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Rapidly Shifting Market Fundamentals Lead to Swift Increase in Co-Producing Wells: Shifting market fundamentals are driving increased focus on developing liquids-rich oil and gas plays and a de-emphasis on dry-gas plays.

- Chesapeake plans to allocate 85% of its drilling capital expenditures to liquids-rich plays and operate only 24 dry-gas rigs in 2012, a decline of 50 rigs from the 2011 average. The company plans to invest \$1.4 billion in undeveloped leaseholds, of which 90% will be allocated to liquid-rich plays.¹
- Shell is likewise planning a \$3 billion investment to target the liquids-rich Eagle Ford.²
- Marathon COO, David Roberts, identifies the Eagle Ford as “the top basin we have in the world today.”³
- Rapid liquids-rich development is expected to be persistent: over the next 20 years, Bakken wells will increase from 5,000, currently, to a projected 48,000.⁴ Similarly, in 2010 there were 240 wells in the Eagle Ford and in 2020 there is projected to be 4,890.

These Wells Produce a Significant Amount of Gas, Much of Which is Not Captured

- A random sampling of data from North Dakota and Texas well-completion permits show initial gas production values for oil wells ranging from 1,000 to 3,000 mcf/d.
- Examination of Texas permits shows gas wells re-classifying to oil wells, though still producing significant gas.
- Given the liquids-rich nature of the plays, this gas is likely to have high VOC content.
- In North Dakota more than 35% of the gas is vented, flared, or otherwise not marketed because of limited pipeline infrastructure.⁵

It is critical to ensure that comprehensive protections apply to wells that emit significant amounts of pollution, including wells that co-produce oil and gas.

¹ <http://www.chk.com/news/articles/pages/1651252.aspx>

² NGL's Shale Daily, “Shell to Focus on Liquids-Rich Assets, Leverage Gas”, February 6, 2012

³ <http://www.bloomberg.com/news/2012-03-23/texas-tops-finds-from-brazil-to-bakken-as-best-prospect-energy.html>

⁴ Clifford Krauss, “In North Dakota, Flames of Wasted Natural Gas Light the Prairie”, September 26, 2011, http://www.nytimes.com/2011/09/27/business/energy-environment/in-north-dakota-wasted-natural-gas-flickers-against-the-sky.html?_r=1&ref=energy-environment

⁵ <http://www.eia.gov/todayinenergy/detail.cfm?id=4030>