**Land Rush in Permian Basin, Where Oil Is Stacked Like a Layer Cake**

By [CLIFFORD KRAUSS](https://www.nytimes.com/by/clifford-krauss) JAN. 17, 2017 <https://www.nytimes.com/2017/01/17/business/energy-environment/exxon-mobil-permian-basin-oil.html?action=click&contentCollection=Energy%20%26%20Environment%20&module=RelatedCoverage&region=EndOfArticle&pgtype=article>



More oil rigs are going up in the Permian Basin, which straddles Texas and New Mexico. Credit Brittany Sowacke

HOUSTON — Domestic [oil](http://topics.nytimes.com/top/news/business/energy-environment/oil-petroleum-and-gasoline/index.html?inline=nyt-classifier) production remains in a deep two-year slump, but a rash of multibillion-dollar deals are flashing sparks of recovery in the shale fields of the Permian Basin straddling Texas and New Mexico.

[Exxon Mobil](http://www.nytimes.com/topic/company/exxon-mobil-corporation?inline=nyt-org) announced on Tuesday that it was acquiring 275,000 acres in New Mexico from the Bass family of Fort Worth for up to $6.6 billion in stock and cash. The deal came one day after another oil producer, [Noble Energy](http://www.nytimes.com/topic/company/noble-energy-inc?inline=nyt-org), agreed to pay $2.7 billion to buy Clayton Williams Energy, giving it 120,000 oil-rich acres nearby in West Texas.

The deals are among the largest of more than $25 billion of mergers and acquisitions in the Permian since June, representing roughly one-quarter of the total spent by the oil and gas industry on such transactions worldwide over the last year. Companies like Anadarko Petroleum, SM Energy and EOG Resources are selling assets in other domestic fields to snap up parts of several fields that make up the basin, which is roughly the size of South Dakota.

“The Permian Basin has now become the crown jewel of the world’s oil and gas industry,” said Scott Sheffield, the executive chairman of [Pioneer Natural Resources](http://www.nytimes.com/topic/company/pioneer-natural-resources-company?inline=nyt-org), a large producer in the area.

**The Permian, in production for almost a century, is so bounteous that it fueled the Allied forces battling Germany and Japan during World War II.** In recent years, though, the basin had been in decline, and big oil companies like Exxon Mobil sold assets to small independents that were willing to scrape the remaining barrels of old wells by flooding them with water and carbon dioxide.

**[Oil Prices: Can the Rebound Continue? Here’s What to Watch](https://www.nytimes.com/interactive/2017/01/09/business/energy-environment/oil-prices.html)**

[Over the last two years, the oil industry experienced its deepest downturn since at least the 1990s. But if history is any guide, after every oil bust comes a recovery, if not a boom.](https://www.nytimes.com/interactive/2017/01/09/business/energy-environment/oil-prices.html)

[[](https://www.nytimes.com/interactive/2017/01/09/business/energy-environment/oil-prices.html)](https://www.nytimes.com/interactive/2017/01/09/business/energy-environment/oil-prices.html)

But the Permian received new life about a decade ago when drillers began experimenting with hydraulic fracturing to blast through shale fields that course through the region. Exploration by Pioneer Natural Resources and a few other companies found multiple layers of shale — six to eight oil-rich zones, one on top of the other, like a layer cake — that offer companies the opportunity to drill through multiple reservoirs on the same real estate.

The geological virtues of the Permian, along with an existing robust array of pipelines, have made the basin the cheapest to develop of any shale oil field in the country. The break-even price for the best acreage in the basin is as low as $40 a barrel, where in most other shale fields the break-even price can be $10 to $20 higher. With acreage prices for oil properties multiplying by 10 times or more since 2012, oil executives are starting to talk of “Permania.”

As a whole, most of the American oil patch remains in the doldrums since the price of a barrel of oil skidded from more than $110 a barrel in 2014 to [less than half that](https://www.nytimes.com/interactive/2017/01/09/business/energy-environment/oil-prices.html). In Texas alone, 100,000 oil workers — one out of three — have lost their jobs in recent years. Only 522 oil drilling rigs are now active in the United States, compared with 1,609 in October 2014, and the number fell by seven last week.

Meanwhile, investments in oil production and pipeline building have met growing opposition from environmental groups in some parts of the country because of climate change.

But the number of rigs drilling in the Permian is rising. Since last May, 105 of the 179 horizontal rigs that companies have added to drill through shale across the country have been deployed in the Permian.

Chevron, the second largest United States oil company after Exxon Mobil, is among the many companies funneling more money into drilling in the Permian.

Exxon Mobil had been slow to join the oil shale boom since it purchased XTO Energy, a shale gas driller, for more than $30 billion in 2009, shortly after [natural gas](http://topics.nytimes.com/top/news/business/energy-environment/natural-gas/index.html?inline=nyt-classifier) prices peaked. Many oil analysts had expected Exxon Mobil to make a major purchase while oil prices bottomed a year ago at less than $30 a barrel. The price has climbed to more than $52 a barrel in recent weeks, firming as members of the Organization of the Petroleum Exporting Countries moved to cut production.

The Bass family had tried to sell its private Permian companies for months, and oil analysts said Exxon Mobil finally moved before oil prices climbed any higher. Exxon Mobil said it had acquired reserves of 3.4 billion barrels of recoverable oil mixed with natural gas, more than doubling its reserves in the basin, which had risen over the last three years with small purchases after the shale boom took off.

The new property is yielding less than 19,000 barrels a day, but Exxon Mobil said it would be able to increase production significantly in the former Bass fields, which are in the oval-shaped Delaware section of the Permian Basin close to very productive wells operated by Occidental Petroleum.

“The acquisition strengthens Exxon Mobil’s significant presence in the dominant U.S. growth area for onshore oil production,” Darren W. Woods, Exxon Mobil’s new chief executive, said in a statement. He added that the company, using its technological strength, would be able to drill the longest lateral wells in the Permian, reaching the greatest oily area through the shale vein.

Noble’s deal this week, also in the Delaware section, will roughly triple its footprint in the Permian. The company plans to increase its rig count to six from four in the Delaware by the end of the year. In a statement, Noble’s chief executive, David L. Stover, called the Delaware “a long-term value and growth driver.”