Q3 2019 Earnings Releases: Week 1

Strategy & Analytics Group, Enverus Drillinginfo

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Quick Read (click on company names to jump to summary)

Week 1

- Antero – preliminary 2020 plan just short of free cash flow; down slightly from 2019 plans
- BP - Eagle Ford the most attractive in the Lower 48; Permian to ramp by mid-year 2020
- Cabot - continues to evaluate 2020 plan, gas prices will determine a maintenance vs growth scenario
- Carrizo - shareholder vote for Callon merger is on Nov 14; receiving slight opposition
- CNX - continues to pull levers to optimize FCF, this time by reducing capex and changing schedule
- Concho - sold NM Shelf assets to pay debt and add buybacks, turning a new page with well spacing
- Conoco - same story with more buybacks and solid FCF; small update with big 10-year plan coming soon
- Continental – strong well results and double-digit D&C savings
- EQT - Rice team ahead of schedule with $1.5B divestment commitment; big cuts to capex in 2020+
- Equinor - $2B+ of impairments in L48, primarily gas related
- Hess - Bakken won the quarter, reported $100M drop in 2019E capex for the second quarter in a row
- Matador - strong production exit rate, plans for 2020 look relatively similar to activity now
- QEP - raised 2020E Permian production while targeting lower completions than previously estimated
- Range - another royalty sale funds more debt reduction; board interestingly grants $100M of buybacks
- Southwestern - reported solid condensate growth; expects a less activity in 2020 than 2019

Key Takeaways

- We came into earnings season expecting a focus on 2020 plans. Some companies have started to release 2020 guidance numbers, which will set the stage for others to follow suit depending on price reactions. We expected a lot of operators focusing on maintenance capital or demonstrate little growth. With prices where they have been, we also anticipated slightly weaker results, but a continued focus on free cash flow and capital discipline. Lastly, in the M&A and deal market, we saw Q3'19 deals add up to $17B, which is near the quarterly average from 2016-2018.
- As 2019 is finishing up, many operators are honing their 2019 guidance. Most are either narrowing or reducing capex targets while narrowing or increasing production. Antero, CNX, EQT, Hess, QEP, and Range are a few producers on this list. Generally, most operators have landed within or beat guidance metrics so far.
- Regarding 2020 capital plans, we are seeing much of what we initially expected. Many operators are announcing maintenance capex or indicating spending less capital than 2019E levels. Appalachian players like Antero, Cabot, and CNX are already reconsidering last quarter's previously announced 2020 plans given the current state of the gas market. For example, EQT is making huge changes: on top of a 6% reduction in capex in 2019, the company is reducing 2020E capex by 23% from 2019E levels. This is $525M fewer than their originally planned 2019 expenditures, which is about $50M more than what they spent in all last quarter. On top of that, they already announced a $200M reduction in 2021, and an additional $225M reduction in 2022. Bottom line, this says a lot about the current state of the industry, especially the in the Appalachia. Harold Hamm also expressed concerns that Marcellus and Haynesville operators are not reducing rigs like the rest of the basins, but maybe this could be the inflection point for Appalachian activity.
- The M&A story in Q3'19 headlined with little premium on deals. Private and PE sponsored operators are taking a larger chunk of total activity – about 50% in Q3'19. Corporate M&A amounted to 48% of total deals, most of which came in the form of all stock transactions with Callon/Carrizo and PDC/SRC in the DJ. Royalties and joint ventures accounted for 20% of activity in Q3'19 as E&Ps are looking for alternative options to raise funds. Range is an example of those using their current footprint to pull levers, recently selling more overriding royalty interests to pay off debt.
- Commentary around deal activity remains consistent. Continental, for example, reiterated they are always open to bolt-on opportunities, but the company has said in the past that they do not fancy corporate acquisitions. CNX mentioned that they are just way more comfortable staying focused on their own portfolio for the time being, despite the case for the low valuations. Matador simply believes they haven't received any offer worthy of their attention. Lastly, companies seem more willing to acquire their own shares than to make bets on others, especially during this downturn.
- Several operators like Parsley and Antero mentioned they were able to take advantage of the global price spikes following the missile attack in Saudi Arabia in September through locking in hedges. We expect more commentary around this as earnings season progresses.

Antero Resources Corporation (NYSE:AR)

Overview
Investor Relations
#4 gas & #7 oil producer in Appalachia

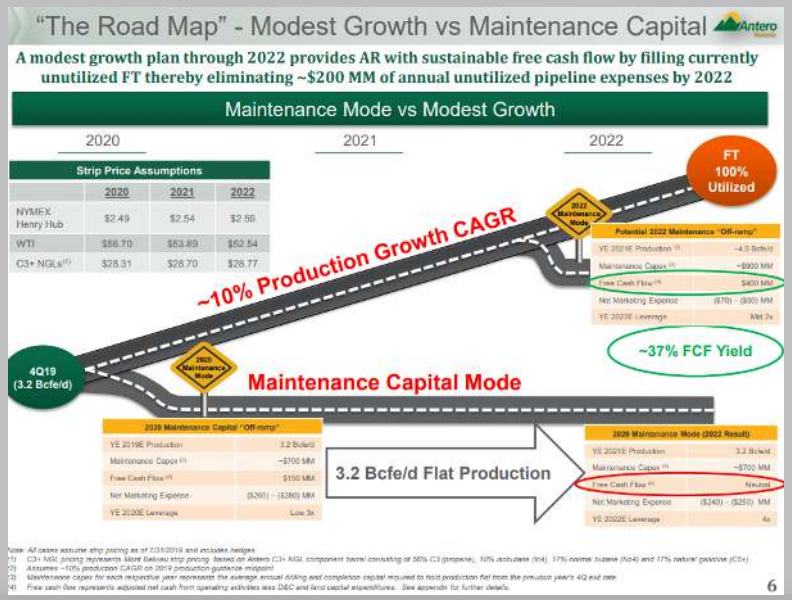
Enverus Reflection

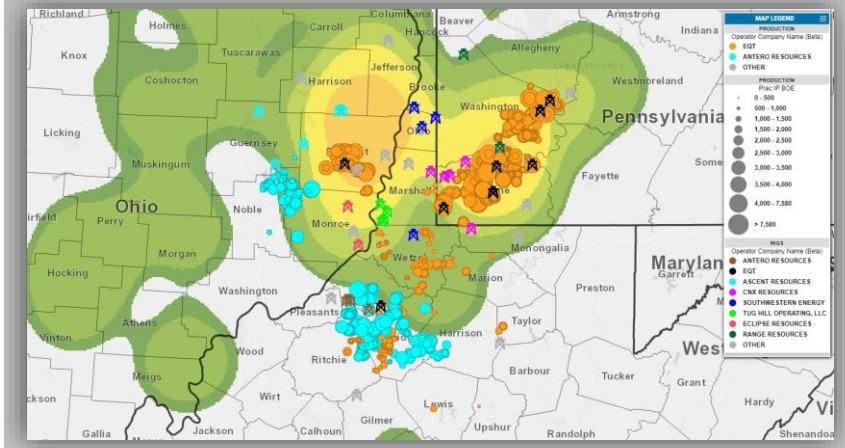
Antero is estimating 2% higher production guidance with 4% less capital from prior midpoints, the "more with less" combo all operators aspire to attain. They also pulled several million dollars out of a hat, making several strategic adjustments like receiving an $59M underpayment from a gas marketer, as well as releasing some firm transportation capacity to save $15M over the course of the coming winter months.

The company released preliminary 2020 plans, showcasing modest production growth, 5 fewer wells planned than 2019, but 14% more lateral feet. This includes a D&C capital target of $1.15B to $1.2B, down slightly from this year's $1.275B-$1.300B range, and down from initially planned. 2020 still won't hold the free cash flow inflection point, as Antero anticipates an outspend of $100M to $150M at current strip. With efficiencies and cost savings gaining momentum, there is a chance Antero could pull it off, however. This plan, as opposed to a maintenance capital mode, is more conducive to free cash flow in 2022, as the graphic on the slide demonstrates, so the company is focused longer term.

