

# Unconventional Interest

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High commodity prices and the need for new production are spurring great interest in unconventional oil and gas plays throughout North America. Majors, previously willing to cede mature areas to independents so they could focus on bigger prizes elsewhere, have taken renewed interest in their potential. Following the success of the Barnett Shale region in the US, attention has turned to the Haynesville Shale gas play in northwest Louisiana and east Texas, British Columbia, and the Bakken area in North Dakota.

The Barnett Shale has been one of the great success stories in gas production in the past few years, thanks to advances in drilling and fracturing technology. That success, and the play's future potential, are discussed in-depth in an article in this issue that begins on page 48. Now other areas are attracting attention. An array of upstream acquisitions involving unconventional production have taken place in the past several months in North America involving both Canadian and US firms, and including independents and majors.

In late July, BP became a participant in US shale gas with an acquisition of 90,000 net acres and 50 million ft<sup>3</sup>/D of gas production in the Oklahoma Woodford Shale gas area. That follows Shell's recent deal with EnCana for a joint exploration agreement to explore and develop the Haynesville Shale area. Chesapeake and its joint venture partner Plains Exploration & Production believe Haynesville Shale will eventually become the largest gas field in the US and the fourth-largest in the world. Shell also made the year's biggest acquisition to date when it paid USD 5.9 billion for Canada's Duvernay Oil, which has extensive acreage in western Canada's tight gas area. Of particular interest is the Montney Basin in northeast British Columbia, which has emerged as one of North America's most interesting gas plays.

Traditionally, majors have sold off mature areas to independents as they looked for bigger and higher-potential fields outside of North America. But with resource nationalism limiting access and high oil prices making unconventional projects more economic, international oil companies (IOCs) are taking a new look at some areas in the US and Canada, particularly in light of the technological progress that has been made in fields such as the Barnett Shale. Independents such as Devon, Chesapeake, XTO, and EOG Resources have been the dominant players in developing North America's unconventional reservoirs, but that apparently is changing. Other newly active firms in these emerging plays include EnCana, which has begun investing heavily in the Haynesville Shale and the Horn River basin Shale in British Columbia and Hess, which is investing in Bakken.

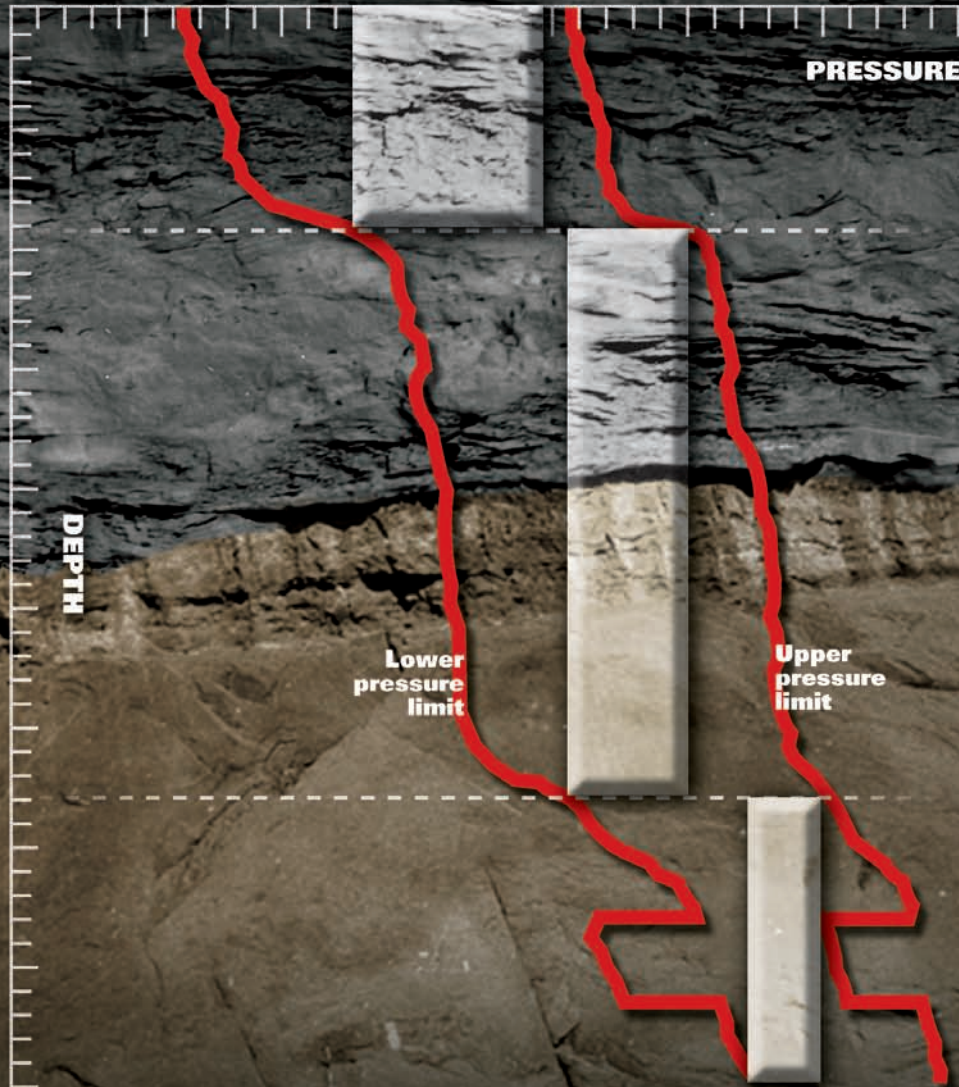
Most of the world's oil shale is in the US, with the US Geologic Service estimating about 2 trillion bbl of in-place deposits, but shale is very costly to develop and produce. But as IOCs continue to look for new sources of oil and access constraints hamper where they can go to find it, these challenging frontier areas—including shale, tight gas, heavy oil, and coalbed methane—should attract increasing attention going forward.

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