

PERMIAN BASIN

Supermajors scoop up more acreage in Texas hot spot

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The oil industry's push in the Permian Basin marches forward as better crude prices improve returns there.

Supermajor oil companies are continuing to add to their acreage positions in the Permian region of West Texas and southeastern New Mexico. With some companies bragging that their Permian Basin projects can be profitable at \$40 per barrel, promising returns are likely in store as international crude prices seem poised to return to the \$60-per-barrel range. International Brent crude contracts traded at just below \$58 per barrel yesterday.

Industry giant Exxon Mobil Corp. reported yesterday that the company added 22,000 acres to its Permian positions, bringing the company's total holdings there to some 400,000 acres of leasehold areas. Exxon raised investors' eyebrows earlier this year when it announced an investment in 250,000 acres of the Delaware Basin, a core Permian position.

The company said its expanded position was acquired "through a series of acquisitions and acreage trades."

The news followed word that Chevron Corp. aims to invest some \$4 billion in the Permian Basin next year. According to Reuters, Chevron executive Ryan Krogmeier said the money would be directed at boosting Chevron's oil production from its Permian positions to over 400,000 barrels a day. Krogmeier spoke at the S&P Global Platts Asia Pacific Petroleum Conference gathering held in Singapore.

Late in the shale oil boom, the Permian Basin has quickly surpassed other shale and tight oil basins to become the dominant source of the United States' expanding crude oil production. Companies heavily positioned there upset investors in prior quarters by admitting to producing more natural gas than initially expected. But research continues to show the Permian remains a vast storehouse of crude oil that is capable of producing oil for decades, depending on oil prices and policies.

This week, analysts at IHS Markit Ltd. released the first results of a three-year phase of Permian-directed research. Their initial take suggests the rocks beneath the Midland-Odessa region may still contain upward of 70 billion barrels of technically recoverable resources.

Geologists with the University of Texas, Austin's Bureau of Economic Geology are in the midst of an assessment of the Permian's potential, relying on well data from thousands of wells. These UT studies of shale oil and gas resources in various basins across the U.S. can take a few years to complete.

The active land rig count has stabilized across North America, but the Permian is still luring new drilling rigs. Three hundred eighty-six oil-directed rigs are now actively deployed to the region, up from 267 at the start of this year, according to data by Baker Hughes Inc., a General Electric Co. company.

By some estimates, the Permian Basin alone may account for one-third of total U.S. oil production in the coming years.

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