Is This Canada’s Next Great Energy Play?

Description

When we think about oil in Canada, the oil sands tend to dominate. Rightfully so, as the sands are the reason why Canada has the world’s third largest oil resource. However, the industry is beginning to uncover additional sources of oil beyond the sands. Let’s take a closer look at one of the most promising emerging plays.

The Duvernay is an emerging liquids-rich shale play located in Alberta. It’s not a pure oil shale play like the Bakken, but more of a liquids-shale like either the Eagle Ford or the Utica shale. The industry is currently drilling to appraise what’s there, but early well results have confirmed the reservoir’s quality. With that as a back drop, let’s take a look at some of the companies that are looking to the Duvernay to fuel future growth.

Who’s who of Canadian energy

Encana (TSX: ECA)(NYSE: ECA) has amassed 239,000 net acres in the play. In addition to that, it signed a joint exploration and development agreement with PetroChina that brought in C$2.2 billion for a 49% stake, which hints at the value of the play. Encana is currently appraising its asset and has plans to drill 20 wells this year.

Talisman (TSX: TLM) (NYSE: TLM) has also built a solid position in the Duvernay. The company has amassed 347,000 net acres and like Encana it’s currently drilling wells. It does plan is to exit the northern half of its holdings either through a joint venture or full exit in order to concentrate on its acreage in the south. Given what Encana received for its acreage, this appears to be a reasonable move by Talisman.

Light oil producer, **Penn West** (TSX: PWT) (NYSE: PWE), also has a fairly large position in the Duvernay with about 150,000 net acres. Penn West isn't spending much capital at this point, but instead, is watching its peers and letting them draw some conclusions. Penn West has until 2015 before any of its leases expire, so it can afford to be patient. That being said, the company is currently undergoing a strategic review of its assets and its position in the Duvernay could be monetized as part of that process.

Canadian producers aren't the only ones interested in the Duvernay. U.S. based **ConocoPhillips** (NYSE: COP), for example, owns 115,000 net acres. Conoco has an ongoing exploration program at the moment within this acreage. Conoco
is looking at the Duvernay as a possible way to deliver liquids-rich production growth in the latter part of the decade.

Final Foolish thoughts

The Duvernay is still very early in its development, so it's too early to tell if it will develop into Canada's next great energy play. However, initial results are promising, which is why this is an energy play investors should at least have on their radar. It's also an area that investors are likely to begin hearing more news about with both Penn West and Talisman looking to monetize at least a portion of their respective acreage.

The bottom line here is that Canada is fueling a global shift in energy. *Although,* the more traditional oil and gas space may not be the best way to benefit from this shift. Instead, your portfolio may best be served by uranium – the key ingredient for nuclear power. And with the global nuclear market ramping up in places like China, it could be a big winner.

This is why the Motley Fool has prepared a Special FREE Report that will clue you into the two best uranium companies in Canada. It's called "Fuel Your Portfolio With This Energetic Commodity," and you can receive a copy at no charge by clicking here!

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Fool contributor Matt Dilallo owns shares of ConocoPhillips. The Motley Fool does not own shares in any of the companies mentioned above.

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