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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the Q3 2018 WPX Energy Inc. Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded. I would now like to turn the conference over to your host, Mr. David Sullivan, Director of Investor Relations. Please go ahead.

David Sullivan ***WPX Energy, Inc. - Manager of IR***

Thank you. Good morning, everybody. Welcome to the WPX Energy third quarter 2018 call. We appreciate your interest in WPX Energy. Rick Muncrief, our CEO; Clay Gaspar, our COO and President; and Kevin Vann, CFO, will review the prepared slide presentation this morning. Along with Rick, Clay and Kevin, other members of the management team are 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. Also, our Q will be filed later today.

Please review the forward-looking statements and disclaimer on oil and gas reserves at the end of the presentation. There are important and integral to our remarks. So please review them. So with that, Rick, I'll turn it over to you.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Thank you, David, and good morning to everyone on the call. I want to thank you for spending time with us today. As I know, this is a busy time for everyone who tracks our results and, as always, we are grateful for your interest.

At WPX, our long-term vision remains simple and steadfast. We're staying true to our disciplined capital plan. We're growing margins nicely. We're doing things from a technical standpoint that are cutting edge. Our oil growth is on track. Our outlook for 2019 and beyond is positive and strong. And our focus on generating free cash flow over the next several years is very, very real.

As I've said before, this can be humbling business. We're obviously affected by the recent pullback in the equity market, and closer to home, we recognize the role we play in driving our own performance. That performance is typically quite robust. 54% oil growth over last year is pretty impressive. At the same time, we fell slightly short of expectations during the third quarter.

That stemmed from a combination of things in September, that were both in our control and outside our control. Nonetheless, we own these results and moving forward, the successful start-up of our joint venture gas plant in the Delaware Basin is exactly the solution we envisioned.

You will hear more details from both Clay and Kevin in a few moments. Now let's turn to Page 2.

I talk a lot about thinking ahead, executing and being a technical leader. And for good reason. Every highlight on this slide is a direct result of that. We believe this is truly a competitive advantage for us. We have some of the very best assets and best people in our industry. You can be sure we're going to keep finding ways to continue to optimize the value of our resources. To borrow a phrase from a book I read, "To whom much is given, much is required." We take that to heart as both a responsibility and an opportunity. There's so much more we can extract from this wonderful portfolio we've built.

During the third quarter, the company's Delaware crude oil realizations were extremely strong relative to our competitors. We're pleased with that, but we are not surprised. I also can't wait for Clay to walk you through some of the details of what we are learning from our advanced technological approaches. Our recent completions in several Third Bone Spring wells and our Pecos State pilot test are some of the newest examples of why our outlook so incredibly positive. We've also made some smart investments to acquire attractive equity positions in takeaway pipeline systems. Ultimately, we'll see a very nice return on these investments as we monetize them, fueling options to generate even more cash flow growth from our core operations.

Now let's turn to Page 3. Maybe it's just my competitive nature, but I've been wanting to have this conversation for quite some time. And here is what we are thinking. WPX isn't just a great stock for energy investors, it's a great stock for any investor. It's time to change the expectation for what a competitive energy producer like WPX can accomplish, not just compared to our industry, but against the broader market. I believe we're punching above our weight. The chart here offers some proof. I know there are several variables and assumptions at play here, but I want you to see what I've seen. WPX has the capacity to deliver growth in cash flow per share that's triple the projections of other sectors.

Let me repeat that. WPX has the capacity to deliver growth in cash flow per share that's triple the projections of other sectors. We fully expect to double our EBITDA and cash flow from operations over the next 2 years based on $65 oil and $3 Henry Hub prices. I think that bears repeating as well. We fully expect to double our EBITDA and cash flow from operations over the next 2 years based on $65 and $3 Henry Hub prices. Of course, I'm excited and I'm okay with being labeled as biased, but I hope my confidence speaks loudly about what I see as our place at the table. I fully expect a generalist investor group to begin to take notice. We have a lot of work ahead to make this a reality, but simply put, it's entirely achievable.

I'll turn it over to Clay now to show you what we're doing in real-time to recognize some of our potential. Clay?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Thank you, Rick, and good morning, everyone. Operationally, we continue to see strong well results in both basins, and I've never felt better about the quality and the depth of our incredible inventory. Furthermore, our flow assurance in the Delaware basin has been enhanced by the startup of our joint venture processing plant in Stateline. I'm also excited to share with you some of the highlights of an incredibly successful data project we conducted on the Pecos State pad. Before diving into our third quarter operational results, it's worth mentioning that with our processing facility up and running, we've been able to greatly reduce our flaring in the Stateline area, while our oil and gas and NGLs are now at all-time high production rates for the basin.

As Rick said, business can be humbling, and we certainly had a few of these challenges stack up on us late in the third quarter. Significant third-party processing disruptions tied to very tight fractionation markets running parallel with the delayed start-up of our full capacity of the JV plant, and then compounded by weather and electrical disruptions during this critical time, hindered our ability to deliver on the full well capabilities to market.

On the last quarter's call, I talked about the excitement around getting our plant up and running. For the last several months, our third-party processors have been squeezing our volumes negatively, impacting our gas and NGLs, and indirectly, our oil rates as well. In September, we had to resort to storing NGLs rather than selling them, even with the third-party plant and full ethane rejection. As a result, we currently have 165,000 barrels of NGLs in storage that we will sell ratably in November, December and January.

Once again, these issues highlight why 18 months ago, we chose to create a midstream joint venture to build our own processing facility with ample fractionation capacity and residue gas takeaway to control our own destiny.

The good news is that we now have a facility 50% owned by WPX and committed to WPX volumes. The first 200 million cubic feet per day processing train is in service, and the plant is now processing about 150 million cubic feet a day, and sending 17,000 barrels of NGLs down to Mont Belvieu. Currently, we have priority rights under our JV agreement to 27,500 barrels of fractionation capacity at Mont Belvieu, that will ramp to 52,000 barrels.

Now let's turn to Slide 5, and I'll talk about the Pecos State project. Let me just start by staying, Rick and I have been involved with lots of groundbreaking projects over the years, and we're both very cautious about the potential of these projects creeping into a science project for the sake of science, rather than speaking to the core objectives that they originally set out, to create value. I could not be more proud of our team and how they focused on solving the most pressing, value-driven objectives. Back in 2016, we were leading the industry on Delaware Basin multizone spacing tests. In early 2017, we brought on the CBR-22, the most advanced and aggressive spacing test in the Delaware Basin. I can tell you, we continue to look back and learn from those wells, and we are now approaching 2 years of production.

As you know, parent-child well relationships are not fully understood until the pad is most of the way through the hyperbolic portion of the decline curve and transitioning into the exponential phase of the decline curve. We continue to watch this high-frequency data very closely, and have learned several lessons that impact our development strategy today.

