WPX Energy
Strategy Rollout Webcast
October 9, 2014

Operator:

Good morning, ladies and gentlemen. Welcome to the WPX Energy Strategy webcast. This call will be recorded. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you'd like to ask a question at this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

I will now turn the call over to Mr. David Sullivan, Director of Investor Relations.

David Sullivan:

Thank you. Good morning, everybody. Welcome to the WPX Energy Strategic Update. We appreciate your interest in WPX Energy. Rick Muncrief, our CEO, will present the prepared slide presentation this morning. Along with Rick are members of the senior management team. Kevin Van, our CFO, Bryan Guderian, our Senior Vice President of Operations; Mike Fiser, our Senior Vice President of Marketing all will be available for questions after the presentation.

On our website, wpxenergy.com, you will find today's presentation and the press release that was issued after the market closed yesterday. Please review the forward-looking statements on Slide 2 and the disclaimer on oil and gas reserves on Slide number 3. They're important and integral to our remarks, so please review them.

With that, Rick, I'll turn it over to you.

Rick Muncrief:

Thank you, Dave. Good morning, everyone. Appreciate everyone taking time to listen in today and hear about our long-term strategy that we're so excited about. As we tee up our discussion today, there's three things that are at the top of my mind. Number one is the upside that we feel that we have here at WPX; number two is the importance on delivering on our word; and three is the urgency in executing.

With regard to upside, it's certainly why I chose to come here. In WPX, we saw the opportunity to triple the value of the Company, and we feel that there's a lot of opportunity in our core assets that can be unlocked further by putting our mind to it, improving our operational performance and trying some new things. In terms of integrity and keeping our word, on day one, we stated, "We're going to transform this Company." As you've seen, some of the things that we've done in the last five months that you—I think you can agree that that process is well underway. Today is just a moment in time, where we set out the signpost of how the market can measure and track our progress over the next five years.

With regard to executing, it's what WPX is going to be known for. We're going to be a company that's quick, decisive and competitive. Already this year, we've executed on a series of transactions that represent an aggregate value more than $1 billion. We will continue to execute. Also, I want to personally thank our employees who have stepped up to the higher expectations we've communicated. I also want to wish those who have chosen to move on only the very best in the future.

Now, let's talk about the future, how we keep our momentum rolling and how excited we are about our margin expansion story. Okay. What we want to start with is an update of our repositioning of our assets. As you've seen out in the press, we've recently announced that we've decided to sell our 69% equity interest in Apco Oil & Gas. Pluspetrol, a privately-held company, has agreed to merge with Apco, and as a result of that, we will be exiting our non-operated positions in Argentina and Colombia.

We've also continued to bolster our holdings, our acreage in the San Juan Gallup. We now control about 84,000 net acres, and if you look back to year end 2013, that's 163% increase, so we're very, very pleased with the tremendous job our team is doing there. Those are on top of some of the other value-enhancing transactions we want to spend just a minute talking about. As you'll recall, we announced a joint development opportunity with G2X to develop some of our trail ridge properties up in the highlands of the Piceance Basin, and with the carry and the deal structure, this is going to deliver exceptional drilling economics. We're excited about it.

We also sold our mature Powder River coalbed methane acreage, and in taking those proceeds, we quickly turned around and then bought a real nice package of San Juan Gallup production and acreage and I think that the market very much appreciated that. We also, earlier in the year, sold working interest some of our more mature Piceance Basin wells to legacy reserves. That transaction helped fund a shortfall, capital shortfall that we had to bolster our capital program. Also, we've had about 100 employees that have chosen to accept an early exit program to depart the Company, so right now, we're look at year-end employee headcount of somewhere between 1,025 and 1,050 going forward. If you look at that total reduction, that's about a 15% employee headcount reduction from year end 2014.

On the operating side of the business, a couple of quick updates. On the San Juan Gallup, we're real excited about this program. We've added a third rig. We continue to see operational results that very much please us. We've had a couple of wells, we've had record spud to rig release to 9.5 days. We've completed our first two—or we are completing our first two 7,500-foot laterals. Hopefully, when we have our Q3 call in about three or four weeks, we'll be able to share those results, but we do think that that's going to play out well, and you can—we'll talk about that a little further in the presentation. We're also extremely excited about the results—early time results we're seeing on our larger stimulation up in the Bakken, and once again, we're going to spend more time on this.

We want to reaffirm that the our production guidance is in line with what we communicated earlier, in that there's some information here where we've actually pulled out the production from the Powder River Basin to give you adjusted guidance for your third quarter for your models.

