



## 7 Jaw-Dropping Facts From the Texas Eagle Ford

### Description

Five years ago, few people had heard of it. Today, it's one of the largest oil fields in the United States.

The Eagle Ford has been a game-changer for America's energy industry. And that became more evident today after **Encana** (TSX: ECA)(NYSE: ECA) announced the purchase of 45,500 net acres in the Texas oil field from **Freeport-McMoRan Copper and Gold** ([NYSE: FCX](#)) for a whopping \$3.1 billion.

Overnight, the Canadian company has become a leader in one of the world's hottest shale plays. However, some Encana shareholders may not be familiar with the petroleum bonanza taking place south of the border. So to get you up to speed, here are seven jaw-dropping facts from the Eagle Ford.

#### 1. The Eagle Ford could be the largest oil reserve in the United States.

The total number of barrels locked inside the Eagle Ford shale has still yet to be determined. However, initial estimates from the U.S. Geological Survey project that the field could contain between 7 billion to 10 billion barrels of recoverable barrels oil. If accurate, that would make the play the largest onshore oil reserve ever discovered in the lower 48 states.

#### 2. The Eagle Ford is larger than the state of Maryland.

The Eagle Ford Shale swoops across the Lonestar state from the Mexican border up through East Texas. The geology is divided into three distinct bands; a natural gas window is found in the southernmost region, followed next by a strip that produces mostly condensate, and finally a prime region that produces light oil. At 32,000 square kilometres in size, the field is larger than the state of Maryland.

#### 3. Eagle Ford output is projected to hit 1.5 million barrels per day by 2018.

The Eagle Ford's expansion has played out at a remarkable pace. In 2008, output from the entire field consisted of a single Petrohawk well which produced 358 barrels of oil equivalent per day, or boepd. Today, Eagle Ford output now tops one million boepd.

To put that figure into perspective, only six other fields in the world have ever hit that one million barrel milestone. And based on projections by Benteck Energy, production is expected to surpass 1.5 million boepd by 2018.

#### **4. The Eagle Ford boom has created over 100,000 jobs.**

According to a University of Texas at San Antonio study, the Eagle Ford has generated \$2.2 billion in tax revenue for the state and local governments last year. In addition, the report estimates that shale drilling in the region has created and 116,000 direct and indirect jobs.

#### **5. Technology could boost the Eagle Ford's resource potential by up to 50%.**

The truth is, we don't know the limits of shale energy yet. Producers are starting to learn how to drill wells much closer together without interfering with nearby operations. Along with other operational efficiencies, improved technology will allow companies to increase the number of barrels they will ultimately be able to pull out of the ground.

The results continue to pour in. Last quarter **EOG Resources** ([NYSE: EOG](#)) reported a 45% surge in the company's resource potential in the Eagle Ford. Since the company started drilling in the play four years ago, it has now boosted its estimated recovery potential of oil and gas by four-fold. Other big players in the region — including **Pioneering Natural Resources**, **Carrizo Oil & Gas**, and **Penn Virginia** — are posting similar results.

#### **6. The industry will invest \$30 billion in the Eagle Ford this year.**

The Eagle Ford has become the top destination for energy companies to park their investment dollars. 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 drill new wells, construct processing facilities, and install pipelines.

#### **7. Land above the Eagle Ford is some of the most valued in the energy industry.**

All of this spending is pushing up the valuations for Eagle Ford assets. Earlier this year, Canada's **Baytex Energy** ([TSX: BTE](#)) purchased Aurora Oil & Gas for \$2.6 billion to beef up its position in the Eagle Ford shale.

Per acre, that works out to about \$104,000 — an outrageous figure relative to an average of \$30,000 to \$40,000 per acre in conventional oil deal. However, Aurora's valuation was comparable to other transactions in the area and it shows just how bullish the industry is on the Eagle Ford.

#### **It's not too late to profit from America's greatest oil play**

In spite of this remarkable growth, we might still be in the early innings of the Eagle Ford growth story. The same UTSA's study estimates that there's room for a total of 24,000 drilling locations — four times more than the numbers of well permits already issued. This suggests there's still a long expansion

runway for investors.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:EOG (EOG Resources)
2. NYSE:FCX (Freeport-McMoRan Inc.)
3. TSX:BTE (Baytex Energy Corp.)

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