



Drilling operations at the Turin Project in southern Alberta. Photo courtesy Canadian Quantum Energy Corp.

Canadian Quantum Energy plans Alberta drilling

by Chris Bunka

Canadian Quantum Energy Corp. [CQM-TSXV] is a Calgary-based oil & gas exploration company, with land holdings in Alberta and Québec. The company has 27,168,665 shares outstanding with insiders owning approximately 52%.

Like so many other market victims, the stock was trading on reasonable volumes one year ago, in this case in the area of about \$0.45. But a steady decline followed, as so many junior O&G companies have been affected by market declines, to the point where CQM may have found a bottom around \$0.10 and has edged upward now to \$0.20.

The company's immediate focus is in Alberta, where it has light oil projects with 28 sections (14 net). This includes the Alexander Project northwest of Edmonton that President Douglas Brett says "is 27 miles² of very lightly explored land with just a small amount of 2D seismic shot on the lands." The Alexander First Nation permit comprises 17,365 gross acres and CQM has acquired a 50% interest here, with Sundance Energy Corp. [SNY-TSXV] having acquired the other 50%. Brett says, "a 3-D seismic program is currently being permitted and will be shot in Q1 followed by a comprehensive drilling program."

CQM and its partner are planning to drill their 16-11 well, which is about 2 miles west of the 102/10-7-56-26W4 well that produced at 294 BO/day and 213 MCF gas in a 48-hour

production test. At press time, drilling operations are currently scheduled to commence prior to year-end for this initial well with drilling and completion costs expected to total only \$700,000, of which CQM would be responsible for 50%.

In September 2011, Petro-Reef Resources tested the Alexander 09-12-56-27W4 step-out well in the Detrital oil zone at 296 BO/day and 495MCF gas/day. This was Petro Reef's fourth successful well in the Alexander formation, certainly a positive sign for other similar exploration. The 09-12 well is less than 1 mile from CQM's upcoming 16-11 well.

Management includes 25-year veteran Douglas Brett and Eric Leslie as director with over 30 years in the industry. Brett has a BSc. in Petroleum Engineering from the University of Oklahoma. Leslie has assisted more than 20 companies to go public in Canada and has strong backgrounds both in O&G and finance. Michael Koenig, a third director, is a partner at Davis Martindale Accountants and sits on two other public company boards.

CQM is also a partner in a large 174,000-acre position in the Utica shale in St. Lawrence Lowlands, Québec (37,000 acres net). Partners here include Talisman Energy Inc. [TLM-TSX] and Questerre Energy Corp. [QEC-TSX]. The Utica shale play is a very large natural gas opportunity and has been compared to the well

known Barnett Shale in Texas.

The Utica shale extends south of Québec, into New York state and Ohio. In Ohio, Chesapeake Energy, the second largest natural gas producer in the US, has acquired some 1.25 million acres of leases. The Utica formation appears to evolve increasingly towards oil-rich shale targets as it extends to the south.

According to Oilshalegas.com, "Estimates for Natural Gas in the Utica Shale deposit field ranges between 2 trillion cubic feet up to a whopping 69 trillion cubic feet of natural gas." For its part, Chesapeake has announced that it will invite an "international major energy company" to help it jointly develop its Utica shale assets. Why? Perhaps in part because these are expensive wells, costing some \$8 million each to drill and complete; sharing development risk with partners seems a reasonable strategy.

Canadian Quantum, Talisman and Questerre have managed a Utica test of their own in the Gently #1 well. This was a vertical well that produced 800 MCF/D during an extended 18-day test period.

There is, however, debate about the use of hydraulic fracturing (fracking) as a production aid for natural gas development in shale formations. The Canadian Centre for Policy Alternatives is just one of the opposition groups. According to a March 9, 2011 story in the *The Globe and Mail* entitled "Shale gas play a no-man's land in Québec", the Québec government has issued a fracturing moratorium during a period of study that could take as long as 30 months to complete.

Because of this uncertainty, it is not possible to determine when CQM will be able to realize the hoped-for benefits of its Québec assets, but Brett notes that "It is important to note that the moratorium on fracking in the state of New York has recently been lifted after studying the issues for three years." ■