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Haynesville Can Step Up Again With Right NatGas Price, Technology

Joe Fisher December 21, 2015

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U.S. Oil & Gas Rig Count by Basin As of 12/18/15			
Basin	12/18/15	12/19/14	Yr. % Chg
Arkoma Woodford	8	5	60%
Cana Woodford	38	45	-16%
Haynesville	26	42	-38%
Marcellus	41	82	-50%
DJ-Niobrara	24	59	-59%
Permian	206	539	-62%
Eagle Ford	77	206	-63%
Others	177	499	-65%
Ardmore Woodford	2	6	-67%
Fayetteville	3	9	-67%
Utica	16	48	-67%
Williston	58	181	-68%
Barnett	8	26	-69%
Granite Wash	14	55	-75%
Mississippian	11	73	-85%
TOTAL U.S.	709	1,875	-62%

Source: Baker Hughes, NGI's Shale Daily calculations

There is still a lot of gas hanging out in the Haynesville Shale; it's just waiting for the right commodity price and drilling technology to set it free, according to researchers at the Bureau of Economic Geology (BEG) at the University of Texas at Austin.

Their Haynesville study was recently published by *Oil & Gas Journal*. A variety of natural gas price scenarios were used, but the base case used \$4/MMBtu and found that there could be 46 Tcf of cumulative Haynesville production from existing and new wells drilled through 2045 and producing through 2064.

However for now, as everyone knows, production has been in decline. The peak for the Haynesville was about 6 Bcf/d in 2012. Production declined to about 4 Bcf/d this year. BEG researchers project a slow recovery to 5 Bcf/d in the early 2020s followed by a permanent decline to 1.7 Bcf/d by 2045.

BEG energy economist Svetlana Ikonnikova, one of 10 authors of the study report, told *NGI's Shale Daily* that cost is the key to the future of the Haynesville. She said the Haynesville, while larger than the nearby Barnett Shale in terms of play and well size, is much more expensive to drill. The depth of the Haynesville means that the average well is three times as expensive as the average well in the Barnett. While the wells in the Haynesville are "very productive, it takes a good economic environment to make the play attractive," she said.

"...[T]he play is very young. It has great potential to be a contributor to natural gas production if the economy is favorable for it. But it's very expensive, and right now that's why we see a decline...It might stay on a decline for quite a while."

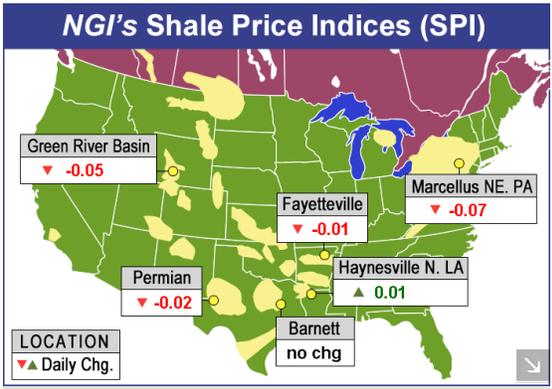
Super frack experiments so far have been encouraging, she said, but they're still on the expensive side. There is great "technological potential out there." However, each play is different from the next, and the amount of technology transfer from one to another is not as great as many think, she said.

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Weekly	Transco Zone 6 NY	▼ -0.86
Bidweek	Transco Zone 6 NY	▲ +1.70
Shale	Marcellus - NE PA: Other	▼ -0.09

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The Haynesville is expected by some to offer significant opportunities for the refracking of existing wells (see *Shale Daily*, Oct. 2); however, BEG researchers didn't look into refracking as part of their study of the Haynesville. BEG Director Scott Tinker said the bureau's researchers have looked into refracking in other fields, though. There's still a lot to learn, he said.

"Unlike conventional reservoirs...in this case these pores are so small in these shales [the gas] just kind of hangs out. It's patient. It's really more a function of technology and demand in the future and what that will look like," he said.

Right now, though, the play is a wildcard, with the right combination of prices and technology, the play could potentially double its peak production, Tinker said, or it may never get back to its peak.

As oil prices have collapsed, the Haynesville and its dry gas have become relatively more attractive to drillers, Tinker said. Costs in the play have come down as a result. "You may see that continue to fall if oil stays around 37 bucks...That makes a big difference on the outcome economics."

When it comes to natural gas demand, Tinker is more bullish than some, citing increasing conversions in the power generation sector from coal to gas. "Firmness in demand for methane" is not reflected in prices, yet, he said. "But the actual consumption has increased year-on-year for a decade now. That's a Structural change; they're going to be burning natural gas...And there's the Haynesville, right in the middle of consumption central on the coast. I'm perhaps a little more optimistic about the Haynesville than some."

BEG researchers have looked at other shale plays, including the Fayetteville and Marcellus, in their ongoing [shale studies](#) (see *Shale Daily*, Jan. 9, 2014).


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