



## Is This Canada's Next Oil Boomtown?

### Description

I doubt you've heard of Whitecourt, Alberta.

Whitecourt is about as close to the middle of nowhere as you can get. The nearest major city is more than 200 kilometres away. Five years ago the town was relatively quiet with a population was less than 10,000.

That's no longer the case.

Today, Whitecourt is buzzing with activity. Convoys of pickups trucks and big rigs chock the two-lane rural highway. Labour is scarce. The help-wanted ads in the local paper, the *Whitecourt Star*, now runs 10 pages, up from two previously. Meanwhile, hotel rooms are booked solid and the local shops are bustling.

### Is this North America's next big shale play?

What is the source of all this activity? Whitecourt sits on top of one of the largest shale formations in the world: the Duvernay.

The field is located is located along the edges of the Canadian Rockies and covers an area about 62,000 square miles in size — larger than the infamous North Dakota Bakken and the Texas Eagle Ford combined.

And there is a big pie up for grabs. According to the Canadian Energy Resource Conservation Board, the Duvernay holds an estimated 443 trillion cubic feet of natural gas, 11.3 billion barrels of natural gas liquids, and 61.7 billion barrels of oil. How many of those barrels are economically recoverable remains to be determined.

What makes the Duvernay unique from other shale plays is that it's rich in a super-light oil called condensate which is used to make tar-like bitumen flow in pipelines. With diluent demand soaring from nearby oil sands development, the price of condensate trades at a 10% premium to West Texas Intermediate. Essentially, this is one of the most valuable fuel blends in the world.

Unsurprisingly this development has attracted the attention of the world oil majors. Over the past few years, a handful of major oil and gas explorers have quietly accumulated massive tracks of land in the area.

**Encana** (TSX:ECA)(NYSE:ECA), which holds 253,000 net acres of Duvernay lands, plans to spend between \$500 million and \$600 million with partner **PetroChina** next year. **Chevron** ([NYSE:CVX](#)), which holds 325,000 acres in the play after buying Alta Energy last year, calls the Duvernay "a foundation for future growth in Canada." Other players including **Royal Dutch Shell**, China's **Sinopec** and **ExxonMobil**, are also probing the area.

### Early results have been encouraging

The question now is whether the Duvernay will live up to the hype. The industry has no shortage of big talking oilmen promising large new finds only to leave investors holding the bag when well results prove disappointing.

Fortunately, early well results out of the Duvernay has been encouraging. Earlier this year one Encana well produced a highly publicized 1,400 barrels per day, or bpd, of condensate and 4 million cubic feet per day of natural gas 30 days after completion.

Rival companies are also reporting impressive drilling results. In October, Chevron announced the successful conclusion of its exploration activities in the Kaybob area. The company completed 12 wells with 30-day initial production rates up to 7.5 million cubic feet per day of natural gas and 1,300 barrels per day of condensate.

For context, anything above 1,000 bpd is considered a true gusher. The results coming from Chevron are truly remarkable.

### Foolish bottom line

Move over Fort McMurray. Whitecourt, Alberta, could be Canada's next oil boomtown. And if the Duvernay lives up to a fraction of the hype, it could produce some needle-moving numbers for the country's oil majors like Encana or Talisman.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CVX (Chevron Corporation)

### Category

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