TOP PRIVATE EMERGING PRODUCER

MODERN RESOURCES

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In hindsight, Chris Slubicki and the rest of the leadership team at Modern Resources might have been forgiven if they'd decided, in the early days of 2013, not to launch a private oil and gas company.

At the time, such a move seemed like a no-brainer. OPEC's price-destroying decision to protect global market share against rising U.S. shale oil production wasn't yet a blip on anyone's radar. And Alberta, in those pre-NDP days, still looked pretty attractive from an investment perspective: new LNG projects were on the horizon, WTI was nudging US$100/bbl and AECO gas was healthy again above C$3/gigajoule.

So Modern Resources, this year's EPAC Award winner in the Top Private Emerging Producer category, was born, financed by ARC Financial of Calgary and EnCap Investments, a Houston-based provider of venture capital with $11.5 billion invested in more than 220 upstream oil and gas companies.

Out of the blocks, Slubicki says, Modern Resources hit the acquisition trail, stringing together 24 acquisitions to build a contiguous 467-section block of virtually 100 per cent land southwest of Grande Prairie, Alta., across Highway 41 from Seven Generations Energy and its Montney holdings.

"But we're not in the Montney," Slubicki says. Instead, Modern Resources focused its attention on cheaper rights in the Cretaceous stack, above the Triassic Montney, and in that first buying initiative, acquired some 1,500 boe/d of production—mostly dry gas in the Spirit River but also a little Cardium oil.

The legacy production has since declined to about 1,100 boe/d, but growth has continued through the drill bit. Now in just its second full season of drilling, Modern Resources is producing 10,500 boe/d, should exit 2017 at 15,000 boe/d and hit 20,000 boe/d by the first quarter of 2018.

"It's certainly been tough in the industry the last couple of years, but we've been doing very well, growing quickly," Slubicki says. "Even through the downturn, we've been very well capitalized, and we continue to be very well capitalized."

The company built its first gas plant—50 mmcf/d—in the spring of 2016, but it's already full. An expansion to 115 mmcf/d is set to come on stream in November, but until then, production will be restricted, limiting further growth in output until late this year.

With 300,000 net acres of contiguous rights, Modern Resources has quite a bit of runway, and it's already mapped close to 700 drilling locations in the Spirit River and Cardium plays. But that's just a small portion of its potential: it hasn't even looked at the possibilities that might be available in the Dunvegan and Notikewin horizons, Slubicki notes.

"When it comes to drilling on our land base, we have barely scratched the surface," Slubicki says. "We have a lot of running room and a lot of resource to validate still and a lot of development drilling to follow up with."

And that work is continuing in earnest, with two rigs running in January, a third added in February, and at least two, perhaps three, scheduled to run in the third and fourth quarters.

The Modern Resources leadership team—(left to right) Francois Legault, vice-president of geosciences; Mike Belenkie, vice-president of engineering; Derek Mendham, chief financial officer; Jason Chadwick, vice-president of land; and Chris Slubicki, president and chief executive officer

"We're generally a month per well, so starting in July, we'll be looking to drill 12–14 wells in the second half, on top of the eight we've already drilled," he says.

Modern also takes a great deal of pride in its safety record—zero major safety incidents through the end of 2016—and in its environmental performance, highlighted by a program to replace thermal energy generators at its remote well sites with methanol-powered fuel cells, virtually eliminating CO_2 emissions, reducing maintenance requirements and lowering operating costs.

It also successfully piloted a solar-powered, zero fugitive emissions site in 2016 that uses new electric motors to draw less current at start up to conserve battery life. Because winter months in the Grande Prairie region have a low solar load, power requirements are supplemented by a methanol powered fuel cell with ultra-low CO_2 emissions. Additional installations of this type are being planned, Modern Resources says.

Looking ahead, Slubicki sees little standing in the way of his company hitting 30,000 boe/d of production by 2019, even in a world of low commodity prices.

"We have the asset base to grow faster than that, but being private equity means we focus on staying debt-free and growing at a measured pace," he says. "We're built to grow and succeed in the modern low commodity price world. We all hope for higher prices but we don't need them.... We're doing very well in this environment."

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