July Land Sale Postings, Southern Alberta – More Oil Shales?

Wendy Smith Low, B.Sc.
Director
(403) 515-1528
wendy.smithlow@bmo.com

Joyce Kennedy, B. Sc.
Vice President
(403) 515-1576
joyce.kennedy@bmo.com

Steve Kehoe, M.E. Sc., P. Eng.
Associate
(403) 515-3661
steve.kehoe@bmo.com
Two land sales this summer – July 13 and July 27 have posted more than 400,000 acres in a fairway that stretches south from Calgary to the Alberta/Montana border.

Current speculation is that the postings are targeting two oil shale plays – the Second White Specked Shale (2WS) and the Alberta Bakken Petroleum System.

2WS drilled to date are the red stars on the map and the Alberta Bakken wells are the yellow stars.

The first land sale on July 13 is indicated in blue on the map and has 456.75 sections posted in 188 parcels for either 2 or 5 year terms.

The July 27 land sale, indicated on the map in green, includes 183 sections in 70 parcels, again for either a 2 or 5 year term.
The 2WS is also sometimes referred to as the Cone - has produced from the Turner Valley area south into Montana.

Production from these wells is significant having produced a more than 2.2 MMbbl (Alberta wells only). In particular the 06-06-012-28W4 has produced in excess of 1.4 MMbbl.

On the right is a well log from the 06-06 well showing the 2WS to be ~100m thick.

There will be areas proximal to the deformed belt where the 2WS will be faulted creating the opportunity for repeat sections. This is the case with the Legacy well at Turner Valley 10-31-019-02W5.

All the lands posted in green include the rights for the 2WS.

Note that to date no horizontal 2WS wells have been drilled in Alberta.
The map on the left shows the Alberta Bakken Fairway and the July land sale postings indicated in either yellow or green. Note that only a small portion of the lands (green) are in the fairway.

A number of horizontal wells have been drilled into the play with more licensed and waiting to be drilled. Most of these wells remain confidential so production performance is limited to calendar day rates (assumes full hours of production each month) which can mask the true production from the wells.

The area around the green lands has seen development by companies such as Argosy, Nexen, Timberock, Canadian Coastal (Broker) and Crescent Point. Note that Crescent Point has licensed a number of wells targeting the Barons (a 2WS equivalent) on the green lands.
About BMO Capital Markets

BMO Capital Markets is a leading, full-service North American financial services provider, with over 2,000 employees operating in 14 North American offices and 26 worldwide, offering corporate, institutional and government clients access to a complete range of investment and corporate banking products and services. BMO Capital Markets is a member of BMO Financial Group (NYSE, TSX: BMO), one of the largest diversified financial services providers in North America with US$437 billion total assets and more than 38,000 employees as at April 30, 2011.

www.bmocm.com

Copyright © 2011 BMO Capital Markets. All Rights Reserved.

These materials are confidential and proprietary to, and may not be reproduced, disseminated or referred to, in whole or in part without the prior consent of BMO Capital Markets ("BMO"). These materials have been prepared exclusively for the BMO client or potential client to which such materials are delivered and may not be used for any purpose other than as authorized in writing by BMO. BMO assumes no responsibility for verification of the information in these materials, and no representation or warranty is made as to the accuracy or completeness of such information. BMO assumes no obligation to correct or update these materials. These materials do not contain all information that may be required to evaluate, and do not constitute a recommendation with respect to, any transaction or matter. Any recipient of these materials should conduct its own independent analysis of the matters referred to herein.


* Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.