Key Highlights

- Production up 24% YoY
- D&C of $290M, the company's lowest quarterly spending since IPO in 2013
- Well cost reduction ahead of schedule by 4% from H2'19 target
- Released 250 MMcf/d of firm transportation capacity from September 2019 to March 2020, reducing marketing expense by over $15M for the time period
- Received $59M from gas marketer *South Jersey* related to prior underpayment
- Increasing production guidance to top end of the range, a 2% increase from prior midpoint
- Reduced 2019 D&C capital guidance by 4% to a range of $1.275 to $1.3B
- Water savings contributed to a 21% decline in LOE per mcfe from the first half, with expectations of another 15% decline by 2020
- Water costs represent 80% of LOE, savings attributable to shifting wastewater away from Antero Clearwater Facility to localized blending and injection
- The company had to impair $1B worth of properties in the Utica; the carrying amount of the basin exceeded the estimated undiscounted future cash flows





Map: Wells sized by Prac IP Daily BOE, Completed within past 5 years, Active Rigs, Last 90-day Permit Heat Map, Apr 2019. Other graphics sourced from investor presentations.

BP (NYSE:BP)

Overview

Investor Relations
#35 oil producer in Permian
#21 oil producer in Eagle Ford
#1 gas producer in Haynesville

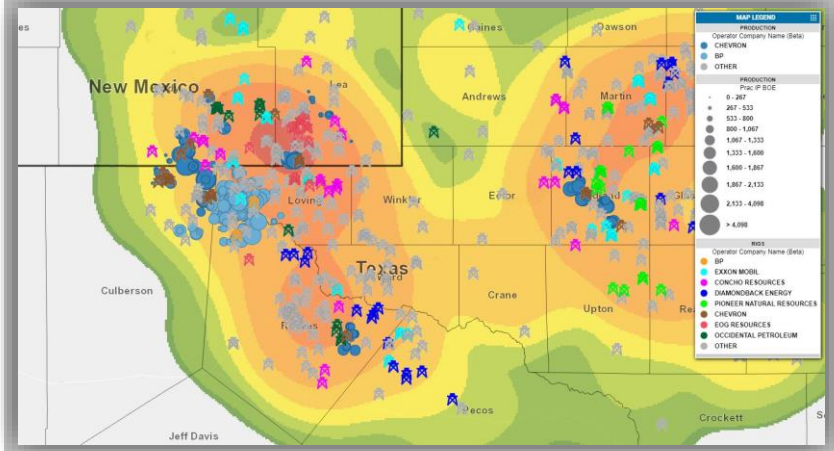
Enverus Reflection

The focus is on the Eagle Ford, according to BP management. “It is by far the most attractive of everything we can see in that Lower 48 slate right now… backing our production straight into WTI pricing.” The Eagle Ford has also demonstrated upside with the Austin Chalk in addition to lower water cuts and higher oil rich numbers.

BPX has drilled 73 wells this year - 32 in Eagle Ford, 28 in Permian, 13 in Haynesville, which gives us a sense of where their priorities are. Synergies are ahead of schedule, reaching $240M this year (vs. planned $90M) with a goal of $350M by the end of 2021. 2019 capital is around $2B for these assets, so the company has flexibility to ramp up. There was talk on a ramp in Permian activity later into next year, “certainly by the middle of the year”, as takeaway capacity comes on stream. In the Haynesville, management noted that they are ramping down given the current natural gas market, and “in some respects, doing the minimum required in that basin.”

Key Highlights

- Divestments ahead of schedule, sold interests in Alaska to Hilcorp Energy; divestment transactions in 2019 totaled $7.2B at the end of Q3’19, with expectations to reach $10B by YE’19; transaction expected to complete in 2020
- Reported production up to 3.7 MMBoe/d from 3.6 the year prior; underlying production adjusted for portfolio changes, excluding Rosneft, was down 2.5% from a year earlier, reflecting maintenance across a number of regions and weather in GoM
- Capex for Q3’19 was $3.9B, about $2B allocated to Permian, Eagle Ford, and Haynesville this year
- Brent-WTI differential narrowed during the quarter as new Permian capacity eased logistics constraints, and WTI-WCS remained narrow due to tight heavy crude markets and ongoing production cuts in Alberta
- BPX averaged 3 rigs in the Haynesville, 4 in Eagle Ford, and 3 in Permian; spent $452M in capex in Q3’19
- 2020 Permian expected to run 5 rigs, 8 in Eagle Ford, and Haynesville will “come down a rig or so”



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Overview
Investor Relations
#3 gas producer in Appalachia

Cabot Oil and Gas Corp. (NYSE:COG)

Enverus Reflection

A solid quarter for Cabot, reporting strong free cash flow, up 150% from a year ago, attributable to improved operating expenses, higher production, less capital spending, and better differentials despite a 23% reduction in NYMEX prices.

Cabot released their 5% production growth, $700M-$725M preliminary 2020 budget last quarter. However, due to declining prices, the company has recently decided to reevaluate prior plans to consider a maintenance capital program. The program would hold Q4'19 production levels flat with a $575M capital program, and the program is also designed to keep production flat through 2021.

Eyes are on winter withdrawal season, the effects of which will be a primary determinant of Cabot's 2020 natural gas price outlook. The company will lean toward whatever scenario still allows consistent return to shareholders and low leverage.

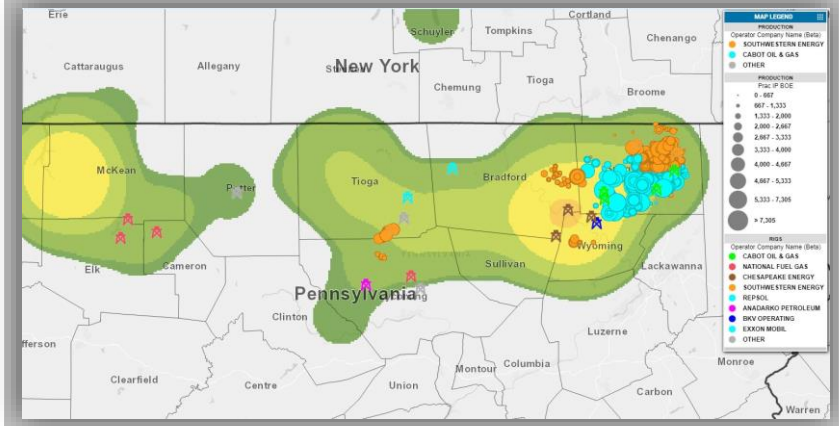
Key Highlights

- Free cash flow up 150% compared to prior year period, non-GAAP of $72.4
- Returned $227.8M of capital to shareholders through dividends and repurchases; recently approved 11% increase in quarterly dividend; has reduced shares outstanding by 12% since Q2'17 and has 5% remaining in repurchase program
- Production up 18% YoY
- Sold 20% interest in Meade Pipeline Co LLC for $256M, 13x expected 2019 EBTIDAX
- Updated FY'19 production growth guidance to 17%, which is the midpoint of prior guidance; reaffirmed capex range
- Spent $197.5M of capex in Q3'19, $190.5M of D&C
- Initial 2020 plan based on $2.50/MMbtu gas
- At $2.60, including impact of derivates, the company expects a 2019 free cash flow of $500M-$525M
- Small battle won in the ongoing war with New York over the Constitution pipeline with FERC and New York DEC; a lot of work to be done and the project still needs further evaluation

Cabot Continues to Evaluate its Plan for 2020, Which Will Be Dependent on the Company's Outlook for Natural Gas Prices in 2020+

2020 Maintenance Scenario (Lower NYMEX Price Environment)	2020 Growth Scenario (Higher NYMEX Price Environment)
$575 mm Capital Spending (Including Non-Drilling and Completion Capital)	$700 - $725 mm Capital Spending (Including Non-Drilling and Completion Capital)
0% Full-Year Production Growth[1] • 2% - 3% growth per debt-adjusted share[2] • Flat Q4 2019 to Q4 2020 Exit Rate	5% Full-Year Production Growth[1] • 7% - 8% growth per debt-adjusted share[2] • 5% Q4 2019 to Q4 2020 Exit Rate Growth
Free Cash Flow Positive After Dividend Payments	Free Cash Flow Positive After Dividend Payments
Double-Digit ROCE	Double-Digit ROCE
<1.0 Net Debt / EBITDAX	<1.0 Net Debt / EBITDAX

Formal 2020 guidance will be issued in February 2020



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Carrizo Oil and Gas, Inc. (NASDAQ:CRZO)

Overview

Investor Relations

#7 oil producer in Eagle Ford

#45 oil producer in Permian

Enverus Reflection

Carrizo provided only an operations update this quarter as they are under efforts to complete the merger with Callon. The merger is going through common slight opposition on the Callon side as they gear up for a shareholder vote on November 14. This $3.2 billion all-stock deal was one of several corporate deals last quarter which totaled $4.9B. The Street is pressuring companies to deliver on free cash flow promises rather than growth, and modest company acreage and PDP trading values are conducive to attractive opportunities.

