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WTI Crude -0.35
50.09 ▼ -0.69%

Brent Crude -0.3
51.73 ▼ -0.58%

Natural Gas 0.062
3.279 ▼ -1.86%

Gasoline +0.0013
1.4831 ▲ +0.09%

Heating Oil -0.02
1.5596 ▼ -1.27%

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IRINA SLAV

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Is The Eagle Ford About To Stage A Comeback?

By [Irina Slav](#) - Sep 29, 2016, 3:20 PM CDT



Eagle Ford has quietly slipped out of the shale boom spotlight over the past couple of years, its place now taken by its Texas neighbor, the Permian, with its easier-to-tap oil and gas. And the game is far from over for this shale play.

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There is a lot more oil and gas to be pumped there, and the E&Ps that did not give up their acreage in the Eagle Ford are already reaping the benefits of their efforts in weathering the worst effects of the oil price crash and boosting their resilience for the future. Ultimately, it will show in their bottom lines.

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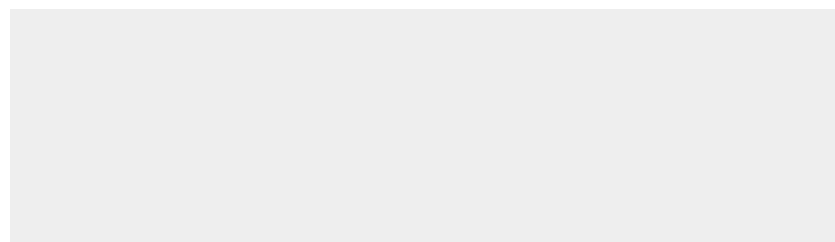
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Let's look at the reserves first. A [recent study](#) from the University of Texas' Jackson School of Geosciences has revealed that there are recoverable reserves of 10 billion barrels of crude in the Eagle Ford, along with 34 trillion cubic feet of natural gas. These reserves, the researchers note, can be extracted at today's prices, while total potential reserves are 230 billion barrels of oil and 462 trillion cubic feet of gas.

E&Ps operating in the area, including Marathon Oil, Chesapeake Energy, and Sanchez Energy, have boasted significant reductions in production costs thanks to a combination of tactics [they presented](#) at the latest Hart Energy DUG Eagle Ford conference.

Sanchez Energy, for example, bet on direct sourcing of the products and services it needs to drill wells and operate them. The company started contracting sand mines and acid suppliers directly, which, although it required the building of its own logistics infrastructure, had an ultimately cost-reducing effect. To date, Sanchez Energy says, its average well costs are around \$3.3 million, compared with \$8.8 million in 2014. This solid cut has allowed it to bring down its breakeven point to \$45 per barrel.



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Chesapeake, on the other hand, has focused on the well length. It started drilling longer horizontal wells, which are more expensive initially but yield more oil and gas. At the conference, Chesapeake said the longer wells have pushed down the drilling costs per foot of well by as much as 60 percent, which means its costs per well now average \$3.5-4 million, from \$7-8 million.

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Marathon Oil, another of the big players in the Eagle Ford, bet on [downspacing](#), which worked for a while but is not really working anymore, as wells that are too close to each other start communicating with each other, which leads to some of the output getting lost. Yet Marathon is not giving up on the Eagle Ford, it's just drilling in new, underdeveloped areas.

These developments demonstrate that the game is far from over for the Eagle Ford, even though it had just [37 active rigs](#) at the end of the week to September 23, far

behind the Permian, which sported 201 rigs. Still, the Eagle Ford remained the second most active shale play nationwide.

It's so active, in fact, that oil and gas operators there are facing [problems](#) with wastewater disposal. As elsewhere across the shale patch, the amounts of water and sand used per well have skyrocketed in the past couple years, as producers strive for greater yields without a lot of additional costs. Now, the average amount of water used per well in the Eagle Ford is between 500,000 and 800,000 barrels. Disposing of it will need significant logistical adjustments and, what's more, if and when oil prices start climbing back up, a shortage of the vital liquid is very likely to develop.

So, although it's not without its problems, oil and gas extraction at the Eagle Ford is very much alive and well, and will continue to be so in the years to come, even if \$50 remains the new normal.

By Irina Slav for Oilprice.com

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