

# Privately Held B-32 Set To Launch Operations As A Pure-Play Duvernay Entity

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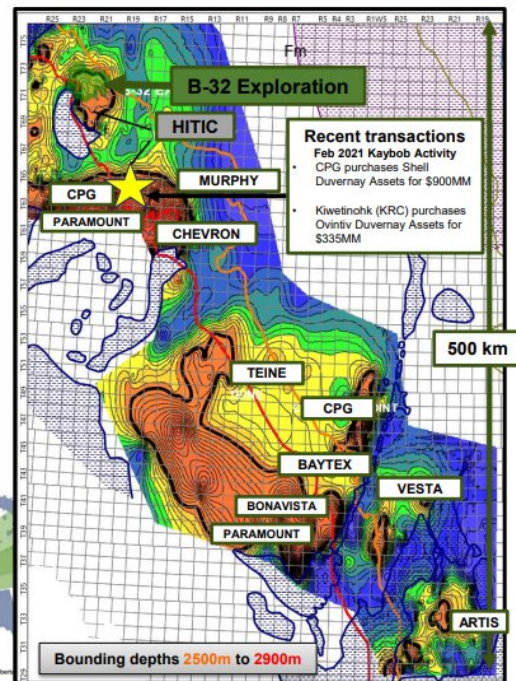
## WHY THE DUVERNAY?

- Spanning across 130,000 square kilometers of land the Duvernay is Canada's largest unconventional resource estimated to have over 200 billion barrels of oil in place
- This large resource with scale and repeatability has attracted some of the largest multi-national companies and private equity
- 10 years into the play, 1,500 wells have been drilled and over \$10 billion spent on R&D, resulting in a highly economic formula
- Innovations combining horizontal drilling and new completion technology has unlocked this vast resource
- Top decile netbacks leading to robust economics

Private Equity	Multi Nationals	Cdn Pubco's
Artis Exploration (Warburg)	Chevron Corp.	Paramount Energy
Vesta Energy (Riverstone)	Petro-China Energy	Crescent Point Energy
Kiwetinochk (ARC)	Murphy Oil	Athabasca Oil
Prairie Thunder (Edge)	Repsol Energy	Journey Energy
Teine Energy (CPP)	XTO Energy	Bonavista Energy
GMT X (GMT)	Hitic Energy	Baytex Energy



Figure 1. Duvernay depositional extent in central Alberta



Past R&D → highly economic formula + world-class scale = outsized returns



Following the release of our new report, *Delivery Time In The Duvernay* ([/play/duvernay/](#)) ([click here for direct access \(https://www.dailyoilbulletin.com/article/2022/2/28/delivery-time-in-the-duvernay-new-dob-report-track/\)](#)), the DOB this week will follow up with stories on three Duvernay producers. Today, we feature B-32.

For previous stories on [Crescent Point Energy Corp. \(/company/crescent-point-energy-corp/\)](#) and [Baytex Energy Corp. \(/company/baytex-energy-corp/\)](#), click on the links below:

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*(<https://www.dailyoilbulletin.com/article/2022/3/1/kaybob-duvernay-to-play-important-role-for-crescen/>)*

*M&A In The Duvernay: Crescent Point Could Look To Add*  
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*(<https://www.dailyoilbulletin.com/article/2022/3/2/baytex-slowly-advancing-its-pembina-duvernay-play-/>)*

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As a privately-held startup oil and gas entity, **B-32 Exploration Ltd.** is laser-focused on central Alberta's Duvernay play.

And for good reason, as the management team and board of the Calgary-based company has a strong history in the Duvernay, as well as other resource plays, says **Larry Evans**, the company's executive chairman and CEO.

"We actually got started about four years ago. It was just a combination of our president, **Brad Culver**, who's a geologist, and then there's myself and **Mitch Putnam**, who's an executive director and a geologist. We've been running a private equity firm called **32 Degrees Capital** which we're winding down," Evans said.

"And Brad showed us this opportunity in the Duvernay. And the fact is we liked it so much we said, 'Let's work on this.'" So we teamed up. So the B in B-32 is for Brad and 32 is for 32 Degrees Capital."

