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Light oil hoped for in southeast

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A light oil-bearing geological formation first discovered in the mid-1950s could be the next big thing in the Saskatchewan oilpatch, government and industry officials say.

The Bakken play is being touted as the biggest light oil discovery since the deep oil play in the southeast in the 1990s.

"If it pans out, it's a resource play," said Don Rae, president and CEO of Waveform Energy, which has drilled several wells in the Bakken formation in southeastern Saskatchewan.

"It has huge potential for the province," said the Saskatchewan-born roughneck who worked his way up the ladder to become head of the Calgary-based junior, which is traded on the TSX Venture Exchange under the symbol WE.

Waveform is betting the Bakken formation will be the key to the company's future success. Since early 2004, the company has acquired about 27,000 acres (11,000 hectares) in the Torquay-Tableland area and drilled two wells in the first quarter.

"That's our core area," said Rae, who lives in Yorkton and commutes to Calgary. "We started acquiring land a year ago March and we're still acquiring."

While the drilling results are preliminary, Rae said the early indications are promising. "In any project, there's a huge learning curve. We've learned from our first well and we've learned from our second well."

Even if the company doesn't buy another acre, Waveform has enough land to undertake a major drilling program in the area. "If this thing works out, we could drill 90 to 100 wells."

If that happens, Waveform and its partners could be spending hundreds of millions of dollars in the area. "If we drill 100 wells, you're looking at a \$200-million to \$300-million capital expenditure," Rae said. "That's not small potatoes."

And Waveform is one of a number of companies active in the area, including Bison Resources and StarPoint Energy. In fact, Bison discovered light oil in the Bakken formation at Viewfield in September 2003. Since then, the Calgary-based junior has drilled 18 vertical wells in the formation, and plans to drill more horizontal wells to increase production and recovery rates.

But the first discovery in the Bakken formation occurred in 1956 in the Roncott pool, while another smaller discovery was made at Rocanville in 1957.

Aside from the odd well here and there, between the mid-1950s and 2003, nothing much happened in the Bakken formation, which ranges in southeastern Saskatchewan between 1,600 and 1,800 metres deep. For the past 50 years, the shallower Mississippian formation (1,300 metres) is where most of the oil has come from in the southeast.

"People knew that the Bakken had potential," said Myron Sereda of Saskatchewan Industry and Resources. "But it never did receive much attention."

But the 2003 discovery significantly boosted land sale, exploration and development activity in the area. Over the past 16 months, the number of wells drilled in the Bakken formation has increased from eight to 45, while production has increased from 1,500 barrels per month to 25,000 barrels by the end of February.

While that's a drop in the bucket compared with total production from the southeast of 748,000 barrels per month, Bakken production will likely increase substantially in the months and years ahead.

"It's certainly brought some renewed excitement to the southeast," said Bruce Wilson, executive director of Industry and Resources' petroleum and natural gas division. "You can attribute the Bakken (play) to at least part of the renewed interest."

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