

MIKE GRAHAM



Sink or Swim

Interview by Darren Campbell

Rock bottom gas prices means this year probably hasn't been the best time for Mike Graham to take an expensive offshore natural gas project to the finish line. But as executive vice-president and president, Canadian division for Encana Corp., Graham has had to do exactly that with the \$960 million Deep Panuke gas field in Nova Scotia. It's an outlier project for the company, which is currently focusing on unconventional onshore gas plays in North America.

ALBERTA OIL: Can Deep Panuke be economic in this low natural gas price environment?

MIKE GRAHAM: It is slated to come on at a tremendous rate. We have firm capacity on the Maritimes and Northeast Pipe-

line for about 200 million cubic feet per day. But we can actually produce up to 300 million cubic feet per day. Since the project was sanctioned we've put in just under \$1 billion on Deep Panuke. Even at current prices, it will generate \$200 to \$300 million a year in cash flow. It will have a fairly quick payout.

AO: What challenges has this project presented for Encana?

MG: It's not an easy project by any means in 40 meters of water and about 250 kilometers in offshore Nova Scotia. Deep Panuke has been a real challenge, but our teams have done a fantastic job. And even though we don't have any offshore activities except for Deep Panuke today, at one time both Alberta Energy Company and

PanCanadian [Encana's precursors] had offshore exploration arms. We did quite a bit of offshore work in the North Sea, the Gulf of Mexico and Brazil in the past.

AO: What measures has Encana put in place to prevent and contain a blowout at Deep Panuke's production center?

MG: One thing unique about this project is there are not many wells. We have four producing wells and one injection well and we have sub-surface safety valves on all of them. We've done a lot of safety studies and audits on it, as have regulators – be it the Canada and Nova Scotia Offshore Petroleum Board or the National Energy Board. So rest assured we think it's going to be a very safe facility and a very safe start up.

AO: Is Encana considering investing in other offshore opportunities?

MG: You can never say never, but we have an enormous land position in onshore North America – somewhere in the order of 11.5 million net acres. We're very much focused on onshore North America and unconventional natural gas and liquids. We have 10 to 20 years of drilling in front of us on our existing land base.

AO: The Nova Scotia government recently released some interesting new estimates for its offshore oil and gas reserves. Is that analysis of interest to Encana?

MG: We've definitely taken a hard look at that because we keep an eye on what is happening right across Canada. Our Canadian new ventures team knows what is happening whether it's in the Northwest Territories, the East Coast or the West Coast. There is still quite a bit of potential offshore in the East Coast of Canada. And we do have some more opportunities for us close to Deep Panuke we are looking at to keep the facility full for some time. Hopefully we can produce the existing reservoir for the next 10-15 years. But we are always looking for new opportunities out there. **AO**