While WPX Energy has up to 13 Delaware Basin zones to delineate and develop, the Wolfcamp A horizon "is our bread and butter zone—it's going to deliver every day," said Clay Gaspar, senior vice president and COO.

"The Delaware Basin is arguably the best real estate in the oil and gas business in the nation, as evidenced by the sheer number of industry transactions over the past 12 months," said chairman and CEO Rick Muncrief of Tulsa, Okla.-based WPX Energy Inc. in the company's fourth-quarter conference call.

To wit, 57 deals representing some $37 billion in Delaware assets traded hands over the past two years, as mostly public independents rolled up private companies that had built starter acreage positions. Now the majority of the basin is locked up by operators taking a longer-term view on development, and with motivation to deploy capex and rigs into the desolate terrain.

That leaves the hanging question: where to from here for the maturing Delaware Basin?

Supercharged returns

"It starts with the rocks," said Clay Gaspar, WPX Energy senior vice president and COO, explaining why the company decided to trade out its legacy Piceance Basin position with a new anchor asset in the southern Delaware. "We needed a new crown jewel asset with an oil focus, a deep inventory and strong returns to build the company around."

Plus, the basin was largely underappreciated by the market at the time. WPX pushed its chips into the southern Delaware Basin in 2015 with a $2.75-billion entry in Loving County at $12,500 an acre for undeveloped locations. Since, it has added to its pot with the purchase of Panther Energy Co. LLC this March for $775 million, or $28,000 per undeveloped acre, illustrating the move in market value and WPX's confidence in the rock value.

With more than $37 billion in transactions since the start of 2015, the Delaware Basin in Texas and New Mexico is undergoing a changing of the guard.

Delaware Basin Map

Source: Concho Resources Inc.

WPX now controls a commanding 120,000 net acres, with a concentration in Loving County south of the New Mexico border. And the serendipity is sweet.

The column of hydrocarbon-charged zones is "incredibly thick," he said, and highly pressured all the way through. "Full disclosure, we didn't know there would be this many multiple horizons," Gaspar said at the time of the original purchase. "If you have that amazing stack of rocks to build a business on, that's irreplaceable."

The north end of its holdings in Eddy County, N.M., may have five to six hydrocarbon bearing intervals to chase, as will the southern acreage in central Reeves County, Texas, "but they might be different." WPX's state line field, "right in the heart of our play" in northwest Loving County, "probably has more landing zones than anywhere else in the Delaware Basin" with about 13 potential.

Including the recently acquired Panther acreage, Gaspar ballparks the number of identified drilling locations in WPX's Delaware portfolio to be around 6,400, but "it could just as easily go higher than lower," he said. "There are just so many landing zones and potential. We are routinely coming up with another opportunity on our existing acreage that just adds to that ultimate development plan."

WPX completed 28 Delaware wells in 2016. Despite a cornucopia of targets, the company is focusing the majority of its efforts in the Wolfcamp A formation. "The A is our bread and butter zone—it's going to deliver every day."

Well economics ultimately are what keep the drillbit turning. WPX bought the original position two years ago based on $7-million well costs and an assumed 670,000 barrels of oil equivalent (boe)-EUR type curve for the Wolfcamp A. Today, those wells are running $5 million with a "comfortable" 1 million barrels of oil equivalent (MMboe) EUR on a 1-mile lateral.

"That combination—costs falling, wells getting significantly better—has allowed us to supercharge the returns and make it very competitive in this $50 to $55 world we seem to be in for the immediate future." One-mile wells produce a 70% rate of return at that price, he said.

Yet Gaspar ascertains that even longer laterals produce "substantially better" overall returns. Some 40% of its Delaware laterals drilled this year will extend to 1.5 to 2 miles. The only lateral limitation is land issues; the company is working diligently to arrange acreage swaps with other operators to accommodate longer laterals. Well costs for 2-mile lateral wells increase by

1.3x to 1.5x, he said, but EURs jump by 1.7x to 1.8x.

Additionally, to boost recovery, WPX is pumping up to 2,000 to 2,500 pounds of sand standard and has closed its stage spacing from 100 feet to 30 feet between perforation clusters. "More sand, more stages, ultimately stimulating more rock," he said.

The company recently completed a nine-well density test began in September to explore a second zone in the 350-foot thick WC-A formation, with results expected by the end of the first quarter but after press deadline. If the theory holds, the combination of an Upper and Lower Wolfcamp A flow interval developed in a wine rack pattern of eight wells per zone would validate 16 wells per spacing unit.

Beyond the Wolfcamp A, WPX tested the Wolfcamp XY—which sits above the A—with two wells late in the year. The C-State 16-1H produced 1,812 boe/d (70% oil) in its 24-hour test, and the Pecos State 46-6H flowed 1,780 boe/d (50% oil) over 30 days, both on 1-mile laterals.

In 2017, seven WPX rigs will focus primarily on the Wolfcamp A and the Wolfcamp XY, in which it plans some 100 wells with approximately $500 million in capex, about half of the company total.

Gaspar, though, anticipates a blended development from the top of the Third Bone Spring through the Lower Wolfcamp A that treats the entire column as a 3-D cube without horizon labels. "All of those interact and share resources. By taking the labels off, you instead look at where are the right places to land the wells for optimal development. That's strategically where we're headed."

One zone outside of the near-term development plan that intrigues Gaspar is the Wolfcamp D, with 1,000 feet of column to explore. "That could be four landing zones right there."

The WC-D, however, is gassier than the uphole formations, 70% GOR and more the deeper it goes, pushing it out of favor with some local operators. "But it has a lot of pressure and gas in place. With that much rock, it'll be a very significant development. We're pretty excited about it internally."

To date, WPX has tested the D three times, all in the top 150 feet of the flow zone. The latest, Pecos State 46-5H with a 1-mile lateral, came on with an IP30 of 1,600 boe/d and held pressure at 4,000 psi 60 days in. "These are very stout wells," said Gaspar, "and [they] confirm the prospectivity of the D over our entire state line position."

WPX plans five additional wells into the Wolfcamp D in 2017, as well as tests in other prospective zones.

"We want to put our own completion recipe on these other intervals and home into where they fit in our portfolio. As we find zones that stack up competitively, we'll high grade those up in development as they compete for capital."

With $3.5 billion invested in the play, can WPX deliver on its investment?

"We've pushed all of our chips in as we revamped the portfolio and made a significant bet. We got in well ahead of the industry excitement, and we are more excited about it now than when we placed that bet," said Gaspar.

"I look to the Delaware and the opportunity going forward, and it could take the mantle of the best of all time. It's looking really good so far."

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Whitetail Well Testing flowback hands (from left) Mikey Johnson, Coty Riddle and Steve Pettit, break down and haul off pipe after testing CBR 22-13 on WPX Energy's Delaware Basin multi-well battery in Loving County, Texas.