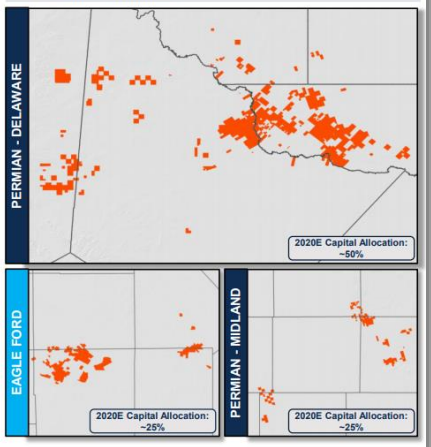
Key Highlights

- Carrizo took advantage of the rally in commodity prices to add to their hedge position
- Production is expected to be about 6% higher, sequentially, with crude accounting for 66% of total production and natural gas and NGLs accounting for 18% and 16%, respectively

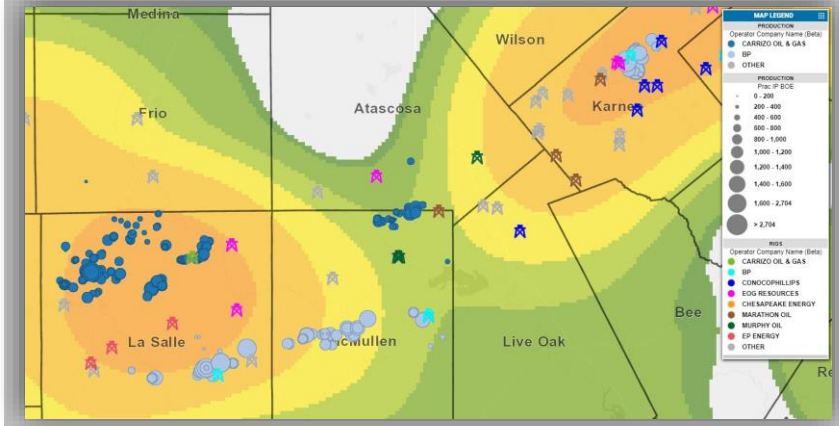
PRO FORMA ASSET PORTFOLIO OVERVIEW

BASIN STATISTICS	
PERMIAN	
Net acres [1]	~120,000
Delineated operated locations [1]	~1,900
1Q19 production [2]	62.7 Mboe/d *(66% oil)*
2020E rigs	~7
EAGLE FORD	
Net acres	~80,000
Delineated operated locations	~600
1Q19 production [2]	39.5 Mboe/d *(79% oil)*
2020E rigs	~2
TOTAL	
Net acres [1]	~200,000
Delineated operated locations [1]	~2,500
1Q19 production [2]	102.3 Mboe/d *(71% oil)*
2020E rigs	~9
LTM Adj. EBITDA (1Q19) [3]	$1.2 billion
YE18 SEC PV-10	~$7 billion (~60% PDP)

CORE ASSET OVERVIEW



~200,000 Net Acres



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CNX Resources Corporation (NYSE:CNX)

Overview
Investor Relations
#10 gas producer in Appalachia

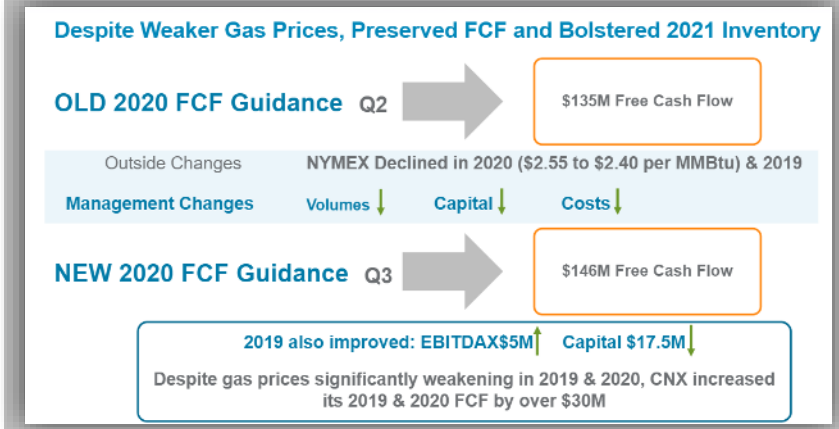
Enverus Reflection

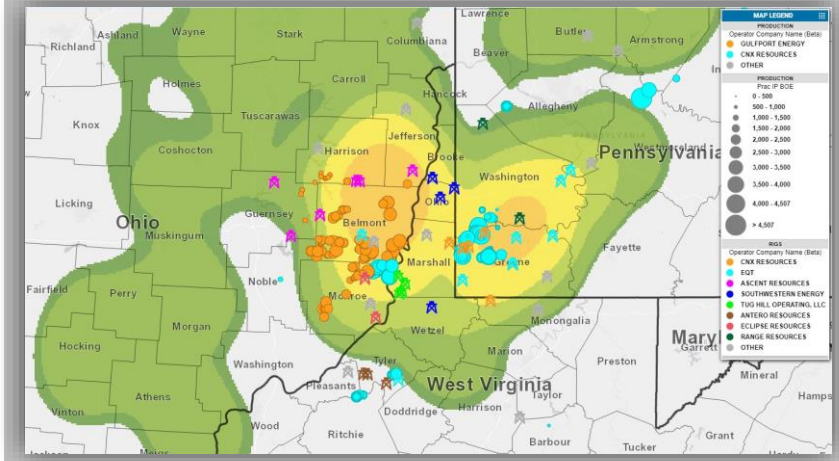
CNX updated guidance for 2019 and 2020. Because of falling commodity prices, the company has collectively reduced capital by $80M for the balance of the year and 2020. Production is expected to be higher in 2019, but lower than initially planned in 2020. All this is expected to increase FCF guidance to $146M, up from $135M, despite lower prices. The sustainable generation would allow CNX to pay down their 2022 notes with just free cash flow.

Proven throughout this year, CNX seems to have adopted a more active management of capital programs – continuously optimizing the business to maximize free cash flow. We expect more of the same going forward.

Key Highlights

- 2020E capex reduced $60M, balance of 2019 reduced $17.5M
- 2019E production up to 530-540 Bcfe, compared to previous guidance of 510-530 Bcfe
- 2020E production down to 535-565 Bcfe from 570-595 Bcfe
- Q3'19 capex of $272M, lower than expected; had 2 rigs running at the end of the period, TILed 10 wells in SWPA Marcellus and 7 in SWPA Utica
- Initiated first Appalachian basin long term contract of all-electric frac crew, realized savings of $250K per well
- Using a blending strategy in SWPA, drilling high ROR Marcellus pads with enough dry Utica to blend into a dry outlet, which increases Marcellus margins by $0.50-$0.55/dth vs processing and a 30% uplift to NPV per Marcellus well





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Concho Resources Inc. (NYSE:CXO)

Overview

Investor Relations

#2 oil #1 gas producer in Permian

Enverus Reflection

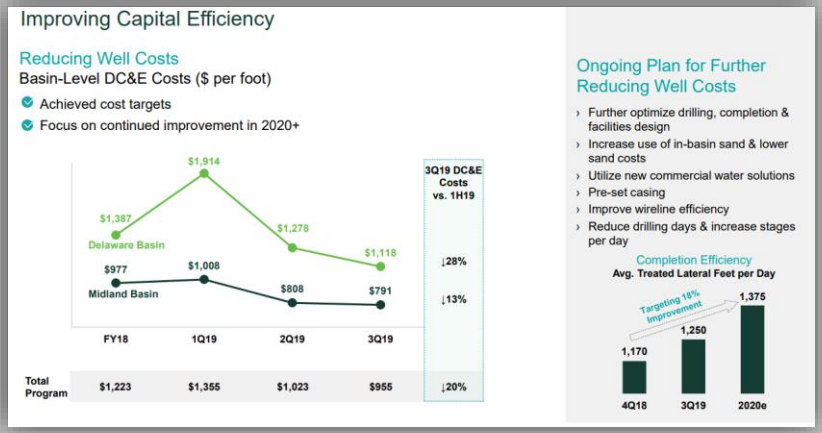
Concho delivered on their production estimates, announced a $1.5B stock repurchase program, and divested their New Mexico Shelf assets this quarter. They will continue to execute on original debt reduction targets with the help of this sale and improved costs and capital efficiency.

