



EnCana Corporation: The Texas Oil Chart You Have to See

Description

Over the past few years, a handful of energy explorers have quietly purchased vast tracks of land in a little-known area in West Texas.

Early estimates show this could be the biggest oil field in the country. And today, many of the area's big producers are reporting blowout drilling results. Yet this could just be the beginning...

This could be bigger than the Bakken, Prudhoe Bay, and even the Eagle Ford

Yesterday, **EnCana Corporation** (TSX: ECA)(NYSE: ECA) announced the purchase of **Athlon Energy Inc.** (NYSE: ATHL) for US\$7.1 billion. The deal will include 140,000 acres of land in the Wolfcamp Shale, an oil-rich area near Midland, Texas. All in, EnCana will add 30,000 barrels to its daily oil output.

No doubt, that valuation is rich. EnCana is paying roughly \$230,000 per flowing barrel. So how can management justify such an absurd price? Take a look at the chart below.

wolfcamp and or type unknown

Source: *Pioneer Natural Resources investor presentation.*

According to early estimates from **Pioneer Natural Resources** ([NYSE: PXD](#)), the Wolfcamp contains 75 billion barrels of recoverable oil. If accurate, that would make it the largest play in the United States. Only Saudi Arabia's Ghawar oil field is larger.

How can Pioneer be so optimistic? The region features several oil-rich fields stacked one on top of the other. It's what's called in the industry lingo as "stacked pay potential."

Think of it like a layered cake. First, you have the Spraberry on top. Deeper down, you'll find the upper Wolfcamp and the lower Wolfcamp. Lower still is the Cline Shale.

Drillers love stacked plays. That's because they can target several fields with a single well. In some

places, the pay zone is up to 4,000 feet thick. This is like having eight Eagle Fords stacked on top of one another.

Numbers like these have sparked a land rush. Oil majors — like **ExxonMobil Corporation**, **Devon Energy Corp**, and **Apache Corporation** — have been buying up acreage in the Wolfcamp like crazy. Now the move is paying off. Over the past few months, drillers have reported blow-out results.

In July, five **Energen Corporation** (NYSE: EGN) test wells posted an average 24-hour initial production rate of 1,900 barrels per day. For perspective, a well is considered a gusher if it produces 1,000 barrels per day. Wolfcamp wells are jaw-dropping.

In August, **Linn Energy LLC** (NASDAQ: LINE) completed its first Wolfcamp well. It posted a 24-hour initial production rate of 1,200 barrels per day. These figures suggest several layers of the Wolfcamp have big potential.

How to strike it rich in the second Texan oil boom

Did EnCana overpay for Athlon? If the Wolfcamp lives up to even a fraction of the hype, it could move the needle for every driller in the area. EnCana is now a major player in what may be America's biggest shale bonanza to date.

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1. NYSE:PXN (Pioneer Natural Resources Company)

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