MGX Minerals’ CEO, Jared Lazerson, must be quite confident when saying that it’s time to put a production process in place for a cluster of 16 operational wells, which produced lithium-rich brine in the past. This confidence may stem from a few days earlier, when he announced the engagement of an oil and gas veteran, Dr. Larry Marks, who spent 30 years in executive roles with Shell Canada implementing strategies for the sale and transportation of energy and co-products exceeding $3 billion in annual revenues. Larry’s Lamar Corporation of Calgary will now lead the development strategy for MGX’s recently acquired properties near Fox Creek in Alberta.

The lithium property from MGX contains dozens of oil wells with significant previous production of brine from hundreds to thousands of barrels per well per day. Past production indicates very low oil production of generally less than 3% resulting in very high brine production. MGX is focused on leveraging the massive existing infrastructure including wells, roads, power and fluids handling expertise in the Fox Creek region, where unemployment rates have risen dramatically due to a shrinking of the oil and gas industry in recent years.

Today, MGX announced the identification of 16 past producing wells for test production in the lithium-bearing Swan Hills Formation near Fox Creek.

According to Goldman Sachs estimates, just a 1% increase in the penetration rate of electric cars would cause total global lithium demand to increase by 50%.

If you haven’t heard, lithium is one of the few resources that has actually avoided the general commodity bloodbath over the last few years. In fact, it’s been skyrocketing.”

(Daily Reckoning)
A central well of the 8 x 3 km well-cluster reported historical lithium grades of 130 mg/L, another well 3 km away reported 117 mg/L, and a third well 10 km away showed 130 mg/L again. Past production of brine in the most recent wellhead production reports for the cluster totalled 17,000 barrels per day (“bpd”), which would be 6.2 million barrels or 740 million litres per year. Assuming a grade of 130 mg/L, ~96 t of lithium could be produced each year which equates to ~511 t of lithium carbonate at 100% recovery (at $14,000/t lithium carbonate valued at $7.2 million USD, which number appears to be a good cost scale for a pilot plant).

The costs of drilling a new well at this depth could easily exceed $2 million USD (plus pipelines, water re-injection equipment, permitting etc.). Thus, 16 new wells could cost more than $32 million USD, however MGX does not plan to incur those costs because the existing wells are operational. MGX could just pump and go; thus utilizing existing pipelines and other infrastructure near-by. From a business and environmental standpoint, this would be highly advantageous.

MGX is in discussion with specialized engineering firms for initial design process flow and equipment list to build a 20,000 bpd plant for the extraction of lithium, potassium and magnesium compounds. MGX aims to design a conventional high efficiency, high recovery extraction facility. Jared Lazerson in today’s press-release:

“We believe the next major milestone is process design and pilot plant engineering. The initial group of wells identified are operational with past production of brine and we do not foresee well production issues. It is time we put a production process in place.”

In this context, Lazerson’s statement on February 19 may be relevant:

“We are excited to have retained The Lamar Corporation to spearhead the development strategy for our Lithium Properties. We believe the expertise, experience and successful track record of Dr. Marks and his team positions MGX as a near term producer of lithium brine and the potential to make Canada a global competitor in this area of the new energy sector.”

The 16-wells-cluster covers an area of approximately 2,500 hectares in the Fox Creek area. On February 1, the company has entered into a Purchase Agreement to acquire a 100% undivided interest in 12 Metallic & Industrial Mineral Permits and Permit Applications encompassing 96,000 hectares throughout the Province of Alberta. The properties were acquired based on compilation of historic oil and gas well data and known geology. Lithium, potassium and magnesium rich brines have been identified with historic levels of lithium reported up to 140 mg/L, which is the highest reported levels of lithium for existing wells in Alberta as reported in the provincial industrial mineral database.

David Stringer in a recent Bloomberg article:

“The only things hotter than Western Australia’s scorched Outback are the mining companies preparing to supply the lithium needed by the likes of Nissan Motor Co. and Tesla Motors Inc. to meet booming demand for electric cars. Lithium is providing a rare bright spot for miners, amid cratering prices of raw materials tied to heavy industry such as iron ore to coal. The material, also used in tablet computers and power storage, promises gains from China’s shift to consumer-driven growth and global attempts to curb reliance on fossil fuels...

New supply from all lithium sources ‘will have a critical role to play in sourcing lithium for the battery supply chain,’ Moores said. ‘As things stands, there will not be enough lithium to supply the battery megafactories coming onstream.’”

According to Bloomberg:

“Prices of lithium carbonate – an industrial chemical used in lithium ion batteries – have surged 47 percent in 2016 from last year’s average, according to London-based Benchmark Mineral Intelligence Ltd. Two of Australia’s five best-performing stocks in the past 18 months among a Bloomberg Index of 2,035 listed companies are developers of lithium materials operations.

Lithium carbonate’s price gains will extend to 2017 on weak supply, while demand is likely to soar 64 percent by 2020 from 2015 levels, Citigroup Inc. forecasts. This rising demand is intensifying a race to deliver new sources of lithium raw materials, spurring gains for developers poised to enter production before the end of the decade. China is targeting the goal of five million electric vehicles on its roads by 2020, under President Xi Jinping’s strategic initiative to upgrade the nation’s auto industry. Nissan and Renault SA said this month that sales of battery-powered vehicles rose to a record last year, while Volkswagen AG’s Audi plans to start building its first purely electric sport utility vehicle in 2018.