For the balance of 2017 and most of '18, we've continued to push frac design, perforation strategy, proppant selection and intensity. And of course, landing strategy relative to geology and the stacking and staggering of other wells. Earlier this year, our team started to pull together a wish list of things we would love to know about the field and how we might be able to close the knowledge gap.

For those not close to the technical work on an everyday basis, you have to understand that much of what we quote "know" is really inferred hypothesis, extrapolated from measurable characteristics. For normal trials and tests, we Are needing to watch production for several months to really understand how the tests work out, resulting in substantial lag time between investment and actual learning. Let me contrast our experience here at Pecos State.

The incredible amount of real-time data that we were able to collect and truly see and hear what was happening downhole gave us the confidence to alter our completion designs real-time during the completions. The fiber optics, microseismic, chemical tracers, geophones, external pressure and temperature gauges as well as the concentration of activity was informative like I've never seen in a project like this before.

We watched how changes in design impacted each perforation cluster. We tested where we could get more aggressive on design to enhance recovery and where we could get more aggressive on cost, to ultimately create the most value from the design.

This is truly groundbreaking. In fact, we are changing how we pump our jobs going forward based on these results. We are also reworking agreements with our service companies based on these changes and to benefit from this knowledge arbitrage. In addition, we're flowing these wells -- as we flow these wells back, we'll be getting detailed information about how the wells produce over time. This will continue to provide valuable information that we will benefit from years to come.

We also took a core through the best 800 feet of our 9,000-foot hydrocarbon column. We have real-time observations and intel from that core, but the real value will be coming in the months ahead as we do incredibly detailed centimeter-by-centimeter analysis of that core. I can anticipate the questions, specifically, "What did you learn? What are you doing different?" As you can imagine, this was an important investment for us. And with what we learned, we think it's very important for -- to keep this knowledge tight. Here is what I can tell you. Today we much better understand the impacts of proppant selection, carrying fluid, how to pump the job, perforation strategy, landing zone, frac dimensions and vertical and horizontal well-spacing implications.

In retrospect, it's a list of information that our team set out to understand when we conceived this test.

Now let's turn to Slide 6, and we'll talk about Third Bone Spring and other highlights. As I mentioned on previous calls, our primary targets have been the Upper and Lower Wolfcamp A and the Wolfcamp X/Y. At the same time, we have dedicated the equivalent of 1 rig to resource delineation. The objective of that rig is to derisk other landing zones, and ultimately, build more high-return derisked inventory.

I have referred to this -- to the Wolfcamp A as our gold standard that all of the other zones are competing with for capital. As I hinted at before, and now can confirm, the Third Bone Spring is now there. Next, we'll start working on spacing tests as we eventually move toward full development mode. The Third Bone Spring wells, highlighted in the upper left box, are recent examples of this delineation work. The CBR 11 has a 60-day average equivalent production of nearly 3,000 BOE per day, and the CBR 9 has cumulative equivalent production of 44,000 barrels in 23 days.

On the east side of Stateline field, the Lindsay wells continue to look great as you can see from the highlights in the bottom right box. Our marketing strategy for oil paid dividends in the third quarter. The average realized price for oil for our Delaware barrels, including the Midland basin swaps, was just under WTI. This forward thinking will continue to provide significant value to the corporate bottom line.

Let's turn to Slide 7. I'll discuss some of our tremendous results in the Williston Basin. For the quarter, Williston continued its long tradition of delivering very strong wells results. On our North Sunday Island acreage, the 7-well Hidatsa North pad has 30-day average IP -- or average production of 2,442 BOE's per day with 80% oil. As I projected on the second quarter call, the Hidatsa North wells came on late in the third quarter, contributed little to the third quarter average volumes, but should be a strong contributor to Williston's fourth quarter oil growth.

Our 3-well Raptor pad is our last North Sunday Island pad. Those wells are just cleaning out. I'm looking forward to sharing those results with you on the next call. As you can see on the map on the bottom left of this slide, we completed wells across most of our acreage position. Almost all of these wells, the Behr, Grizzly and the Otter Woman are above our type curve, with the lower performing wells trending toward our million-barrel type curve. Very exciting stuff. With that, I'll turn it over to Kevin, our CFO, for the financial update.

J. Kevin Vann *WPX Energy, Inc. - Executive VP & CFO*

Thank you, Clay. It's great to see our joint venture plant up and fully operational. We can already see the effects of that relief as we begin the fourth quarter. Thinking ahead and being a controller of our own destiny has really differentiated us over the last several years. Now that we have long-term processing reliability in the Delaware, we will continue to benefit from the investments we have made long into the future.

As expected, our oil growth story continues to mature, with oil revenue surpassing $0.5 billion for the first time in our history with this quarter's results. However, WPX is more than just an oil growth story. For the quarter, we are reporting an adjusted net income of $29 million. This marks the second consecutive quarter that we have adjust -- that we have posted adjusted net income.

Although the number isn't widely impressive yet, it does represent that our return on capital employed is improving. With the transformation of the portfolio completed earlier this year, the financial impact of the changes take a while to manifest through the financial statements. Last year, during the same call, I made a similar comment. However, the statement was made in regard to our leverage. That seemed to be the overhang to the WPX story line. Well, we executed on the plan, and now, nobody asks questions about our leverage.

2019 is the year that we see cash flows from operations funding our base capital program. There were skeptics last year when we rolled out our plan to get our leverage down through the drill bit, and there will be skeptics this year on our free cash flow generation. Not only did we did hit our leverage goal, we exceeded it. That's what we do at WPX. With the team that we have here and the quality of the Delaware and Williston assets, not to mention our differentiating midstream strategy, I would be careful about the level of skepticism going forward.

Turning to Slide 9. As Rick indicated earlier, we have successfully managed the Midland basis differential prior to the widening of it. You can see the results of those efforts in our third quarter financial statements. Despite the temporary issues with transitioning to our processing plant, the risks of gas processing and downstream fractionation have been resolved. Now you will see WPX results continue to bear the fruits of the hard work and foresight our marketing and midstream team has had in establishing one of the best positions in the Delaware.

For the quarter, at 83,400 barrels per day, our oil production is 54% higher than for the same period of 2017. That growth was driven by our Delaware team as production in that basin grew to nearly 43,000 barrels of oil per day, or an 89% increase since the third quarter of last year. Despite short-term issues we experienced in the third quarter, that growth over the last year is more than impressive and really exceeds where we expected to be at this point last year.

Our Williston Basin also has contributed to that growth, with nearly 41,000 barrels of oil per day in the quarter, which represents 30% growth from last year. The Williston team has been flexing its muscles, and now we are starting to see the Delaware carry our oil growth profile. This growth in production is driving our cash flows and our margins continue to increase.

