

## Alberta shale gas play in spotlight; Mammoth find

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CALGARY - A new natural-gas shale play, akin to the Horn River gas field in northwestern British Columbia, is emerging in Alberta, and explorers made a big gamble on the zone this week.

Alberta, which has been pummelled by low natural-gas prices and a royalty structure that producers dislike, raked in \$383.9-million in its last oil and gas rights auction of 2009. The Devonian Duvernay shale was the star area.

"We believe there is sufficient evidence to portray the Duvernay as a reasonable analog to the well known, related Muskwa shales of Horn River," Robert Fitzmartyn, vice-president and director of institutional research at First-Energy Capital Corp., said in a research note.

The Horn River gas field may contain up to 500 trillion cubic feet of natural gas, which would make it a mammoth find. The Duvernay zone, in comparison, is a mere speck considering Mr. Fitzmartyn estimates it may contain 25 trillion cubic feet of natural gas. However, the Duvernay, which sits west of Edmonton, might attract more attention.

"The Duvernay is going to have its advantages," Mr. Fitzmartyn said in an interview. "It has the infrastructure [such as pipelines and gas plants] there; it might be better rocks."

"People don't appreciate how far north the Horn River is and how desolate it is and the logistical challenges of working up there."

Further, while initial estimates peg the new find at a fraction of the Horn River's size, 25 trillion cubic feet of natural gas is nothing to scoff at.

"It is still going to move the dial," the analyst said. Alberta does not disclose which companies participate in land auctions. EnCana Corp. and Talisman Energy Inc. are among those which Mr. Fitzmartyn believes may be involved.

The land auction has the oil patch buzzing for another reason. Alberta has fallen out of favour in the natural-gas business because explorers and producers can get better royalty deals in jurisdictions such as British Columbia. The province will soon complete its so-called competitive review, which could lead to further changes to the royalty structure.

Mr. Fitzmartyn thinks the oil companies' bet in the land sale could reflect confidence that a better fiscal deal is coming.

"Maybe people wouldn't make this bet if they didn't think changes might be," he said.

British Columbia yesterday boasted about how the changes it made to its royalty structure throughout 2009 prompted oil and gas companies to spend more than they planned.

"Stimulus has incented producers to increase their expected 2010 investment by [\$600-million], or 38.4%, to a total of \$2.1-billion in 2010," the province said in a release.

"Before stimulus, investment in B.C. in 2010 would have been 18.5% lower than 2009 investment levels," it said. "With stimulus, investment in 2010 is expected to be 12.7% higher than 2009 investment levels."