



MERCER CAPITAL QUICK FACTS

EAGLE FORD



EAGLE FORD AT A GLANCE

First Discovered	2008
Discovery as Viable Play	2008
Primary Production	Oil
Oil Type	Sweet, Light Crude
Play	Unconventional Shale
Drilling	Horizontal, Multi-Stage Hydraulic Fracturing
Top 3 Production Companies	EOG Resources, BHP Billiton, Conoco Phillips
Breakeven	\$27 – \$63 per barrel ¹
Abnormal DUCs	416 ²
Production Since 2007	4,338 MMBOE ³
Issues	Likely to have High Entry Cost & Low Oil Prices
Potential	Low Breakeven Oil & Gas Prices due to High Productivity per Well & New Play so Large Amounts of Oil & Gas Remain

¹ Bloomberg Intelligence county-level estimates

² Drilled Uncompleted Wells with > 3 months in inventory as of January 2016; also referred to as fraclog (Bloomberg Intelligence)

³ EIA as of June 2016

UNDISCOVERED, RECOVERABLE RESOURCES IN EAGLE FORD

	Resource Estimate*
Recoverable Oil	994 MMB
Recoverable Natural Gas	52,428 BCF
Recoverable Liquid N.G.	2,059 MMB

*Estimate calculated from the mean undiscovered, recoverable reserve estimates in the 2011 USGS report.

OVERVIEW

as of September 2016

Located in south Texas, the Eagle Ford is the most active shale play in the world. The shale's potential was first recognized in 2008 when the first drillers, Petrohawk, found natural gas. Soon after that, other drillers began to enter the play and discovered not only significant natural gas reserves, but also large quantities of oil. Since then companies have invested heavily in Eagle Ford, with almost \$30 billion spent on drilling related activities in 2013. In 2015, 57% of production was oil, and 43% of production was natural gas.

GEOGRAPHY & DRILLING

The Eagle Ford is a shale play roughly 50 miles wide and 400 miles long with an average thickness of 250 feet. The shale slopes downwards towards the Gulf of Mexico, dropping from 4,000 to 14,000 feet. As the depth increases, pressure rises, which in turn creates more natural gas and less oil. While people have known about the formation for a while, it was only considered a source rock for other plays until the development of unconventional drilling changed the shale itself to a reservoir rock. The Eagle Ford has since proven to be a particularly productive reservoir rock, because it has a high percentage of carbonate that makes it more brittle and easier to crack than most shale. This brittleness increases the output generated by hydraulic fracturing.

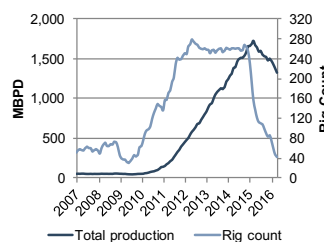


ISSUES & FUTURE POTENTIAL

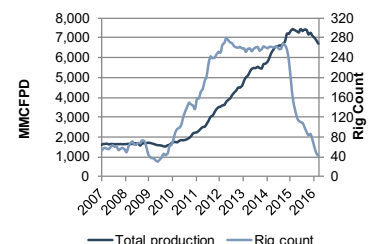
As with other oil and gas formations, the current price environment hampers profitability. However, Barclays estimates that the region has some of the lowest natural gas breakeven prices in the U.S.; and Bloomberg estimates, that considering transportation costs, the region has some of the lowest breakeven prices (after the Permian) for shale oil in the US. Such low costs are likely to attract many large players to the region, particularly as other areas struggle. This in turn will raise the cost to enter the play.

EAGLE FORD PRODUCTION

OIL



GAS



Source: EIA