

Huge Alberta land sale sets fiscal year record of \$2.66 billion

BY SHAUN POLCZER, CALGARY HERALD MARCH 23, 2011

Presented By:



Alberta's final land sale of the fiscal year was also the highest of 2011, bring the 12-month total to a record \$2.66 billion.

Photograph by: From Merlin Archive

Provincial coffers swelled by another \$200 million on Wednesday after the Alberta government hosted another record-breaking auction of oil and gas and oilsands rights that set a new high water mark for land sales in a fiscal year.

Oil and gas producers spent \$189.19 million to buy 109,000 hectares of conventional mineral leases and drilling rights at an average price of \$1,741 a hectare. A separate offering of oilsands leases added another \$11 million to the total.

Two parcels near Fox Creek accounted for \$135 million of the sale proceeds including a single parcel that fetched a record \$97 million, making it one of the most expensive drilling licences ever sold in Alberta.

Scott Land and Lease placed the bid on behalf of anonymous buyers that paid more than \$11,000 a hectare for the right to drill deep oil and gas wells on it.

Charter Land Services bought an adjacent parcel that went for \$38 million or \$8,225 a hectare.

Brad Hayes, the president of Petrel Robertson geological consultants, said producers are chasing what could be a new shale oil play in Alberta.

Hayes said the rights are so deep the bidder has to be targeting either Duvernay formation or one of the deeper pinnacle reef plays.

"My inclination is to think it's the Duvernay because they're covering such a big broad area. If it were one of the reef plays, they tend to be a bit more focused so that even though the oil in place is quite high, the reef itself doesn't cover a big area like the Duvernay shales would."

The shallower zones in the area have been highly explored, but deeper rights in many cases reverted to the Crown because they weren't being drilled.

"There are a lot of deep rights available," he said. "It's below most of the other targets people play in that area. A lot of the formations that are higher up have been the real focus."

He said the Duvernay shale is known for liquids rich natural gas but some producers think it could also hold oil. Oil prices rose to the highest level since September of 2008 on Wednesday, eclipsing \$105 US a barrel.

It was the largest land sale of 2011 and the second-largest since an auction last July brought in \$452 million. A similar sale two weeks ago brought in \$160 million to push the total for the fiscal year that ends March 31 to \$2.66 billion, which Energy ministry representatives said is a record for conventional oil and gas rights in the province.

Department spokesman Jay O'Neill said the high sale numbers are partly a reflection of changes introduced last year to improve the oil and gas industry's competitiveness, but also a recognition of Alberta's prospectivity and exploration potential. Land sale numbers tend to move higher in tandem with oil prices and are considered a leading indicator of future industry activity.

"I think it's partly industry recognizing that Alberta is the place to be again," he said. "But there has to be something there, industry is obviously confident there's something worth investing in to spend those kind of dollars."

With files from Dan Healing

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