The frac sand market is red hot

BETH GILLIN | ENERGY INSIGHTS | DEC 03, 2014

The market for “frac sand” – a durable, high-purity quartz sand used to help produce petroleum fluids and prop up man-made fractures in shale rock formations through which oil and gas flows – is exploding.

This year, oil and gas companies will use approximately 95 billion pounds of frac sand, which is up nearly 30 percent from 2013 and 50 percent from last year’s forecasts. Moreover, the price of frac sand has increased nearly 20 percent over the past year.

This massive increase is due in large part to the recent trend of shorter and wider fracs, which use twice as much sand. Also, the trend of downspacing – decreasing the space between wells – also significantly increases the amount of frac sand used. This trend is evidenced by the industry’s prior practice of drilling four wells per square mile to the current practice of drilling up to 16 wells per square mile by using shorter and wider fracs.

Frac sand’s principal benefit is that it drastically increases the return on investment for a well. As such, the frac sand market appears to be poised for even more substantial gains in the immediate future, as exploration and production companies are entering into long-term contracts as they experiment with using even more frac sand per well. Citing RBC Capital Markets, the Wall Street Journal noted that approximately one-fifth of onshore wells are now being fracked with extra sand, and this trend could spread to 80 percent of all shale wells.

While frac sand extraction could spread to states that have mainly untapped frac sand deposits, the biggest winners will likely be the largest frac sand deposits that are positioned closest to major shale plays. For example, the state of Wisconsin has been a major frac sand venue, with over 100 frac sand mines, loading, and processing facilities permitted as of 2013, compared to only five sand mines and five processing plants permitted in 2010.

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