

## BOE Report Weekly Round-up

### March 28<sup>th</sup>, 2025

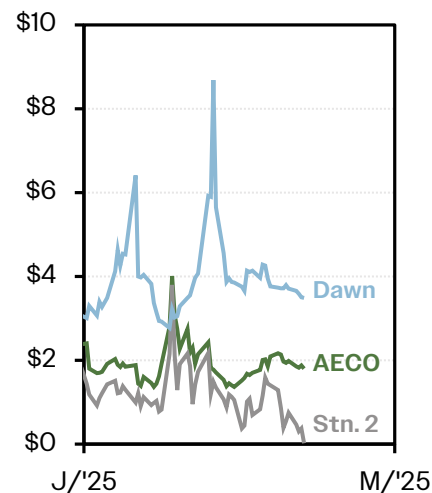
Last week we went global, and this week we're doing the opposite. Going hyper-local. Zooming in on certain pads, then backing it up to the WCSB gas market, broadly, and why we still don't think that LNG Canada solves AECO's structural problem – which is supply-motivated, rather than demand-centric.

The greatest part of Canada's upstream oil and gas industry is the sheer amount of data that's disclosed. There is no Yiplt, there are no channel checks required – we have Petrinex. For those that want to follow along, 95% of any company's capital assets are out in the open. We have taken that to heart, following along with the industry's day-to-day via public disclosures, satellite data, and volumetric reporting – inside we share some of what we've found interesting this week.

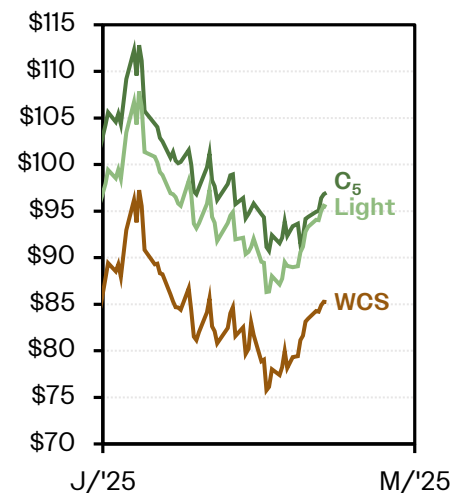
## Rig Counts by Operator

 <b>TOURMALINE</b> OIL CORP. <b>13</b>	 <b>veren</b> <b>10</b>	 <b>BAYTEX</b> ENERGY CORP. <b>8</b>	 <b>ARC</b> RESOURCES LTD. <b>7</b>	 <b>WHITECAP</b> RESOURCES INC. <b>5</b>
 <b>spur</b> PETROLEUM LTD. <b>5</b>	 <b>OBSIDIAN</b> ENERGY <b>4</b>	 <b>tamarack valley</b> ENERGY <b>4</b>	 <b>PARADIGM</b> RESOURCES LTD. <b>4</b>	 <b>STRATHCONA</b> RESOURCES LTD. <b>4</b>
 <b>BIRCHCLIFF</b> ENERGY <b>4</b>	 <b>SPARTAN</b> DELTA CORP. <b>3</b>	 <b>PEYTO</b> <b>2</b>	 <b>HXX</b> Heechwater Exploration Inc. <b>2</b>	 <b>NUVISTA</b> ENERGY LTD. <b>2</b>
 <b>kelt</b> exploration <b>2</b>	 <b>kiwitinohk</b> energy <b>1</b>	 <b>LOGAN</b> ENERGY CORP. <b>1</b>	 <b>ADVANTAGE</b> ENERGY LTD. <b>0</b>	 <b>Bonterra.</b> <b>0</b>

## Producer Netback Gas Prices by Hub (CAD\$/GJ)



## Spot Edmonton/Hardisty Crude Pricing (CAD\$/Bbl)



Note: Gas netbacks assume Gordondale plantgate, long-haul tolls assumed at minimum FT-R rates  
Source: Bloomberg, NGL, HTM Data Suite

## Weekly Headlines

[Tuktu announces year end reserves, operations update](#)

