



Husky Energy Part of a Massive Offshore Oil Discovery

Description

Norway's **Statoil** (NYSE: STO) along with partner **Husky Energy** (TSX: HSE) have confirmed a massive oil discovery off Canada's eastern shore. The discovery in the Bay du Nord exploration area is estimated to hold between 300 million and 600 million barrels of recoverable oil. While that's a small amount of oil compared to the country's oil sand riches, with oil prices still over \$100 globally, it still represents a wealth of oil.

This is actually Statoil's third discovery 500 kilometers northeast of St. John's, Newfoundland. This most recent discovery is believed to be much larger than the Mizzen discovery which is estimated to hold between 100 million and 200 million barrels of oil. The third discovery, Harpoon, which is between Mizzen and Bay du Nord is still being appraised to determine how much oil it holds.

What's interesting to note here is that these discoveries are farther north than the currently producing fields of White Rose, Hibernia and Terra Nova. In looking at those fields for some perspective on the size of Statoil's latest find, the **Suncor** (TSX: SU) (NYSE: SU) operated Terra Nova field is estimated to hold 516 million barrels of oil. This past June the field produced a total of 1.7 million barrels of oil. That makes the Bay du Nord discovery around the same size as Terra Nova.

The other item of interest is that the oil discovered by Statoil and Husky is light oil with an API gravity of 34. That's important because lighter oil yields a higher percentage of high value products like gasoline or diesel. The oil is much lighter than some of Canada's other offshore oil fields as well as its oil sands. For example, **ExxonMobil's** (NYSE: XOM) massive Hebron discovery holds oil with an API gravity of 20, while the oil sands are typically less than 10.

Looking ahead, Statoil and Husky have a lot of work to do in order to get that light oil flowing. For example, the Hebron field, which Suncor, Statoil and others have partnered with Exxon to develop was first discovered 30 years ago. Development was supposed to start back in 2008, but it was derailed due to the financial crisis. Now costs on the development of the field have tripled and it will cost the partners \$14 billion to bring the field into production by 2017. However, with 700 million barrels of recoverable oil, and daily production of 150,000 barrels of oil per day, it's too tempting to pass up with oil north of \$100 per barrel.

The good news for Husky and Statoil is that the lighter oil at Bay du Nord is more valuable than the heavy oil at Hebron, so the returns given the size of the field could be greater. The bottom line here is that this is another great oil find for Canada and it continues to confirm the vast resources off its shores. Canada continues to be a great place for energy investors these days.

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