

Pennant Energy Goes for the Checkered Flag in Alberta's Kaybob Oilfield

By Hsiao Lin

"Passed with flying colors" is a nautical term that describes when sailing ships, passing each other at sea, would fly their colors (pennants) if they wanted to be identified. It's a term that neatly sums up the latest stage of Pennant Energy's (TSX.V: PEN) development. The company is ready to step into the limelight as it picks up speed with its latest ground acquisition within the prolific Kaybob oil and gas field in Alberta. The Kaybob is known as one of the largest producing oil and gas fields in North America.

Pennant's holdings in Alberta are comprised of two contiguous properties totaling 1,600 acres at Kaybob— referred to as the "Bronson West" and the "Bronson East" properties. The 640-acre Bronson East property was acquired in a Crown land auction this September, making it the most recent addition to the company's growing portfolio.

The Kaybob field is located in west-central Alberta, and covers nearly eight million acres of land. One of the largest operators in the area is ConocoPhillips, which holds 1.2 million net acres of land that produced 153 MMCFD of natural gas, 4 million bpd of NGL and 2 million bpd of oil in 2006. Pennant's land offsets a well within the same targeted formation that has produced as many as 600 bpd and had cumulative production of approximately 400,000 barrels of oil and 550 million cubic feet of gas.

The Kaybob field is part of an area which contains significant accumulations of crude oil and natural gas from the Devonian Swan Hills formation that are buried up to 3,600 m deep. These reservoirs are generally fine-grained sands that were deposited in a marine or a fluvial environment which has resulted in a complex reservoir development. The Western Canada Basin— of which Swan Hills Formation is a part of— is host to several NW-SE-trending gas fields developed in massive replacement dolostone.

The company has done a great deal of work on the Bronson property so far: in July 2006, its geotechs completed a geochem survey; last winter, they carried out an extensive 3D seismic program; and this July, they completed another geochem survey. This newest survey was conducted to pinpoint potential drill locations on the property. Preliminary analysis suggests that the Bronson West property may contain up to 4 drill targets. Pennant's management has identified several drill target locations in total, with the help of the extensive data collected from the survey program, and the first test well has already been completed.

The Bronson property is a 50/50 joint venture with Austin Developments Corp. (TSX.V: AUL) is fully earned, having paid all the costs of drilling the Kaybob S # 1 well, with Pennant being the operator. Currently, Pennant and Austin are establishing a drilling program schedule for the Bronson West property.

The company got its start in the oil and gas business by establishing cash flow through participation in low risk drilling projects, and went on to develop or farm in on higher risk/reward projects. This strategy has worked well, as evidenced by the success of its 8-well drilling program in the Daly Field in the southwest corner of Manitoba. The initial 4-well program was successful, so the company made the commitment to participate with Rideau Petroleum Ltd. (its joint venture partner) to drill four more wells, which were also successful.

The field produces medium grade crude from the Lodgepole and Bakken formations, which are part of the northeastern flank of the Williston Basin. According to Manitoba's department of Industry, Trade and Mines paper entitled New and Known Petroleum Prospects and Development Opportunities in Manitoba, "evidence of reservoir development and trapping mechanisms analogous to typical pre-Mississippian Williston Basin play types within these largely undrilled horizons, indicate that further exploration may lead to new, undiscovered resources."

Pennant is in a great position to build upon its previous success in the field. The company is in excellent shape financially— it's debt-free and has approximately \$1.5 million in the treasury. It has established stable cash flow through its eight producing wells. Its structure remains a sharp contrast to that of many junior companies at this stage of the cycle— with only 16.5 million shares outstanding, which is invariably a sign of good fiscal management.

Of course, a company's greatest asset is always its people: Pennant's lead geologist (also a director), Jim Britton, P. Geo., has drilled over 430 commercial wells with a remarkable 86% success rate over a career that has spanned more than 45 years.

Management's strategy is twofold: risk-mitigation through strategic joint venture agreements while focusing on drilling high yield zones in proven production areas.

In its effort to increase shareholder value by expanding its portfolio of properties with high potential, the company is also carrying out due diligence on two other projects located in Northern Alberta.

With cash in the treasury, holdings in one of the most prolific oilfields on the continent, and a management with a phenomenal success rate— it's an opportune time for investors to have a head start on a play that looks to be well on the way to winning its own pennant race.

This article is intended for information purposes only, and is not a recommendation to buy or sell the equities of any company mentioned herein. It is based on sources believed to be reliable, but no warranty as to accuracy is expressed or implied. The opinions expressed in the article are those of the author except where statements are attributed to individuals other than the author, in which case the opinions are those of the individual to whom they are attributed.

About the Author

ResourceX Investor is an internationally distributed newsletter about emerging junior resource companies. Sign up for a free 1-month trial to our newsletter and get instant access to news and investing tips that have helped many of our readers make more money. <http://www.resourcex.com>

Source: <http://www.tntarticles.com>