[Pieridae proposes name change to Cavy Energy](#)

[Tidewater Midstream announces year end results](#)

[February oil and condensate results surprise](#)

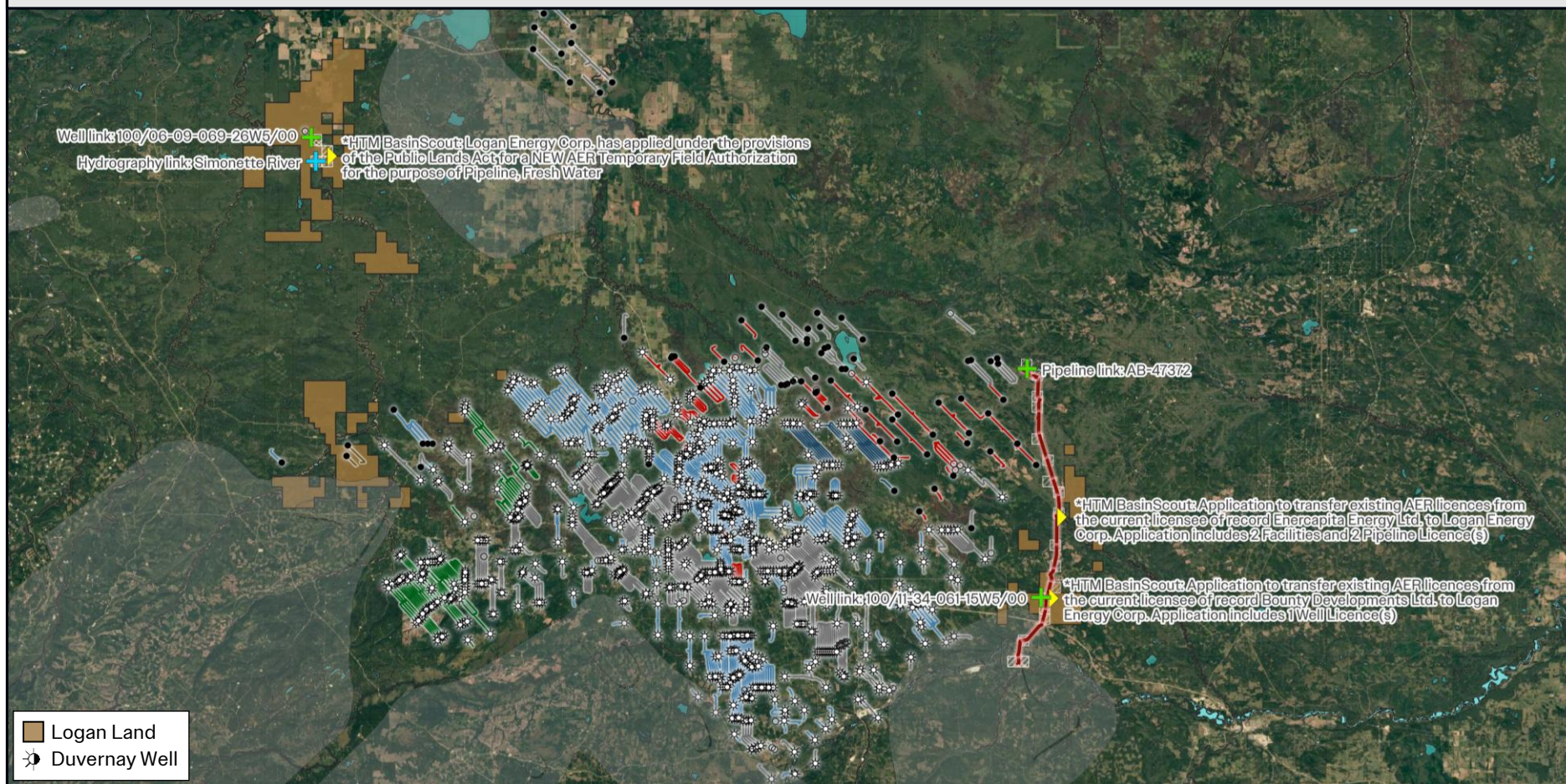
[Dallas Fed survey saw activity slightly higher in Q1](#)