These factors are driving our improved capital efficiency and ultimately are leading us to increased financial flexibility in the future. When comparing to the second quarter of 2018, our oil production was up 3%. As we had mentioned, the timing of the large multiple well pads in Williston contributed to the relatively small quarter-to-quarter growth. Also the September constraints on processing, coupled with some electrical issues in the Permian, put a slight governor on the third quarter numbers, but has also set us up for an impressive fourth quarter.

At 160 million cubic feet per day, our natural gas production for the third quarter was up 86% for the -- versus the same quarter of 2017, and up 5% since the second quarter of this year. Again, the Delaware Basin led the charge on that growth. Our NGL production of 13,700 barrels per day was 52% higher than the third quarter of '17, although the year-to-date growth was impressive, the 27% decline since the second quarter overshadowed this growth given all the short-term constraints that we discussed. As Clay mentioned, we will be getting a portion of these barrels back during the fourth and first quarter as we sell them out of inventory.

For the third quarter, we're reporting an adjusted EBITDAX of $288 million, which is $138 million higher than the third quarter of prior year. For us, these results demonstrate the quality of our underlying assets and the execution by the team. We're also reporting an adjusted net income of $29 million versus a net loss of $40 million in '17. Again, this represents the second consecutive quarter where we are reporting an adjusted net income.

The improvement was driven by the same factors impacting adjusted EBITDAX, higher oil volumes and better margins on each barrel produced, but there were other noncash items that impacted the quarter as well. First, depreciation, depletion and amortization was $60 million higher this quarter versus 2017, which resulted from higher production volumes. However, our DD&A rate per barrel at $17.01 continuous to improve. Last year that rate was $18.72.

As I had mentioned in the last couple of quarters, these types of results are often subtle in the financial performance, but reflects that we're drilling better wells at improved cost, which leads to higher returns on capital employed.

Our capital expenditures incurred for the third quarter totaled $370 million. But of this amount, approximately $17 million relates to land purchases, where we were able to acquire some nice acreage in and around our Stateline area of the Delaware.

Turning to Slide 10. As I mentioned earlier, we are ahead of our original plan that we laid out over 2 years ago. Through our efforts to transform the asset mix of WPX, we understood that we had effectively sold assets that generated a lot of cash flow. But we did so to help fund future development of our remaining 2 assets in the Delaware and Williston Basins. The WPX team has executed and now we are looking forward to 2019, where our base capital plan will be funded by cash flows from operations.

Our base plan includes operated and non-operated drilling completions and facilitates capital, together with up to $100 million in midstream development. And we are guiding to a base capital plan between $1.45 billion and $1.65 billion.

Recognizing that we have been extremely successful in making out-of-the-box investments in midstream opportunities, we will potentially have the chance to make other investments in further midstream development or land additions that may be above base plan. These investments will only be done to the extent that we monetize some of the historical midstream investments that we've made, such as our equity interest in the WhiteWater gas pipeline and the Oryx oil gathering system. To the extent midstream investments are divested in 2019, we anticipate proceeds in excess of our potential discretionary investments. We are guiding to a range of $250 million to $350 million of these types of investments depending on the success of the monetizing efforts.

With the base capital plan, we are projecting oil production between 100,000 and 105,000 barrels per day, and a total equivalent production between 159,000 to 171,000 barrels per day. Based on the midpoint of this guidance, our oil production growth would be 28 -- will be 28%, natural gas production growth of 35% and NGL growth of 38%. More important than the production growth, again, this base plan will all be funded within free cash flow.

Last year, we talked a lot about our 2018 financial and operational goals. They went hand-in-hand and continue to do so. I discussed the trajectory of where we were headed. Again, we were growing into our capital structure that we had created by making the transition into the Delaware. Skepticism was there as to whether we would hit our leverage goals. Some investors believed in us and have been rewarded for doing so.

Over the next couple of years, we will continue to grow EBITDA and cash flows. We have a trajectory toward free cash flows. I know we can execute, we have executed and we'll continue to do so.

I would now turn it back to Rick for some closing comments.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Thank you, Kevin. I'm grateful for our team and how our people at every level are so personally invested. There's a spirit of pride that runs through the entire company, out in the Permian, up in North Dakota and right here in Tulsa and that's because we understand that every barrel we produce is part of a bigger picture.

And painting the picture is everyone's job here. It's not easy, it's never been easy and we don't expect it to be, but we're eager to do it. Next year, we'll be talking about 6-digit oil volumes as we produce more than 100,000 barrels of oil per day. So I'll close my formal comments back where I started a few moments ago, WPX is on track. At this time, we can open the line for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Subhasish Chandra from Guggenheim.

Subhasish Chandra ***Guggenheim Securities, LLC, Research Division - MD and Senior Equity Analyst***

Rick, my first question is really a generic one about the industry. I thought I'd ask it because you're a deep thinker on the space, but with all this M&A that's gone on, I guess, this week, one of the interpretations is that, as sort of the Smid-cap companies delineate and then they get through acreage retention mode, the burdens of pad development require bigger balance sheets in the manufacturing phase. I'm just curious, if that's a thesis you would buy into? And -- or if you had any general thoughts about the M&A wave we've seen?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Yes, that's a great question. I think, from our perspective -- over time scale will certainly matter. I think every transaction has its own characteristics. And it's hard at this point to broad-brush everything. But these plays -- there's probably 4, 5 basins around the country, regardless of commodity mix, where the core of the core really is -- I think separates itself from the rest of the acreage. And so, if you're not in that, then I think you have to be very, very thoughtful about how you can compete. And that balance sheet that you talk about, I mean, that's foundational. You have to have a strong balance sheet to be able to execute. I think there are some other things possibly going on, and that's the discipline that has, I think, been -- we've all witnessed with our sector in people being much more thoughtful, not taking on debt to grow, not issuing a lot of equity here recently to grow, those sorts of things. I think a lot of folks there are in a position where they can't grow very easily, they have to think about what their strategic alternatives are. And in some cases, it is to consolidate with others.

Subhasish Chandra ***Guggenheim Securities, LLC, Research Division - MD and Senior Equity Analyst***

Okay. That's good. And just curious about the -- this is a WPX-specific question now, the oil guide that you have out there out until 2020, I was pleasantly surprise you're holding the rig count flat to deliver the 25% to 30% in '19. I'm curious if the 2020 guide, what sort of step up in activity, at least rig wise, it has, if any?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Yes, we assume that as we get into 2020, probably the start of the year, late '19, early '20, we will be adding probably 2 rigs to get that range. And, you know, it's all -- in our mind, it's going to be all about living within our means for cash flows, and that's going to be -- we will see how that goes with commodity pricing and everything else. One thing we're real excited about is, if you recall Subash, we're about 80% hedged this year, about 40% hedged on our volumes for next year, fully unhedged in 2020. And I think that bodes well. And that's real important for us. So we will see how commodity prices play out, but we are going to stay disciplined.

