

## National Energy Board

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### Market Snapshot: Deep Panuke moves to seasonal production and lowers reserves due to water influx

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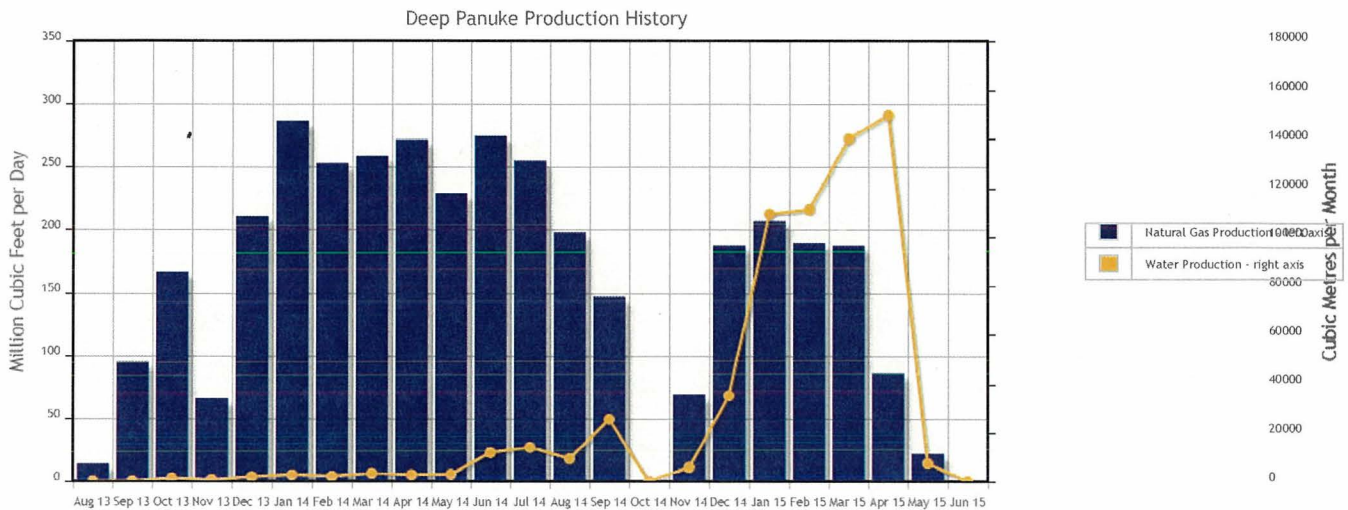
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<b>ORIGINAL</b>	
N.H.P.U.C. Case No.	DG 14-380
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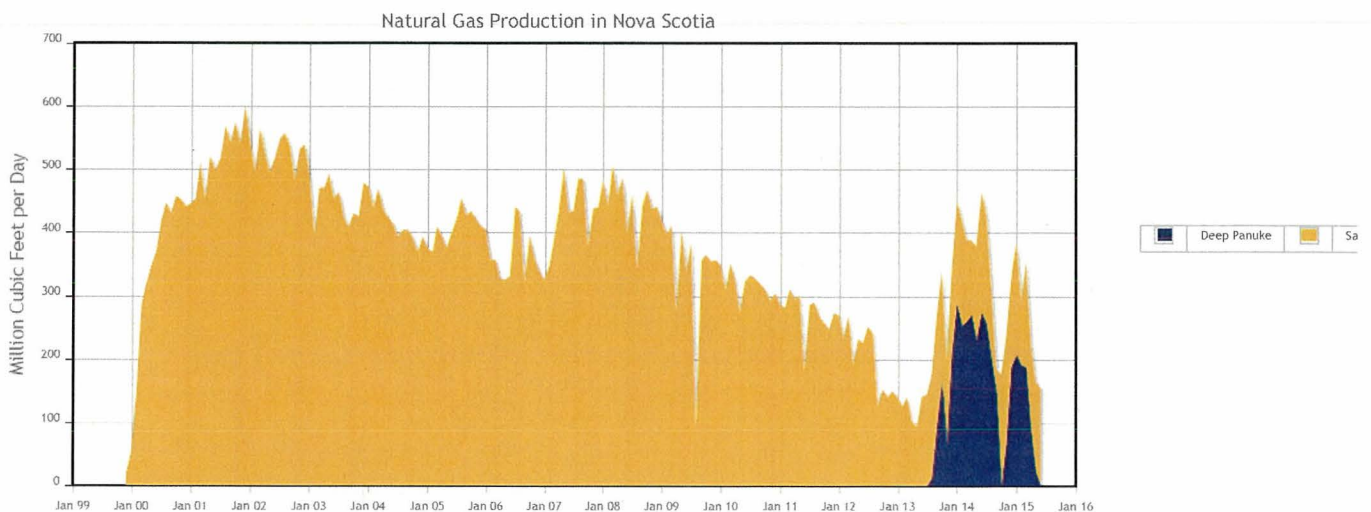
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As of mid-May 2015, natural gas production at Deep Panuke has been shut-down and start-up is not expected until the fourth quarter of 2015. Production is shut down because Encana changed the deliverability profile to a seasonal only operation for Deep Panuke, moving production to winter months when prices in the region are higher. Deep Panuke's reserve estimate was also decreased by Encana due to higher than expected water incursion into the reservoir. At this point, it is unclear what the impact of seasonal production will be on the ultimate recovery of Deep Panuke's natural gas.



#### ► Figure Source and Description

There are two main production areas that provide all of Nova Scotia's natural gas supply and both are located offshore – Encana's Deep Panuke and ExxonMobil's Sable Island. Combined production from both production areas averaged 285 MMcf/d for the first five months of 2015, about 147 MMcf/d from Sable Island and 138 MMcf/d from Deep Panuke (January to May only).



#### ► Figure Source and Description

Nova Scotia's production represents less than one per cent of Canada's total natural gas production, and this number is likely to decrease even further following ExxonMobil's **recent** announcement that the company may begin decommissioning Sable Island's production wells and offshore facilities in 2017.

With production expected to continue to decline from Sable Island and uncertainty surrounding the remaining life of Deep Panuke's output, it is possible that the Maritimes region could consider switching to imports of liquefied natural gas by tanker into New Brunswick, or pipeline imports from the U.S. Several pipeline expansions and de-bottlenecking initiatives in the U.S. Northeast are currently being proposed and are in the early stages of regulatory review. For one of the projects, Spectra's Atlantic Bridge Project, Maritimes gas users, such as Heritage Gas, Irving Oil Terminal Operations Inc., and J.D. Irving Ltd., **have entered into precedent agreements** to help underpin the possible expansion of U.S. pipeline capacity in the region.

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