



## Where to Find 100% Returns in the Oil Patch

### Description

There's a land rush in southern Saskatchewan.

Energy companies operating in the area have started to post blowout drilling numbers. These results has already sent the share prices of some oil stocks soaring into the double digits.

It's not too late to invest in this trend. This oil boom is just getting started and many of the participating companies could deliver triple-digit returns for shareholders in the coming years.

Let me explain ...

As regular readers already know, the Bakken is an oil-rich region that straddles the border between North Dakota and southern Saskatchewan. The formation has transformed the North American energy industry, with production now surpassing one million barrels of oil per day. Investors who got in on the ground floor of the Bakken oil boom made fortunes.

However, there's another oil field catching the attention of oil prospectors — the Torquay as it has been named in Canada, or the Three Forks as it's better known in the United States. The formation sits directly underneath the prolific Bakken shale. Early drilling results suggests that this field could be even bigger.

In April, **Crescent Point Energy** (TSX: CPG)(NYSE: CPG) announced the Torquay discovery in its core Flat Lake area in southeast Saskatchewan right along the U.S. border. In just one year, the company ramped up production from zero to over 5,000 barrels per day. Already, Chief Executive Scott Saxburg believes the Torquay discovery has the potential to match the company's core Viewfield Bakken play in southeast Saskatchewan.

Crescent Point is making money hand over fist in this region. For every dollar it costs to drill a well, the company earns six dollars in profits. On each well the company drills, Crescent Point generates an average internal rate of return of 300%. In addition, the firm is able to pay off the entire cost of a well seven months after completion.

To put those figures into context, a well that can generate an internal rate of return of 75% and has a payback period under 18 months is considered fantastic in the oil business. Torquay wells are true gushers.

Bakken player **Enerplus** ([TSX: ERF](#))([NYSE: ERF](#)) has also reported exceptional results south of the border in the Three Forks field. Last month the company increased its contingent resource estimate thanks to blowout results from the first bench. According to the most conservative data from the U.S. Geological Survey, the Three Forks play contains some 3.7 billion barrels of recoverable oil. That's *larger* than the Bakken formation above it.

These results have sparked a land rush in southern Saskatchewan. In April, **Vermilion Energy** ([TSX: VET](#))([NYSE: VET](#)) paid \$427 million for privately held Elkhorn Resources. As part of the deal, Vermilion will receive an extensive portfolio of undeveloped acreage and a chance to break into the emerging shale field.

A few weeks later, **Legacy Oil and Gas** (TSX: LEG) paid \$588 million in a combination of shares, cash, and debt to buy privately owned Highrock Energy. In announcing the deal, Legacy vowed to drill more than 100 locations in Saskatchewan later this year, including multiple sites in the Torquay and the Bakken.

Finally, in May, Crescent Point bulked up its position by buying privately held CanEra Energy for \$1.1 billion. The acquisition includes 680 square kilometres of Torquay exploration rights and boosts the company's disclosed drilling locations in the play to 480 well sites.

While it's still too early to tell how this play will turn out, the Torquay certainly has the potential to be one of North America's next big shale plays. All four of the companies I have mentioned in this post are going all in, spending hundreds of millions of dollars to build out their operations in the area. Given the impressive drilling results seen so far, investors should add at least one of these names to their portfolios today.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. NYSE:VRN (Veren)
3. TSX:ERF (Enerplus)
4. TSX:VET (Vermilion Energy Inc.)
5. TSX:VRN (Veren Inc.)

## Category

1. Investing

## Date

2025/08/25

## Date Created

2014/07/17

**Author**  
rbailleul

default watermark

default watermark