Subhasish Chandra ***Guggenheim Securities, LLC, Research Division - MD and Senior Equity Analyst***

Great. Can I sneak one more in, just for Clay? So the Pecos County, Clay, some of the studies, I guess, I've seen when published, when folks do fiber-optic and sort of this deep dive analysis is they sort of see a fracture network develop that they didn't picture from the surface, and it's maybe a level of complexity that they didn't expect or a level of complexity they're not sure would even repeat itself, acre to acre, that sort of thing. Do -- is that what you -- it didn't -- it doesn't sound like that's what you experienced, but does that have merit as well?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, we definitely watch the swarm -- the fracture swarm, the -- essentially what we think we are stimulating, but we see that lots of places from microseismic. And again, it's an inferred measurement. We see -- when we sense these microfracture -- or these micro-seismic events, we know that the rock has been altered. What we don't know is, has it been stimulated. Will it contribute to ultimate production? Contrast to what we did around the fiber optics and really watching kind of perforation by perforation, understanding are those getting treated or not, how are -- we try different fluids, we try different concentrations, we try different sands, different perforation strategies, that's really where the magic came together for us. For real-time, watching the group of wells that we had, that we think is very representative. You know, this is right in the middle of Stateline. This is the heart of our activity for the next many years. We think this core and these results will be very instructive for us and we'll be able to extrapolate that to the heart of our field.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Subash, let me just interject something real quick. I believe you referred to that as Pecos County, but it's actually -- the Pecos State is in -- that's in Loving County, just to be clear. The southern end of our Stateline acreage.

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

The boys in west Texas pronounce it Pecos. They will correct you.

Operator

Our next question comes from the line of Neal Dingmann from SunTrust.

Neal David Dingmann ***SunTrust Robinson Humphrey, Inc., Research Division - MD***

Rick, I have been waiting to ask you and the team this one from a broad perspective, what are you going to do here mid next year, later next year from a broad sense, with all this cash you're going to be kicking off? I'm thinking about the return to shareholders, growth just from a broad perspective, again, just glad I can ask that question now?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Yes, it's something we have engaged with a lot of our -- large shareholders with, small shareholders. We try to keep a really good pulse on people that own us. And I think that the reason we laid out this discretionary spending plan, if you will, was we were getting a lot of questions along the same line. "What are you going to do with the proceeds of this cash?" And so I think what we want to do is, we want to show the optionality that we have. We have a deep inventory. We have some great opportunities to reinvest in our business. And that's very, very appealing to me. We also, if you look at some of the estimates that are out there, that probably aren't too far off the market, of what the WhiteWater and the Oryx systems proceeds could potentially be, we're going to have some cash left over. And I think that's -- that in my mind is what I really like is having that cash on the balance sheet that gives us some optionality to do one of several things. The reality is the Oryx, still we, probably later in the year, we're going to get a read on what commodity prices do, we're going to get a read on what investors' appetites are, but suffice to say, it's going to feel very good to reinvest in our business, entertain thoughts around a dividend, possibly share buybacks, those sorts of things later in the next year.

Neal David Dingmann ***SunTrust Robinson Humphrey, Inc., Research Division - MD***

Great, great color. Maybe one for Clay here, just looking at Clay at Slide 17 in the presentation today where you guys break out, again, it's never been about a lack of locations or inventory with you all, that's for certain. Just my question though around that is, what's kind of been the assumptions as you know are in full field development in a lot of your areas in both plays? And as you see spacing going forward, is there potential for even materially more locations? So, I guess, kind of 2-parter there, just how you potentially see potential upside? And maybe just address downspacing in the plays from a broad sense if you could?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Sure, Neil. I think you're talking about Delaware?

Neal David Dingmann ***SunTrust Robinson Humphrey, Inc., Research Division - MD***

Yes, sir.

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Okay, great. So as we think about -- we know we have a tremendous -- we have talked about 6,600 potential locations. Those are -- that's potential. And we get a lot of companies talk about these huge numbers. What we're really focused on is kind of drill-ready locations that compete for capital in a risked fully-burdened sense. So what would we really put the dollars to? And so what I'm excited about at Third Bone Springs is really it's kind of crossed that threshold from that potential group, and we have a high degree of confidence. I think, even in the last call, I kind of talked about, this is something that we see really kind of maturing to now tipping over into really competing in that gold standard at Wolfcamp A, things that we would fund today. Now there's work to be done. We have single delineations. We don't have answers yet on how we would fully space this out. We don't even have answers on potentially how many landing zones there would be in the Third Bone Spring. And so a natural question is, okay, what's the new inventory, how many wells did you add? I would say, it's on the order of hundreds of wells that has probably upside from where we see today as we think about additional landing zones and those spacing tests that will come in time. These are wells that really, we want to make sure we have multiple years of high-quality inventory out ahead of us. And as Rick talked about, we will be adding rigs in the future. We want to make sure that quality, high quality well count inventory is never a burden to our ability to continue to invest back in the business.

Operator

Our next question comes from the line of Bradley Heffern from RBC Capital Markets.

Bradley Barrett Heffern ***RBC Capital Markets, LLC, Research Division - Associate***

A question on the Third Bone. I was wondering, how that fits into your thoughts around cube development? I know you thought historically that may be X/Y and the A are in the same cube. Is the Third Bone in another cube? And then also can you talk about what the spacing test, which spacing that's testing?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, thanks for the question. So we still believe the X/Y upper and lower A is a flow unit. In some locations, the B will be included in that flow unit. We see the Third Bone as a separate flow unit. As I mentioned back in Neal's question, we believe that there will be multiple landing zones to really get full development model. We're going to do a few different spacing tests. You can imagine kind of 6 wells per landing zone, 8 wells per landing zone, see how those shake out. And then also do some vertical spacing tests. How many landing zones is the right ultimate value creation? So I would say, we're still a little early to project that, and talk too confidently about that. And just note that some of the additional investment that we've been making. Some of the work that we wanted to do to prepare for full development mode, which I would guess, is still 1.5 years, 2.5 years away from us being able to really put the rig count to full development and understanding what's -- how we develop this incredible potential.

Bradley Barrett Heffern ***RBC Capital Markets, LLC, Research Division - Associate***

Okay. And then shifting over to the Bakken. Can you walk through what your exposure is to the local market there? And any thoughts around if we see pipeline expansions or newbuilt pipelines coming in 2019, if that's something that you would commit to, like you have in the Permian?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, happy to do that. I'll let Greg Horne our Vice President of Midstream and Marketing answer that. He's probably got a more first-hand view.