Over the last four years the group, which prior to forming B-32 successfully founded, grew and sold a series of four private E&P companies, has put together 250 sections of land situated in the Greater Kaybob basin north of Valleyview, Alta.

The land position, which represents the largest single block of land held by a private company in the West Shale basin, sits on Crown lands containing over three billion bbls of oil-in-place supporting over 475 drilling locations.

The acreage is a northern extension of the Kaybob Duvernay field where **Murphy Oil Corporation (/company/murphy-oil-corporation/)** (Murphy Canada) is currently producing some of the most prolific wells in the entire Duvernay basin.

With such a significant land position the company is pursuing three value streams to accelerate growth and mitigate risk. They are: Grassroots development targeting 15,000 bbls/d; industry joint ventures targeting 15,000 bbls/d; and a second core Duvernay area of 32 sections which B-32 has secured and which will provide opportunity for expansion.

According to B-32, **Hitic Energy Ltd.**, a Duvernay early-mover, has drilled four wells directly offsetting company lands, proving productivity (flowed 350 bbls/d on restricted test), 39-degree API oil and 40 MPa of over-pressured reservoir.

On its website, B-32 says Murphy and Hitic have drilled 33 consecutive successful wells utilizing standard drilling, completion and equipping techniques.

B-32's Duvernay asset base is located primarily on farmland with nearby legacy infrastructure including excess gathering, egress and water supply for future development.

“When we started the process of accumulating the land Murphy hadn't drilled their great wells yet and Hitic Energy hadn't drilled any wells offsetting us. So it was kind of a leap-of-faith. And since then, everything has kind of fallen into place for us and has more than met our expectations,” said Evans, who also sits on the board of Duvernay player **Artis Exploration Ltd.**

“We really feel the Duvernay has now emerged as Canada’s leading oil opportunity in the unconventional space.... We are entering the play at the optimal time where drilling and completion techniques have been standardized and capital efficiencies have dramatically improved. We have over 450 locations identified in a Duvernay sweet spot that is geologically continuous with the prolific Kaybob basin. We are positioned for rapid growth,” he added.

“When you look at the latest results from Crescent Point, Baytex and Paramount ... the length of the wells are getting longer and the productivity continues to go up while well costs are coming down.”

Evans noted that B-32 increased its Duvernay knowledge-base when it announced in mid-January (<https://www.dailyoilbulletin.com/article/2022/1/14/b-32-appoints-jason-smith-to-board/>) that **Jason Smith** had been appointed to its board of directors.

“A real coup for us was bringing in Jason as a director. He’s the ex-Murphy Canada president and he was instrumental in focusing Murphy out of heavy oil and getting them into the Duvernay and the Montney ([/play/montney/](#)). So lots of experience there,” Evans said.

With a land base amassed, B-32 management then set their sights on getting its initial financing in place. And just before Christmas the company closed on a non-brokered financing of \$10.75 million.

“On the fundraising front, we closed on an additional \$2.75 million in January bringing our total to \$13.25 million. We anticipate closing on an additional \$2 million later in March as we are now marketing a 12.5 per cent convertible debenture in addition to equity,” Evans said.

“We’ve basically had no help from brokers — it’s a challenging market out there.”

## B-32 FINANCIAL MODEL – 15,000 BBL/D FLAT 2022-2030 YEAR DEVELOPMENT SCENARIO



### Development Plan

- 133 total wells drilled over 9 years (out of 475 locations)
- All wells 3,200m lateral length
- Initial wells trucked from single well batteries
- Begin building oil and water infrastructure (pipelines, central batteries) in 2023 and central facilities for gas conservation and tie in

### Operating Assumptions

- Type curve IP 30 of 740 bbl/d, EUR 500 Mbbbl, GOR 800 scf/bbl
- All-in well costs: First well \$8.9mm, wells 2-10: \$8mm, remaining wells: \$7mm
- Total infrastructure spending of \$59mm over 10 years to eliminate 75% of trucking (still using third party water disposal and treating) and conserve / tie in gas
- Long-term operating costs ~\$11/boe with central infrastructure
- \$2.00 discount to Edmonton light pricing

### Financing

- Raise \$13-\$20 million in 2021 at \$3.75/sh (forecast assumes \$13 million raise), \$60 million in 2022 at \$4.25/sh, self-sustaining thereafter

(<https://www.dailyoilbulletin.com/filer/canonical/1646244699/12253/>).

