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FORMER BHP Billiton Petroleum boss Mike Yeager has told Energy News he is confident that the newly-rebranded Freedom Oil and Gas will hit the good oil when it starts drilling its first Eagle Ford Shale wells soon.

Haydn Black (/author/profile/888c32d3-3646-4857-be37-825277f70940/haydn-black) 08 March 2017 08:20 News

Mike Yeager.

Freedom, which was until recently known as Maverick Drilling and Exploration, has completely changed over the last year, moving into the prolific Eagle Ford Shale at a time when the oil price was at its nadir.

Maverick, which did not have much success at the Blue Ridge Dome field elsewhere in Texas, was lucky enough to take advantage of EFS leases coming back into the market during a dark time for oil prices.

"The leases we acquired were part of a significant Eagle Ford position by two larger companies," he said.

"These leases were part of their contiguous leasehold position and were coming to the end of their initial three year lease term, but had not yet been drilled."

In the flurry of the early EFS discoveries, companies grabbed as much land as possible with little thought about how it might be practically drilled within the initial terms.

Some companies secured extensions, but other leases expired.

Freedom's new project area was just a small part of a much larger package, and as the oil price fell the owners lacked the spare cash to drill the wells of hold the leases by production.

"While we were talking to the larger companies about the possibility of buying part of their position, we learned that these leases were about to expire and would be on the open market soon," he explained.

"So we sat quietly, and on the day the leases expired we were able to grab them.

"We negotiated the lease terms when crude was about $40/bbl and were able to get them locked up for about $1000 per acre. Some are slightly less than $1000 per acre, but none are more.

"So we were fortunate to learn the acreage was coming available and we moved quickly to secure it."

Considering the leases are essentially de-risked by hundreds of offset wells, and some EFS leases went for tens of thousands of dollars during the boom, it was a great deal for Freedom.

Not all companies trying to break into the Eagle Ford Shale have been successful.

While Aurora Oil & Gas was sold for more than $2 billion to Baytex Energy other companies, such as Aussie New Standard Energy, found themselves overwhelmed and over-stretched after EFS investments.

Many, like NSE, came home with tails between their legs, much poorer for the experience.

The Texas-based Yeager is adamant that won't happen to his junior.

"The acreage position we have taken allows us to drill as many or as few wells as we desire in the next 2-3 years," he explained.

"We then need to drill about five wells per year to hold all of our acreage if prices were to decline.

"If prices were to stay firm, we can drill our acreage position with only two rigs full time and fully develop it in about seven years."

He said the company had plenty of commercial flexibility, and should be within the company's ability to fund, even with a single part-time rig if it goes slow.

And, as there are around 300 wells in the immediate area "there is zero doubt we will find oil as we have the physical evidence surrounding us".

The company's holdings are immediately adjacent to leases purchased by Protege from Newfield and Sanchez from Anadarko for $390 million and $2.3 billion respectively

Freedom has looked at the core from five offset wells, and believes there should be around 120m of oil within the shale.

"Successful wells have been drilled in that 400 feet where the horizontal part of the well is in the lower, middle or upper part of the Eagle Ford reservoir," Yeager said.

"We do not have any risks of drilling interference with wells already drilled as we are far enough away for that not to be an issue.

"The risks still ahead of us are primarily in successfully drilling our horizontal sections of each well at the desired level and holding it at the desired interval, and getting our fracs properly spaced so that we can get the maximum oil recovery in all three intervals.

"Others are doing this already, so again, we just need to repeat their success."

While Freedom is still assessing final costs for the initial two wells with Patterson Drilling, Yeager said the estimate of $US5 million per well was looking accurate.

"After the first several wells we are hopeful that we can move below $5 million per well and that is based on continuous drilling programs being carried by three competitor companies over the last six to nine months adjacent to us that are all achieving around $4 million per well," he said.

Yeager admits there is some pressure on rising costs as the US shale sector picks up, but he said it was only around 10-15% over the last six months from the low point and appears to be fairly stable, but that had been more than offset by the increasing oil price.

Assuming the projects work as expected, Freedom would seek to consolidate its position, talking to small owners and smaller rivals for additional acreage.

Yeager says Freedom sees itself as a developer, not an explorer.

"I do not see us chasing things outside of the Eagle Ford for the time being," he said, saying the company had no interest in stepping into on trend plays such as the Eaglebine/Woodbine or Tuscaloosa Marine Shale, which are yet to be fully proved up.

"We see technology allowing greater and greater development options and recoveries where the oil is known and the outcomes are more predictable, so that is our focus now," he said.

As the EFS is at its thickest for the entire 563km length of the trend where Freedom has set up camp, Yeager is very confident about wells targeting the 180-feet-thick main Eagle Ford Shale and the Eagle Ford Marl/Upper EFS, which is the transition from the pure shale to the Austin Chalk carbonate.

"The Eagle Ford Marl is 200 feet thick in our acreage and over 70 nearby wells have been successfully drilled in it, primarily by Chesapeake," he explained.

"It is less drilled because it is shallower and you want to start deeper to keep your upper wells from interfering with your lower wells over time," Yeager said.

"It has both shale and carbonate features and is completely oil filled as known from the cores and Austin Chalk production above it."

"So if we replicate the three benches, Shale A, Shale B and Marl, we have about 350 locations to drill."

There are three pipelines nearby that have capacity to take any oil Freedom produces.

Yeager said the plan was to build an investment grade independent oil and gas company.

"We do not plan to drill [the land] and sell it," he said.