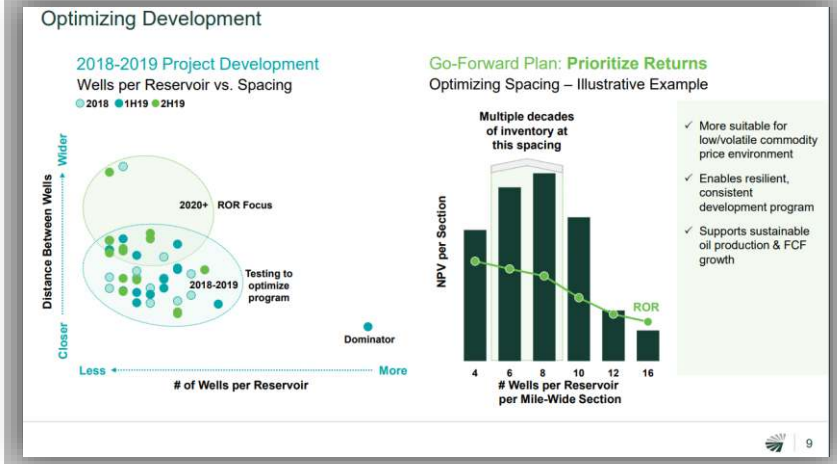
Last quarter, the company decided to slow their TIL program in order to set themselves up for 2020 free cash flow. This quarter, Concho has regrouped, realized meaningful efficiency gains and cost savings, and plans for 2020 were hinted to be steady and predictable. Investors were impressed with Concho's disclosure of the increasingly important "2020 FCF at $50 WTI" number of $350M, which sat $100M above consensus expectations, according to one analyst.

In summary, Concho is settling into a more optimal drilling cadence with wider spacing and lower costs. We expect to see the balance of the year and 2020 to showcase similar improvements and efficiencies as Concho climbs their way out of 2019.

Key Highlights

- Beat high end of production guidance with production up 15% YoY to 330 MBoe/d
- Sold New Mexico Shelf assets for $925M, closing Nov 2019, 40% will be used for share repurchases and 60% for revolver and debt reduction
- Generated cash flow from operating activities of $665M and E&D costs of $670M
- DC&E cost per foot of $955, 20% reduction from H1'19
- Company admitted that inefficiencies peaked in Q1'19 with several shorter lateral projects, negative impacts of ramping down rigs from mid-30s to 18, and overall cyclical benefits of slowing Permian activity.
- H2'19 will have 18 rigs on average after running 19 in Q3, 26 in Q2, and 33 in Q1
- Predictable and steady program in 2020, with a growing wedge of free cash, estimated to be $350M at $50 WTI and $750M at $60 WTI





Map not shown due to relevance of graphics. Graphics sourced from investor presentations.

ConocoPhillips (NYSE:COP)

Overview

Investor Relations

#2 oil & #4 gas producer in Eagle Ford
#5 oil & #7 gas producer in Williston
#31 oil & #20 gas producer in Permian

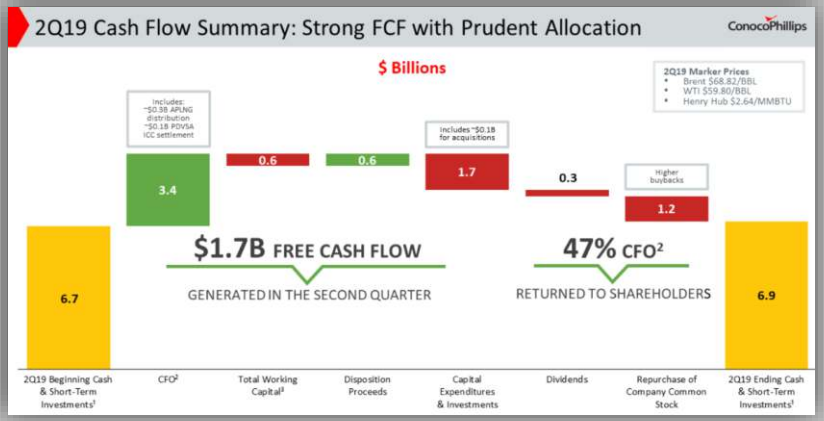
Enverus Reflection

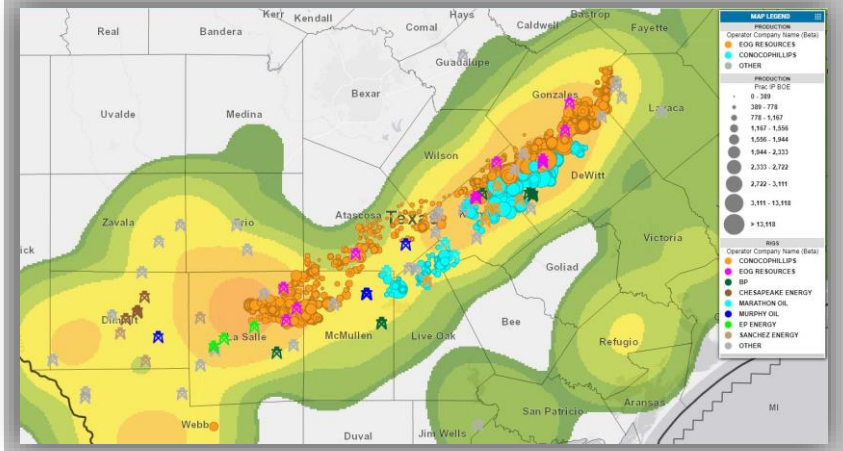
Conoco has a big 10-year plan to be released in this month during their investor meeting in Houston. Their quarterly update was typical, with more free cash flow and more buyback promises, reiteration of capex, and more pushing off questions to the big day.

During this meeting, we expect a deep dive into assets across their portfolio, a disciplined plan that delivers plenty of free cash flow and strong returns, and the continued prioritization of shareholders.

Key Highlights

- Completed UK divestiture, $2.2B in proceeds
- Generated $1B in free cash flow
- Increased Lower 48 Big 3 production by 21% YoY
- Announced a 38% increase in the quarterly dividend to 42 cents per share, and $3.0 billion in planned 2020 share repurchases
- 3 Vintage 5 multi-well pilot pads online in Eagle Ford, Conoco to share more in a few weeks
- Big 3 Q4'19 outlook is flat, Bakken had a strong quarter in Q3 but might see some weather impacts, a bit of growth out of the Delaware; overall guidance is flat
- $300M of acquisition capital relates to royalty acreage in existing operated positions in Lower 48 and Alaska
- Strategy to look at acquisitions involves looking at acquisition price plus the development cost of supply in aggregate as compared to other resource additions





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Continental Resources Inc. (NYSE:CLR)

Overview

Investor Relations

#3 oil & #1 gas producer in Anadarko
#1 oil & #1 gas producer in Williston

Enverus Reflection

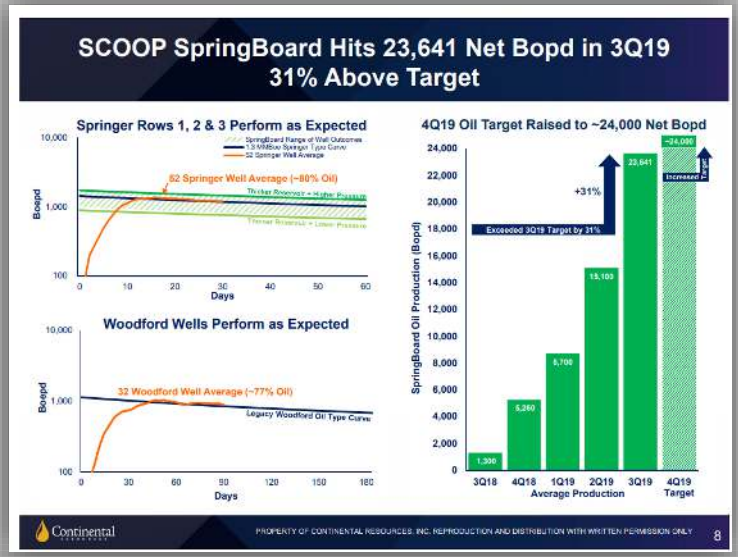
Continental reported flashy production results this quarter both from individual well results and total. The company has recently gone from running 19 rigs to 12 in Oklahoma, but it still able to achieve corporate objectives through their shift to development mode. Completions operations have outperformed, averaging a 40% increase in stimulation stages per day, with double digit percentage decreases in costs.