Tesla, the producer of electric vehicles and power storage products led by billionaire Elon Musk, is preparing to open its giant Gigafactory battery plant in Nevada. It will probably require 25,000 tons of lithium hydroxide a year when it reaches capacity, according to Simon Moores, managing director of Benchmark Mineral, an industry advisory company. That’s equivalent to about 45 percent of current global supply, he said. LG Chem Ltd. last year completed construction of an electric-vehicle battery plant in Nanjing, China, with capacity to supply batteries for 50,000 high-performance electric cars annually. Boston-Power Inc. is expanding its plants in China, and Panasonic Corp., which makes batteries for Tesla cars, has added a joint venture there.”
It was May of 1914 when Archibald Dingman struck oil for the first time in Alberta sending a gusher into the air.

“We are only at the beginning” he declared, starting the industry that would build the province.

Now, more than 100 years later over 400,000 oil and gas wells have been drilled across Alberta.

16x9 mapped out all the wells using data from the Alberta Energy Regulator.

There are almost 170,000 inactive wells across Alberta, based on license status counts. The “inactive” life of a well begins after a well hasn’t produced anything for up to 12 months.

After that, the province says it must be suspended or safely turned off. A company can then decide to abandon the well which means removing the wellhead and pouring cement down to seal it shut and prevent any leaks.

Finally the company must reclaim the site and restore the land. 16x9 categorized wells as “inactive” or not currently producing oil or gas if their license status was listed as abandoned or suspended.

There are approximately 300,000 active wells across Alberta, based on license status. The “active” life of a well begins when it is given a license to operate and the company begins drilling.

Then the oil is extracted and sold to market. Wells are categorized as “active” or producing if their license is listed as issued, amended or re-entered.

16x9 calculated the percentage of oil and gas wells that are inactive in each area. Green shows where less than 20% of the wells are inactive. Red means more than 80% of the wells are inactive.

Read more at the original source:


SOURCE: ST 37, Alberta Energy Regulator, license status counts (September 2015 data)
About MGX Minerals Inc.

MGX Minerals Inc. is a diversified Canadian mining company engaged in the acquisition and development of industrial mineral deposits that offer near-term production potential, minimal barriers to entry and low initial capital expenditures. MGX’s flagship property is the Driftwood Creek Magnesium Deposit, which is being rapidly advanced towards production. MGX has also consolidated key mining claims throughout the Driftwood district and now controls the majority of known magnesite occurrences in British Columbia, Canada.

- Located in historic Brisco-Driftwood Mining District of southeastern British Columbia;
- Excellent infrastructure including access to rails, road, labor and electricity;
- Potentially amenable to low-cost, open pit mining methods.

The Driftwood Creek project is hosted by the Precambrian-aged Mount Nelson Formation. This sedimentary formation is approximately 1,300 meters thick and intruded by younger felsic and mafic igneous dykes. Magnesite mineralization occurs in the upper half of the formation and is well exposed at surface along as an isolated topographic ridge. Magnesite has been traced over a strike length of 1,900 meters and to a maximum width of 220 meters. Mineralization occurs in two discrete zones that are believed to have been remobilized and enriched during a period of metamorphic recrystallization.

Analyst Coverage:

Research #4 “MGX Minerals Taps Into Canada’s Potentially Largest High-Grade Lithium Resources”

Research #3 “MGX Minerals Receives Mining Lease for 20 years (in British Columbia!”

Research #2 “MGX Minerals Accelerates Towards Production”

Research #1 “MGX Minerals Plans To Enter The Magnesium Market In 2016”

Alberta’s Oil & Gas Well Activity

Well Activity Map in Alberta (Last Status: Permitted/Licenced within last 12 months)

Well Activity Map in Alberta (Last Status: Drilling/Drilled within last 12 months)

Source: www.boereport.com/well-map/
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All statements in this report, other than statements of historical fact should be considered forward-looking statements. Much of this report is comprised of statements of projection. Statements in this report that are forward looking include that magnesium, lithium and metal prices are expected to increase; that MGX Minerals Inc. or its partner(s) can and will start exploring further; that exploration has or will discover a mineable deposit; that the company can raise sufficient funds for exploration or development; that any of the mentioned mineralization indications or estimates are valid or economic. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in these forward-looking statements. Risks and uncertainties respecting mineral exploration and mining companies are generally disclosed in the annual financial or other filing documents of MGX Minerals Inc. and similar companies as filed with the relevant securities commissions, and should be reviewed by any reader of this report. In addition, with respect to MGX Minerals Inc., a number of risks relate to any statement of projection or forward statements, including among other risks: the receipt of all necessary approvals and permits; the ability to conclude a transaction to start or continue development; uncertainty of future magnesium, lithium and metal prices, capital expenditures and other costs; financings and additional capital requirements for exploration, development, construction, and operating of a mine; the receipt in a timely fashion of further permitting for its legislative, political, social or economic developments in the jurisdictions in which MGX Minerals Inc. carries on business; operating or technical difficulties in connection with mining or development activities; the ability to keep key employees, joint-venture partner(s), and operations financed. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. Rockstone and the author of this report do not undertake any obligation to update any statements made in this report.

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