[Clearview Resources announces repositioning process](#)

## Logan Teases Duvernay Development with Pipes, Pads, and Water

Over the last few weeks, Logan has acquired Enercapita's north-south sour gas connector that runs along Virginia Creek Road. There is some other idled gas infrastructure in the area, though sweet processing is risky as their acreage position on the reef leads to a higher likelihood of unwanted frac growth souring the wells. At Two Creek Logan also picked up a Bounty strat hole. To the north at Ante Creek, Logan applied for a freshwater line from the Simonette River that they will use to frac their Ante Creek Duvernay DUC this summer.

### 3-28.1: Logan Energy Greater Kaybob Duvernay Activity

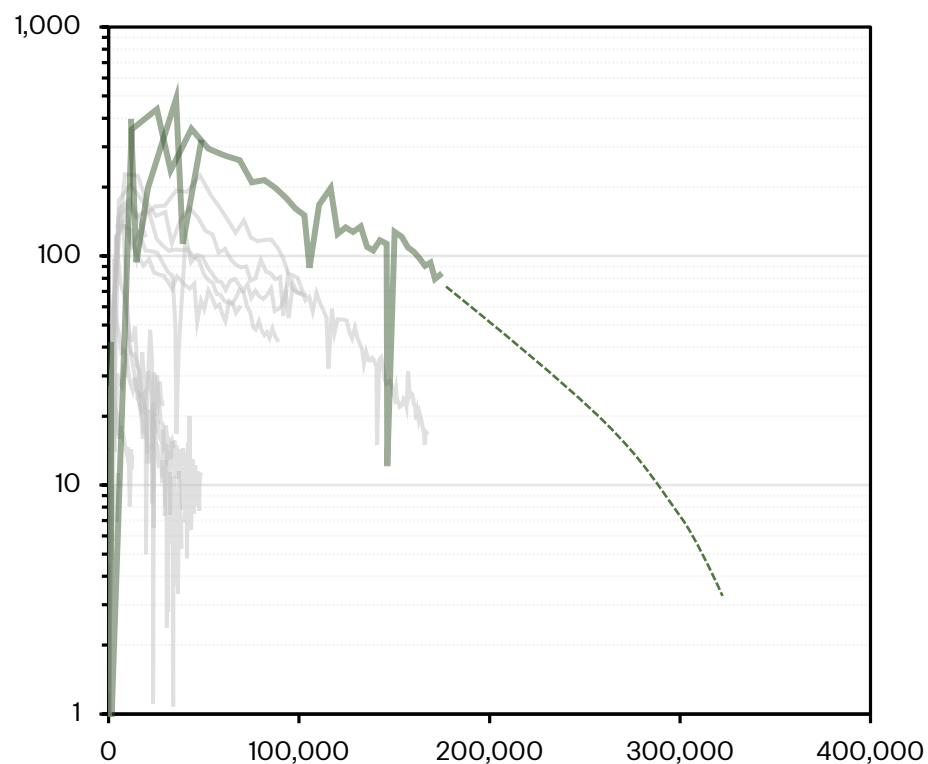




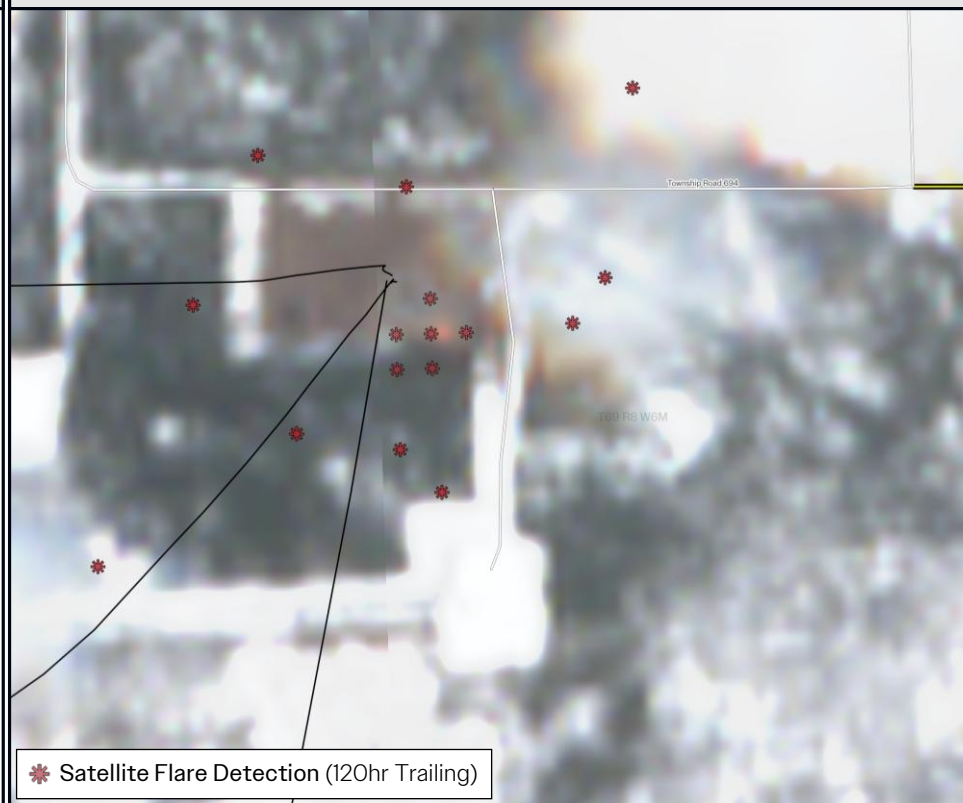
## Is the Dunvegan Back? Sinopec, Mancal, CNRL, Cardinal, and HWN are all Dabbling

With Archer's Charlie Lake wells taking top spot in February, Aspenleaf's Nisku wells consistently ranking top decile, and the Belly River now a mainstay in industry lexicon – it seems like conventional might be back. After drilling a test in 2022, then again in 2024, Sinopec is at it again with a pair of Dunvegan's at Elmworth. We think both of their initial wells will recover >300,000Bbls of oil. Many great philosophers have said “*to live is to drill the third party reserve report, to thrive is to jam massive slickwater fracs into semi-conventional uphole zones*” – and it seems like Sinopec is thriving. Their Elmworth 13-21-069-08W6 pad has appeared in the daily flaring data for over a week now, generally a positive sign for test wells that are not producing in-line. To the west, CNRL has one Dunvegan DUC, a step-out from their wild success at Karr where oil IP<sub>30</sub> rates are over 1,000Bbls/d, great results for <\$6MM DCE&T costs. With the Daylight conventional juice back on the menu, our only question – is the Nikanassin next?

3-28.2: Elmworth Dunvegan Oil Results (Bbls/d & Bbls)

