EnCana Corporation: Triple Your Money in the Next Alberta Oil Boom

Description

When Brian McLachlan started drilling in a barren part of Western Alberta, he was literally laughed at by a few friends. But they're not laughing any more.

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It appears Mr. McLachlan, CEO of **Yoho Resources Inc** (TSXV: YO), has positioned his company at the heart of the country's next energy boom. Early numbers show the area around his acreage could contain billions of barrels of oil. Some of the biggest industry producers have poured millions of dollars into the play.

That bet is starting to pay off. Local operators have just reported blowout drilling results. Land prices have surged tenfold over the past three years. And it's only the beginning…

Strike it rich in the next Alberta oil boom

Longtime Motley Fool Canada readers know about the Duvernay Shale — an oil-rich field bigger than South Korea that stretches across Alberta.

The bounty up for grabs could be huge. According to the Alberta Geological Survey, the formation holds 135 billion barrels of oil equivalent. Even better, the play is rich in condensate – an ultra-light oil that sells for a premium to other crude blends.

The Duvernay has long been called Canada's next big energy play. Now it's starting to live up to some of the hype. A number of operators have posted solid well results and drillers are committing billions of dollars to the play.

Last year, **Chevron Corporation** (NYSE: CVX) reported blowout numbers. During the first few weeks of production, five exploratory wells cranked out up to 2,600 barrels of oil equivalent per day. Chevron called the results "encouraging" and referred to the Duvernay as its "foundation for future growth in Canada."

Talisman Energy Inc. (TSX: TLM)(NYSE: TLM) has posted similar figures. Its wells have gushed up to 1,200 barrels of oil equivalent per day during their first few weeks of production. For perspective, a new well is considered great if it produces 1,000 barrels per day. Duvernay wells are absolutely spectacular.

Rival **EnCana Corporation** (TSX: ECA)(NYSE: ECA) is also excited. In its first month, one EnCana well delivered 2,100 barrels of oil equivalent per day. The real kicker is that up to 70% of that output was high-margin oil and natural gas liquids.

Management is clearly bullish. Last year, CEO Doug Suttles highlighted the Duvernay as one of his five core plays for expansion. The company has announced plans to spend between $500 million and $600 million with its partner **PetroChina** this year.

There's only one problem: economics. The cost to drill in the Duvernay is between $15 million and $20 million per well. No matter how big a field might be, it`s hard to turn a profit at those rates.

That said, those expenses are coming down. Last quarter, Yoho Resources reported that its average well completion costs have fallen to $12 million. That figure could drop further with the switch to multiwell pads.

Is this oil field the next Bakken?

Mr. McLachlan may have the last laugh when the dust settles over the Duvernay. Every driller has reported blowout numbers and the field could move the needle for every player in the area. I suggest adding at least one of these names to your portfolio today.

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TICKERS GLOBAL

1. NYSE:CVX (Chevron Corporation)

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