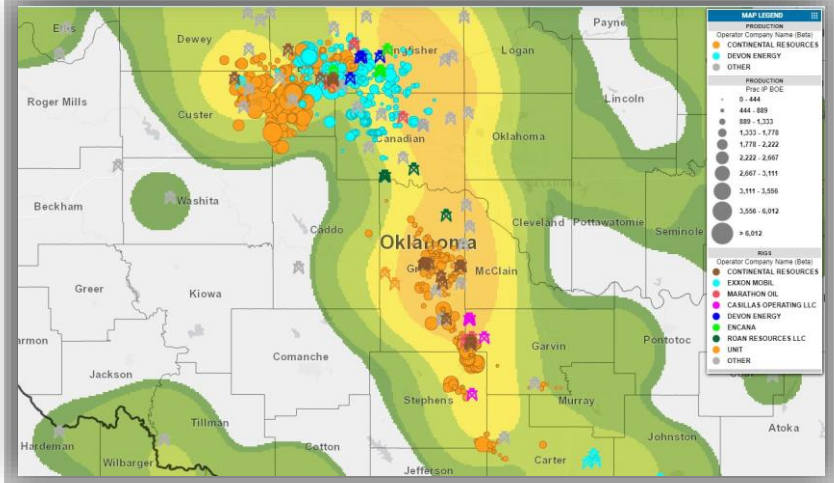
The company mentioned interesting market fundamentals on the call as well. As the country's rig count has dropped, Continental has seen a 20% to 25% reduction in rig costs in Q3 and Q4 from the second quarter. Harold Hamm also noted that it is estimated that the supply and demand in the US will be balanced at 800 land rigs, and we are now at 807. The company's CEO also encourages Marcellus and Haynesville producers to follow suit with rig reductions.

The company is assessing 2020 plans and will refrain from speaking about it until early next year, as they normally do.

Key Highlights

- Oil production up 20% YoY to 198,074; Bakken up 13% and South up 62%
- Springboard exceeded Q3'19 targets by 31% with 23,641 Bo/d; Q4'19 target raised 2,000 Bo/d to 24,000 Bo/d
- Seeing higher oil in Springboard relative to guidance
- Two STACK 7-well oil units (Reba Jo and Schulte) delivered solid results – 38,320 Bo/d combined initial rate, and 4,092 Boe/d per well at 67% oil
- 57 gross operated wells delivered 2,313 Boe/d average initial rates
- Projecting roughly $550M in capex in Q4'19 after spending $681.5M in Q3'19 ($578.1M in D&C)
- Currently at a 12-rig count in Oklahoma, 6 in Bakken; 1 frac crew in the South and 2 in North
- Turned 80 wells on to production in the South, 63 in SCOOP and 17 in STACK
- Rig prices have dropped 20%-25% in rig prices and double-digit percentage decreases to stimulation pricing relative to Q2'19





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EQT Corporation (NYSE:EQT)

Overview
Investor Relations
#2 gas & #10 oil producer in Appalachia

Enverus Reflection

EQT is ahead of schedule after 100 days with Toby Rice running the show. It seems the company is full steam ahead on increasing technology usage to increase efficiencies and reduce costs across all departments.

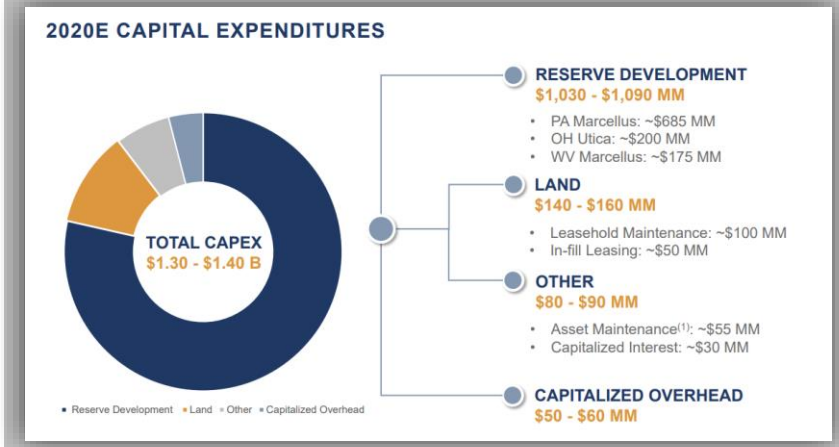
The company released preliminary 2020 metrics, including a ~30% reduction in capex compared to prior 2019 guidance. Coupled with a $115M reduction in 2019 plans, this will take $525M in capital out of Appalachia, assuming next year had flat capital to original 2019 plans.

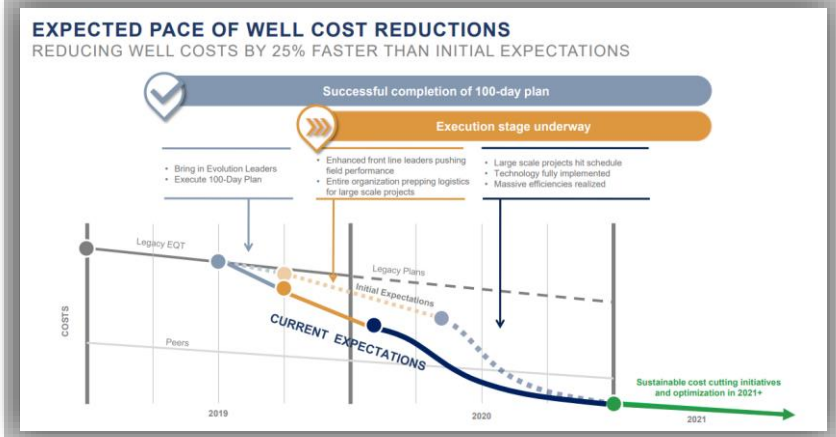
EQT is trying to maintain their investment grade status with the credit rating agencies. To the extent they are downgraded, certain counterparties would have the option to call up to ~$850M letters of credit that primarily relate to EQT's midstream commitments. Despite EQT believing that they can pull levers to soften the impact of such call, they are committed to mitigating the risk of a downgrade through asset monetizations to reduce debt.

Lastly, a lot is riding on negotiations with Equitrans, EQT's primary midstream provider. Once that is in place, we can get a clearer picture on longer-term goals.

Key Highlights

- 100-day plan "a success": leaders are in place, workforce reduction saving $65M annually, increased workforce technology participation, a "cross-functional Master Operations Schedule" is in place, and the company is ahead of schedule with well cost reductions and efficiencies
- Commitment to reduce debt by 30% by mid-year 2020, accompanied with a goal of monetizing $1.5B in assets, whether that be in Equitrans, Minerals, or E&P assets.
- Spent $475M in capex in Q3'19, reduced 2019E capex by $115M while maintaining production guidance
- 2020 preliminary plan to generate $200M-$300M of free cash flows, intent to reduce absolute debt by $1.5B by mid-year 2020 to maintain investment grade metrics
- 2020 preliminary plan to have $1.3B-$1.4B in capex, down $525M YoY, flat production
- Expecting capex to decrease to about $1.15B in 2021 and drop to $925M in 2022, a 30% decrease from 2020 spending levels; dependent on negotiations with primary midstream provider, Equitrans





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Equinor ASA (NYSE:EQNR)