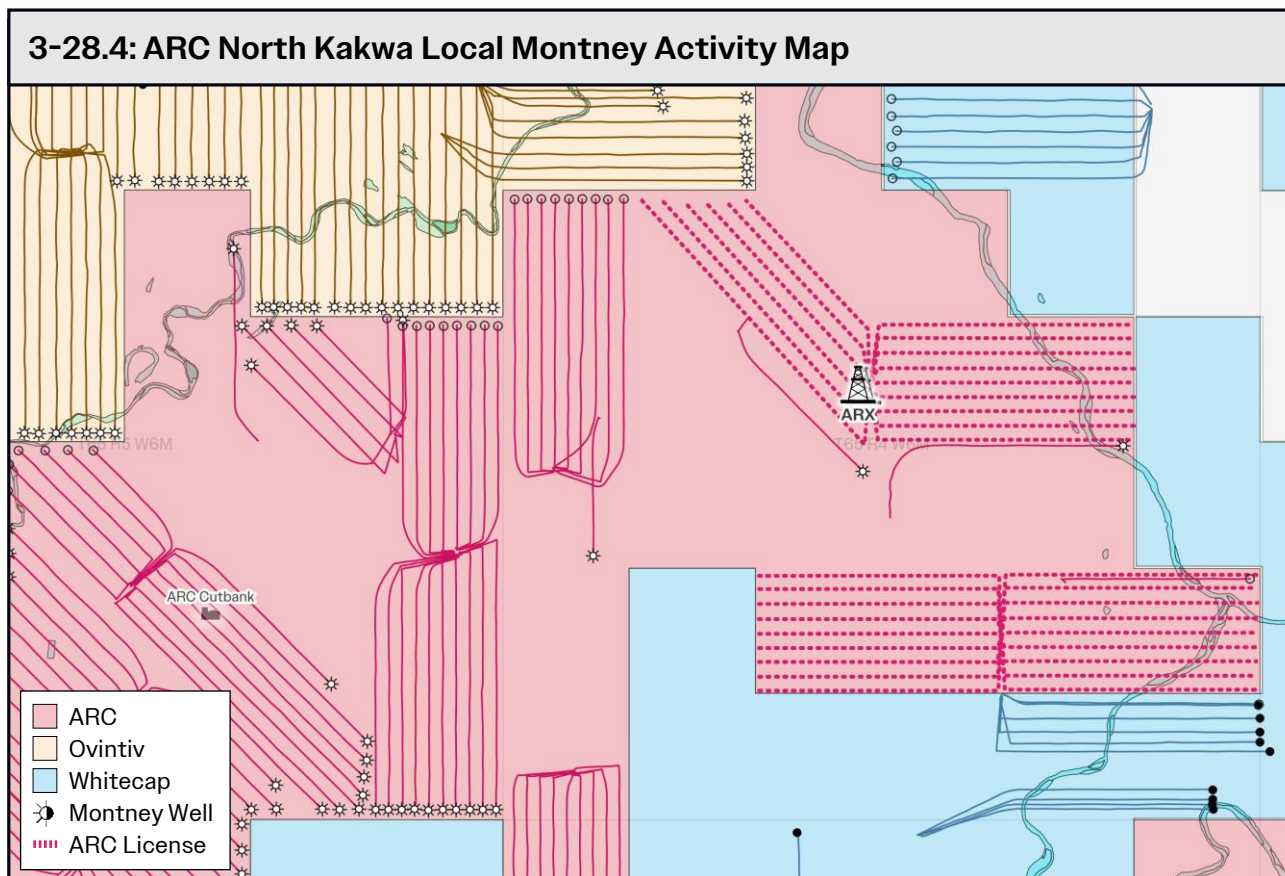


3-28.3: Sinopec Dunvegan Pad Live Satellite Clip



## ARC Sets Up a Home Run at Kakwa, Ready to Deliver in Maintenance Mode

Similarly, we're wondering where the activity is from ARC! It seems like ARC has been all rig, and no crew this year. But it's notable they have focused their activity in 65-4W6 – the undisputed core of their Kakwa play. If 65-4W6 was a Country music artist, it'd be George Strait. If 65-4W6 was a handbag it'd be an original Jane Birkin. We'd go as far as saying; if 65-4W6 was an uneconomic shale gas play, it'd be the Liard. All to say – ARC now has 17 DUCs and 2 rigs running in their absolute best rock. This is shortly after they delivered 7-800Bbl/d oil IP<sub>30PD</sub> rates at Ante Creek. We think that ARC is gearing up to lap expectations to prove what their assets can do in “maintenance mode”, after Attachie last year (with a cheeky bit of high grading). Though, we yield that ARC is one of the few E&Ps that can successfully play the “beat and raise” game given their cap size and shareholder base. Whitecap tried that last year, but it wasn't met with the reception we had hoped. The top well lists will be dominated by these pads when they're brought onstream.

