

## Duvernay Benefits From Experiences And Technologies Developed In Other Major Basins

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Duvernay development benefits from common operatorship in unconventional basins across North America, with those companies bringing valuable experience and innovations from one area to another, says Wendy Smith-Low.

“What came to our attention very, very quickly is that, first of all, 70 to 90 per cent of the plays are controlled by 10 players across each of these plays, and those players are represented in more than one basin,” she told this week’s Canadian Society for Unconventional Resources (CSUR) Duvernay conference during a presentation looking at the Duvernay, and comparing it to the Montney, Permian and Eagle Ford.

“That becomes extremely important when we are thinking about leveraging ideas and expertise that has developed in one basin versus another basin,” said the BMO Capital Markets energy A&D advisory group managing director. “This allows us to move technology a lot more quickly than we would have been able to do even five years ago.”

According to Smith-Low, the ability to “leapfrog or leverage learnings from play to play and be very nimble” is hugely beneficial. The Montney is well developed and extremely competitive with the Permian and Eagle Ford plays, and in the ‘young’ Duvernay, companies have managed — with very few wells drilled in comparison to the other basins — to identify the sweet spots and become extremely competitive, and with attractive rates of returns.

“The Duvernay especially is a very good buy, and it will give you rates of returns in the sweet spots that are in excess of many of the U.S. plays. That is what excites us about the Duvernay.”

Also important is the Duvernay’s propensity for condensate in a region of the continent particularly amenable to produce that, she added. “It is one of the sort of unique demand and supply markets we have in Western Canada, where we have demand for diluent for the oilsands, and we have been continually short of that diluent.”

Even looking into 2017 and the influx of diluent through rail as well as via pipe, she noted, there is still a diluent shortage of about 175,000 bbls per day. Therefore, anything the industry in Western Canada can do to create its own supply market to the oilsands bodes well into the future.

During a CSUR question-and-answer period of the session, one participant inquired as to the impact delayed oilsands projects or improved diluent efficiency might have on expected future demand for Duvernay condensate.

She said an example of something not accounted for that will increase the demand for condensate is the turning off of the Long Lake upgrader. Earlier this year, CNOOC Ltd.’s Nexen Energy ULC decided not to repair its oilsands upgrader in northern Alberta following a January explosion (DOB, July 12, 2016).

“And so that bitumen now needs diluent. There are cases where we are actually increasing on forecasted expansions and development plans, and the requirements for diluent because of other industry activities around upgrading, for instance.”

That diluent need is why there is such a focus on the condensate plays. Smith-Low said at \$50 per bbl, rates of return on Duvernay wells is in the neighbourhood of 20 per cent.

"For a new emerging play with just a few hundred wells drilled into it, that is quite remarkable. I think the leverage we have been able to acquire from the other plays have really been able to move that forward very quickly."

She added: "Twenty per cent, obviously, is not a high enough rate of return to invest in shale plays going forward long term, but what we have seen over the last 12 months are pacesetter wells that show continuous operation results in the neighbourhood of anywhere from 80 to 95 per cent, and those are economic wells."

"That is the future of the Duvernay, and that is what we want to focus on in terms of how that compares ... to many of the U.S. plays."

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