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<https://www.wsj.com/articles/an-old-fracking-hot-spot-makes-a-comeback-1508232601>

## BUSINESS

# An Old Fracking Hot Spot Makes a Comeback

The Haynesville Shale in Louisiana is being reborn, with the number of active drilling rigs tripling in the past year



Workers stand near two fracking well heads, operated by Chesapeake Energy, in the Haynesville Shale outside of Shreveport, La., late last year. The giant natural-gas field, once one of fracking's hottest spots, is making a comeback after being sidelined. PHOTO: KAEAL ALFORD FOR THE WALL STREET JOURNAL

*By Lynn Cook*

Updated Oct. 17, 2017 4:46 p.m. ET

One of the early centers of American shale drilling is roaring back to life, boosted by a building boom of petrochemical plants, fertilizer factories and gas-export terminals along the Gulf Coast.

The Haynesville Shale, a giant natural-gas field in northwest Louisiana, was one of fracking's hottest spots a decade ago. But it fizzled out about five years ago as gas prices plunged and drillers focused on finding oil next door in Texas. Now, the Haynesville is being reborn as companies with longstanding positions in the area, such as Chesapeake Energy Corp. [CHK -1.05% ▼](#), and newcomers seeking opportunity rush back in and drill again.

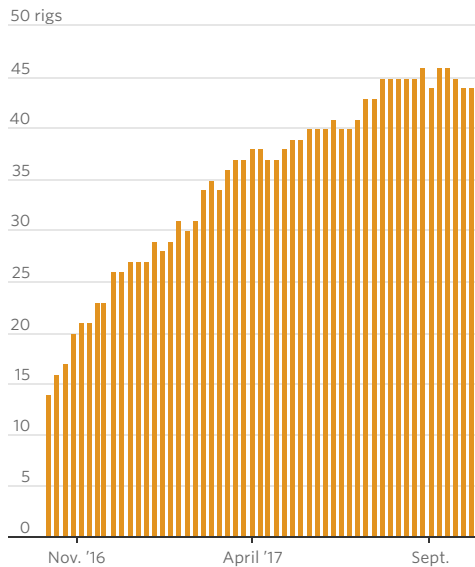
Gas production from the Haynesville has risen more than 20% so far this year, to more than 7 billion cubic feet a day from less than 6 billion in January, according to the U.S. Energy Department. The number of rigs active in northern Louisiana parishes and the Texas portion of the field has more than tripled in the past year to 44, according to oil field services company Baker Hughes Inc.

“The Haynesville is where it began,” said Frank Patterson,

Chesapeake Energy's vice president of exploration and production.

### Rising Tide

Number of active drilling rigs in the Haynesville gas field in Louisiana and Texas.



Source: Baker Hughes Inc.  
THE WALL STREET JOURNAL

The company has been learning how to get more out of the ground by drilling and fracking longer wells, Mr. Patterson told investors earlier this month.

Chesapeake, which now produces more than 1.2 billion cubic feet of gas each day in the Haynesville, plans to ramp up efforts to re-frack old wells where production is starting to peter out to squeeze more out of them, using newer technology.

QEP Resources Inc.

QEP -2.60% ▼ is also re-fracking 30 Haynesville wells this year.

“The payouts on these wells are extremely attractive at \$3 gas,” said Charles Stanley, QEP’s chairman and chief executive. Gas this year has averaged roughly \$3 per thousand cubic feet at Louisiana’s Henry Hub, a benchmark for U.S. prices.

Comstock Resources Inc. CRK -1.07% ▼ sold off some Texas oil properties in 2015 to fund new gas wells in the Haynesville, and it now has three rigs running in the area. The company recently expanded a Haynesville deal with USG Properties and plans to drill another 34 wells as part of that joint venture in East Texas.

A new report by the U.S. Geological Survey estimates the Haynesville and nearby Bossier shales contain more than 300 trillion cubic feet of natural gas, up from roughly 70 trillion cubic feet in its last survey in 2010.

Private companies have piled into the Haynesville over the past 15 to 18 months, thanks to backing from private-equity firms. Dallas-based Covey Park, backed by Denham Capital, and Vine Oil & Gas LP, backed by Blackstone Group BX -0.12% ▼ LP, have collectively spent billions buying property in the area from Royal Dutch Shell PLC, Exxon Mobil Corp. and others.

“If you have Haynesville acreage, it’s a good time to drill,” said Clay Lightfoot, an analyst with energy consulting firm Wood Mackenzie.



Chesapeake Energy Chief Executive Doug Lawler, right, takes a tour of an active fracking site in the Haynesville in November 2016. PHOTO: KAEAL ALFORD FOR THE WALL STREET JOURNAL

Driving the trend is a dramatic reduction in costs. Three years ago, the Haynesville had the most expensive well costs in the Lower 48 States, in part because its fuel-bearing rocks are the deepest in the U.S., some more than 15,000 feet underground. But in 2014, when oil prices started to plunge from over \$100 to less than \$50, some companies refocused on natural gas and began experimenting with technology such as long lateral wells that has helped improve the economics of extraction.

Rising demand for gas has boosted the area's prospects. The U.S. Energy Department forecasts that between now and 2040, consumption of natural gas will increase more than that of any other fuel source, as demand from big industrial users rises and power plants rapidly replace coal-fired facilities.