Greg Horne

Sure. Thanks, Clay. Brad, let me preface the answer to the question by noting first that our marketing strategy in the Williston is really no different than it's in the Permian. We employ a mix of pipeline capacity that we transport barrels on. We've got term sales and we do have some exposure to the local markets. So it's probably worth, at the risk of saying like a broken record from a lot of the other Bakken calls this week, it's worth noting again, there is heavy seasonal refinery maintenance right now in the PADD 2, the Midwest refinery complex. Anywhere from about 800,000 to 1 million barrels is off-line. If you kind of compare that to where we've been over the last couple of years, last year around this timeframe, it was about an 89% utilization. 2 years ago, it was almost 92%. So we're currently right around 75%. So pretty historic numbers for turnaround activity.

Maybe to answer your second question first, and I'll get back to our exposure. In terms of supply-and-demand balance in the Bakken, pipe outlets are around 1.3 million barrels a day. We've seen rail around 300,000 barrels a day here just recently. That's probably up from about 150,000 a year ago. So you combine that with production, that's kind of bouncing around getting close to that 1.3 million barrels a day number. It says that there's plenty of capacity to get the barrels out. So it's really kind of a demand issue, and it's a seasonal demand issue. And the crack spreads certainly tell the refiners to run all-out when they can.

So getting back to your base question of what's our exposure, we move about 15,000 and 17,000 barrels a day down to Cushing on pipe capacity that we own. We've got about another 20,000, close to it, barrels a day. I'm using gross numbers, we use those in marketing because we are responsible for marketing all the barrels. Move about 20,000 a day on term sales, that are linked to WTI. So that kind of leaves you with a balance, which is right around 20,000 a day, that achieves what we call a Bakken DAPL Index, which looks look more like a local index, and kind of trade pretty close to Clearbrook at times. Interestingly enough, physically, we can only move 4,000 barrels a day to Clearbrook through capacity that we lease. So -- but that doesn't mean that other barrels, that other 20,000 don't get some exposure. So all in all, it's about 40% of our Bakken portfolio is a local index, which about 20% of WPX as a whole.

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

And it should be noted, not too long ago, that was actually a premium?

Greg Horne

I mean, in the summer, you saw Clearbrook trade at a premium. We've been talking to folks that have worked these refineries, who are now at other producer spots and marketing spots up in North Dakota. And they'll feel pretty good about Clearbrook here in a couple of months. So we'll work through it here the balance of the year, but we're not scared of kind of where the differential is today.

Operator

Our next question comes from the line of Michael Glick from JPMorgan.

Michael Adam Glick ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Just one question on discretionary CapEx. I mean, I know a lot depends on the timing of a potential midstream sale. But have you run any scenarios on how rig guidance could impact growth in 2019?

J. Kevin Vann ***WPX Energy, Inc. - Executive VP & CFO***

Yes, Michael this is Kevin, and really when you think about rig adds next year, given that the discretionary capital is contingent in upon us getting through some of these monetizations. I would anticipate if we were going to do -- if we were going to add a rig or 2 next year, it would be during the last half of the year, if not the last quarter of the year. And it wouldn't really generate a whole lot of additional EBITDA and cash flows for next year. Maybe put a little bit of capital for the back half of the year, but not a whole lot for next year.

Michael Adam Glick ***JP Morgan Chase & Co, Research Division - Senior Analyst***

Okay. And I guess, just last one in the Williston. Could you maybe talk about how the geology changes moving from North Sunday Island south across your acreage?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Sure, happy to do that Michael, this is Clay. We tested -- we talked about the results of the Otter Woman which is really exceptional results. You can see on the map, it's a little further south than North Sunday Island. So I think that's kind of indicative of kind of a large percentage of our remaining inventory. Right now, we have just started flowing back the Howling Wolf wells. That is really our southernmost test, that'll test kind of the furthest extreme. There's no question, as you move south, it gets a little thinner, the geology is not nearly as hard as the North Sunday Island is. We try to be abundantly transparent on the exceptional nature of North Sunday Island. But if the Otter Woman and of the early results of the Howling Wolf are indicative of the balance of the inventory, or a substantial proportion of the balance of the inventory, we're really excited about that. And I think that's what we were trying to share with my last slide for today. So more information coming next quarter on Howling Wolf but really excited about what we've seen so far.

Michael Adam Glick ***JP Morgan Chase & Co, Research Division - Senior Analyst***

And then if I could sneak one more in. I mean, just any plans with some of your non op kind of Northern Delaware acreage regarding divesting those or trading those?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

I would say now, we're probably more inclined to trade those and to -- closer to some more -- our core positions. That's probably a preference right now.

Operator

Our next question comes from the line of Leo Mariani of NatAlliance Securities.

Leo Paul Mariani ***National Alliance Securities, LLC, Research Division - Research Analyst***

I was hoping to kind of follow up on the -- basically the recent sort of deep dive microseismic work that you did. You talked about making some adjustments. I know there was obviously some industry secrets and things like that involved here. Just high-level, what can you kind of tell us in terms of how you've sort of made these changes here? I mean, is it really more of a cost saving thing? Is it more of well performance thing? What can you kind of tell us, sort of toggling between those 2 variables there?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Both components. As I mentioned in my prepared remarks, we were really making adjustments to see how far can we push this to enhance well performance. And the same time, maybe we push the other direction, save some money and not impact production performance. And so we toggled some of both, I would say some of the things we were looking at, different types of proppants, different sizes of proppants, different sources of proppant, the carrying fluid, how -- the proppant loading, 0.5 pound per gallon to 1.5 pound per gallon. What does that really look like? How does that affect the perforation clusters? And so as you can imagine, you can pump a lot of sand away, but if you don't get it into all of the perforations, you're leaving significant resource behind. So that's kind of the secret sauce is figuring out what's the right recipe so that we are continuously and smoothly stimulating that whole well bore. And so having the fiber optics and being able to watch and listen every single perforation cluster along the way gave us incredible insight, and having multiple wells, multiple swings at this, we can try different perforation strategies. We can try different hole sizes. We can -- cluster to cluster length. How many clusters in a stage? There's a number of things that we tried real-time. We would learn something, and say, okay, well, if that worked, let's try this. And so that was kind of the nature of what we've been doing really for the last 6 weeks on this location.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

I also interject that I've never seen a project, and have been involved in several microseismic projects, kind of across the country. I've never seen anything that showed the real-time results that we have. And that's why I hope -- hopefully you will pick up on Clay's excitement and our excitement about that knowledge and what it can potentially mean for enhanced recoveries going down the road.

