



5 Amazing Numbers From the Eagle Ford

Description

Baytex Energy (TSX:BTE, NYSE:BTE) is betting big on the Texas Eagle Ford.

On Thursday, the Alberta energy company announced a \$2.6 billion friendly takeover bid for Australian Aurora Oil & Gas (TSX:AEF). The prize: a 8,800 hectare land position in South Texas Eagle Ford. In a single swoop Baytex has become a leading player in America's leading shale oil plays.

But some Canadian investors may not be familiar with the field. So to quickly get you up to speed, here are five amazing numbers from the Eagle Ford.

1) 32,000 square kilometres

The Texas Eagle Ford shale play swoops across the state from Rio Grande river and up into East Texas. Geologically, the types of hydrocarbons produced are distribute in three band. Its dry gas window is found in the southernmost strip, followed next by a strip that produces mostly condensate, and finally a prime oil region. At 32,000 square kilometres in size, the field is one of the largest oil and gas formations in the continental United States.

2) 10 billion barrels

Unfortunately, the total number of recoverable barrels sitting under East Texas is still unknown. However, the U.S. Geological Survey estimates that the Eagle Ford could contain between 7 billion to 10 billion barrels of oil. And that number could be revised higher as producers further de-risk their acreage.

3) 1 million barrels per day

Five or six years few people, even in the energy industry, had even heard of the Eagle Ford. In 2008, the field's total production consisted of a single well which produced 358 barrels of oil equivalent per day, or boepd.

Today, the Eagle Ford is one of the most important fields in the U.S. energy industry. Output now exceeds one million boepd. And based on projections by industry research firm Benteck Energy, output is expected to surpass 1.5 million boepd by 2018.

4) \$30 billion in capital investment

According to estimates provided by research and consulting firm GlobalData, investment spending in the Eagle Ford is projected to hit \$30 billion in 2014 as firms do everything from drilling wells, installing pipelines, to constructing processing plants.

Energy research firm Wood Mackenzie anticipates \$23 billion in spending next, down from around \$28 billion in industry investment in the field in 2013. However Wood Mackenzie stressed that the decline in spending is not due to waning interest, but rather due to the fact that operators are becoming more efficient.

5) \$100,000 per acre

Valuation wise, most investors would call this transaction at the upper end of reasonable. Baytex is paying about US\$104,000 per acre, compared with US\$40,000 to US\$50,000 per acre you would expect to see in conventional transactions through in-line with other Eagle Ford deals.

Aurora's properties are in a high-pressure zone, which means they're almost literally drilling with a straw down there. In real estate terms, Aurora has the best house, on the best street, in the best neighbourhood. And the high valuations show just how optimistic the industry is on the Eagle Ford.

Foolish bottom line

The numbers are in and the facts are clear: the Texas Eagle Ford is a stellar oil play that should great returns for investors in the years to come. As it does, those firms investing in the region now will enjoy their share of profits. Today we get to add Baytex to that list.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)

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Date

2025/07/06

Date Created

2014/02/07

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