



Cenovus Energy Inc.'s 2 Oil Sands Projects Are Promising for Investors

Description

An integrated oil company and Canada's No.2 independent oil producer, **Cenovus Energy Inc.** ([TSX: CVE](#))([NYSE: CVE](#)) had strong production during Q2 2014 at its Foster Creek and Christina Lake projects.

Here's a look at the two projects and why they represent ongoing return on investment for Cenovus and its investors.

Foster Creek

Foster Creek is Cenovus Energy's largest oil sands project with five phases now producing and three more under construction (phases F, G, and H). **ConocoPhillips** ([NYSE: COP](#)) owns 50% percent of the Foster Creek project in a joint venture with Cenovus. Commercial production started at this project in 2001 so it has a nice history of providing returns to Cenovus and continues to do so.

Foster Creek is regarded as among the top commercial and technical steam-assisted gravity drainage projects in the industry. For the rest of 2014, Cenovus' expectation is that the steam-to-oil ratio at Foster Creek will be at the upper end of the company's annual guidance range of 2.6 to 3.0. The steam-to-oil ratio is the amount of steam required to produce a barrel of oil and the lower the ratio, the higher the efficiency of the steam use. For Q2 2014, the company was at the low end of the 2.6.

Presently, Cenovus is steaming phase F wells and it expects oil production in Q4 2014. The company expects the steam-to-oil ratio to remain within its annual guidance ranges until all major phase expansion pads for F, G, and H are online. Cenovus brought six wells online in Q2 at Foster Creek and it anticipates an additional 19 new wells to be produced by the end of this year.

For Q2 2014, production at Foster Creek averaged nearly 57,000 barrels per day net. This represents an increase of 3% from Q2 2013. Cenovus believes Foster Creek may have the capacity to produce 295,000 gross barrels per day by 2019. With future enhancement, it expects to have the capacity to produce up to 310,000 gross barrels per day.

Christina Lake

The Christina Lake project is a top-tier reservoir and to drill and pump oil to the surface, it also requires specialized technology, such as the aforementioned steam-assisted gravity drainage. ConocoPhillips also owns 50% of this project. To date, the project has eight phases planned. Phases A, B, C, D and E are operating. Cenovus Energy believes that total gross production capacity could possibly reach 310,000 barrels per day. This is with added expansion phases and optimization work.

For Q2 2014, production at Christina Lake averaged close to 68,000 barrels per day net. This represents an increase of 77% versus Q2 2013. For Q2, Christina Lake continued the phase E progress. It consistently produced close to its design capacity of 138,000 barrels per day.

The steam-to-oil ratio at Christina Lake was 1.8 in Q2, which was consistent with Q2 2013. Therefore, it's using steam more efficiently than Foster Lake — less steam is needed to produce an equal barrel of oil. In essence, the company is using less water and burning less natural gas to produce steam. Cenovus Energy is expecting incremental production at Christina Lake next year, as work to enhance phases C, D, and E is ongoing.

The bottom line here for investors is that, overall, in Q2 2014, combined oil sands production at Foster Creek and Christina Lake averaged nearly 125,000 barrels per day net. This represents a 33% increase from 2013.

With two first-rate projects, Cenovus Energy is definitely worthy of consideration as a stock holding. If you're looking to venture into the oil/gas drilling & exploration industry, then consider this company for your portfolio.

CATEGORY

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