Leo Paul Mariani ***National Alliance Securities, LLC, Research Division - Research Analyst***

Okay, that's helpful. And I guess, maybe jumping over to the Bakken here. Obviously, I guess it's no secret that you guys are sort of depleting your North Sunday Island inventory here in the fourth quarter. So just wanted to get a sense of how that impacts sort of the production growth as we work our way into 2019 in the Williston? Is that start to slow growth down as you move to some of these other areas? I mean, how should we think about that?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

So our base plan is 3 rigs running in the Williston. And our base plan is still nice growth year-over-year from '18 to '19 for the Williston. Now as you mentioned, we don't have 27 more North Sunday Island wells to roll in. And so we'll -- we have to overcome the decline of these really world-class wells. That's part of it. But we really believe that the inventory that we have, wells like the Otter Woman that we'll be drilling throughout '19, will not only compensate for that base decline, but also continue to provide as I said year-over-year.

Operator

Our next question comes from the line of Jeff Grampp from Northland Capital Markets.

Jeffrey Scott Grampp ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

Staying up in the Williston, I know in the past you guys were a little bit hesitant to adjust your type curve given that a lot of the outperformance is from North Sunday Island, but given even the non-North Sunday Island wells are still comparing nicely to the curve, we're just hoping to get your updated thoughts on any potential changes to the type curve that you guys might be making as we get into yearend here?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

I think it's a very fair question, and as you pointed out, as we're looking at the North Sunday Island wells we didn't want to move the curve up to that and mislead, our belief that the balance of the inventory would be -- look like North Sunday Island. Now as we gain more swings of the bat down in the kind of southern part of our acreage, with continued performance like this is to put pressure on us to move the curves up. Give us another quarter, let us take a good look at it. I don't know if we'll have enough information from the most southern tests, but I think once we get our arms around that, I think we'll be able to better represent at least for the next few years of drilling and our expectations there.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

I would also interject, that there are 2 other operators, one is privately held and then Exxon actually is just to the east of us, both of which -- both those companies have a fair amount of activity adjacent to us. So it will -- in addition to what Clay -- what he's talking about, we're going to have more data coming in that would support moving that type curve, or not moving it.

Jeffrey Scott Grampp ***Northland Capital Markets, Research Division - MD & Senior Research Analyst***

That's helpful color. And can you guys talk about, I know with the JV gas plant online that reduces the reliance on third-parties here. But, going forward, is there really any reliance from your operated volumes in the Delaware on third-party processing? Or is it pretty much all on the JV system now?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, we always -- we love to have interconnects. We have a myriad of agreements in place so we can take offload gas. We can offload our gas. We do have probably 10%-or-so of our gas, just depending on where is at, go in to other processors. So there's always an exposure in the background. But I can tell you that the big deal for us, the amount of gas that we have today going through the Stateline facilities and the additional gas that we're piping in that direction gives us great control and really reliability of understanding that market.

Operator

Our next question comes from the line of Derrick Whitfield from Stifel.

Derrick Lee Whitfield ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD of E&P and Senior Analyst***

Perhaps for Clay, referencing your and analytical work on Page 5, what are your views on timing and sequencing impacts as it relates to full field development? I assume pressure cells define the unit, but how do you sequence it beyond that?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

If I understand the question, are we going to alter our, essentially the number of wells we're putting on a pad? Is kind of in the right ballpark?

Derrick Lee Whitfield ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD of E&P and Senior Analyst***

It is, Clay, and then also in which order the zones are completed?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, so one of the earlier callers asked about kind of our flow units and how we're grouping these wells. This was an important lesson. I talked about the CBR-22 pad that we brought on early '17. That was an area that we learned, it's not just Wolfcamp A, upper and lower that's in communication. That X/Y is really part of that flow package. So that was an important lesson we learned 2 years ago. And we've rolled that in as part of that flow unit. So I still believe the X/Y, Upper A, Lower A is 1 flow unit. Where we're landing this Third Bone Spring, this particular zone, I think is outside of that flow unit. We have pretty good bit of confidence, but we'll continue to test that theory. We'll also land in different zones, really understand horizontal spacing, vertical spacing and really how that comes together. So I would say, foreseeable future 2019, maybe even into '20, expect us to really continue to plow ahead on that Upper, Lower Wolfcamp A, X/Y flow unit. And as I said, in some areas that Wolfcamp B is part of that as well. SO that's going to be a predominant part of our development. As we continue to learn about the Third Bone Spring, the ultimate development cadence and style, that will fold into the mix as well, just giving us that significant amounts of more high-quality, derisked, ready for the bit inventory.

Derrick Lee Whitfield ***Stifel, Nicolaus & Company, Incorporated, Research Division - MD of E&P and Senior Analyst***

Great. And then as my follow up, could you confirm that the strong increase implied Q4 gas and NGL volumes, that's simply just a function of increased gas processing?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

That's correct.

Operator

Our next question comes from the line of Kashy Harrison from Simmons Energy.

Kashy Oladipo Harrison ***Simmons & Company International, Research Division - VP & Senior Research Analyst***

So the first one for me for Rick or Kevin, it looks like your base case 2019 outlook is incorporating, call it $65 WTI. I was just wondering, how -- if you could discuss how your plans would evolve if oil prices went to $55? Or if they went to $75? Just some thoughts on how your plans would evolve with the commodity prices?

J. Kevin Vann ***WPX Energy, Inc. - Executive VP & CFO***

I think, we've run scenarios, obviously, as most companies do, where if you were to see a $10 or a $15 reduction in commodity prices next year, I don't think it's going to really change our 2019 drilling program. I think the real question there would be, what the forward curve does past 2019 as we think about investments in '19. And I think if you see commodity prices run to $75 or above, that's obviously going to generate quite a bit more free cash flow. I think our -- and if that were to happen, I think we would just go back and look at some of those discretionary investments that we talked about, those opportunities. And we would evaluate them, but we wouldn't necessarily just immediately add rigs because we're starting to realize in $75 oil. That goes back to the question, what's that forward curve is doing? And what -- because most of your investment return really is going to come 12 to 18 months after that initial hole is drilled and investment is made.

Kashy Oladipo Harrison ***Simmons & Company International, Research Division - VP & Senior Research Analyst***

Got you. And then second one for me, just one for Clay. I appreciated the color on some of the challenges associated with the third-party during 3Q. I was just wondering if you have any bigger picture views on fractionation capacity in Texas? How you see that trending over the next several years? And how you positioned yourself to perform in that environment?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

I'll take a stab at it, and I'll ask Greg Horne if he wants to add any color. I think fractionation, we are not out of the woods yet. I think there is still a lot of pressure on the industry. We're very proud to talk about our 27,500 barrels a day of capacity moving to 52,000 barrels. We think that's very important. It is way in the money as you start looking at, essentially if you want to contract something like that today. And as you know, the market is very tight. So first thing that has to happen, is that additional capacity has to come online. There's projects in the works. We're very tied into that. We understand that very much first hand. We watch that really closely. Real really happy with where we're at. We're happy to have our plant online, so we can actually use this capacity. Beyond that, I think at some point, the market ultimately balances. Greg, other comments?

