

Point Loma Resources

10:52 24 Jun 2019

Canada's oil juniors encouraged by Trans Mountain pipeline approval, but see more work ahead

Canada's oil patch cheered last Tuesday following the federal government's approval of the Trans Mountain expansion project, a long-awaited pipeline from Alberta to British Columbia.

The controversial project, designed to carry almost a million barrels of oil per day, has been in the works for several years, through rounds of approvals and appeals and up against significant opposition from Native communities and environmental groups.

Last week, with an election looming in October, the Liberal government under Prime Minister Justin Trudeau approved Trans Mountain in a move that is viewed with both skepticism at the political maneuvering, as well as optimism that, finally, investment will return to a struggling oil sector that is not nearly as dominant as it once was.

READ: DXI Energy sees huge potential ahead as it gets green light for Woodrush exploration well

At the crux of the issue is a need to transport oil out of Western Canada to the coast of British Columbia bound for foreign markets. With few options for transportation, Canadian producers have frustratingly had to sit and watch as a backlog of barrels quickly piles up with nowhere to go.

What's more, the US is experiencing an energy renaissance pumping oil cheaply from the Permian basin that stretches from West Texas to southeastern New Mexico. Canadian crude, which is priced in Canadian dollars and known as Western Canadian Select, is trading at a significant discount to US West Texas Intermediate prices, at C\$40.53 to US\$57.54.

There is no guarantee that Trans Mountain will directly impact the trading discount between WCS and WTI, but it is certainly a step in the right direction for the Canadian oil industry, according to those who work in the oil patch.

But with the passing of Bill C-69 just days after Trans Mountain's approval that imposes more consultation requirements as part of the environmental assessment process for major resource projects, junior oil executives are left wondering how seriously the Liberal government is in opening up the Western Canadian basin for investment.

READ: Pulse Oil looking down the barrel of a potential game-changer at Bigoray

"The TMX approval should help instill some confidence back into the Canadian oil and gas industry but we need a lot more to happen," said Garth Johnson, CEO of Alberta oil company Pulse Oil Corp (CVE:PUL). "We've been giving up billions of dollars of revenue in Canada, due to heavily discounted oil prices on Canadian oil over the past years and that needs to stop."

Price: 0.08

Market Cap: \$7.12 m

1 Year Share Price Graph



Share Information

Code: PLX

Listing: TSX-V

52 week	High	Low
	0.24	0.04

Sector: Oil & Gas

Website: www.pointloma.ca

Company Synopsis:

Point Loma Resources is new publicly traded Oil and Gas company that has captured a large position on the Mannville oil and liquids rich gas trend in west central Alberta. As a new company we have no bank debt, a solid balance sheet and an experienced team focussed on creating shareholder value.

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The Calgary-based oil company worked with Schlumberger Canada Ltd to complete a petrochemical modeling study that increased oil recovery from the Biogray Niksu D and E pools in Alberta.

According to Johnson, there are still plenty of hurdles to cross, but the approval will send a message to the investment community that the Canadian industry is open for business again.

"It's time to see who has persevered through these bleak times in the Canadian oil industry and who has been busy putting runs on the board through this last downturn," Johnson said.

READ: Mackie says Point Loma Resources' initial production rate from Wizard Lake is excellent, repeats Buy rating
Another Alberta oil company, Point Loma Resources (CVE:PLX), is producing about 900 barrels of oil equivalent per day from its Wizard Lake Rex oil well in Alberta. Its CEO Terry Meek felt strongly that the move was politically motivated after the expansion project's previous approval in 2016, especially in light of Ottawa's passing of Bill C-69.

"This is the government doing what was already authorized under law and now hidden behind Bill C-69 to halt any further development of our resources," Meek said. "It's a small step forward that was already done with no foresight to the betterment of our country and fully developing our natural resources."

Calgary-based oil junior DXI Energy Inc (TSE:DXI) CEO Simon Raven viewed the approval as "generally positive" for the industry in Canada but felt "mixed emotions" toward the timing and politicizing.

"It should have been done years ago and the timing is very political," Raven said. "However, I would say that the approval should boost investor sentiment in Canada's oil patch again, especially for the juniors.

"We've seen capital flow out of Alberta and BC and into the Permian basin for years so if construction can start quickly, we may see some of that capital finally return. Canada needs to consistently and strongly make decisive steps to attract capital to encourage competitiveness on a global level."

Raven also said that for junior oil companies such as DXI, which is advancing the Woodrush project in northeastern British Columbia, the time is right to make moves to grow the company.

"There is real opportunity in Western Canada with lots of small oil-weighted projects where the economics are extremely positive," Raven said. "We see a window to transform the company now that there's a lack of competition in acquiring assets."

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