All right, our vision for this Company is to increase margins three times, increase oil production fivefold, and we think that, by the year 2020, we will increase our market capitalization threefold. We feel that we can do this with the assets that we currently control. I want to repeat that. This vision of tripling the size of this Company does not depend on us being able to go out and have bolt-on acquisitions, does not intend—or does not rely on mergers, acquisitions, anything like that. We think that we can do that with the assets we currently have under the hood, and we're excited about it.

So when you look at absolute terms, and what we try to do here is normalize for asset sales the Powder River Basin and Apco, we feel that we can triple our margins. If you go back in 2013, you normalize for those asset sales, we had an approximate margin of about $1.31 per Mcfe. Actually bumped quite a bit lower than a lot of our peer group at that time, and we think we can triple that to nearly four bucks. You're going to see a fivefold increase in oil production, from 16,000 barrels a day for domestic oil production to 81,000 barrels a day, and that is oil production; that is not boe. That is actual oil production, and we think, correspondingly, we'll see the market cap increase from—where we started in 2014 at about $20 a share, we think that we can triple that to a $12 million—$12 billion market cap.

Also, I think it's important that we spend a minute on some of our underlying assumptions that we used in our strategy development. The headline there is we're not going to be dependent on raising commodity prices. We can't do a lot to control natural gas prices. We can't do much to control oil prices. We can focus on what we can control, but we do like the way things are really lining up. We're bullish longer term for natural gas, but over the next three years, we anticipate a 3.50 to 4.50 world that we're going to be operating in.

Underlying that, there's some tenets. Coal continues to lose power generation and market share. We see some advantage feedstock pricing, which will lead to incremental domestic industrial demand. LNG exports will take place, but we think it may be a slightly slower pace than what we had hoped for a couple of years ago, so we think it's going to be 2016 and later when it starts in earnest. We've actually had people on the ground as recently as the last two weeks to look at what's going on in the Gulf Coast and to see that this is real, and it is real so we're real excited about the long-term picture for gas, and despite what we've seen in the volatility for oil markets, we anticipate somewhere between an 80 and $90 per barrel over the next three years. We think the fundamentals are going to be strong. We think they're going to remain balanced, and we also think that you're seeing more and more support for condensate exports, which will help us with our issue around light crude oil and the refining picture.

Major capital projects, increase the NGL demand longer term. Once again, I mentioned we've toured several facilities here, both domestic chemical cracker projects and also some of the export, both the propane and the ethane export facilities, so we're real excited about what we're seeing actually taking place. So I think what you're going to see over the next several years is our balance sheet continuing to strengthen, and it's going to give us all types of flexibility and also the ability to be opportunistic in opportunities that we have coming our way.

So going forward, we want this organization to be known by the technical excellence that it brings to the table. It's going to be led by our engineers and geologists that we have across the organization. Our operational performance is going to be strong. We want to continue to constantly improve all of our processes across the board, whether it's here in the corporate office or whether it's out in the field and whether it's in a marketing organization, whether it's in the operations organization, whether it's an accounting organization, we want performance to be enhanced across the board, and we think that'll lead to that margin growth we're so excited about.

So from a margin expansion story, I think that this is—this is what, I believe, is going to differentiate us from a lot of our competition out in the market today and we're truly a margin expansion story. We see all types of opportunity to expand the margins that WPX has traditionally seen, and I think it's priced into our current stock price right now. So if you think about a foundation for all this margin expansion, high grading our portfolio, we've already acted very quickly. You've seen us sell Apco and our Powder River assets. We're quickly bringing that portfolio to a higher level. With our growth in oil, it gives us a great commodity diversity. It's going to be able to balance our portfolio, we're going to be able to—regardless of what commodity prices are, we're going to have opportunities to get high value projects implemented. We're going to implement new technologies or we're going to take existing technologies and apply them in new approaches. An example of that is where we're drilling mile-and-a-half—1.5 mile laterals out in the Gallup out in San Juan.

We've talked about the fact that transportation costs over time are going to continue to improve. Our first example of that will actually take place next month as the Rex agreement expires, and we've talked about how that's over $100 million a year on an annual basis impact to us. Then finally, we'll have—we're going to be doing things such as creation of our enterprise supply chain management which we think will help us with pricing across the board.

If you look at this slide, this reminds me of a clock, where we're starting at time zero. We're accelerating our oil development. We're going to build asset scale. We're going to have a focused long-term portfolio management, and underpinning that is going to be our cost focus, our communication and our cultural change. So let's talk about this for a minute because I think it's really important.