Greg Horne

I think that's pretty comprehensive look at it. Good morning Kashy. I think the we being not out of the woods yet is the industry collectively.

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, correct.

Greg Horne

I mean, WPX is in a really good position with contracts we've got. So there's -- it seems like every week we're reading about new fractionation that is being board-approved by various midstreamers, I think Enterprise announced another one again yesterday. So I feel like, from an industry perspective, it's going to get there by 2020, but '19 will be interesting for the industry, but again, our position is really good.

Operator

Our next question comes from the line of Nitin Kumar from Wells Fargo.

Nitin Kumar ***Wells Fargo Securities, LLC, Research Division - Senior Analyst***

Just a quick question on the service cost side of things. As you put this plan together, you're keeping the rig count flat. What are the puts and takes in the field, especially in the Permian, in terms of service cost?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, I'm glad you brought up the capital, because this really didn't come across in the prepared remarks or slides. We talk about 7 rigs this year, 7 rigs next year, it looks very flat. When you really dive into month-by-month analysis, we actually started the year in Permian with 5 rigs, 2 rigs in Williston, and then we ramped to the 3 and 7. So we'll continue that. And again, rough number very flat for '19, but obviously, '19 has a full year of 3 and 7. So there's a little bit of cost delta between the 2 years, that you really have to kind of dive in a couple of layers under to look into. The second piece is, we did -- we brought in some additional inflation into the mix, about a 5%, 7% number across-the-board. If you looked at it today, I would probably say, we're a little bit on a conservative side there. Some of the negotiations we're having, the conversation we're having with some of our service providers, we feel pretty good about beating what we have kind of in the system. So we'll see how that plays out. I can tell you, the last 18 months have been pretty tough inflationary wise around the industry. We fought a good fight. We have great service company providers that have been good partners through the whole deal. We continue to always look for those opportunities to high grade and align with the hungriest best opportunities out there. But we'll see for 2019 so far, I feel really good about what we had in and us being able to achieve or beat those numbers.

Nitin Kumar ***Wells Fargo Securities, LLC, Research Division - Senior Analyst***

Great. And then just Rick, you made the comment, you'll be producing 6 figures of oil next year. You also commented in your release that you had 90,000 barrels in October, if I'm right. So how quickly do you get to that 100,000 barrels? And maybe I'm just trying to get to, what is the trajectory of that growth in '19? You're not constrained for any pipeline or anything like that, so just trying to understand how should we think about the year as it goes along?

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

It looks like to me, the way we have it modeled out, it's going to be pretty uniform up and to the right, a pretty nice growth trajectory. And so we'll have nice exit volume next year. If you look at the range that we laid out, 25% to 30% year-over-year growth. But it's going to be, I think, fairly, pretty smooth slope, not real lumpy.

Operator

Our next question comes from the line of Wei Jiang from Crédit Suisse.

Wei Jiang ***Crédit Suisse AG, Research Division - Research Analyst***

Clay, thanks for the market color on the fractionation capacity. Could we just get some color on what were the chain of events that actually happened with your third-party processor that resulted in the shut-ins, or the increased flaring? Like how much notice did you have before you saw the production impact?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, happy to provide a little color on that. So we were -- we had interruptible space, so we had, I think, some people would say, okay, we have our processing box checked. In reality, it was interruptible. So you don't have a guarantee of space. Even with that guarantee if it was firm, what some of the plants are experiencing today, is they cannot get the NGLs out to the fractionation plants, the facilities. And so the whole plant ratably gets pulled back and everyone receives equal share, even if you do fractionation -- excuse me, firm transportation associated with that plant. So we were kind of low guys on the market. We're always the ones for the last, I would say, easily 6 months, probably longer than that, if there was a disruption in the plant, if there was something tightening in the market, we were the first ones to get kicked off. So you can imagine that's very rough on our operations. You're constantly bringing wells up and back. You've got great new wells coming online. They are constrained by 1 piece of capacity or another. So that's why, even on the last call, I talked about a significant change to our operations, not just on gas and NGLs, but oil as well. Us being able to really take out some of the constraints throughout the system that we can't even see and then really appreciate it today. I can tell you, some of those projects are well underway. So really excited about that.

I think specifically to this disruption in September, Bakken alone last quarter, I talked about our plant coming online. We started bringing gas to the plant very end of August. We had some debugging and some de-bottlenecking to do inside the walls of the plant itself. That took a little bit longer than I think we would've all hoped, and really wasn't until the end of September that we really had things up to where we wanted. Now during that critical month of September, if our third-party processor could have taken our capacity, you really wouldn't have seen a noticeable change, it would have been a non-event.

So what's happening is, we're bottom line or bottom end of the folks that they want to serve, because we had very inexpensive interruptible fees. And then the whole market started seeing this fractionation constraint. This plant was particularly hit. They had to pull back on constraints, affecting us differentially because we are interruptible. Our marketing team went to the market and did a great job of doing some trades kind of around the country to figure out how can we get this NGLs to storage and not have to flare them. So the processor told us, "Hey, guys, we can take your gas, but we can't exit, we can't get rid of the NGLs. So everybody is coming down." We said, look, what if we have a home for the NGLs? They said fine. You figure that out, we can take your gas. So that's why we ended up with this gas in storage. I can tell you, it was so much better than having to flare the gas, but even the results we saw today, obviously, we're really frustrated with, because just the timing of our plant and the timing of this disruption were just weeks of overlap, this would have been a grand slam quarter for us, and we would all started these questions with, "Congratulations Rick, good job with the quarter." Instead of, hey let me get to my question. Hope that answers your question.

Wei Jiang ***Crédit Suisse AG, Research Division - Research Analyst***

Yes, and my follow-up would be, would you be able to accommodate third-party volumes on this Howard gas processing system? And if so, how should we be thinking about the cash flow impact -- cash flow benefit to WPX?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Great question. I mentioned earlier about all the offloads. This is a mark of a great system, that we can offload our gas if we have any disruptions, they can they can offload their gas, others can. And so we expect to fill this plant in very short order with interruptible service as I mentioned that we had before. Our second plant, we expect to come on second quarter. I'll tell you, we have big plans for that second quarter plant as well. I won't get into the details of the cash flow projections associated with the joint venture, but just know that we have those modeled in. We feel really good about the operations, really excited that we had the foresight 1.5 years ago to think through some of these opportunities. And I really see this as a significant opportunity for the WPX shareholders to continue to benefit.

