



## 5 Amazing Numbers From Newfoundland's Oil Boom

### Description

On Thursday, Norway-based **Statoil** (NYSE: STO) announced it has located an estimated 300 million to 600 million barrels of oil off the coast of Newfoundland and Labrador's Flemish Pass basin. The company had already announced the find this summer, but this marks the first indication of exactly how much oil might be available at the prospect.

The discovery is just another tally to Newfoundland's red-hot economy. Offshore oil and major construction projects have sparked a boom in St. John's and other parts of the province. With business ramping up, the region has produced some truly incredible numbers. Here are the top five amazing figures from the Rock.

#### 1. 2.9 billion barrels of oil sitting offshore

Based on figures provided by the Canada-Newfoundland and Labrador Offshore Petroleum Board, Newfoundland's offshore energy reserves contain 2.9 billion barrels of oil, 479 million barrels of natural gas liquids, and 10.9 trillion cubic feet of natural gas. To put that into perspective, that's enough natural gas to heat all of the gas-heated homes in Canada — all 5.5 million of them — for the next 15 years.

#### 2. Two big new finds

But expect those above figures to be revised higher in the near future. Earlier this year, Statoil made two massive offshore discoveries. In June, the company reported a find at its Harpoon prospect — located about 500 km northeast of St. John's. And again in August, the company announced a big find at its Bay du Nord prospect — located 10 km from Harpoon — which the company estimates contains 300 million to 600 million barrels of oil.

The discovery is great news for **Husky Energy** (TSX: HSE), which has a 35% non-operating interest in each project. As of mid-day trading on Thursday, Husky shares were up 3.4% following the announcement.

#### 3. \$14 billion

This year, **ExxonMobil** (NYSE: XOM) and **Suncor** (TSX: SU, NYSE: SU) finally gave the green light on the Hebron offshore megaproject. The facility is expected to cost \$14 billion — triple original

estimates given in 2008.

There are two reasons why Hebron is an attractive project in spite of the costs. First, because it's located offshore, output can easily access world energy markets via tanker and sold at global prices. In contrast, landlocked Alberta bitumen is sold at a discount. Second, it's big. Once completed in 2017, Hebron is expected to produce 150,000 bpd.

#### **4. 23 billion barrels of shale reserves**

Not all of Newfoundland's oil reserves are offshore. The potential for tight oil has added a new dimension to the province's energy boom. By some estimates, Western Newfoundland's Green Point shale contains as much as 23 billion barrels of oil. If true, the find would rival massive North American formations like the North Dakota Bakken and the Texas Eagle Ford.

There are two problems with Green Point, however. First, it's unclear if these reserves can be exploited profitably with today's technology and at current oil prices. Second, extraction will require controversial hydraulic fracturing, or fracking, techniques. Will Newfoundlanders risk damaging the province's pristine west coast? That battle has yet to play out.

#### **5. 6% GDP growth**

New energy developments have sparked a boom in the province. In St. John's, housing prices have soared, wages are up, unemployment is down, and George Street is humming.

According to a recent report by the Conference Board of Canada, Newfoundland is expected to notch 6% GDP growth in 2013 — far outpacing Alberta. By comparison, economic activity in the rest of the country is expected to grow by only 1.8% this year.

#### **Foolish bottom line**

There's no doubt that Newfoundland's prospects are bright. This is definitely a development investors should keep an eye on as the province becomes a material part of Suncor's and Husky's operations.

#### **What are you doing October 1?**

Our senior investment analyst will unveil his [top two stock ideas](#) for new money now on Oct. 1. And YOU can be one of the select few investors to find out first — just [click here](#) to reserve your invitation.

*Disclosure: Robert Baillieul has no positions in any of the stocks mentioned in this article.*

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1. Investing

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