Around accelerating our oil development, over the next several years, you're going to see us—and we've talked about our 45% oil growth for next year that we're already contemplating. We're going to be putting our dollars where we see the highest returns, and you're also going to see, coming out of that higher operating margins, and we're going to accelerate those high value projects. So, historically, we may have had assets that we spent quite a bit of cap ex on that have not delivered the return that we contemplated and expected, and so we're changing that. Building our asset scale, we're continuing to create significant drilling inventory. We're real excited about what we've started there. There's more that's going to come to the table over the next few months and years that I think that the market will really come to appreciate.

We've talked about increasing our commodity optionality. We've talked quite a bit about how scale will drive our operational efficiency, and it's why it's so important for us to have that. We'll continue to explore. We have an exploration rig running right now. We're going to continue to capitalize an exploration program because we think that that's where you truly can grow value in an organization. We'll also look for opportunistic acquisitions from a bolt-on perspective that fit our strategy. We're also going to divest assets we don't think have long-term potential. We're going to right size our cost structure. We're going to ensure that we have organizational alignment, and we're going to continue to establish this entrepreneurial culture that's out there that I think that our employees have really stepped up to the plate and are excited about.

So when we increase margins, we increase returns, we increase inventory, this slide depicts several things that I think that will give you a little more detail and a little color on what we're going to focus on. We also want to talk about what we've done in the last five months. We've got off to a great start. Some of the things you're going to be seeing is, as I just mentioned that the Rockies agreement, the Rockies Express or Rex agreement expires next month. You have—in the returns, we have larger Williston completions which are looking really, really strong. Longer laterals in the San Juan.

The one that thing we're doing differently now is we're linking our hedge program to our capital program, and I think that what that's going to do is underpin and give us a sense of confidence that we have that cash flow pulled in and it will really underpin our cap ex. Obviously, we need to continue to increase our inventory. We've got some examples there. We're real excited. We'll go into a little more detail as we get into the various assets.

So when you put all this together, I think you see WPX really lining up to be the premier western energy producer. We have diversity in our portfolio, and off to the right of this slide, you know, we feel very good about the rock that we have. We have high quality reservoirs that we're working in. We have established infrastructure, and I think infrastructure really matters. You see that up in the northeast with the large gas producers today and how they're somewhat hamstrung over what they'd like to do. We think infrastructure really matters. We have access to premier markets. Markets matter. We also think that the commodity optionality we have now in our portfolio and will continue to increase over time, flexibility matters, and as we've announced, we are going to exit the Marcellus over time.

Let's spend a few minutes on our various assets that will remain in our portfolio. The San Juan Basin, a lot of you like it, we've been operating there for 30 years. Currently, the San Juan Gallup has the highest returns in our portfolio – 70% crude oil, it's a light sweet oil, easy to move, easy to deal with, and we really love what we have there. As we've announced, we are currently completing our first two 7,500-foot laterals. That'll not only enhance our returns, but I think it'll help us with our infrastructure build out and will allow us to ramp our volumes even quicker.

We do think that we have ample oil takeaway capacity. We're showing 100,000 barrels a day. That'll grow to 125,000 barrels a day in 2016. That infrastructure is being built out and over time, we'll communicate more on this. Up in Williston Basin, we're real excited about the acreage that we have. We have 10 years of inventory at our current run rate. If we can pull our costs down to where I think we need to be, and I'm confident we can, then we'll probably be adding rigs up in that area to accelerate, so I think that—just watch for those developments over time.

We're going to continue to focus on operational optimization. Our LOE historically has been too high. We're targeting that to go, on a go-forward basis, to $6.00 per barrel. We're continuing to evaluate what we're seeing in our down spacing, and we're going to spend some time here this morning talking about the Bakken. But what we have talked about thus far with down spacing has only been in our areas to the south, our Mandaree area. We're extremely encouraged about that. We're also going to do some work over the next year to understand what the potential for down spacing is in the Van Hook area. Once again, as we've talked about, our larger stimulations thus far look very encouraging.

So let's talk about that, and I know that we've already seen some comments from various analysts, and I think it's good for us to step back and let me just spend a little time laying the ground work for the assets that we have in the Bakken. We have two areas. We have the Van Hook area, which lies to the north of the river or the lake, and that's an area that, for two reasons. One is the tremendous productivity of the rock in that area; and then two, because of the infrastructure, that was the first area that had been developed. To the south, we have the Mandaree area, and that's a—this is the area, the Mandaree area, we felt like the rock could be comparable but probably is a little less from a quality perspective than what the Van Hook area is. The Mandaree area is what we communicated a couple months ago and—as we rolled out our infill study, and the infill study contemplates six wells in the Middle Bakken, five wells in the Three Forks, so 11 total wells per spacing unit.

