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Eureka!

Cano discovers gas in Eastland County

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Cano Petroleum has announced a new field discovery that may mean productive Barnett Shale drilling can take place farther west than previously thought.

The Fort Worth-based company discovered the gas in its Desdemona Field, located in Eastland County, just west of Erath County and north of Comanche County. Until now, Comanche served as the western edge of the Barnett Shale.

"We are very encouraged about the early results from our Barnett Shale drilling program," said Jeff Johnson, Cano's chairman and CEO. "With our approximately 10,000 contiguous-acre position and 20-acre spacing, this new field discovery could provide significant added value for our shareholders."

Cano has drilled and completed three additional Barnett Shale wells in the field and has partially completed two of those. The company plans to complete a 10 well program in the field. Though locally based, Cano has not participated in the Barnett Shale previously.

The company completed its first vertical Barnett Shale well with an Absolute Open Flow (AOF) rate of approximately 820 thousand cubic feet per day (Mcfpd), at a depth of approximately 3,450 feet in mid-November. Since then, the flow rate has leveled out and current gas sales from this well are approximately 350 Mcfpd.

Johnson said the company did not originally purchase the field for the Barnett Shale gas, but decided to attempt drilling in the formation in that

area because of improvements in the technology.

"The Barnett Shale in that area is not very thick, but fracking has come a long ways, so we talked it over ... and we decided to do it," said Johnson.

Johnson said that there were already several pipelines on the property, so getting the gas to market was fairly easy.

"That was very lucky and sometimes in the oil-and-gas industry, it's better to be lucky than smart," he said.

The Cano discovery may be significant because it means exploration and production in the Barnett Shale may prove economical outside the standard 19-county area where drilling is currently occurring. The majority of gas wells in the Barnett Shale have been drilled in Denton, Wise, Tarrant, Johnson and Parker counties.

According to Victor Carrillo, Texas Railroad Commissioner, companies are conducting seismic tests even farther west in the state.

"There are some companies doing seismic tests as far west as Culberson County, but they've not yet proven how viable it would be out there," he said.

Brad Foster, vice president and general manager for Devon Energy Corp.'s central division, said his company has drilled as far west as Erath, but plans to stick primarily to the Barnett Shale's central area.

"We estimate we're getting better than 10-12 percent of the gas out of the Barnett Shale, so there's plenty more gas right where we are," he said.

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