Optimism rises for Gulf Coast conventional explorers.
Louisiana lagniappe

South Louisiana is a niche for Lafayette and Baton Rouge, La.-based The Hise Co., which has been operating in Cajun Country for some 48 years. Its current three marketed prospects are all justified at $40 to $50 oil, according to Richard Hise, president of The Hise Co. “They make great economic sense."

The Hise Co. operates exclusively in Louisiana’s conventional strata, generating prospects for its own cadre of investors as well as for Baton Rouge-based Pennington Oil & Gas. Hise has managed the oil and gas assets for the Pennington family since the late 1990s.

The Hise Co. is a family-owned petroleum and geological engineering firm formed when Richard Hise, then a reservoir engineer with Exxon in Lafayette, joined his parents, the husband/wife duo of Bill Hise, a petroleum engineering professor at LSU, and Anne Hise, one of the first petroleum engineering graduates at the University of Oklahoma, both of whom were consultants in Baton Rouge. Richard’s son Forrest continues the family legacy of petroleum engineers.

While the company handles projects from “prospect to pipeline,” Hise prides the seasoned expertise of his technical team, all with major company experience, with the ability to find South Louisiana hydrocarbons.

“On the things our technical team has originated, I would be hard pressed to find a well where we had a dry hole that we logged then abandoned.”

The definition of what makes economic sense has evolved over recent years. Deep Tuscaloosa gas wells at 22,000 feet were the targets of choice during the 2000s. These over-pressured wells sported dry hole costs of $15 million to $20 million. The Hise Co. successfully generated and managed the drilling of 13 of these. But the advent of shale plays flooded the market with gas, softening prices and making the Tuscaloosa wells too costly.

“We have things we’d like to do in the Tuscaloosa, but they’re not justified now economically. We backed away from that years ago.”

In 2014 and 2015, the company successfully drilled four overpressured wells, including two into the deep Wilcox Sands at 15,000-foot depths, producing between 130 bbl to 160 bbl of oil and 200,000 to 800,000 cubic feet (Mcf) of gas per day, with several different zones behind pipe that can be completed later. Hise figures he needs 300,000 to 400,000 bbl of oil reserves to justify the costs of these wells.

While the company doesn’t publish reserves, these wells were successful at prices back then, he noted. “We wouldn’t have drilled the second well at Bayou Latenache if we weren’t pleased with the first. And we have other things to do in this area.”

Yet again, the dry hole costs need to move lower still. With each well requiring a string of protective pipe, “these Wilcox wells would be less justified today.”

Today, to meet economic hurdles, The Hise Co. focuses on shallower, less costly prospects that don’t need multiple strings of pipe. It sets at a minimum of a risk-weighted 2:1 return on investment.

“We think these are more than justified.”
The company has three prospects queued up for 2017 drilling. The Quartz prospect in Morganza Field, Pointe Coupee Parish, is a 13,800-foot Wilcox test. Dry hole cost is $2 million, with potential of 1.9 million barrels of oil. Abita Springs is a multi-well project in Central Louisiana targeting Wilcox oil in two areas, with total potential of 36.5 million barrels. Stallion, with 17 primary targets across 330 feet of potential pay, has potential of more than 2.8 million barrels and 2.25 Bcf in Iberville Parish’s Bayou Sorrel Field.

“All three are in South Louisiana with a lot of potential. None of them require setting a string of protective pipe, which greatly reduces costs. There is still oil and gas to be found in South Louisiana on an economic basis at current prices.”

While Hise acknowledged finding drilling partners has been more difficult of late, “we have not generated a prospect where we had to eat the leases and just walk away,” he assured.

Can a South Louisiana prospect generator still make money in the current environment?

“We wouldn’t be doing this six days a week if we didn’t think we could. We live it and breathe it, and we enjoy what we do. The opportunities are there, and we’re trying to take advantage of them.

“We’re busy and we’re active.”