Up in the Van Hook, our current assumptions are our four wells in the Middle Bakken, three in the Three Forks. Thus far what we've done is we have focused our infill analysis and some of our increased stimulation sizes here in the Mandaree area, and that's what we're going to—we're going to talk about today. We don't have many results yet. What we wanted to do is be very transparent with the markets, and we want to show you what we're seeing virtually real time. We're real excited about what we're seeing.

Backing up to our infill study, the modeling that was used by our technical team showed that we would have Bakken EURs in about the 650 Mboe range and Three Forks to 537, and so what—that model did not have a lot of actual results. It was purely based on modeling and assumptions from a reservoir perspective, and so what we are seeing thus far is wells in the Mandaree area that are outperforming not only those assumptions but some of the higher assumptions that we have up in the Van Hook area, where we have 784 Mboe for the Middle Bakken and 658 for the Three Forks. So we're extremely excited. We don't have the data yet. The results we have are just a handful of wells that we think is prudent for us to update our EUR curve today. We do think that we're going to have that in the next four to six weeks, and that is based on some of the results that we're seeing on subsequent wells.

The Ruby pad was the first pad where we pumped our six million pound jobs. Those are the larger jobs. We're extremely excited about the performance that we're seeing there. We did have some operational challenges. We had several screen-outs during these jobs. We had some longer than anticipated cleanout of these jobs, and ultimately, we got it done. We got the wells on and you can see the performance. That slowdown in the operational performance actually put us a little bit behind on being able to understand and having a few more wells that we could, you know, at this point in time than what I, you know, in all honesty, from what I thought we'd be at. But I'm very encouraged what we're seeing here, and I think that you'll see more and more of that as we go forward. Hopefully, that will provide a little more color for everyone to understand.

Okay, let's move on to the Piceance. In the Piceance, obviously it's been the flagship asset for WPX. Massive resource of scale. We think that we have—we've talked quite a bit about our Ryan Gulch area and the upside we see there. We also think that this is an area where we have some pretty intriguing exploration upside in the Niobrara and the Mancos.

We have completed our most recent Niobrara well. It's a horizontal well with about 4,500 feet of lateral in zone. Current production from this well is 13.7 million a day at over 7,300 pounds. This well has been on for about a week now, so that's not a one-day flash in the pan IP. That is—and it is a strong well. During the drilling of this well, we had mud weights approaching 19 pound per gallon. We had 18.8 pound per gallon, which is some of the highest mud weights I've seen in my career. Part of that is the fact that we were drilling down in the valley and you also—where you've seen about 3,000 feet plus or minus of erosion, and so you're seeing the same bottom hole pressure with less total measured depth.

I might also add that this well is going into the sales line at current time and into a market where we're realizing about NYMEX less $0.20. If this well was up in the northeast right now, we'd probably be realizing NYMEX less $1.50, $2.00, so that's—when we talk about prospective markets and premium markets, this is what we talk about.

One of the things you're going to hear us talk about quite a bit is we're going to continue to assess a lot of the catalysts that we have and the resources we have under the hood. In the Williston, we think additional down spacing opportunities exist. We're going to have the larger stimulation results. We think that that could potentially lead to greater EURs. I personally think that's where we're headed. Out in San Juan, obviously longer laterals in the Gallup. We're continuing to bolster that acreage position, and I think it's going to go very well. In the Piceance, as we just talked about, Ryan Gulch is an area where we have a tremendous number of locations. We're just getting started. It's more liquid-rich there. We're going to have higher netbacks, and then the exploration potential that continues to be in the Niobrara and the Mancos. We're continuing to be focused on exploration as well. That's where we can get an early basin entry. We are going to be focused more on liquids, crude oil and rich gas, and we think that, truly for exploration to be potential, we have to be in a position to be able to quickly scale up as we are successful.

So looking forward, the 2015 guidance we should be able to release in late November, early December. We have our Board of Directors meeting in mid-November. That's when we'll be finalizing our 2015 capital budget, so we should be able to get that out to the market. Current hedging program, we think that we've done a nice job here. We've locked in about half of our 2015 anticipated production volumes at an average price of 94.88, and then 50% of our natural gas is hedged at an average price of just over 4.25 using a combination of hedges, swaps and collars. We also feel very good about being able to deliver year-over-year oil growth, at least 45%. I think that's a very attractive consideration for folks. Somewhere between 70 and 80% our 2015 cap ex is going to be focused on oil, and between the Williston and San Juan Gallup, nine to 10 rigs, and we'll continue to be very disciplined in allocating capital to the highest returns in our portfolio.

