



Can These Opportunities Fuel Dividend Growth at Enerplus?

Description

It's been a rough few years for **Enerplus** ([TSX: ERF](#)) ([NYSE: ERF](#)). Over the past five years its stock is roughly flat while the Canadian market is up over 60%. It had been much worse for Enerplus' investors but the stock is now well off its lows of the past two years. Still, the company has a long way to go to recover to its past highs.

The good news is that Enerplus has several opportunities that could push it well past those old highs. In fact, there are three opportunities that I'm particularly intrigued by that I think hold the keys to its success in the years ahead. Let's take a closer look.

Growing within the Bakken

Enerplus has drilled just over 100 wells in the Bakken Shale so far. It estimates that it has about 145 wells left to drill in the future. While some of those wells will be necessary to offset the production declines of the wells already drilled in the Bakken, many of these future drilling locations represent an opportunity for production growth. However, there are two interesting opportunities beyond those 145 future drilling locations that could really fuel growth for Enerplus' investors.

The first opportunity is that Enerplus is working on downspacing tests to determine how closely it can drill its wells. Many of its Bakken-focused peers, including **Continental Resources** ([NYSE: CLR](#)) and **Kodiak Oil & Gas** (NYSE: KOG), are working on similar tests. So far these peers are finding that wells can be drilled much closer together and in some cases can be drilled just 600 feet apart. If this proves to be true on Enerplus' acreage, it could add another 150 drilling locations. That would double the company's drilling locations in the Bakken.

Growing below the Bakken

Enerplus' second compelling opportunity in the Bakken is its potential to drill into the second and third benches of the Three Forks formation found below the Bakken. While it's still delineating its acreage position for the potential of these two additional hydrocarbon producing zones, there is the opportunity that it will find these areas to be productive as well.

Both Continental Resources and Kodiak Oil & Gas have had success in the lower benches of the

Three Forks formation. In fact, Continental is planning to combine multi-well pad drilling with downspacing to drill mega well pads as part of its full-field development. This will include wells all drilled close together on the same pad targeting up to four different formations. This optimizes costs and increases growth. The potential is there so that someday Enerplus will also be able to develop its acreage in a similar fashion.

Delivering on the Duvernay Shale

The final opportunity that I find to be especially compelling is Enerplus' 85,000 net acres of undeveloped land that's prospective for the Duvernay Shale. Peers like **Encana** (TSX: ECA) (NYSE: ECA) see the Duvernay being a simply massive resource as its fairway is nearly twice the size of the Eagle Ford Shale.

This potential bodes well for Enerplus as its acreage is located in close proximity to Encana's. Further, core analysis from vertical tests showed that there's a lot of hydrocarbons on Enerplus' acreage. Because of this the current plan is to drill two horizontal wells this year, however, the company sees the potential for 300-400 horizontal wells on its acreage in the future. That's pretty compelling upside potential that could fuel the dividend for years to come.

Foolish bottom line

Enerplus investors have endured rather lackluster returns over the past few years. That could change soon as the company's position in the Bakken could double through downspacing tests and then double again as it adds drilling locations targeting the lower benches of the Three Forks. Further, Enerplus has vast potential in the emerging Duvernay Shale. These opportunities are the key to fueling growth that should eventually yield a growing dividend for Enerplus' investors.

CATEGORY

1. Investing

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1. NYSE:CLR (Continental Resources)
2. NYSE:ERF (Enerplus Corporation)
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