NEWLY BACKED

Private equity-backed start-ups are focused on the northern Delaware Basin, Eagle Ford and the Arkoma Basin. Here are their assets and their plans.

ARTICLE BY
NISSA DARBONNE

Michael Rozenfeld and most of the team at Houston-based Boomtown Oil LLC met while petroleum engineering students at the University of Texas at Austin. Rozenfeld, Sean Fitzgerald and Richard Wilde completed their undergraduate studies in 2006; Hakim Benhammou, in 2005.

Rozenfeld and Fitzgerald both went on to work for Shell and, later, Rosetta Resources Inc. in the Eagle Ford. Benhammou worked for Citation Oil & Gas Corp. and Linn Energy LLC, including in the Permian Basin. Wilde joined XTO after UT and worked in the Barnett and Niobrara.

A fifth team member, Angie Galvan, a paralegal, joined them at their first start-up. The sixth, Justin Martinez, had been an intern a few years back while a petroleum engineering student at the University of Houston. In addition to his reservoir-engineering work for Boomtown, he writes custom programs for the group.

"We've managed to create our own methods and processes that are the equivalent of what most large companies have, using Justin's programming knowledge," Rozenfeld said. "It's rare to get someone who programs and has industry knowledge. It allows you to create a lot of specialized tools."

The eastern Eagle Ford is primed to show what it can produce with a modern, slickwater completion recipe, said Michael Rozenfeld, a founding partner in Boomtown Oil LLC.

Boomtown is the group's third start-up. The last, South Texas Reservoir Alliance (STXRA), was just sold. "We were contract operating to pay our G&A, while we did deals with private equity and sold prospects."

The group became familiar with Houston-based Juniper Capital Advisors LP while working on a property in Colorado. A Juniper partner had a water disposal company; STXRA was the first client. "The relationship went from there," Rozenfeld said. "We liked all the principals, and they seemed to be similar to us in how they do things—very analytically driven.

"They're not focused on just the financial side, but on the engineering and technical side. They have a lot of knowledge they've built internally and they've also built tools. They're a small group, but they're able to do a lot because of their internal capabilities."

In partnership with Juniper, Boomtown's first asset is 20,000 contiguous net acres in Lavaca and Dewitt counties, Texas, targeting the Eagle Ford, the upper Eagle Ford and the Austin Chalk. "We also look outside the Eagle Ford for acquisitions, but we feel that the best value is in the Eagle Ford vs. other plays right now."

The block was put together by picking up leases other operators were letting expire during the downturn. "It's all new leases, which is shocking for the Eagle Ford," Rozenfeld said. "You would think there isn't anywhere left to lease. But there are still a lot of acres that are available, if you know where to look."

In the leasehold, the Eagle Ford is found at between 8,000 and 14,000 feet. Wells cost between $5- and $8 million, depending on lateral length and vertical depth.

Nearby, Penn Virginia Corp. reported a preliminary 24-hour IP of 2,511 barrels of oil equivalent (boe), 77% oil, from its Lager 3H in a slickwater test. The lateral is 8,000 feet; open stages, 40. Flowing casing pressure was 4,373 psi; the choke, 20/64. It estimated in early June that the 30-day IP would be between 1,800 and 1,900 boe/d. The gas is 1,400 British thermal units.

Rozenfeld said, "So you're getting new wells out here that are 700,000 to 800,000 boe. It is basically the Permian Basin without all the failures. The Eagle Ford wells tend to have consistency in results—not a lot of variability.

"We're getting Permian-style EURs, and the cost is a lot less because the infrastructure is already there—the hard work on that has already been done—and the price is right to lease."

In addition, he said, EUR may improve further with longer laterals, "since the majority of the wells have lateral lengths that do not exceed 7,000 feet. If we put this acreage in the Permian Basin, people would pay $20,000 an acre for it because the EUR is equivalent on a lateral-normalized basis.

"The Eagle Ford has fallen out of favor with public companies due to the belief that the Permian has more prospective formations. However, many targets in the Permian are considered future upside. Most companies are only paying for the value of two to three proven zones.

"The Eagle Ford provides a superior value, if you are primarily focused on net present value as opposed to future reserve upside. We're getting Permian EURs without having to pay the Permian price."

Some well control in the Boomtown leasehold exists as a result of legacy, vertical development in the area along with 3-D seismic. "Much of our acreage is considered to be in the gas window of the Eagle Ford. It's not dry gas; it's retrograde condensate gas."

When Rozenfeld and Fitzgerald were about to quit Rosetta in 2011, they talked to Benhammou and Wilde about joining them in a start-up. "They were very interested too. We felt very capable of doing it."

Their idea is that much of the knowledge gained about developing unconventional resources has been while each had been working in them post-UT. On that timeline, both long-timers and newcomers have about as much experience, Rozenfeld said.

"We felt that we're as much experts as anyone else in shale because we were around when it began. There's no need to wait 30 years to start your own business when you have the same amount of unconventional experience as others in the industry."

All of industry is still learning, he added. "When [tight-gas plays] started, they wanted to do slickwater fracks because it worked in the Barnett. Then, everyone went away from slick water: It didn't work in other plays. They went to hybrid and gel fracks and now we're back to slickwater fracks again.

"We've actually gone full circle. We're still learning and nothing is set in stone."

Super-high-intensity, slickwater completions have been under way in the Eagle Ford for a couple of years now. "And EURs are increasing significantly," Rozenfeld said. For example, the area of the Penn Virginia well wasn't very attractive two years ago.

"They switched to slickwater fracking. All of a sudden, wells are 700,000- to 800,000-boe EURs. And that was with just one change to completion design."

The partners' past start-ups' work has been multibasin. "We like to bring best practices from everywhere. The more basins you look at, the more knowledge you gain about what other people are doing. And the better you're going to be."

He encourages others to "take the leap" and start their own E&Ps. "The downturn can make your life very bad in many ways, but there can be some positive outcomes from it." He pointed to those who bought properties in the 1980s downturn, such as in the Permian Basin, and have done well.

"There are still opportunities out there for people to start their own business and I'm supportive of people doing that. I think it's important. What drives the industry, really, are the independent companies that discover things." □