

NICKLE'S DAILY OIL BULLETIN

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Interest From Montana Bakken Spilling Into Alberta

By Richard Macedo

An oil play being developed in northern Montana is piquing interest in Alberta where companies have been scooping up land along the Canada/United States border, and while observers are optimistic, more drilling is needed to determine its potential.

Drilling activity to this point has been concentrated south of the border. According to a report by **Macquarie Research**, the Bakken shale on the Montana side of the Alberta basin and its geological equivalent, the Exshaw shale on the Canadian side, are the same age: late Devonian to early Mississippian and of similar deposition to the Williston Basin Bakken shale, but are part of a separate geological system.

The shale is black and organic rich and thought to be the main source rock for many oil reservoirs in the Alberta basin. The Bakken/Exshaw varies in thickness from 10 feet to over 100 feet and depth from 4,500 feet to 7,500 feet.

"This Exshaw/Bakken shale is regionally very extensive. We can map the shale itself from northern Montana all the way up through Alberta... northward into the Horn River basin and into the territories," said **Brad Hayes**, president of **Petrel Robertson Consulting Ltd.** "At the other end, (**Quicksilver Resources Inc.**) up in the Horn River Basin... is talking about exactly the same layer looking for oil potential."

"It's got a very large regional extent for the particular formation," Hayes said. "I think the question is where are you going to find it where it's got the right reservoir conditions?"

"Of course, it won't be just one massive oil field, there will be places where it works and places where there's different reasons it doesn't work."

Interest in Alberta has been revealed by recent land sales. At a sale in April, land in the Del Bonita area along the Canada/U.S. border helped drive total bonus revenue of \$55.08 million. Thirteen lease parcels between 1-20 W4M and 2-22 W4M in the extreme southern part of the province drew over \$18 million.

In June, interest along the border continued.

Several licences acquired in the July 21 Alberta sale northwest of Lethbridge, which fetched a combined \$47.72 million in bonus bids, may have been due to interest in the Bakken/Exshaw oil play. Several parcels have been posted along the border in the Sept. 1 Alberta land sale.

Bulletin records show **Antelope Land Services Ltd.** spudded a new field wildcat horizontal well targeting oil in the Del Bonita area on July 24 at surface location 2-7-1-21 W4M with the Wabamun group listed as the projected zone to a planned depth of 3 400 metres. Land brokers rarely operate wells in Western Canada and only when operators are keen to keep their identity confidential.

On July 22, **Connaught Oil & Gas Ltd.** was issued a licence for a horizontal oil well in the area just slightly north of the Antelope well at surface location 14-7-1-21 W4M with the Rundle group listed as the projected zone and a planned depth of 2 978 metres.

Calgary-based **Blacksteel Energy Inc.** said it has accumulated a land position at Del Bonita. According to a corporate presentation, the company has identified and mapped out a light oil resource play in the mid 30 degrees API. The multi-zone play would be exploited using horizontal drilling and multistage fracturing technology.

"Our belief is that it does extend into Canada," said **Jacques Soroka**, Blacksteel's president. "We've got four sections that we bought in April."

Blacksteel says it's an early mover on the play and currently holds 1 024 hectares in a sweet spot of the

resource play.

"We've got what, we believe, is one of the better tracts of land for this play, at least north of the border. We're right on the border."

Soroka said the company is seeking partners.

"These horizontal wells are fairly capital intensive so being a small company, we have to be careful on how we spend our money," he added. "We are developing our plans for the area as we speak."

The play has been mapped using well logs and core samples and has some associated horizontal production and is analogous to the development taking place in the Bakken in Montana and North Dakota.

Average horizontal well costs are estimated at \$3 million and Blacksteel's acreage is located near Montana development by **Rosetta Resources Inc.** and **Newfield Exploration Company.**

In Montana, Rosetta, Newfield, Quicksilver, **Stone Energy Corporation** and **Abraxas Petroleum Corporation**, among others, have established land positions.

Primary Petroleum Corporation, another Calgary-based company, has an established land base in the Alberta Basin Bakken fairway in western Montana, where it holds roughly 110,000 gross/net acres (171 sections). The wells that have been either permitted or drilled that are closest to Primary's land sit roughly 12 miles to the north and west. Primary's geological and geophysical evaluation confirms that the Lodgepole, Bakken, Three Forks and Nisku formations extend over its land holdings.

"We don't have any cores to be able to do any type of further work with regards to porosity and permeability," said **Mike Marrandino**, Primary's president and chief executive officer. "We are going out to industry and seeking out a joint venture partner to farm in to drill out our lands to prove up the resource, to get more current technical data.

"We do have some warrants that will be getting exercised in late September or early October which will bring in about just under \$4 million into the company."

At that stage if the company doesn't have a joint venture partner under favourable terms it'll drill a couple of wells on its own by year end.

Rosetta began to establish its acreage position in Glacier County on the Blackfeet Indian reservation in 2008, according to Macquarie's report.

The company continues to analyze and evaluate the core, log and production test data from the 2009 wells that were located across a large expanse of Rosetta's position in the play. These wells confirmed the presence of oil-saturated and over-pressured Banff, Bakken and Three Forks intervals, and an oil-saturated Nisku section. Rosetta now holds 286,000 net acres in the play, an increase of about 46,000 acres from year-end 2009.

Rosetta is focusing its 2010 capital program activities on doing additional production tests from the numerous zones of interest. The company moved a rig into the field during the spring and plans to conduct vertical fracture-stimulated completions in at least two of the wells that were drilled in 2009. The vertical tests will be conducted during the next few months, after which time the company expects to begin drilling additional wells.

"We do not have a position in Alberta, therefore obviously we are not ourselves intending to test the play that far north," said **Ellen DeSanctis**, Rosetta's executive vice-president, strategy and development. "We do expect for somebody, some companies in the future, to begin drilling and testing the play on the Canadian side.

"Our interests at this time...are on the U.S. side."

Newfield recently reached total depth on its second of up to eight planned assessment wells in the Southern Alberta Basin in 2010. The assessment program includes both vertical and horizontal wells. Prospective geologic formations included the Lodgepole, Middle Bakken, Three Forks and Nisku. The company has an operated interest in roughly 230,000 net acres in Glacier County, Montana.

In northwest Montana, where it has a significant acreage position held by production, Quicksilver will

continue to monitor drilling and completion activities around it. The company holds 130,000 net acres by production. Quicksilver has no drilling plans until 2011 in the Alberta Basin Bakken in Montana. The amount of the capital program next year is expected to be set in December.

A spokesperson for **Abraxas Energy** said the company is not publicly discussing its position in the play.

Anschutz, a private Denver-based company, also has a leasehold position in the play and has been drilling vertical test wells, according to Macquarie.

Stone Energy Corporation said results from a planned well in northern Montana (35% working interest, Newfield operated) targeting the Bakken formation was expected in the third quarter.

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