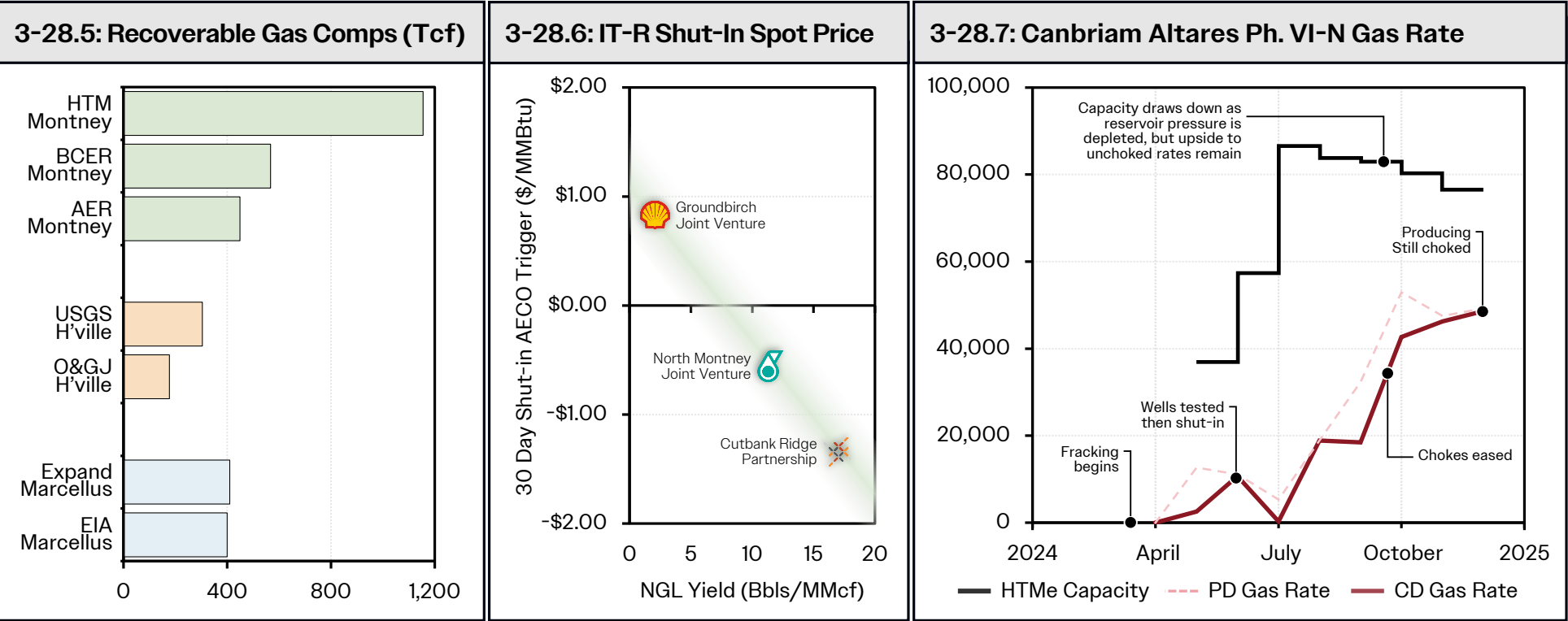


# We Still Don't Think LNG Canada Solves AECO's Structural Problems

As Canadian gas markets become more competitive, we think that live data tracking is more important to appreciate production potential for those actually trading gas. Ironically, for equity participants, we simultaneously think it becomes less important, as the cost of knowing that AECO will forever regress to zero – well, we’re giving it away for free here today.

There are a handful of punishing supply dynamics that are underappreciated. The amount of gas that Canada has is unfathomable. We think it’s far more than Appalachia, which produces >30Bcf/d (vs. the Montney’s ~10Bcf/d). The WCSB is still churning through the low end of our cost curve. Then, almost all WCSB gas is “wet” (i.e. there’s an NGL component to the stream), which helps economics. In the Haynesville, there are zero liquids. This means once Canadian gas is in the system – it’s in the system.