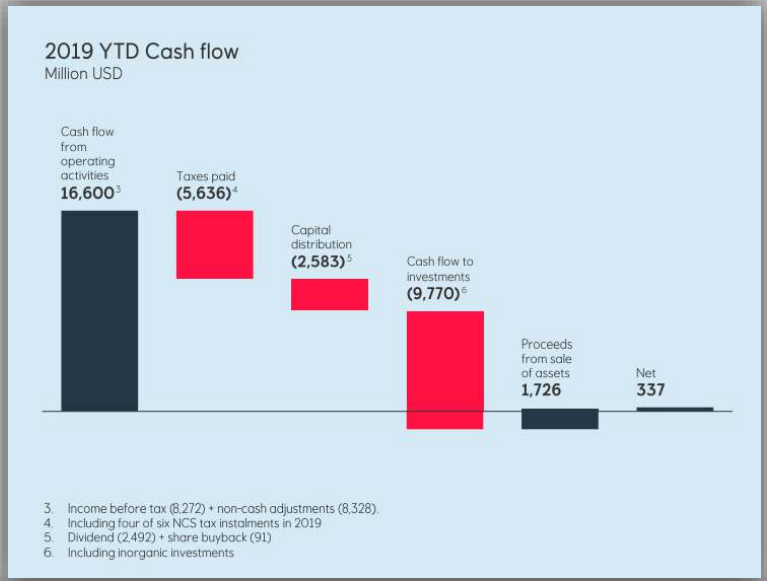
Enverus Reflection

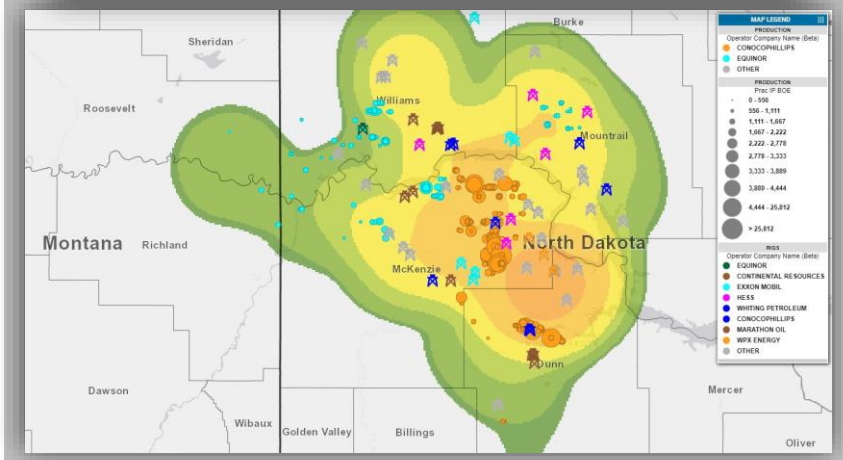
Equinor reported weaker results than this time last year, impacted by lower prices and deferral of gas production. Despite weaker results, activity levels are higher, with 5 new international projects on stream since last quarter. The company is also introducing the first tranche of their announced 3-year, $5B buyback program.

The company's bottom line was affected by $2.79B of impairments due to more cautious price assumptions, $2.24B of that related to their unconventional North American onshore assets. This likely came from both gas prices and a change of plans. Clarity on the change of plans wasn't provided, but we see a couple of Equinor's onshore Gulf Coast rigs falling off as we make our way into Q4. Their Utica could also be struggling to compete for capital, as gas prices have taken the biggest hit. However, Enverus sees competitive wells out of the company's dry gas position in Ohio, so it could be coming from another basin.. We will continue to watch activity to gain more of an understanding of Equinor's preferred onshore US basins.

Key Highlights

- According to Enverus' Rig Analytics, the company ran about 1 rig in the Williston, 1 in Appalachia, and 2 in the Gulf Coast during the quarter
- $2.79B of impairments, $2.24B related to North American onshore
- Production down 8% from prior period last year, mainly attributable to delaying production to periods with higher gas prices
- Scheduled maintenance activity is estimated to reduce quarterly production by 30 MBoe/d in Q4'19





Map: Wells sized by Prac IP Daily BOE, Completed within past 5 years, Active Rigs, Last 90-day Permit Heat Map, Apr 2019. Other graphics sourced from investor presentations.

Hess Corp. (NYSE:HES)

Overview
Investor Relations
#4 oil producer in Bakken

Enverus Reflection

Hess increased total production expectations while reducing capex. Better production and savings are primarily attributable to their Bakken. Offshore Guyana also shared some of the spotlight due to yet another discovery, but it seemed Bakken won this quarter's spotlight.

The company dropped guidance expectations by another $100M for the second quarter in a row. Last quarter, it was across the portfolio. This quarter, Bakken efficiencies and productivity are allowing Hess to do more with less.

Hess also dropped Bakken well costs by 8% sequentially, and we anticipate further decreases as they work their way down to $6M by 2021. Getting to the magic $6M number will add another $1B of NPV to their assets in the basin from current levels.

Key Highlights

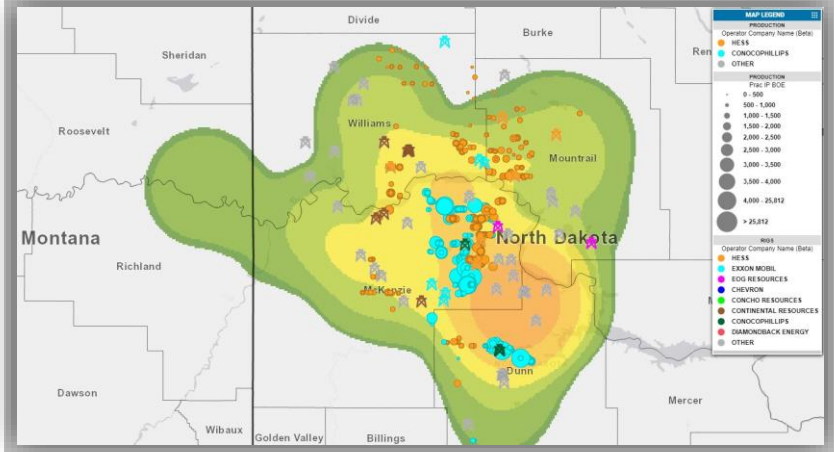
- Bakken net production guidance increased to ~150,000 boe/d, up from the previous guidance range of 140,000 boe/d to 145,000 boe/d
- Net production guidance, excluding Libya, increased to ~285,000 boe/d, up from the previous guidance range of 275,000 boe/d to 280,000 boe/d
- 2019E E&P capex is projected to be $2.7 B, down from previous guidance of $2.8B
- Transition to plug and perf completions has been successful, Hess is seeing the expected uplift in IP rates, EUR, and value
- Production in Bakken expected to be 200,000 boe/d by 2021, then the company plans to reduce 6 rigs to 4 and maintain at that level for material FCF
- Q3'19 brought 33 TILs in Bakken with expectations to TIL 55-60 in Q4'19
- Full year well count to be 155, slightly below original guidance of 160 – but stronger well performance offsets, hence the production guidance increase
- Q3'18 D&C costs per well were down 8% to $6.7M from 7.3M through lean manufacturing, expecting further cost decreases in efforts to get to $6M by 2021
- Receiving $275M in cash after Hess Midstream announced plans to acquire Hess Infrastructure Partners; also leaves Hess's 47% interest in the consolidated entity valued at $2.85B
- Guyana and Bakken are growth engines while Malaysia and GoM are cash engines; portfolio breakeven will be sub-$40/Bbl Brent by 2025

Bakken Operational Well Statistics - 2019

HESS

Hess Operated Wells		2019				
		YTD Avg	4Q	3Q	2Q	1Q
Rig Count						
Drilling	No. Rigs	6		6	6	6
Drilling Days	Spud-to-Spud	14		13	14	14
		2019				
		YTD	4Q	3Q	2Q	1Q
No. of Wells						
Drilled	by Qrtr	118		41	39	38
Completion	by Qrtr	112		43	45	24
On Production	by Qrtr	97		33	39	25
On Production - Other	by Qrtr [1]	5		—	—	5
On Production	Cum. to date	1,516		1,516	1,483	1,444

Outside Operated Wells		2019				
		YTD	4Q	3Q	2Q	1Q
No. of Wells						
On Production	by Qrtr	97		55	32	10
On Production - Other	Cum. to date adj. [1]	(123)		—	—	(123)
On Production	Cum. to date	1,251		1,251	1,196	1,164



Map: Wells sized by Prac IP Daily BOE, Completed within past 5 years, Active Rigs, Last 90-day Permit Heat Map, Apr 2019. Other graphics sourced from investor presentations.