I've got a handful of slides that we've shown in the past, but we want to continue to pound the message home that we're very, very bullish on the Western price relative to Eastern US, and that's one of the fundamental reasons that we're deciding to exit the Marcellus. We simply can't—our Marcellus acreage simply can't compete with the Williston and with the Gallup. So you can see that, over the last few years, the basis has certainly strengthened out West, while at the same time, it's deteriorated in the East.

We think the fundamentals are going to continue to drive that pricing out West. This slide illustrates the various demands, and we've also—you know, I think we need to communicate that we've been able to talk to ultimately some of the customers down in Mexico. We feel that the demand projections, that they are real and they're very confident that that demand is going to be there, and you're seeing some things heading in that direction. So we think that the Mexican demand and then the tremendous demand that you have out in the southwest, which is more prone to heat, you've seen more of your coal-fired plants coming offline. There's a lot of things out West that are really shaping up to be very nice for the market fundamentals.

Once again, the slide that we've shown in various presentations, where if you look at where we are this year versus—as we project out into 2017, over $130 million decrease in annual transportation costs that impact the bottom line. I'll contrast that with producers up in the northeast, which is a little more challenging.

All right, at the end of the day, what we want to do here at WPX is build an organization that has a cost focus, has a risk tolerance, is accountable and has that entrepreneurial mindset, and I'm extremely excited about what I've seen thus far in this organization. We're building one company, we're building one vision, we're building one culture and we're going to be on one mission.

So to summarize, by the year 2020, our vision is to, once again, increase margins threefold, increase oil production fivefold, and we think that's going to lead to a three times increase in our market capitalization. We also have—that's all I have for the prepared slides. We also have some slides in the appendix that you can refer to.

At that point in time…

David Sullivan:

We're ready for Q&A.

Operator:

At this time, I would like to remind everyone, in order to ask a question, press, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Brian Corales with Howard Weil. Your line is open.

Brian Corales:

Good morning, guys. A couple of quick questions. One, on the Marcellus, can you—are you all opening a data room, or is this something that you're just not going to put capital in for the next couple of years and just kind of, you know, have strategic people you talk to? How should we look at that?

Rick Muncrief:

You know, Brian, what we plan to do is we've had a lot of interest in the Marcellus thus far. At this point in time, we do not plan on opening a data room near term. We'll see how that plays out over time.

Brian Corales:

Okay. Then in the Gallup, you're running three rigs currently. Can we assume that that—I mean, you're talking about nine to 10 rigs between the Gallup and Bakken. Can we assume that that's going to be accelerated for next year? If so, what are the impediments for accelerating?

Rick Muncrief:

Well, one thing is we would like to add a fourth rig sometime after the first of the year. The impediments would be that we have issues out at San Juan that we just have to manage. One of those is permits, one of those is infrastructure and the rest of the services are okay. So those are the two main impediments. So what we want to do is we think that four rigs with our cycle time improvements, the longer laterals, that we can stay ahead of the permits. Our team does a great job out there. We've been operating in that area for a number of years, and so we are very confident that we can do that. But those are the two, I would say the main impediments that would cause a bump in the road. Brian, do you have anything else? Okay.

Brian Corales:

All right, guys, thank you.

Rick Muncrief:

Thank you.

Operator:

Your next question comes from the line of Brian Gamble with Simmons & Company. Your line is open.

Brian Gamble:

Morning, guys. Maybe a couple on the Bakken. The Mandaree infill study, obviously great benefit to total locations and working through the larger stimulations. When can we expect that same sort of infill study in some wells at the large stems (ph) up in Van Hook?

Rick Muncrief:

Well, we have plans to do some infill wells up in the Van Hook in 2015. It's—right now, we are focused on the Mandaree. We'll move back up into Van Hook sometime probably the middle of the next year.

Brian Gamble:

Those infill wells would include the larger stimulations as well?

Rick Muncrief:

Absolutely, it sure would.

Brian Gamble:

Great. Then I guess on the Gallup itself, you guys have been doing a great job of adding acreage. Where could that number ultimately get to? How much more fairway do you think there is? How much more—it'll be (ph) the working interest bolt-ons to change your gross and net percentages or just raw acres that you may be able to add there? It seems like, I mean you're being pretty aggressive. I would assume that situation would continue. What could that ultimately shake out?

