



## Hemisphere Energy targets conventional oil projects

With the advent of improved horizontal drilling techniques, multi-stage fracturing and seismic, the last decade of oil and gas exploration has been redefined by unconventional oil plays. These tightly held oil and gas plays, in the form of sands and shales, used to be nearly impossible to make economically viable in decades past, but have been opened up for production with each technological advance. And while unconventional oil plays may be getting increasingly popular, going after conventional oil is still a worthwhile endeavour.

For Vancouver-based **Hemisphere Energy Corp.** [HME-TSXV], their only unconventional aspect is that they're not based in Calgary. But despite their smaller size and head office location, Hemisphere's strategy of slowly building up their project portfolio through conventional drilling, in historically proven areas, appears to have been a wise choice.

In July, Hemisphere announced initial production results from its first horizontal well, targeting oil in the Glauconitic formation on its Jenner property in southeast Alberta, where the stabilized initial production rate was 230 barrels of oil per day. The region itself has held a lot of production in both oil and gas, particularly in the Mannville Zone, which Hemisphere's Jenner property is targeting.

"It's a mature part of the basin that's rich in hydrocarbons," says Don Simmons, President/CEO of Hemisphere Energy. "Historically, the Mannville Zone in the Jenner region has produced approximately 200 million barrels of oil, which gives an estimate of around 2 billion barrels of original oil in place."

Simmons is no stranger to the area, having started his career and learning the ropes in southeast Alberta with then-dubbed Alberta Energy Company which later merged to

become **Encana Corp.** [ECA-TSX]. Today, the region still hosts established entities such as Encana spinoff **Cenovus Energy** [CVE-TSX], **Pengrowth Energy** [PGF-TSX] and **Husky Energy** [HSE-TSX], among others, making the field a little crowded for potential entrants.

"There's not a huge amount of open land in the area, but we have been able to build relationships with companies already there," says Simmons. "Part of being a small company is that you really have to prove yourself. You can team up, you can joint venture, you can farm-in and you can get the job done to get a well drilled and get it on stream."

For Simmons and his team, they also had timing on their side, as they were able to snatch up some land during a quiet time when others were seeking unconventional oil projects. "Through 2009 and parts of 2010 it was not a terribly active area, so we were able to pick up land for fairly reasonable prices."

With oil prices the way they are today, available land parcels are becoming more expensive, hence, why Hemisphere is trying to stay ahead of the curve through its Trutch gas properties in northern British Columbia. Though gas may not be enticing to the market today, there are signs on the horizon of better market conditions, including the proposed pipeline through Kitimat, BC or the gas-to-liquids plant previously mentioned in this column being built by Talisman and Sasol.

"Our overall strategy has been to buy gas properties and drill for

oil. The main reason for this is that the net-backs on oil production are phenomenal at these prices," says Simmons. "To try and buy oil producing properties today would leave you buying at the top of the market. You're paying a premium for every potential drop of oil that you're drawing from underground. On the gas side, we think it's a great time to be consolidating in our core areas within our existing gas positions."

While Simmons and his team continue to drill at Jenner and accumulate land positions at Trutch, they are keeping their spending in check. Doing so has allowed the company a conservative level of shares at 30 million outstanding with room for upcoming financings, like its last one in May, for over a \$1 million to push Hemisphere through some of its production goals.

"A couple million bucks isn't a lot of money in our business, but it's enough to drill a few wells and add a significant amount of value on a low risk opportunity," says Simmons. "Our horizontal drilling experience allows us to look for opportunities where assets haven't been fully developed. We target properties that we can drill and add a few hundred barrels per day, which will help us grow towards our 2,000 – 3,000 barrels per day goal." ■