Operator

Our next question comes from the line of Jeffrey Campbell from Tuohy Brothers.

Jeffrey Leon Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst of Exploration & Production and Oil Services***

I'm going to tell you that I really appreciate the way you got this 2019 base guidance out for this call, it's really helpful. Since you declared it be commercial, when are you prepared to put a preliminary number on the inventory increase from the Third Bone Spring success?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, I would say, we're still a little bit out. The first question is, these spacing tests. And then the second question is number of landings zones. I can tell you, during 2019, we'll be testing both of those questions. Sometimes, the answer comes really quick. It becomes clear very quickly, I should say. Other times, you just need a few more swings at the bat. So it's hard to say. Maybe a year from now, I feel really good about it. It might take 1.5 years or 2 years before we're really able to say, okay, consider half of our rig count or some significant portion of our rig count, plowing down the inventory as we are in the Wolfcamp A. But the good news is, we have plenty of Wolfcamp A to keep us plenty busy.

Jeffrey Leon Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst of Exploration & Production and Oil Services***

Okay, that's fair. Slide 9, the Pecos test slide. It looks like it shows that you had tests in the X/Y, the Upper and the Lower Wolfcamp A. I was just wondering, is this project completed? And that's all you're testing or are you going to test any other zones in the pilot?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, you can only take so big a bite. That's the critical zones. Again, that's our bread-and-butter, the gold standard, what we really wanted to understand. And so you're right, X/Y, Upper A, Lower A, that was the focus of the test. Spacing, staggering, as I said, so much about the intricacies of how we pump the stimulation. That's really what we wanted to know, but yes, it was focused on that portion of the hydrocarbon column. Now the core goes all the way from the Third Bone, all the way down into the Wolfcamp B. And so we'll gain much more understanding from the core analysis, the petrophysics, larger than just this target interval.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

One of the things we'll do, is we'll compare and contrast this with some of the other projects we've been involved with. Take some of our lessons learned. And then, I would not be surprised if we don't start contemplating doing a similar test in the ThirdBone. Clay had mentioned, we have several potential landing zones, and we're really excited about that. And so we just have to balance that with capital discipline, because these projects are not cheap. And so stay tuned. We're real excited about what we're seeing.

Jeffrey Leon Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst of Exploration & Production and Oil Services***

You've actually kind of anticipated something I was going to ask as a follow-up, which was, is this pilot and the success of the pilot is it a template for what you might potentially do for something like the Third Bone Spring and you mentioned cost. I'm wondering if it might be even -- I mean since you've lived through this one and everything went well, you might even be able to do it even a little bit more efficiently the next time.

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Yes, I would say this is not the last significant data gathering project we do. I'll just go back to my prepared remarks. Know that we're going to be very disciplined and challenging the team with how do we create value from this investment. As we would with any other investment we make, be it midstream, be it G&A, LOE, these all -- every one of these dollars have to create value. What I'm so excited about, the reason we put a dedicated slide on it, is this is some of the best return investment dollars that we've spent in a very long time.

Jeffrey Leon Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst of Exploration & Production and Oil Services***

Okay, I appreciate that.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

I'll inject one -- interject one additional thought, and that is, one of the -- the funnest part of our business is exploration. And when you can explore, like we're doing here on existing acreage, and you're -- and it's almost a guaranteed positive rate of return, that is a good deal. And I'm convinced over time that this Third Bone is going to be a big, big deal for us.

Jeffrey Leon Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst of Exploration & Production and Oil Services***

And if I could sneak one real quick last one in. You mentioned earlier in the call, I think, Kevin did about some acquisitions in Stateline. I was just wondering, are you still able to acquire additional acreage or is this more like picking up increased working interest or royalties or something like that?

Clay M. Gaspar ***WPX Energy, Inc. - President & COO***

Jeff, you've heard me brag about the land team on a few calls, that I would say are specifically around Stateline. That's where we are really seeing the benefit, both in the Bone Springs zone, which we don't -- haven't talked about a whole lot, historically. These are all set up for 2 mile laterals. When we get to that plowing of the ground, harvest mode for the Bone Spring, know that it will be essentially all 2-mile laterals set up for long lateral development. We'll have the great benefit of infrastructure that's really already built from the Wolfcamp A. Think of our infrastructure from the midstream, this JV that we've been so excited about today, all of this essentially is kind of free entry cost as this second round of development comes through. So back to the acquisitions. Don't expect that we have a whole lot of kind of dollars out the door for acquisitions in and around Stateline, but we continue to make really good progress with these mutually beneficial trades that we see with a lot of our great neighbors that we have in that great neighborhood.

Operator

Our next question comes from the line of [Brent Kirches] from Raymond James.

Unidentified Analyst

Just wanted to clarify on the discretionary investments, are those contingent on selling both of the midstream assets you mentioned? Or will you kind of adjust that on-the-fly?

J. Kevin Vann ***WPX Energy, Inc. - Executive VP & CFO***

This is Kevin. We'll continue to adjust that based upon the success. And it's really not just those 2 investments, I think you look across our midstream portfolio, yes, those are 2 obvious candidates for divestiture and monetization and seeing pretty significant proceeds come in from those next year, but we've got other opportunities, other midstream investments that give us kind of some flexibility with how much we do with discretionary investments and then also how much additional cash flows we create through those processes.

Unidentified Analyst

Okay. So I know you said, you're looking at the 2 rig additions probably in the second half of the year, but with some of the other potential projects, is there any -- like what's the priority list as far as discretionary investments go? Is it midstream? Is it acquisitions? Or just kind of how you're thinking about that?

J. Kevin Vann ***WPX Energy, Inc. - Executive VP & CFO***

I would like to say they were pretty agnostic to the discretionary investments. I mean, if you look at what our midstream and marketing team has done, there is some pretty amazing multiples that we anticipate to realize on the invested capital that we've got in some of these projects. At the same time, we understand that our core business is upstream. And we'd like to create a little momentum going in -- a little more momentum going into 2020, but that will depend on, as I said earlier, a number of other factors, including what the commodity price is and are going -- looking like in the back half of '19, going into '20, as well as just the status of these opportunities.

Operator

We have no further questions at this time. I will now turn the call over back to Rick Muncrief, our CEO, for his closing remarks.

Richard E. Muncrief ***WPX Energy, Inc. - CEO & Chairman of the Board***

Well, thank you very much for your time today. I know we went a little long. Thanks for staying with us. We do appreciate all the interest, the enthusiasm about our story. And feel free to reach out to us, if we can help in anyway. Take care. Have a great day.

Operator

Ladies and gentlemen, this concludes our conference for today. Thank you for your participation for today. You may disconnect.