Finally, we’re just maturing as a basin; starting to explore leaner parts of the Montney, while implementing production management programs seeking to capitalize on higher prices (and subsequently, dulling them). We’ve noticed that certain Cambrian’s Altares wells produce extremely restricted through to the colder months – Canada’s first quasi-dTIL.





## Infrastructure Moderates Growth, but Becomes a Lesser Hurdle as Plays Progress

Of course, the consistent rebut to the liquids argument, is that infrastructure then moderates supply – both gas processing, and NGTL meter space expansion. This is fair, and very valid. Our view is that infrastructure is the only factor that will moderate WCSB gas supply. The bulls will note that there's only ~0.5Bcf/d of incremental NGTL export capacity through 2030, and <2Bcf/d of peak receipt expansion. We agree – we think it's likely that for parts of the next decade, intra-basin demand growth will outpace supply, and there will be brief moments of good pricing where US exports will soften – though we just can't see that lasting. Our structural view is that there are molecules to answer any supply call in the medium-term, with persistent liquids-rich growth matching run-rate demand growth.

We also think that infrastructure becomes less of a hurdle as we move south into the Montney – Canada's version of the Haynesville. We keep coming back to the Tourmaline and Strathcona facilities at Sundown and Groundbirch – both of which don't have liquids recovery towers, it's not economic to. They dehydrate and condition the gas before connecting to sales. These shorter cycle projects in the lean gas window add an additional layer of supply-response-ability that continues to moderate our excitement towards in-basin gas prices.

**3-28.8: Tourmaline Sundown Montney Facility**



**3-28.9: Strathcona Groundbirch Montney Facility**



## Cycle Times Can be Eye-Wateringly Fast

As long as Canada is achingly long resource, and painfully short egress, there will be a price response. Orintiv's 04-24 Cutbank Ridge pad just west of Dawson Creek is a phenomenal example of how fast producers can, and will hustle, to respond to higher gas prices (if that ever happens). As Kenney Chesney so poetically said – “*don't blink*”.

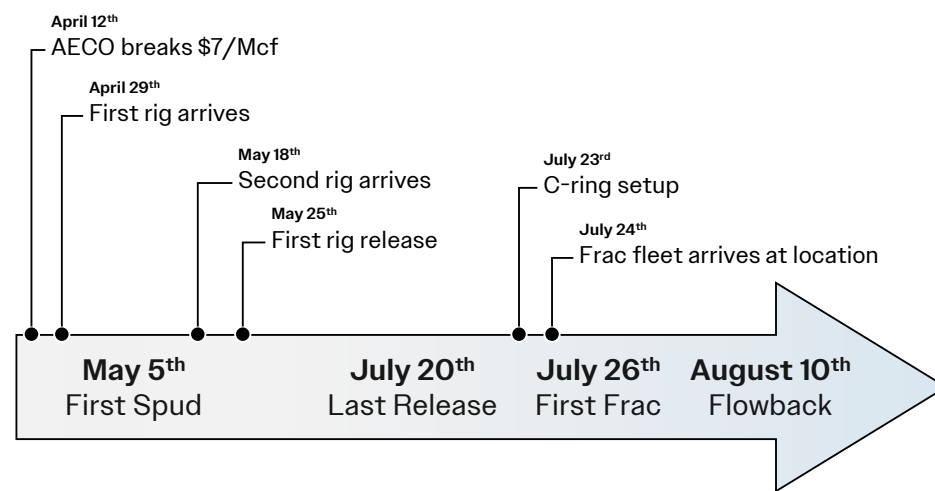
This 04-24 pad is unique, as the northbound wells were drilled in the 2010s, which kept the southbound licenses live. This let Orintiv respond to the AECO price signal in just weeks. Orintiv had a rig on location days after AECO broke \$7/Mcf. Less than 100 days later they were flowing back 7 wells. This was a perfectly conducted orchestra of services – motivated by money, and lots of it. For context, we think that Tier 1 Lower Montney wells in the Swan Lake area make over \$20MM of FCF in the first 24 months at \$7/Mcf AECO.