Matador Resources (NYSE:MTDR)

Overview

Investor Relations

#25 oil & #20 gas producer in Permian

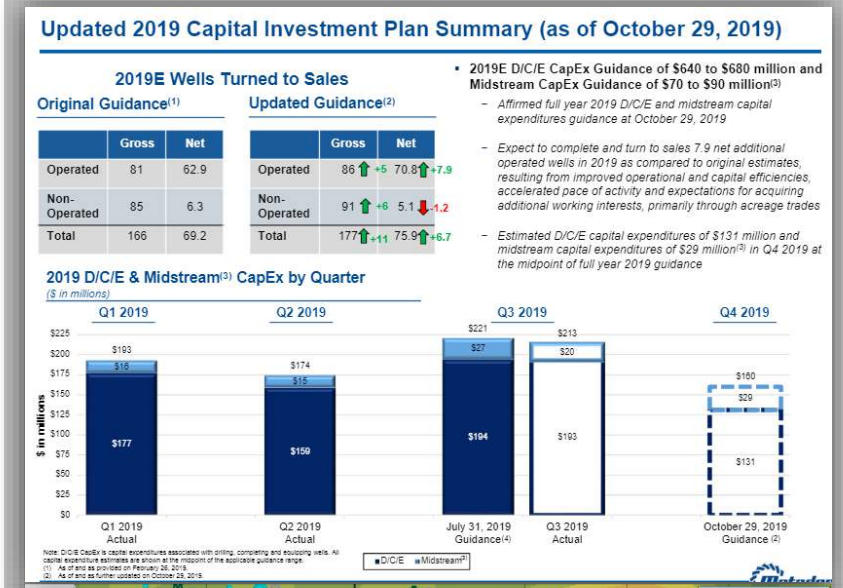
Enverus Reflection

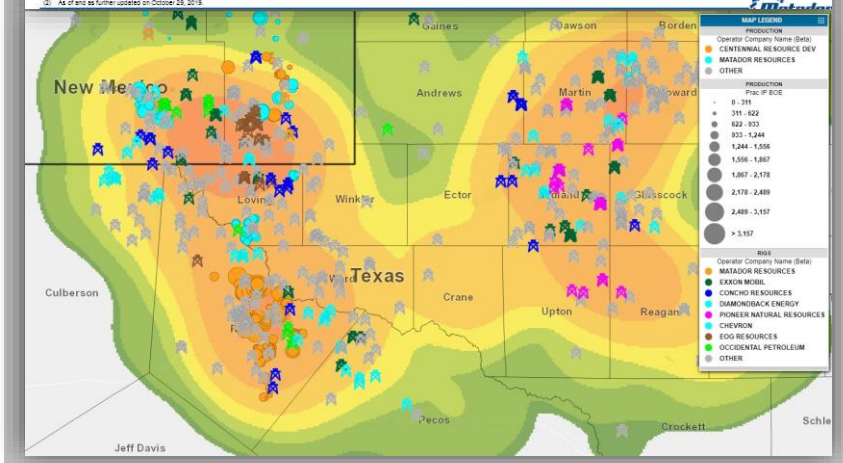
Matador reported the "best quarter in the company's history," according to management, and the team is "on a good trajectory as far as the bread and butter of the business, which is operations, E&P, and midstream." Operational results lead the good news, with strong results out of Antelope Ridge and an exceptional exit rate.

Q4'19 production will likely be down with shutting in some wells that recently turned to sales, coupled with 32% lower DC&E spending. The company didn't provide 2020 guidance, but they have indicated that they will be running 6 rigs. With pad drilling planned in the Stateline area, Matador anticipates there will be 2 rigs worth of activity there that will not contribute to any production – so we can expect a back half weighted production profile in 2020.

Key Highlights

- Total production up 14% sequentially, another record quarter
- DC&E capex came in ~1% below forecast, $5M in savings attributable to several wells spudded ahead of schedule
- Increased 2019 total production growth guidance from 20% to 24%
- Strong results on initial 2-mile laterals at Antelope Ridge in Lea County (Jeff Hart wells), one out of Third Bone Spring with an IP24 of 2,884 boe/d with 90% oil, and the highest 30-day cumulative oil production (70 MBbl) in history.
- Expects to significantly reduce development costs per foot between 2018 and 2020 by combining longer laterals with increased pad development
- YTD 2019 D&C capex per foot has been lower than expected due to operational efficiencies and increased usage of regional sand
- So far in 2019, Matador's D&C costs for all wells TILed averaged $1,220/ft, a decrease of ~20% from an average of $1,528/ft achieved in 2018
- 2020 rigs: 1 in Wolf and Jackson Trust, 1 in Stebbins, 2 will run between Antelope Ridge and Rustler Breaks, and 2 will be running at Stateline depending on permit approval – all of which has not changed





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QEP Resources Inc. (NASDAQ:QEP)

Overview

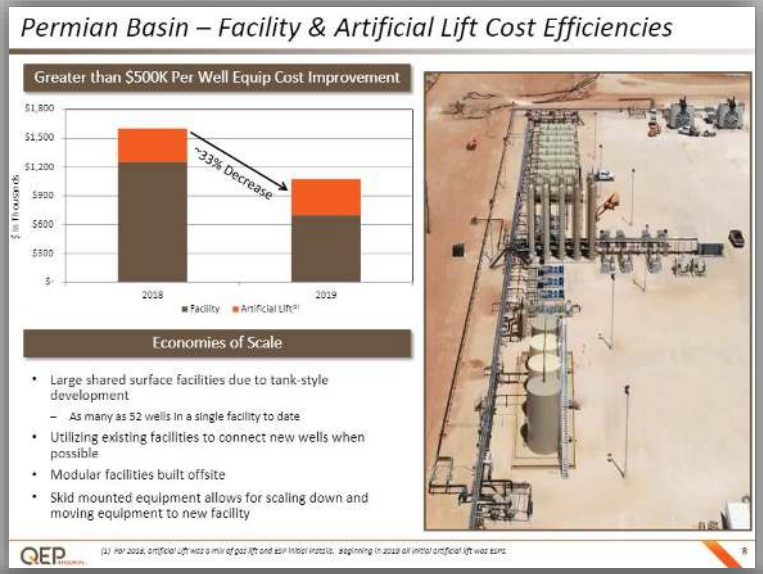
Investor Relations
#15 oil & #11 gas producer in Williston
#23 oil producer in Permian

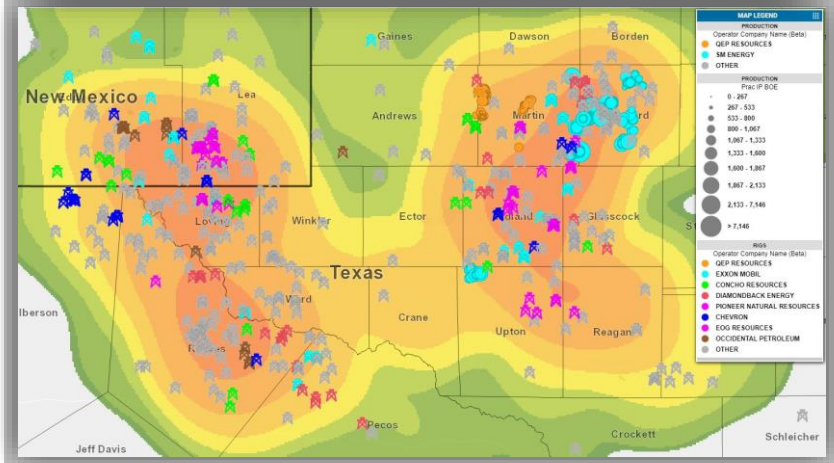
Enverus Reflection

QEP gave investors what they wanted in this quarter's report. Q3'19 results were positive with decreased cycle times and solid operational efficiencies, especially in D&C, facility, and artificial lift costs. The company's 2019 outlook was groomed, and capex stands to be another $15M less than the previously reduced plans announced last quarter. Q4'19 will also demonstrate limited activity with no completions in the Permian and only 7 wells in the Bakken. The company released little plans for 2020 last quarter, but we do know that 2020 will have $600M of capex and flattish YoY production volumes, completions on the low side of previous guidance, and free cash flow in the second half of the year.

