OIL September 22, 2016 05:01 UTC (0) (3) Share

Don’t be fooled by the numbers, Eagle Ford play is a sleeping giant

The Eagle Ford shale oil patch has seen brighter days. New well permits are down, production is low (down from its 2015 peak of 1.7 million b/d, to around 980,000 b/d this year) and producers are pulling out of the region to focus their efforts elsewhere.

Symbolic of the mood in the field, things were a little more subdued at the recent Hart Energy DUG Eagle Ford conference in San Antonio.

Many attendees were quick to notice the smaller scale of the conference this year. Lower oil and gas prices meant a lighter presence and scaled-back events surrounding the conference, which was held in conjunction with the Midstream Texas conference. Major players and past year exhibitors like Baker Hughes and Halliburton were obviously missing from the smaller-than-usual exhibition space and at least one attendee compared this year to past years by lamenting the absence of magicians and open bar at an after-hours mixer.

Attendance this year was healthy, but still was a telling reminder of the current state of the Eagle Ford. Around 1,500 people were at the conference, a more than 45% decrease from last year.

“While that’s smaller than during the ‘boom,’ it’s not down as much as the decline in crude oil price from the top to the bottom, or the fall in the US rig count, so we’re feeling pretty good about it with the current market conditions,” said Greg Salerno, vice president of marketing for conference presenter Hart Energy.

Finding the bright spots in the darkness seemed to be a theme at this year’s conference.

Major operators focused their presentations on their cost-cutting prowess and efficiency milestones that they’ve achieved recently (including Chesapeake Energy’s recent record of drilling a well in eight days).

“Records today are the normal for the future,” said Jason Pigott, executive vice president of Chesapeake.

Christopher Heinson, the COO of Sanchez Energy, said the company has focused on optimizing returns in the Eagle Ford. He said the company has managed to cut per-well drilling costs from around $4.5 million to $3.5 million. They achieved this by “debundling” services and sourcing directly from providers.

All Eagle Ford operators who spoke mentioned technological advancements that have helped improve efficiencies such as automation, data management, longer horizontal reaches and other strategies that have allowed them to drill fewer wells, cheaply.

“Prices have made us work harder,” Heinson said. “It’s impressive given the environment.”

Despite the lower production numbers and languishing oil prices there is plenty of potential for the Eagle Ford basin and producers to remain optimistic.

"I'd like to think there are a few more Champagne bottles with corks ready to pop," said Dale Kokoski, regional vice president at Marathon Oil.

He said that Marathon continues to work in the Eagle Ford but has shifted from "high-growth mode" to "mid-cycle focused."

Eagle Ford's proximity to ports in Houston and Corpus Christi make the potential for cost-effective exports of both crude and natural gas an appealing possibility.

And there is still plenty of oil in the ground to get.

The University of Texas at Austin's Bureau of Economic Geology released new, unpublished research on the field at the conference.

Scott Tinker, bureau director, and Svetlana Ikonnikova, an energy economist there, said the Eagle Ford holds an estimated 230 billion barrels of oil, though just 10 billion is recoverable. The researchers estimate that there also is 462 trillion cubic feet of natural gas, with 34 trillion cubic feet recoverable in the Eagle Ford.

Merger and acquisition opportunities also are attracting investments to the Eagle Ford as operators refocus on other basins, prune their portfolios or sell non-operating positions.

"These times won't last," said Mark Sooby, managing director of Bank of America Merrill Lynch. "If you are going to make a transaction, you want to make it in the down cycle and the down cycle is almost over."

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AUTHOR BIO

Laura Huchzermeyer, Associate editor

Laura covers Americas Shale Crude and US West Coast Crude for S&P Global Platts.

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