# Can Crew Energy Become a Major Player?

## Description

As the true scope of Canada's natural gas reserves comes to light, oil and gas companies are scrambling to secure ground. One of these lesser known companies is Alberta-based **Crew Energy** (TSX: CR). It has recently announced two deals that could put the company in a very interesting position.



Of the two deals, the one that carries the most promise is the acquisition of 75 sections (20,000 hectares) of land from two undisclosed owners for $105 million. The land is in the Montney shale gas basin in northeast B.C., adjacent to the 100,000 hectares Crew Energy already owns (land and/or drilling rights).

The additional land is projected to add 1,400 barrels of oil equivalent per day to Crew Energy's current production. Insiders see this as just the beginning of Crew Energy's expansion in the Montney Basin. With another 43 sections expected to be picked up, that brings the grand total to 495 sections of land and/or drilling rights.

Crew Energy is looking to lock up as much land as possible in what has become one of the world's largest natural gas reserves. The last estimate released by the Federal government puts the number at 449 trillion cubic feet of natural gas that can be economically extracted — enough to meet Canada's needs for the next for the next 145 years.

**The price to play**

In order to fund this and future expansion, Crew Energy announced that it would be selling 100,000 hectares of land in the Deep Basin in Alberta to **Long Run Exploration Ltd** (TSX: LRE). At a price tag of $243 million, this land currently produces 7,000 barrels of oil equivalent per day, 75% natural gas and 25% heavy crude.

This is a nice deal for Long Run Exploration, which already produces 6,000 barrels per day of heavy crude in the same area. It is also a good deal for Long Run's investors — it has already announced a 5% increase to its dividend due to the increased production level of 33,800 barrels per day.

**The big dog in the Montney shale gas basin**

One of the largest competitors in the area is Malaysian-owned **Petronas**, whose portfolio in the area expanded in November. It purchased 127,000 hectares of land from **Talisman Energy** (TSX: TLM)(NYSE: TLM) for $1.5 billion; this land made up 75% of Talisman's portfolio in the region.

Petronas is also mulling building a $9-11 billion LNG export terminal in B.C. This is part of a plan to export 12 million metric tonnes a year from Canada. However, to meet this quota additional lands may have to be acquired.

**Analysts remarks**

Researchers and analysts disagree on how much of an impact this will have on the stock, but all see positive growth in the future. AltaCorp and RBC Dominion Securities have both raised their prices targets to $15 and rated the stock as outperform. BMO Nesbit Burns has raised its price target to $14 from $8.50. Canaccord Genuinty has gone from $11 to $13 and the most recent of the bunch, Scotiabank, raised its price target from $9 to $13.

**Foolish bottom line**



Crew Energy closed Friday at $11.65 and hit a 52-week high of $11.94 on April 10, two days after the announcement. With the increased focus on BC natural gas reserves, coupled with the low price of Crew Energy's stock analysts, insiders are wondering when talks of mergers or takeovers could begin circling the company.

In the meantime, for investors the current price offers a lower entry point to either start or bulk up a current position in the gas mining sector.

**CATEGORY**

1. Investing

**TICKERS GLOBAL**

1. TSX:CR (Crew Energy)

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