Regional producers can now also export their liquefied natural gas. Cheniere Energy Inc. [LNG 0.46% ▲](#)'s Sabine Pass LNG plant, a major exporting facility that opened in Louisiana last year, is sending cargoes of liquefied natural gas to Asia, Europe and South America. A dozen other LNG projects are under construction or are permitted and planned in Texas, Louisiana, Mississippi and Maryland.

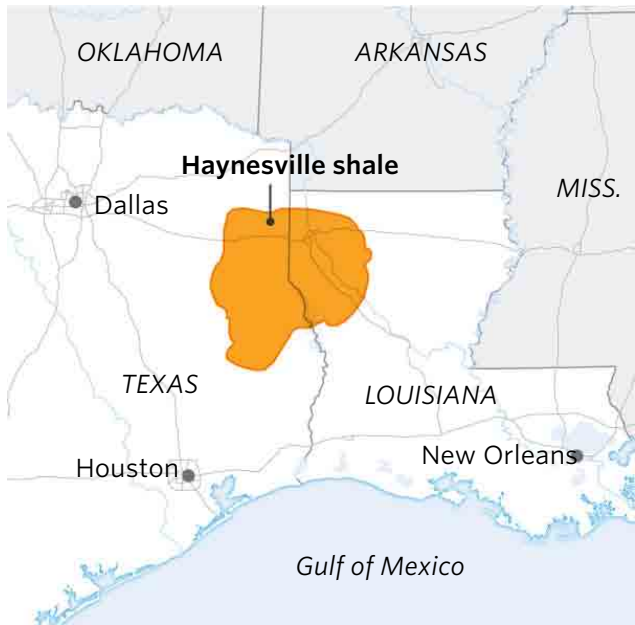
That's a potential drawback for industrial users in the area, such as petrochemical plants, of which there are almost 80 under construction along the Gulf Coast. They fear the price of gas—their main feedstock—could rise as America ships more to foreign buyers.

But the flexibility of domestic as well as foreign customers is making gas production in the area more attractive to investors.

Since 2016, Castleton Commodities International LLC spent more than a \$1 billion to buy 160,000 acres of Anadarko Petroleum Corp.'s Haynesville land in East Texas, where it operates nearly 2,000 wells. It recently got an equity investment from Tokyo Gas America Ltd., the biggest utility in Japan and one of the largest LNG players in Asia.

Tellurian Inc., [TELL -0.19%](#) ▼ whose founder Charif Souki started Cheniere, recently bought Haynesville acreage. The company says the cost of producing gas there and moving it to an export terminal will be \$2.25 per million Btu—a big discount to the daily LNG price for the Gulf of Mexico, which was \$7.66 per million Btu last week, according to S&P Global Platts.

Albert Huddleston, founder and managing partner of Aethon Energy, a private company based in Dallas, began buying into the Haynesville



Energy Information Administration

three years ago, taking over Noble Energy Inc .

[NBL -0.57%](#) ▼

's position. Then, he kept buying. It was a contrarian strategy at the time, said Mr. Huddleston.

"I'm a big believer once you find an area that meets your

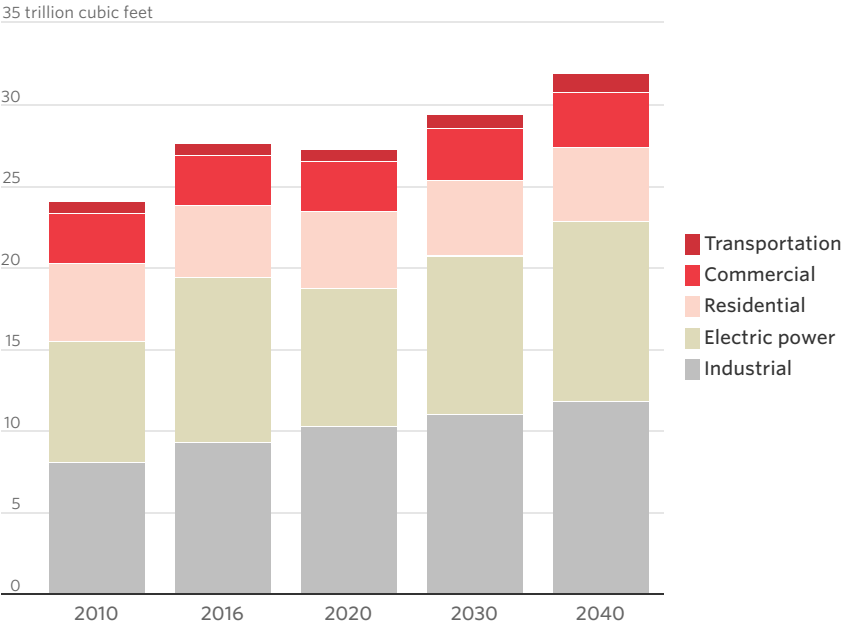
objectives, you continue to buy in that neighborhood," he said.

**Corrections & Amplifications**

Natural gas prices so far this year have averaged around \$3 per thousand cubic feet. An earlier version of this article incorrectly said that gas prices have averaged \$3 per million cubic feet. QEP Resources Inc. is re-fracking 30 Haynesville wells this year. An earlier version of this story incorrectly said the company was re-fracking 30 wells this quarter and planned to drill more in the Bossier shale. (Oct. 17, 2017)

Gas Guzzlers

Natural gas consumption by sector



Source: U.S. Energy Information Administration

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