Rick Muncrief:

Well, that's a good question and one that we're trying to get to the bottom ourselves. We've got—you know, we think that it could grow—and could we double our current position? I'd say potentially. I don't know that it would get much larger than that right now. Now, I want to preface that with the fact that what may be reservoir quality that we don't fully appreciate today may actually turn out to be better with these longer laterals. That's what you've seen in a lot of plays, where you can take lesser quality rock with longer laterals, you know, optimize your stimulation and—but I think that we can continue to grow it. It is very competitive, and we don't like to talk a lot about it, but it's something we're going to continue to stay after. But we really—the 84,000 acres that we have under the hood right now, we're extremely pleased with that.

Brian Gamble:

Then one last quick one for me. You mentioned the headcount reductions, and kudos to you guys for being diligent on that front, but I know we're not getting official '15 guidance but just from the headcount standpoint, what kind of G&A savings are we talking about year-on-year?

Rick Muncrief:

Well, you know, we're scrubbing our 2015 budget as we speak, and we're going to have G&A savings that's—we've just talked—we're going to give you an illustration there that G&A is on our screen. But we have some things where we're actually going to save by outsourcing, we have some things we're going to be saving for in—actually in-sourcing. Where we've outsourced in the past, we're going to bring some of that back in, where we were paying through the nose, so to speak, for average work. So quite a few different things in play there, and—but I don't have right here what our 2015 guidance is yet.

Brian Gamble:

No problem. Great update, Rick. Appreciate it.

Rick Muncrief:

Okay. Thanks, Brian.

Operator:

Your next question comes from the line of David Heikkinen with Heikkinen Energy Advisors. Your line is open.

David Heikkinen:

Good morning, guys, and had a very specific question on the San Juan. The nine and a half day spud to rig release, was that for your longer laterals, or is that for the normal length lateral?

Rick Muncrief:

That was for the normal length lateral, Dave, but I—like I say, we're very encouraged with some of the operational enhancements that we're seeing out there with our folks.

David Heikkinen:

(Inaudible) is there a reason why—assuming the first two long laterals complete effectively, no issues drilling, that you wouldn't move more just to a standard long lateral there?

Rick Muncrief:

Well, about the only reason you would not was it would just be—if you've got offsetting acreage where you can't get acreage pooled together to put a spacing unit together and you have two operators that, you know, both want to operate. But fundamentally, we should be able to—you know, absent of that, that's certainly our preferred method. I think it helps us, you know, from a development standpoint, a permitting standpoint, infrastructure, you know, and certainly, if you look at the curves that we have in the back, you can see some really, really nice economics.

David Heikkinen:

Okay. Then just trying to get an idea, I know—again, not giving guidance yet, but the baseline with the at least 45% oil growth, what's the starting barrels a day to go to 45? I just want to make sure I have the right number to try to at least set the low end at.

Rick Muncrief:

What your exit volume is. I'll tell you what. I've got—we don't have that right here, Dave. We'll get that to you.

David Heikkinen:

Okay. A follow-up. Then the same thing, just one final question. On the cap ex side, with 70 to 80% dedicated to oil, is there a change in capital spending on the gas side in the Piceance that you're expecting, or—just trying to get to an idea of what the absolute cap ex is for 2015 and using that 70, 80% as a guide.

Rick Muncrief:

Yes, we're trying to get that finalized, but I think if you look directionally, what we've contemplated is—and I want to compare and contrast our plan from a year ago to where it is today. A year ago, we were—we felt like we would probably have 12 to 13 rigs running in the Piceance, plus some Niobrara exploration work, so a pretty healthy rig count. Some of our preliminary runs today, or we're in the five to six rigs in the Piceance, and that includes the Niobrara or the Mancos. We're real excited, and we haven't talked about that yet, the Mancos, and we'll have—probably the bulk of those rigs will be running in our Ryan Gulch area where we're going to see we think the, you know, mid-30s. I think from a—just from an operational perspective long term, some infrastructure issue, we probably need to keep one rig at least down in the valley, maybe a second. But we're going to be working that diligently to have the number of rigs, you know, working where we're going to get the best economics and we can assess our resources.

David Heikkinen:

Okay. That was it for now. Thanks.

Male Speaker: Bryan Guderian

Dave, back to your question about the crude production growth, our year-end exit rate will average about 25,000 barrels a day for domestic crude and so your 45% growth would be calculated off of the 25,000…

Male Speaker: Todd Scruggs

Average for the year, not the average for (inaudible).

Male Speaker: David Sullivan

No.

Male Speaker: Bryan Guderian

I'm sorry. That's the average for the year. Your 45% growth would be calculated off of the 25,000-barrel average for 2014.

Male Speaker: David Sullivan

Right.

Male Speaker: Todd Scruggs

On the domestic.