By the numbers, this pad paid out in 5 months from TIL, and just 10 months from the first spud – producing a peak raw gas rate of 175MMcf/d, a sales gas EUR of 215Bcf, for a PDP F&D cost of just \$1.65/BOE. The average well's IP<sub>365</sub> rate was >3,000BOE/d.

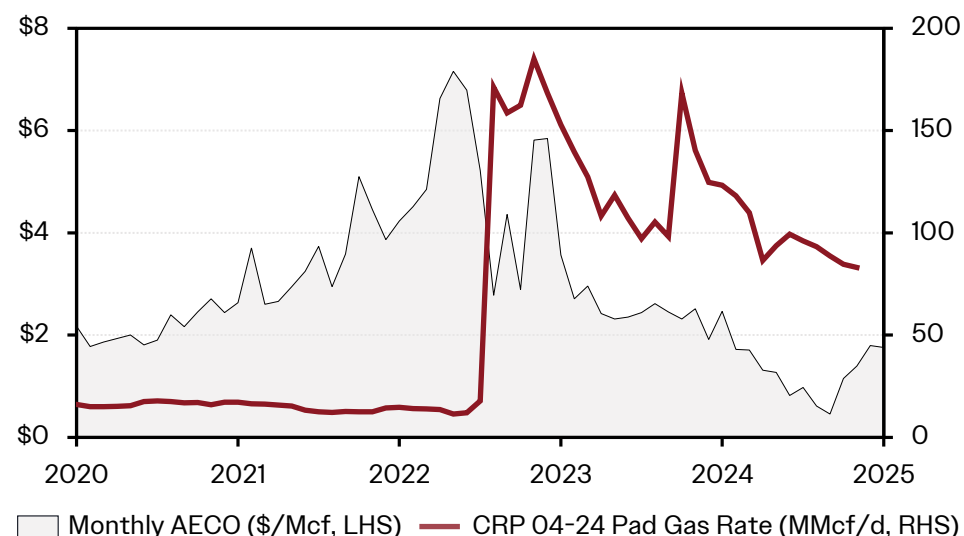
Granted, Orintiv had infrastructure slack, but as other rich gas plays continue to grow, they too will slowly build infrastructure slack. Cutbank Ridge is an elite asset, not just within the Montney, but globally – but we think other areas of the Montney can deliver similarly compelling returns >\$5/Mcf. Namely, the deep, high pressured windows of Kakwa, Wapiti, and Resthaven.

This is what we're dealing with. AECO is, and will continue to be, a supply basin. It's enviable, and very nice that the US has begun to transition to more of a demand 'basin' – but the WCSB is not there yet. Our broad AECO framework would suggest that AECO can't sustainably trade where a) shallow gas is in the money; and b) the liquids stream doesn't matter to economics. If either of those scenarios occur, we think we'll see excess dry gas growth.

### 3-28.10: CRP 04-24 Ph. II Drill and Complete Timeline



### 3-28.11: CRP 04-24 Ph. II Production vs. Spot AECO Pricing



## We Still See Opportunity in Select Asset Bases, and with Certain Management Teams

Yet, somehow, in a sick way, we can find very good reasons to be bullish Canadian gas producers. Most of those reasons are derivatives of good management running high quality assets, with the scale to access premium markets – thus participating in the US’ transition to a demand basin with the structural F&D advantage of a Canadian producers. Generally, these companies also have the assets in the deep, lean parts of the play (i.e. they themselves are the AEEO puts).

For example, despite our disagreement with Tourmaline’s AEEO bullishness, they are on-pace to be one of the more relevant North American gas producers, with meaningful participation in US gas price dynamics – simply, the WCSB cost curve is less applicable to them. Which is good, as the prevailing US gas sentiment has been “>US\$4/Mcf is needed to coax molecules out” – a great price for Tourmaline. Canada has advantaged royalties, FX, working interest structures, and importantly – F&D. So, we think Canadian gas producers have the tools to succeed – we just don’t think it’ll be selling their product exclusively within Alberta!