## *The next phase begins*

Evans said the non-brokered financings were a significant milestone for the company as it is now proceeding with the drilling and completion of its first Duvernay oil well.

B-32's recently licensed 05-02-72-22W5 location at Sturgeon is proximal to Hitic's 02-05-71-22W5 well that tested over 350 bbls/d of 39-degree API oil and sits within the greater Kaybob basin. Normalizing for lateral length and an extreme limited entry completion results in a production rate in line with B-32's type curve of 740 bbls/d.

“Excitement is starting to happen. Horizon Rig 43 is moving to our first location [last] Monday and we anticipate spudding our 3,200-metre horizontal on Wednesday. We anticipate well completion in May with first production by July 1, 2022. With the current oil price our type well pays out in less than one year,” Evans said.

“The additional capital will now allow us to move forward with a two-well pad with the second well spudding immediately after drilling our first well,” he added.

Evans said the company has budgeted \$8.5 million for this first well. “So it’s an expensive well out of the chute here for us. We should have that well on production this summer.”

It wouldn’t be a stretch to say that B-32’s management team is anxiously awaiting the results from its first Duvernay drill.

“This first well is critical to us. And Hitic Energy has three wells offsetting us that have been drilled but haven’t been completed. They expect to be completing them this spring,” Evans said.

“So we’re going to see substantial production coming out of this Sturgeon Lake area. Our plans are to get this well on production, see what it’s capable of and then this fall we’ll be back raising additional capital again.”

Evans admitted it’s been a bit of a tough slog raising the needed financing as capital markets continue to be stingy, especially when it comes to smaller, private oil and gas companies.

“I would say the capital markets — and I’ve been in the business now on the private equity front since back in the late ‘90s — I would say these are the worst capital markets I’ve ever experienced. It’s two things: Publics are gaining all of the attention and we’ve had some bad years in terms of oil and gas equities, not just in 2021 and 2020 but even prior to that. It hasn’t been a great place to be,” he said.

“So, it’s one of those things. If I had to say anything it’s maybe we are a little bit early in the fundraising. But it seems to change every month. There’s nothing like higher oil prices to get peoples’ attention. And then, when you throw on top

of that what Crescent Point has been talking about with the Duvernay, there's just a lot of positive momentum."

In its current Duvernay development plan, B-32 says it plans to, among other things, drill 133 total wells over nine years (out of 475 locations). Wells are currently expected to come in at 3,200 metres in lateral length. Production from initial wells will be trucked from single well batteries.

The company will begin building oil and water infrastructure (pipelines and central batteries) in 2023, as well as central facilities for gas conservation and tie in operating assumptions.

B-32's current type curve estimates an IP30 of 740 bbls/d and an estimated ultimate recovery per well of 500,000 bbls.

All-in well costs are as follows: First well - \$8.9 million; wells two to 10 - \$8 million; and the remaining wells - \$7 million. Total infrastructure spending is pegged at \$59 million over 10 years to eliminate 75 per cent of trucking (still using third-party water disposal and treating) and conserve/tie-in gas.

### ***What's the end game for B-32?***

After having formed, grown and sold other private oil and gas companies in the past, Evans was asked what the management group's end game is: eventually sell or, perhaps, one day go public?

"That's a good question and one which is asked by most of our investors as part their investment decision," he said.

"With 250 sections of land that supports over 400 drilling locations, our plan A is to build a real company that will pay a dividend in a similar way to where the public markets are going. The Duvernay is similar to the Montney in that it is very scalable and repeatable, much like a manufacturing operation. We are initially targeting 15,000 barrels a day a day but are scalable up to 30,000 barrels a day.

“None of this prevents someone along the way taking us out, but that is not the game plan. Going public in the future is an option provided it brought a lower cost of capital.”

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