Haynesville Remains Popular While Other Shales Slow

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ABSTRACT

Motivated by double-digit gas prices and strong projected returns, companies rushed to lease acreage in the Haynesville Shale throughout the summer of 2008. Operators ultimately pushed land prices to a high of US$30,000/acre, from $150/acre less than six months prior.

To date, initial optimism around the Haynesville Shale has been supported by strong well results. Operators routinely report initial production rates in excess of 20.0 mmcfd (million cubic ft per day) from the more heavily explored DeSoto, Caddo, and Red River parishes in Louisiana. In December 2008, Petrohawk reported its Sample 9#1 well at Elm Grove Field in Red River Parish produced at a rate of more than 28.0 mmcfd. The test rate from the Sample 9#1 well is the largest publicly reported rate in the Haynesville Shale.

Over the last 18 months, natural gas prices climbed to more than US$13.00/mcf (thousand cubic ft) in the summer of 2008, then fell to less than US$4.00/mcf by March 2009. In response to the falling prices and lower cash flow, operators have scaled back commitments in virtually every play in the Lower 48. Domestic shale gas production has been more insulated from these declines than other plays, but activity is declining even in these predictable, low-risk assets.

Meanwhile, operator commitment to the Haynesville has remained high, as well results from the most productive completions can still offer strong returns in a sub-US$5.00/mcf environment. A sustained commitment should lead to significant production growth in the play. We forecast that Haynesville production will surpass 2.0 bcfd (billion cubic ft per day) by 2012.

Clarke, R., 2009, Haynesville remains popular while other shales slow: Gulf Coast Association of Geological Societies Transactions, v. 59, p. 223.