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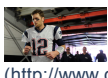
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### BUSINESS

## Falling oil prices aren't dampening Colorado drilling

By Mark Jaffe

**The Denver Post** (<mailto:mjaffe@denverpost.com?subject=The Denver Post:>)

POSTED: 10/16/2014 04:40:22 PM MDT

UPDATE: 10/16/2014 10:26:32 PM MDT ([http://www.denverpost.com/BUSINESS/CI\\_26741815/FALLING-OIL-PRICES-ARENT-DAMPENING-COLORADO-DRILLING#](http://www.denverpost.com/BUSINESS/CI_26741815/FALLING-OIL-PRICES-ARENT-DAMPENING-COLORADO-DRILLING#))

Oil prices have fallen — but not enough to slow drilling in Colorado's Front Range or in shale plays around the country, according to companies and industry analysts.

Production from Colorado's Niobrara shale is projected to rise in November for both oil and gas, according to federal estimates.

The price of a barrel of oil traded on the New York Mercantile Exchange spot market has dropped 21 percent since July to \$82.75 on Thursday.

"The price is still well above the break-even point," said Pete Stark, a senior research director at IHS, a consulting firm in Denver.

An IHS survey of the shale plays around the country came up with a rough estimate that the break-even price for shale oil was around \$65 a barrel, Stark said.



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A tank car carrying oil  
loading terminal in Trinidad  
(Matthew Brown, AP)

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For newer and less-developed shale plays, the price could be more than \$100 a barrel, Stark said. In some high-production areas, it could be as low as \$40.

Encana Corp., one of the large operators in Colorado, has a "supply range" of \$35 to \$45 a barrel, according to a company presentation. The supply price is the price needed to make a 9 percent return, excluding some costs.

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In the Niobrara, there are three high yielding areas, including the Wattenberg Field, that will continue to be drilled, Stark said.

"The Wattenberg field provides some of the strongest economics in our portfolio due to the high-quality oil produced," Robin Olsen, an Anadarko Petroleum spokeswoman, said in an e-mail.

"We continue to run 12 rigs in the field, which support more than 110 jobs per rig," Olsen said.

The efficiency of different operators also will affect drilling, since some companies are able to drill wells for as much as 20 percent less than others, Stark said. If you would like a reply, include your email:

The average cost for a horizontal shale well in the Niobrara is about \$4 million.

Niobrara production is forecast at 403 barrels a day per rig in November, a 2 percent increase over October, according to the U.S. Energy Information Administration drilling productivity report.

In the report, the EIA projects production of crude oil from seven key shale plays is forecast to grow to a record 5 million barrels a day in November — a 118,186-barrel-a-day increase from October.

"Each play has good parts and bad parts," said Jerry E. Hight, director of supply research in Houston. "Companies are focusing on drilling the good parts."

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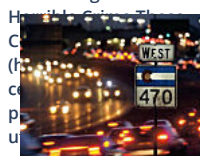
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