



## These 3 Oil Companies Continue to Take the Long-Term View

### Description

While the price of oil is well off its former high, that's not stopping oil companies from exploring for new sources of oil. That's because oil producers take the long-term view and look decades into the future. Not only is it a future that suggests that the oversupply of oil today won't last forever, but it's a view based on the fact that it takes a very long time before new sources of oil go from discovery to production.

### Opening up a new frontier

It's this long-term outlook that's pushing **Royal Dutch Shell plc** (NYSE:RDS.A)(NYSE:RDS.B), **ConocoPhillips** (NYSE:COP), and **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to move forward on exploration efforts offshore Nova Scotia. In fact, the trio recently won approval from Canada's environmental ministry for their offshore drilling project. It's a project that is a key not only for these three companies, but also for Canada's energy industry.

The trio is planning to drill up to seven exploration wells by 2019 in what's known as the Shelburne Basin. It's a prospective oil basin that's roughly 250 kilometres off the coast of Nova Scotia. It's unknown how much, if any, oil will ever be uncovered in the basin. However, after acquiring over 10,000 square kilometres of 3D seismic data Shell, Suncor, and ConocoPhillips are confident enough that there is commercially viable oil that the trio is willing to move forward with the project despite the fact that oil prices are currently weak.

### Looking long term

The major reason why these companies are moving forward with the project now is due to the simple fact that it takes a very, very long time before an offshore discovery even produces a drop of oil. An example of this is the Hebron project offshore Newfoundland. The oil field was initially discovered by **Exxon Mobil** and its partners, including Suncor, in 1981. However, commercial development wasn't given the green light until 2013 and the project won't produce first oil until 2017. Most of Hebron's delays had to do with costs, as the \$14 billion project didn't make economic sense until recent years.

Hebron is a bit of a unique case as a decade is more typical for an offshore oil field to go from

discovery to first oil. That said, a decade is a long time and suggests that oil from the Shelburne Basin might not start delivering revenue for Shell, Suncor, and ConocoPhillips until 2025 at the very earliest. However, given the fact that these three oil companies know that they will need additional oil reserves to pull from a decade from now, they've chosen to move forward with the project now.

### **Investor takeaway**

Large oil companies like Suncor, ConocoPhillips, and Shell take a long-term view. That's because these companies know that tomorrow's oil discovery won't even turn into production for years. It's why all three are moving forward with a new oil exploration project even though current oil prices remain weak.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:COP (ConocoPhillips)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:SU (Suncor Energy Inc.)

### **Category**

1. Energy Stocks
2. Investing

### **Date**

2025/08/24

### **Date Created**

2015/06/25

### **Author**

mdilallo

default watermark

default watermark