Rick Muncrief:

Well, we will get—we will communicate that exit rate.

Operator:

Your next question comes from the line of Brian Velie with Capital One. Your line is open.

Brian Velie:

Good morning, guys. A quick question just on the EURs for the infill spacing in the Williston. I guess, I just want to make sure I'm thinking of this correctly. The way to think of that is I suppose versus the prior guidance, you're going to have a higher recovery rate on a per-unit basis just right now based on only the modeling, as you mentioned. It's going to be slightly smaller than the previous guidance per well, but the economics of drilling those additional 200 locations from 2Q kind of make that the better way to go?

Rick Muncrief:

Well, I think the—what we have in our infill economics, I think we have it in the backup information where you see the Middle Bakken of 649 and the Three Forks, 537. That was what was in our infill study that really underpinned us being able to add this inventory. Now, since that time, you've seen that we've gone out and we have stimulated some wells in our Mandaree area that are far exceeding not only these curves but some of the other curves as well, and that's why we don't have a lot of, we don't have a lot of data yet. We don't have a lot of wells that have been completed. We don't have—and the ones that have been completed don't have a tremendous amount of production history. That being said, we're extremely excited about it.

Brian Velie:

Okay, that's great. Then I guess that—or the next piece of data that we can expect from you guys on that would be four to six weeks, I think you said?

Rick Muncrief:

That's correct.

Brian Velie:

Perfect. Thank you very much. That's all I've got. Oh, one other thing.

Rick Muncrief:

Thank you. Yeah.

Operator:

Your next question comes from the line of Jeoffrey Lambujon with Tudor Pickering Holt. Your line is open.

Jeoffrey Lambujon:

Good morning. Thanks for taking my question. Just going back to the Bakken EURs, comparing those to the previous curves talked about in the past, were those more for PUD (ph) development over the next few years versus the new curves being more indicative of the total drilling program?

Rick Muncrief:

I think if you look at the new drilling program going forward, until we get up and do some testing in the Mandaree, I think the new curves that you'll show will be—for the will be in that Mandaree area with the six million pound jobs, and so you'll see a new curve from that. Historically, I think what you probably saw over the last two or three years was more curves based off of the Van Hook area and not so much in the Mandaree because that was where the bulk of the—you know of WPX's development took place was in Van Hook.

Jeoffrey Lambujon:

Great. Then on the larger stimulations, can you talk about the declines you're seeing there and how those compare to the older fracks?

Rick Muncrief:

Well, we just—we really don't have any production. I think if you will look at the one slide we see, or that we show in the presentation, that you'll see that those curves are actually—or those individual wells on the Ruby pad actually are declining a little less than what we have on our tight curve. Now, what we just need is more time. We really don't have a lot of time to talk about, you know, long-term decline trends, but we'll certainly be monitoring that.

Jeoffrey Lambujon:

Okay, and then last question from me. On down spacing, you seeing any interference at this point in the Bakken, and what are your thoughts on down spacing and tightening that further? Thanks.

Rick Muncrief:

Well, once again, we're still—we really don't have a lot of data yet on the infill. We just got handful of wells that we've completed with the larger jobs. We haven't seen anything that really disturbs us yet on interference at the 11 Bakkens and five Three Forks, but we don't have many units fully drilled out yet either. So it's still very early, but we have not seen anything at this point in time that concerns us about interference.

Jeoffrey Lambujon:

Thank you.

Operator:

Your next question comes from the line of David Amoss with Iberia Capital. Your line is open.

David Amoss:

Good morning, guys.

Rick Muncrief:

Morning.

David Amoss:

Rick, can you talk about some of the details on the economics of your transportation arrangement in the Marcellus, you know, if you've made the assumption that differentials stay kind of where they are today, you know, what that means for cash flow of that arrangement? When you go to sell an asset like the Marcellus, are you looking at the sale of the actual acreage and the transportation together, or is that something that you would split up and have outside from the transportation agreement?

Rick Muncrief:

Well, I think from a—and I'm going to turn some of the details over to Mike Fiser, our Senior VP of Marketing, but you know, from an asset and strategic focus, I think we're not sure exactly whether we'll sell just the assets or whether we'll sell the assets and the transportation. That's—will come—you know, we'll see how that all plays out, but we have some optionality there. That being said, I think the cleanest thing for WPX would be just a clean exit from the region, but we'll just see how that plays out.

Mike, you want to add some clarity around the transportation?

