



Get in on the Ground Floor of North America's Next Shale Revolution

Description

If you'd like to get in on the ground floor of North America's next shale revolution, then this will be one of the most important messages you'll ever read. Here's why...

The energy renaissance taking place across the continent is front page news. According to industry estimates, North America could be sitting on over 2 trillion barrels of shale oil. The problem: Most of these resources are simply uneconomical to exploit. Depending on the field, the drillers expects to recover only 2% to 15% of the total available oil.

However, a select group of companies are experimenting with new recovery methods. This could vastly increase number of barrels that can be profitably extracted and usher in phase two of North America's shale revolution.

How to invest in the second shale revolution

Across the oil patch a number of firms have been experimenting with enhanced oil recovery techniques to their declining shale wells. Now some of these project are ready to move to into the commercial phase of development.

Lightstream Resources (TSX: LTS), for example, is using a technique called natural gas injection to squeeze more oil out of its Saskatchewan Bakken acreage. By pumping natural gas into declining wells, the company has been able to double production to over 200 barrels per day. By rolling out natural gas injection across its Bakken assets, Lightstream believes that it can increase the recovery factor of each well from 15% to almost 30%.

Even a small change in recovery over a large oil field is significant. For Lightstream, every 1% increase in the recovery factor creates 17 million barrels of additional reserves. Natural gas injection could double the company's reserves with only a relatively small capital investment.

Elsewhere in the industry producers are using another technique called waterflooding — pushing water into declining wells to increase production. **Crescent Point** (TSX: CPG)(NYSE: CPG) has been expanding its waterflood programs in its Bakken, Shaunavon, and Viking acreage to extract extra value

from its legacy assets. Initial results are already surpassing expectations. Last quarter, almost 40% of Crescent Point's 127,000 barrels per day of production came from waterflooding.

Another Canadian oil junior, **Raging River Exploration** (TSX: RRX), has also been successful deploying this technique. The company projects that secondary production methods could double the recovery factor of its Viking wells to 20%. Thanks to waterflooding, management expects to add an extra 600,000 recoverable barrels of oil reserves per square kilometre.

And if these enhanced recovery techniques prove to be commercially viable, then the second phase of North America's shale boom could also be more profitable than the first. During the primary production phase, the land was purchased, roads and pipelines were built, and natural gas processing facilities constructed. However, because these types of infrastructure investments do not have to be made again, investors should expect each barrel produced through enhanced recovery techniques to be even more profitable.

Foolish bottom line

North America's shale bonanza has created fortunes for thousands of ordinary investors. Yet the second second phase of the continent's shale revolution could be larger and more profitable than the first. If these new recovery techniques prove viable, it could serve as mammoth share price catalyst for the companies involved.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

Category

1. Investing

Date

2025/07/06

Date Created

2014/04/07

Author

rbailieul

default watermark