



A Closer Look at Chevron's Big Plans in Canada

Description

U.S. oil major **Chevron** ([NYSE: CVX](#)) is no stranger to Canada. It has been operating in the country for 75 years. That being said, it has largely been silent in recent years, especially in the oil sands region where it is just a minority stakeholder in the Athabasca Oil Sands Project. That silence is about to change in a big way as Chevron has two major expansion plans underway which has put Canada back on its map.

Bringing its LNG Leadership to Canada

This past February it bought out the operating interests of both **Encana** (TSX: ECA) (NYSE: ECA) and **EOG Resources** ([NYSE: EOG](#)) in the Kitimat LNG Project in British Columbia. The deal made it a 50% partner with **Apache** (NYSE: APA) on that facility and the proposed Pacific Trails Pipeline. Chevron also picked up acreage interests in the gas rich Horn River and Liard Basins also in British Columbia. The transaction was made with one goal in mind, export Canadian natural gas to Asia.

Chevron already has three such LNG export projects underway in Australia, including the Wheatstone project which it has also partnered with Apache to build. Chevron's experience with LNG export projects as well as its already developed customer relationships in Asia meant it was the ideal company to purchase the project from Encana and EOG, which really were not well suited to develop it. That's because Encana just isn't in the position right now for the huge capital requirements of such a project while EOG's expertise and growth lies in the U.S. shale oil boom.

Next on Tap: The Duvernay Shale

Chevron has also been quietly building up a position in the Duvernay Shale, which is a liquids rich shale play in Alberta. The company currently has about a quarter of a million acres, which it last added to this past August when it was rumored to have spent about a billion dollars to acquire 67,900 acres from a private seller. A lot of its acreage is in the northern portion of the play along with Encana and **Talisman** (TSX: TLM) (NYSE: TLM).

While Talisman has actually put that portion of its acreage up for sale, that doesn't mean Chevron is in a bad spot. Talisman simply sees more promise from the southern portion of the play, which has a

higher concentration of oil and natural gas liquids. So far Chevron really likes what it sees, which is why it has been adding to its position.

Final Thoughts

While Chevron has been fairly quiet in Canada the past few years, it's coming back in a big way. It's taking a position of leadership in the Kitimat LNG project could help fuel additional Canadian natural gas industry. Meanwhile, it has built out a solid position in the emerging Duvernay. For Chevron, Canada is one of the few places that provides both needle moving growth, with a stable political climate. That is why I don't think it's done bulking up its presence here and we could see the company continue to be an active acquirer as it builds a dominant position in the country.

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Fool contributor Matt Dilallo doesn't own shares in any companies mentioned. The Motley Fool doesn't own shares in any companies mentioned.

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