Mike Fiser:

Sure. The only other thing I'd add on that is that, you know, you saw in our results this year how we were able to capture the value ourselves and in our Q1 results. It's highly seasonal, these transport spreads from the northeast. We're feeding markets that are in the New York area, so it's very seasonal in nature in terms of the demand and the value associated with it. But if we do, in fact, hold these positions, you'll continue to see a little lumpiness in our earnings, but we will be capturing that value ourselves if we don't monetize it in some other way.

David Amoss:

Okay, got it, thank you. Then just one quick one on the Bakken. Your goal of $10 million well cost, can you talk about kind of the steps to get there, what needs to happen and then timing as you're looking at it today, you know, how long it might take to you get to that $10 million well cost?

Rick Muncrief:

Yes, we're shooting to be at $10 million by year end '15, and so that's—you know, we're a little over a year out and we think that the steps to get us there are improved cycle times. We're seeing more of that. We talked about our supply chain management that we're putting in place, and so we think that we have a good chance of doing that. It's going to be a lot of, you know, fundamental blocking and tackling, blue collar work to get you there, but that's the history of that play and it's the history of managing cost.

David Amoss:

Okay, got it. Thank you very much. That's all I had.

Rick Muncrief:

Great. Thank you.

Operator:

As a reminder, if you would like to ask a question, please press star, one on your telephone keypad. Your next question comes from the line of Joe Allman with JP Morgan. Your line is open.

Joe Allman:

Thank you. Good morning, everybody.

Rick Muncrief:

Morning, Joe.

Joe Allman:

Hey, Rick, how many Williston Basin wells will you have drilled in 2014?

Male Speaker: Bryan Guderian

About 60.

Joe Allman:

Okay, and in 2015, you might be adding another rig, so I'm assuming that that well count would increase in 2015?

Rick Muncrief:

Joe, I think our—it'll increase slightly just due to some improved cycle times, and then if you look at potentially, let's say a sixth rig, I don't know that that will take place until the middle of the year and—but you're right, that could go up some.

Joe Allman:

Okay, and if I'm not mistaken, the inventory that you measure right now in terms of wells to drill is 625, so if you do increase that above 60, say you go to 70, then your inventory would be, you know, say nine years instead of 10 years, is that right?

Rick Muncrief:

That's exactly right. It would drop from, say, 10 years currently down to the eight or nine if we get—you know, ramp up six, seven rigs, you bet.

Joe Allman:

Okay. (Cross talking).

Rick Muncrief:

Go ahead.

Joe Allman:

No, I'm sorry. Please go.

Rick Muncrief:

So that's—I think that's kind of what—in a perfect world, that's what we'd like to see. I think we need to characterize our inventory as it currently stands, but we've talked about acceleration, we've talked about margin growth and one of the ways you do that, obviously, is to go into an area like this and ramp your activity up.

Joe Allman:

Gotcha, and of the—and how many wells will you have completed in 2014?

Rick Muncrief:

You know, I want to guess that number is going to be pretty close—I don't have that right in front of me. Because we've been at the, you know, five rig count for virtually most of the year, I think it's going to be pretty close to that.

Joe Allman:

Gotcha. Okay, that's helpful. Then when you're talking about getting the Williston Basin wells down to $10 million, so are you talking about the bigger frack wells? I mean, because I think your cost is increasing from 10.5 million to 11.5 million using the bigger stimulations, so are you talking getting the—so it's getting—it's going from 11.5 to 10?

Rick Muncrief:

That's correct. We want to pull that back. We think we can do that. You know, one of the areas that we have historically—probably differentiated us with some others is our facilities, how we've set our locations up, and we've seen some real savings already in optimizing the design of that. We'll continue to negotiate on our stimulation services. We'll continue to improve operational efficiencies, and it's going to be across the board.

Joe Allman:

Great. Very helpful, thank you.

Rick Muncrief:

Thank you.

Operator:

There are no further questions at this time. Mr. Muncrief, I'll turn the call back over to you.

Rick Muncrief:

Okay, thank you very much. We appreciate everyone sitting in today and listening to our strategy. Hopefully, you can detect the excitement in our voices about the vision that we've cast, the strategy that we've laid out and how excited we are about our future. We appreciate your time. We know that you have a lot going on. The markets have been very interesting here the last few weeks, and we'll work through this. But at the end of the day, I think we have laid out a strategy that keeps us at a little higher level, can deliver regardless of what our commodity prices do. We've got optionality. That's going to differentiate WPX from a lot of folks that have enjoyed phenomenal success in the past. It may be single basin, single commodity players and we think this, over the long haul, is going to play out very well, very nicely. So thank you once again. Everyone have a nice day.

Operator:

This concludes today's conference call. You may now disconnect.