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Ecopetrol Allocates \$500M of Capital Outlay for Fracking

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Ecopetrol S.A. (EC) proposes to invest \$500 million toward exploring unconventional deposits over a three-year period. The spending is part of the \$12-\$15 billion apportioned by the company to invest during the 2019-2021 time frame.

Contributor: Zacks.com Equity Research

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The company intends to begin with shale

Magdalena Valley basin that will include involvement of neighboring communities, as well as regulators, authorities and unions.

Subject to governmental consent, the tests are likely to be followed by a commercial expansion phase by 2022.

As several environmentalists in Colombia and some local communities are against fracking, hydraulic fracturing for unconventional oil and gas is currently not allowed in the country. Consequently, last month, a commission issued non-binding recommendation with respect to examining of pilot programs and the future use of fracking in the country. Fracking is a technology that breaks rock formations with pressurized liquid.

Ecopetrol announced that it has inked an agreement for offshore exploration and production in a 988-thousand acre block in the Caribbean. This represents the first new oil and gas contract in Colombia in more than four years.

Per the latest analysis from trade groups in Colombia, the country is estimated to hold about 9 million barrels of unconventional crude reserves, or five times its proven conventional reserves of 1.8 billion barrels.

Apart from investing in unconventional deposits, Ecopetrol is trying to catch up with the scarcity of heavy crude in the Atlantic basin, owing to U.S. sanctions on Venezuela oil supply.

Ecopetrol intends to allot about \$1 billion in projects including six wells around the tight sands and naturally fractured reservoirs in the Magdalena Medio, five to 12 wells looking for gas onshore near the Caribbean coast and about six more offshore wells. In 2019, the company plans to ink more exploration and production contracts both in Colombia and abroad.

Ecopetrol intends to invest \$3.5-\$4 billion in 2019. Of this, about 81% will be allocated toward upstream operations, mainly in Colombia, and the remaining will be spent for high-potential basins in the United States, Mexico and Brazil. The company's capex in 2018 was \$2.9 billion, up 32% from 2017 levels.

Net production in 2018 was 720,000 barrels of oil equivalent per day (boepd), in line with its guidance. This was attributable to successful drilling campaign at La Cira, Rubiales, Chichimene, Dina and Castilla fields, alongside the execution of secondary and tertiary recovery techniques.

Ecopetrol anticipates 2019 output to reach 730,000 boepd and eventually increase to 750,000-770,000 boepd in 2021.

Zacks Rank & Key Picks

Ecopetrol currently carries a Zacks Rank #3 (Hold).

Investors interested in the energy sector can opt for some better-ranked stocks as given below.

CrossAmerica Partners L.P. (CAPL) is involved in the wholesale distribution of motor fuels, comprising gasoline and diesel fuel. The company delivered average positive earnings surprise of 452.2% in the last four quarters. It currently sports a Zacks Rank #1 (Strong Buy). You can see [the complete list of today's Zacks #1 Rank stocks here](#).

SEACOR Holdings, Inc. (CKH) is a diversified holding company, mainly focused on domestic and international transportation, logistics as well as risk management consultancy. The bottom line for 2019 is expected to increase 38.4% year over year. The company delivered average positive earnings surprise of 12.6% in the trailing four quarters. The stock currently has a Zacks Rank #1.

San Antonio, TX-based NuStar Energy L.P. (NS) is a midstream energy company. For 2019, the bottom line, which has witnessed two upside revisions in the past 30 days, is expected to grow 63.9% year over year. The company currently holds a Zacks Rank #2 (Buy).

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