chevron in the permian basin

About

The Permian Basin is one of the most prolific oil and natural gas geologic basins in the United States. Chevron and its legacy companies have been a fixture in the Permian since 1925. The basin spans west Texas and southeastern New Mexico and is approximately 250 miles wide and 300 miles long, and encompasses several sub-basins, including the Delaware Basin and Midland Basin.

The Permian Basin's geology is unique because it contains multiple “stacked plays,” which means one well can produce oil and natural gas from several layers of rock in different geological zones.

Chevron is a significant leaseholder in Permian Basin with approximately 2 million surface acres and recoverable reserves of more than 9 billion barrels of oil equivalent. Chevron’s strategy in the Permian is centered on building a large-scale asset that delivers strong returns and generates free cash flow.

The manufacturing-style focus of the factory model has lowered drilling costs, reduced the number of days from start of drilling to first production and increased the number of wells each rig drills.

Highlights

- We have been in the Permian for more than nine decades and plan to be here for many decades to come.
- Our Permian position is strong – with large, high quality acreage and a royalty advantage.
- The Permian is a key focus in our shift in toward shorter-cycle base and shale/tight assets.
- We have implemented a factory mode to deliver industry-leading returns.
- We are driving development costs down through the reduction in well costs and higher recoveries.
Leading position/producer

- Chevron and its predecessor companies began operating in the Permian basin in 1925.
- In 2011, we celebrated producing five billion barrels of oil from the Permian Basin in our nine decades operating here.
- When other majors left the Permian in the 1980s and 1990s to pursue bigger projects around the world, Chevron resisted the trend to divest.
- Chevron is the largest net acreage leaseholder and one of the largest producers in the Permian.
- In 2016, net daily production in the Permian basin averaged 90,000 barrels of crude oil, 327 million cubic feet of natural gas and 29,000 barrels of NGLs. The total potentially recoverable reserves in the Permian are estimated to exceed 9 billion barrels of oil-equivalent.

Advantaged access

- For decades, we've held acreage in multiple shales and other unconventional reservoir plays in the Permian Basin.
- The Permian basin is uniquely advantaged over other US continuous plays due to the multiple stacked plays – an acreage multiplier in terms of resource and development potential.
  - Stacked plays allow for efficient development and production for multiple zones. Compared to other basins, this lowers the risk and the cost per well.
- Our Midland and Delaware leases have over 2 million surface acres, which is equal to over 11 million reservoir acres.
  - We hold approximately 500,000 total acres (2,023 sq km) in the Midland Basin, and about have about 1 million total acres (4,047 sq. km) in the highly prospective Delaware Basin.
- We also enjoy advantaged access to export infrastructure.
- About 85% of the acreage has low or no royalty fees.
  - This is a significant differentiator in terms of the value of our production. This advantage is even more compelling in the current price environment.

Manufacturing mindset

- We have implemented a factory development strategy, which utilizes multi-well pads to drill multiple horizontal wells that are completed concurrently using multistage hydraulic fracture stimulation.
  - We drilled 93 wells in 2016 (and 108 non-op).
- We are competitive on cost; we are competitive on recoveries; and we are getting better every day.
  - In 2016, we delivered a 30 percent reduction in our actual operated unit development and production costs.
  - Year-on-year we have increased drilling footage per day by 45% and doubled the number of fracture stimulation stages per day.
  - We are increasing lateral lengths and continuing to evolve our basis of design.
- We are ramping up to 20 operated rigs by the end of 2018.

Value-focused strategy

- Our strategy in the Permian is centered on building a large-scale asset that delivers strong returns and generates free cash flow.
  - Future upside potential of >700 MBOED within a decade.
- Our pace has been intentionally deliberate to allow us to incorporate the learnings and experience from our own work and that of the industry.
  - It has allowed the industry to de-risk and create data that can refine our assessment.