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SCOOP, STACK Plays Drive Development Activity In Mid-Continent Region

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Five years ago, Newfield Exploration took a chance on a play concept in the middle of the American heartland. That concept ultimately developed into one of the highest-potential liquids resource plays on the map: the Sooner Trend Anadarko Canadian Kingfisher (STACK) trend in Oklahoma's Anadarko Basin.

"We had an idea," recalls John Jasek, Newfield's senior vice president of operations. "At the time, we saw a downturn in natural gas prices coming, and we knew we needed to be more oil focused and balance our portfolio with more liquids."

So Newfield put together a play in the up-dip portion of the Cana Woodford, he says, and in so doing, the company became one of the pioneers in developing STACK.

"It was good geology," Jasek explains. "The STACK is a very thick, hydrocarbon-saturated system with about 700 feet of prospective intervals. We have successfully tested the Woodford and the Upper and Lower Meramec. There are additional intervals such as the Osage and Hunton to test in the future."

Newfield has 315,000 net acres in the Anadarko Basin, including in the STACK, South Central Oklahoma Oil Province (SCOOP), and new Springer Shale fairway plays. Newfield has drilled more than 120 wells each in the STACK and SCOOP.

"In 2011, we had 5,000 barrels a day net production in the Anadarko Basin," he offers. "We ended the fourth quarter of 2015 with more than 75,000 boe/d net production. That is a tremendous growth profile. The Anadarko Basin (SCOOP and STACK) now represents more than half of the company's proved reserves and daily production. It has been very consistent and has matched our predrill model."

Newfield plans to drill 80 wells in 2016, 50 in STACK and 30 in SCOOP, according to Jasek. He says the company's acreage spans the entire spectrum from the dry gas window, to the wet gas window with high condensate and natural gas liquids, to the volatile oil and black oil windows.

Newfield Exploration holds 315,000 net acres in STACK and SCOOP, including in the SCOOP Springer Shale fairway. To date, the company has drilled more than 100 wells in each play, and plans to drill 50 new STACK wells and 30 new SCOOP wells in 2016.

"We are lucky to have acreage in every window," he adds, noting that Newfield's challenge is to maintain its leasehold by holding acreage through the drill bit. He says the company's priority with its drilling program this year is to ensure it is holding its acreage by production and not worrying too much about what window wells are drilled in.

"We have developed commercial wells in all three windows," Jasek emphasizes, adding that Newfield has dramatically lowered completed well costs by improved efficiency. "Our 2016 projected average was $7.3 million," he relates. "Two years ago, the cost was north of $10 million. We are drilling one well per section now to hold acreage with production. As we go forward, we will progress into full-field development and then pad development. As we take the next step, there is a lot of efficiency to be gained. We have the vision to get cost to $6 million per well in development."

Jasek says 50 percent of Newfield's STACK acreage was held by production at year-end 2015, and he expects to move into full-field development by late next year, especially should prices rebound in the coming months. He adds that Newfield is already drilling on pads in SCOOP.

Knowledge Transfer

Danny Aguirre, manager of investor relations, says Newfield has proven operating teams that have had success in the Eagle Ford and the Bakken shale plays, and that experience is paying dividends in the Anadarko Basin.

"That knowledge transfer will get us to $6 million per well quicker," he states. "We cannot control commodity prices, but we can control completed wells costs and EURs. Our corporate development team can identify every location and every well's EUR, and what wells need to be drilled to hold acreage by production. We then build off that, based on our budget. Everyone is involved."

Jasek says the company's STACK wells have a type curve of 950,000 boe, which includes gas, NGLs and black oil. The EURs of its SCOOP acreage in the oil window average 1.2 million boe per well. "When prices rebound, we will be in a position to thrive, to make hay while the sun shines," he enthuses.

Jasek says the company has very few wells that are drilled but uncompleted. "We want to complete our wells immediately, because they are economic today," he emphasizes. "We want to get returns as fast as possible. Cash flow is a piece of preserving liquidity. Newfield is a top-tier operator, and we are driving down well costs and becoming more efficient. We are making sure we are holding acreage in a premier SCOOP and STACK position to make an economic play even more economic."

Newfield Exploration led the development of the Arkoma Woodford shale play in 2007 in eastern Oklahoma. Jasek says Newfield went back into the Arkoma Basin and drilled five dry gas wells last year with a joint venture partner.

"We decided to go back into the Arkoma Basin to understand its value today," he explains. "It is a large resource and we need to understand it, although it is not going to compete at today's margin. We have learned a lot more about completing these wells than we knew five years ago."

Production is about 99 percent dry gas in the Arkoma Woodford, and Newfield has 146,000 net acres in the play. ❒