



EnCana Corporation: How to Strike It Rich in the New Texas Oil Boom

Description

On the vast plains of South Texas, the oil boom has turned Richard Dockery into an overnight millionaire.

Today, the former insurance broker earns royalties by leasing out his land to oil drillers. His first cheque totaled more than \$100,000, and it's just one of several he receives each month.

Mr. Dockery isn't the only one getting rich. Schoolteachers lucky enough to find oil beneath their homes have quit their jobs. Ranchers are leasing their land for millions of dollars. And small-time investors are turning \$1,000 stakes into six-figure fortunes.

And this might just be the beginning. Let me explain...

Mr. Dockery's land sits on top of a vast oil field called the Eagle Ford Shale. Five years ago, few people had heard of it. Today, it's one of the largest energy plays in the United States.

Early figures peg the field at 20,000 square miles in size, swooping across southern Texas from the Mexican border up to Houston. Production has already surpassed 1.5 million barrels per day. That's bigger than the entire output from countries like Australia, Columbia, and the United Kingdom.

The amount of energy locked inside the Eagle Ford is unknown. However, the government estimates that the field holds between seven billion to nine billion barrels of oil. If accurate, that would make the Eagle Ford the largest on-shore reserve ever found in United States.

That's why oil drillers have been buying up acreage like crazy. And this move is paying off big. Over the past few months, operators in the area have been posting blow-out profits.

EOG Resources Inc. ([NYSE: EOG](#)) is the largest landowner in the play, and output is soaring. Many of the company's new wells yield more than 1,500 barrels of oil during the first day of production. For perspective, a new well is a big success if it hits 1,000 barrels per day. Eagle Ford wells are true gushers.

Carrizo Oil & Gas, Inc. (NASDAQ: CRZO) is a smaller player in the area. However, early results have been fantastic. To date, the company has drilled 130 wells producing up to 1,000 barrels per day. That's huge!

Canadian drillers are betting big on the Eagle Ford, too. In June, **EnCana Corporation** (TSX: ECA)(NYSE: ECA) spent \$3.1 billion to acquire **Freeport-McMoRan Inc.**'s extensive landholdings. The acreage produced roughly 53,000 barrels of oil per day last quarter, nearly doubling its liquids output.

At first glance, EnCana grossly overpaid for these assets. At \$58,500 per flowing barrel, the price tag on this deal is near nosebleed levels. But once you consider the enormous growth potential of these properties, the numbers start to make sense. These valuations show just how big the Eagle Ford could be.

Triple your money in the new Texas oil boom

This Eagle Ford bonanza has made millionaires out of ordinary investors. Yet this might only be the beginning. In June, consulting firm Wood Mackenzie estimated that the field's daily output will double by 2020. That means you haven't missed your chance to cash in on this Texas oil boom.

All of the companies mentioned above are going all in on the Eagle Ford — spending billions of dollars to expand their operations in the area. I suggest adding at least one of these names to your portfolio today.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

1. NYSE:EOG (EOG Resources)

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