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Changing Times, Market Access Put Haynesville Operators In the Dry Gas Driver's Seat

By Danny Boyd

Named after the town of Haynesville in Claiborne Parish, La., the Haynesville Shale gas play was discovered in plain sight in 2008, and after an initial flurry, drilling and completion activity ebbed and flowed with natural gas prices. It is a different breed of shale play: deeper, higher-pressured, and with complex geology that yields dry gas. It is also different because during the past decade the Haynesville has become largely a domain of smaller independents, including private players backed by private equity capital.

Collectively, these companies have quietly helped the Haynesville Shale come of age, defining the play's boundaries and extending development westward into Texas, proving up its massive resource potential, and demonstrating its world-class economic viability. Going forward, the Haynesville's strategic location and ready connectivity to deliver low-cost supply to market centers—coupled with a tightening U.S. natural gas supply picture—puts operators in the northern Louisiana-East Texas play in the dry gas driver's seat as demand picks up and prices strengthen.

The Haynesville rig count exited February at 46, three rigs higher than it had been at the end of February 2020 before the pandemic brought the market crashing down. It was the only major shale basin to average higher year-over-year rig counts through January and February. Operators indicate they plan more of the same for the rest of 2021.

The Haynesville's proximity to liquified natural gas export terminals and industrial customers on the U.S. Gulf Coast, as well as easy access to pipelines exporting into Mexico, contributes to low gathering and transportation costs. These factors create some of the best cash operating margins in the country for Houston-based Rockcliff Energy and other Haynesville gas producers in the current price environment, according to Boyd Heath, Rockcliff's cofounder and chief financial officer.

Moreover, the quality of the rock across the core of the Haynesville competes well economically with any gas-bearing reservoirs in North America, he insists.

"With our acreage and results, we can drill wells with a 20% rate of return at roughly a $1.80 flat natural gas prices unhedged," Heath says. "When you combine the geological strengths of the Haynesville and the economic benefits of our proximity to markets, it just lends to continued resilience in the Haynesville that will benefit our nation's supply needs for years to come."

Rockcliff consistently keeps four rigs and two frac crews busy exploiting 156,000 net acres in Harrison and Panola counties, Tx., where the company has 1,000 future well sites that will keep Rockcliff busy in the area for a long time, he details.

Consistent Approach

The company's consistent approach to growth through the drill bit began when Rockcliff established its Haynesville position from two acquisitions in 2017, Heath explains. The company's work since then effectively has expanded the Haynesville core into East Texas, where the play is about 10,500 feet down and averages about 300 feet thick compared with about 170 feet in northern Louisiana, where the rock is typically more fractured and wells may have higher IPs, but higher decline rates as well, he says.

"Some people artificially drew a boundary around the core being in Louisiana, but we have clearly delineated and proven that the core extends well across our acreage in Texas, and one of the key differentiators is the greater thickness of the play in East Texas," he says.

Rockcliff drills three-four wells per pad and staggers the wells in a wine rack configuration, with some wells landed in the upper Haynesville and others in the lower portion of the play, Heath says. "While each wellbore is 800 feet apart, it is the equivalent of 1,600-foot spacing within each landing zone, and we can get more gas out of each unit," he explains.

Rockcliff does not have a big drilled but uncompleted inventory of wells as frac crews typically begin completing wells as soon as drilling is finished, he says. Maintaining a balance between maximum recovery with a competitive cost structure, Rockcliff usually pumps ±3,500 pounds of proppant with 85-100 barrels of fluid per lateral foot, and also has benefitted from using diverting agents to treat more rock volume along the lateral, Heath adds.

The average lateral is a little longer than 9,000 feet, but the company has extended several beyond 12,000 feet. As a private company, Rockcliff focuses on overall well economics, long-term wellbore integrity and estimated ultimate recovery, and does not divulge initial production rates or its reserve position, Heath says. Average well cost is about $1,000 per lateral foot, which includes facilities costs. The company's net gas production was approaching 1.0 billion cubic feet a day in February.

Although most of the acreage in the region is spoken for, Rockcliff maintains an active land acquisition effort and periodically picks up additional Haynesville leases, Heath adds. The company also holds rights to the Bossier Shale but currently focuses exclusively on the Haynesville.

"Like everybody, we are always on the lookout for consolidation opportunities," Heath says. "I think the basin needs to consolidate, and that will continue to happen over time, but our current plan is to continue to grow through the drill bit."

Rockcliff, which maintains a field office in Longview, Tx., makes extensive use of SCADA technology on each well to provide real-time operational data, which allows the company to build sophisticated algorithms and artificial intelligence capabilities to enhance production and optimize well performance, Heath concludes. ❐

Since establishing its 156,000-net acre Haynesville position, Rockcliff Energy has extended the Haynesville core across the state line into East Texas. With a strategy of consistently growing through the drill bit and 1,000 future locations identified, Rockliff's drilling and completion program is keeping four rigs and two frac crews hopping.