Nation's lands by year-end.

Another junior active in the Bakken play is **Primary Petroleum Corporation**. Primary originally held a total of about 300,000 net acres on the U.S. side of the play, all of it in the state of Montana. However, in a joint venture earlier this year, an unnamed U.S. producer paid Primary \$48.5 million for a 32.5 per cent working interest in the junior's Bakken-prospective, Montana acreage (DOB, Oct. 20, 2011), leaving Primary with about 200,000 net acres in the play.

By Primary's estimate, the broader oil industry has spent roughly \$500 million on the southern Alberta Bakken play so far, including expenditures on land, joint ventures, exploration and drilling. Also according to Primary, the industry has spent some \$230 million on land alone, at an average price of \$2,000 per hectare (\$812 per acre).

According to Primary, the list of U.S. producers that have joined the Bakken hunt in western Montana include **Rosetta Resources Inc., Newfield Exploration Company, Stone Energy, Anschutz Exploration Corp., Quicksilver Resources Inc., Fairways Offshore Exploration Inc., Arkanova Energy Corp., FX Energy, Inc. and American Eagle Energy Inc.**

On its Montana joint venture, Primary will be operator during 3D seismic operations and the vertical drilling portions of the program -- seismic work started in July 2011 -- while its anonymous American JV partner will operate the horizontal drilling program, expected to begin sometime in mid to late 2012. By now, about half of the planned 125 square miles of seismic planned for Montana has been shot.

Under the first phase of the planned exploration program currently under way, Primary is spending about \$7.5 million on 2D and 3D seismic, to be followed by an \$8 million vertical stratigraphic drilling program. The first well in that program spudded Nov. 10, was recently finished and the rig is moving to the next location, said **Mike Marrandino**, Primary president and chief executive. Three of the planned six vertical wells should be drilled by year-end, he said.

In addition to targeting the Bakken and Three Forks, the six vertical wells will evaluate the Sunburst, Madison, Lodgepole and Nisku formations. The wells will drill to depths of 4,500 to 6,000 feet. If all goes well during the vertical program, Primary will later spend \$25.5 million drilling and completing six horizontal wells, with 4,000-foot lateral legs and 16-stage fracs planned.

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