

The oil world is “looking up” to the northern hemisphere

Surging demand for technology metals and enough battery-hype to resurrect Alessandro Volta has inadvertently distracted us somewhat from the recent struggles of the oil world. On November 6, 2015, the Obama government rejected the proposed Keystone XL pipeline. This pipeline would have connected the oil sands of Alberta with Nebraska and the northern United States. However Canadian Prime Minister Justin Trudeau has been busy approving new pipelines, and President-elect Donald Trump is keen to revive the Keystone project post-democrat, creating a strong entry point for the would-be investor as markets show signs of recovery.

Hemisphere Energy Corporation (TSXV: HME) (“Hemisphere Energy”) could stand to benefit from Trump’s plan to revive the Keystone project. The deposit sits on two southern-Alberta projects, Atlee Buffalo and Jenner, some 40 kilometers north-east of the famous Dinosaur Provincial Park and the badlands, the source of the bulk of our dinosaur expertise. These core areas provide long-term, stable production and development where Hemisphere targets low to medium risk drilling opportunities for production and reserve growth.

Vertical wells proved the Atlee Buffalo properties in southern Alberta in the 1970’s and 1980’s but previous recovery efforts failed, with less than 4% recovered from the 66 million BOE from the Mannville F and G pools. Hemisphere has used a combination of horizontal drilling and waterflooding to successfully extract up to 70 barrels of 100% oil daily; the new techniques have, in fact, boosted well-pressure by three times and stabilised production so that cost-effective reserves can continue to build up.

Canada has a highly sophisticated energy industry and 99% of

Canadian oil exports are sent to the United States. Canada is in fact the United States' largest supplier of oil. The Alberta oil sands have the third largest oil reserves in the world, after Venezuela and Saudi Arabia. The Alberta Energy Regulator (AER) estimates the remaining established reserves of conventional crude oil in Alberta to be 1.8 billion barrels, representing about one-third of Canada's remaining conventional reserves.

The price of oil has been in trouble for some years; as global stockpiles reached their highest ever levels, the price of a barrel was within spitting distance of \$20 per barrel. Alberta's more northern sand-based dinosaur-juice market only becomes financially viable when barrel prices are above \$30-40; this is due to the difficulties involved with extracting from what are essentially tar-sands.

Starting in 2010, total crude oil production in Alberta reversed the downward trend that was the norm since the early 1970s. In 2010 and 2011, light-medium crude oil production began to increase because of increased, mainly horizontal, drilling activity with the introduction of multistage hydraulic fracturing technology.

Hemisphere's Attlee Buffalo property offers much cleaner and easier extraction since the company put their money on horizontal drilling methods. Production costs became as low as \$10 per barrel due to the lower sand content of the resulting extraction thereby reducing the processing time required to achieve oil. Notably, there is no need for hydraulic fracturing at either site, meaning that production costs can be maintained at low levels.

Since 2012, Hemisphere has achieved a smooth and impressive 388% growth in reserves, and all in all, there seems to be a consensus among analysts that 2016 saw the bottom of the depressed stage of the industry cycle and from now on things will start looking up.