



## 1 Stock Positioned to Profit From the Coming Drilling Boom

### Description

Canada is sitting on a massive amount of cheap natural gas. It's gas that Asia desperately needs to fuel its growing economies. That combination is a massive opportunity for Canada, and several companies are working to build natural gas exportation facilities. As those facilities are built it should unleash supply growth in Canada as drillers tap the gas rich Horn River basin.

On top of that, Canada has several liquids-rich shale plays like the Duvernay and Montney that are beginning to gain favor with energy companies. These two plays are in the early stages of a drilling boom that should fuel production growth for years to come. Not only can the associated gas from these plays drive the coming export boom, but the higher value liquids should add profits to production.

While many companies will profit from the coming Canadian drilling boom, one stock is really perfectly positioned to profit. That stock is **Precision Drilling** ([TSX: PD](#))([NYSE: PDS](#)).

### Positioning for the LNG boom

Right now about half of Precision Drilling's revenue comes from Canada. While it has worked to diversify its revenue into other intentional markets, the company has always maintained its strength in Canada. That should enable the company to capture opportunities as drillers ramp up gas production to supply the gas needed for exports.

In fact, one Wall Street bank recently said it believes Precision Drilling can double its Canadian land-drilling business over the next several years as the coming drilling boom takes off. As the following slide shows this is a major opportunity for Precision Drilling.

### Precision Drilling Canadian LNG

*Source: Precision Drilling Investor Presentation*

As that slide notes, proposed LNG projects, which include projects like Kitimat LNG from **Chevron** ([NYSE: CVX](#)) and **Apache** (NYSE: APA), will require 14-16 billion cubic feet of natural gas per day to supply the export demand. While not all of that capacity is likely to be built, this is still a significant opportunity for Precision Drilling. It sees the need for 20 to 25 rigs per billion cubic feet of export

capacity, but not just any rig will do. Producers will need its higher value Tier 1 rigs in order to drill year-round as well as to optimize development through multi-well pad drilling.

The Chevron/Apache partnership is just one example of the opportunity. The venture has 644,000 gross undeveloped acres in the gas-rich Horn River and Liard basins. Gas from these two basins will be key to supplying growing demand in Asia. Precision's strength in Canada as well as its operations in the Horn River Basin bode well for its opportunity to drill an increasing number of these wells in the future.

### **Gearing up for the boom in liquids-rich drilling**

Precision Drilling is also well positioned in the liquids-rich Duvernay and Montney Shale plays. Canadian drillers like **Encana** (TSX: ECA)(NYSE: ECA) see both plays fueling big growth in the years ahead. In fact, Encana has both plays in its top five core growth assets.

This year it has nine drilling rigs running in the Montney and five in the Duvernay. That's expected to accelerate over time as Encana sees the potential to produce 2 billion cubic feet of natural gas per day from the Montney alone as it drills its 25 years' worth of inventory. Meanwhile, Encana sees the potential for up to 20 rigs in the Duvernay shale by 2017 as it ramps up production of this liquids-rich play.

In addition to Encana, other Canadian producers like **Canadian Natural Resources** (TSX: CNQ) have significant unconventional assets in the Montney and Duvernay. Overall, Canadian Natural Resources' total North American natural gas land position totals 16.2 million net acres with upwards of 5.9 trillion cubic feet of gas potential.

Needless to say Canada's second largest gas producer has the potential for significant growth as it develops its liquids-rich acreage in the years ahead. That growth represents a big opportunity for Precision Drilling to be the company that's chosen to drill these future wells.

### **Foolish bottom line**

The combination of natural gas drilling to supply exports and high-margin liquids-rich shale drilling is a big opportunity for Precision Drilling in Canada. Not only that but it has the Tier 1 assets and deep working knowledge of these basins to give it an advantage as it competes to drill these wells. That's why it is perfectly positioned to profit from Canada's coming drilling boom.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:CVX (Chevron Corporation)
2. NYSE:PDS (Precision Drilling Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:PD (Precision Drilling Corporation)

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**Date**

2025/08/24

**Date Created**

2014/04/17

**Author**

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