Key Highlights

- Lowered midpoint of capex by $15M, after reducing $50M last quarter
- Record Permian production with improved frac-to-prod timing – results in increased production guidance
- Q3'19 spend of $128.9M, $122.9M of D&C; the decrease in capex related to reduced completion activity in Permian, partially offset by Williston basin D&C activity
- Closed sale of corporate aircraft and other sales in the quarter, netting $9.8M
- Permian guidance: Average 3 rigs in H1'19, 2 rigs in H2'19
- Williston guidance: average 1 rig across all quarters with 7 drilled wells
- TILed 24 wells in Permian during Q3'19, turning on 3 wells in Q4'19 out of the 65 they will put on all year
- Raised 2020 Permian production outlook slightly while targeting the low end of previous completions guidance (60 from the range of 60-65)





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Range Resources Corp. (NYSE:RRC)

Overview
Investor Relations
#1 oil & #6 gas producer in Appalachia

Enverus Reflection

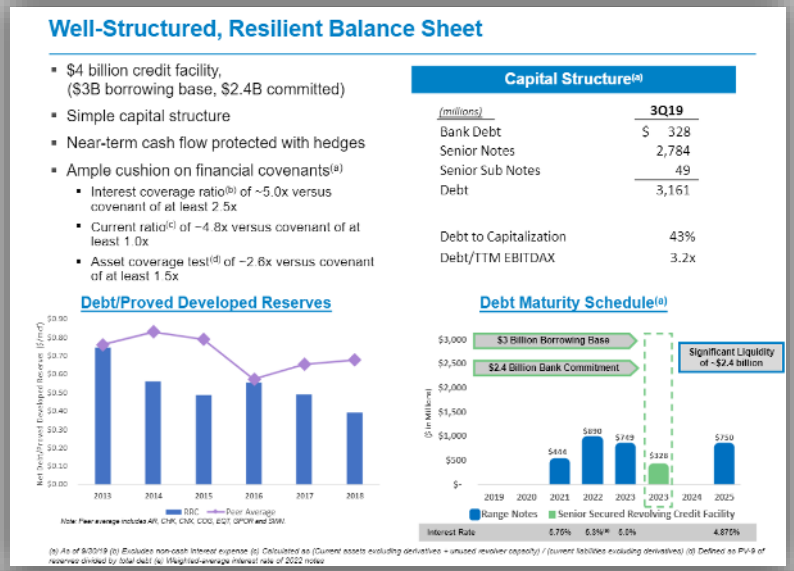
Range added even more to their asset sales, this time another overriding royalty sale, 2.5% of southwest Appalachia leases. The $750M transaction brings the last 12 months of asset sales to $1.1B.

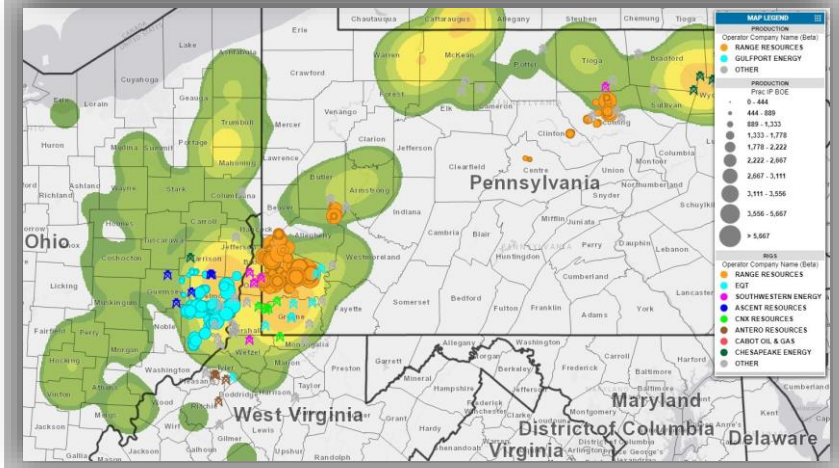
The company has been laser focused on reducing debt, committing to $1B in debt reduction in 2019. In Q3, they paid down $94M worth of principal at a 4.2% discount. Despite the necessary focus on reducing leverage and upcoming maturities, the board recently approved a $100M buyback program. This came as somewhat of a surprise to analysts, but management reasoned that a $100M buyback program is less than only 10% of their recent asset sale proceeds, but could buy back more than 10% of their market cap.

On 2020, plans will prioritize organically generated free cash flow. With an industry- leading 20% base decline, Range expects an all-in maintenance capital of $650. Should prices remain challenged, the company expects to align capex with cash flow as they have in 2019.

Key Highlights

- Debt maturities are $444M in 2021, $890M in 2022, and $749M in 2023
- 2.5% override interest sale comes with 25 MMcfe/d impact to production, but the company is on track to deliver on guidance adjusted for sale
- Expects continued strong diffs to Mont Belvieu for NGLs due to third party optimization at the Marcus Hook export terminal and resumption of Mariner East ethane capacity
- Expecting 28 wells online to finish out the year, which will represent 1/3 of the wells and nearly 40% of the total lateral footage to go onto production this year
- Drilling team saw a reduction in activity in Q3'19 as they moved to 2 rigs in Appalachia
- Will have a couple rigs and 1 to 2 crews in a maintenance capital scenario





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Southwestern Energy Co. (NYSE:SWN)

Overview
Investor Relations
#5 producer in Appalachia

Enverus Reflection

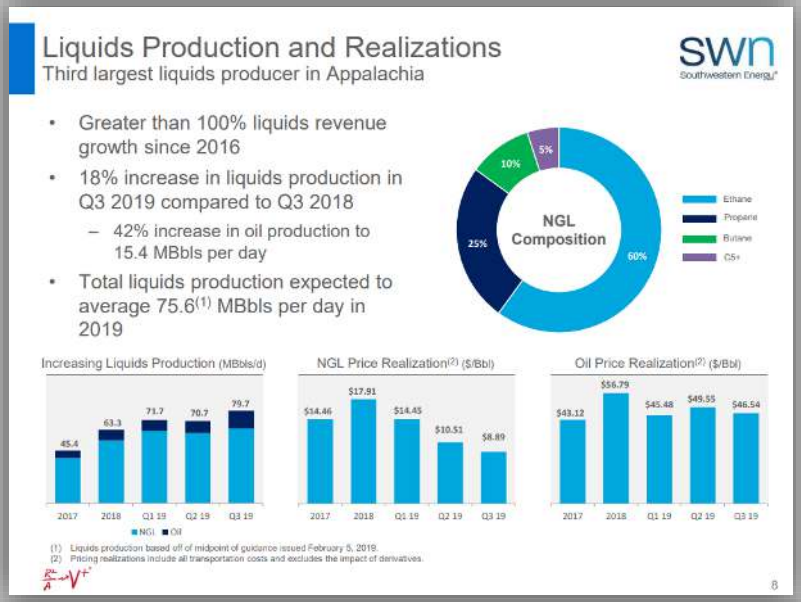
Southwestern has not finalized 2020 plans yet, but conveyed that it will depend on the forward curve. Capital investment will be limited to cash flow based on strip pricing at the time they set the budget, plus up to $300M of the remaining monetized Fayetteville cash flow. Management expects a reduced program from 2019 levels. The company remains committed to free cash flow neutrality by the end of 2020 even at current strip prices.

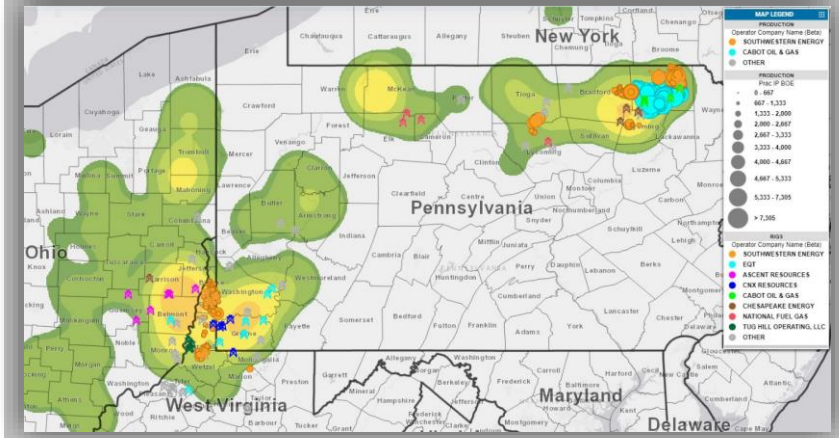
Southwestern also emphasized their increased condensate production, now making up 19% of revenues. The company attributes the positive news to their yield management ability in the super rich condensate area, as they can manage flow to create the greatest yield of the most valuable product.

The company will continue to actively manage their program in Q4'19 in order to stay within guidance. We will watch for more clarity on 2020 plans in next quarter's release, and we expect flexibility depending on prices.

Key Highlights

- Efficiencies expected to land SWN at high end of 2019 expected TILs while not exceeding $1.15B capital budget
- Condensate production up over 15 MBbl/d, 50% higher than Q2'19; 19% of revenues
- Reaffirmed borrowing base with no borrowings as of quarter-end
- Recorded $88M of settled derivative gains
- Total production up 8% since prior year, 42% liquids growth YoY
- Capex of $240M ($74M and $154M in Northeast PA and Southwest PA, respectively), 35% less sequentially and drilled 24 wells, completed 30, TILed 34
- Averaged 3 rigs and 2 crews in the quarter, currently only utilizing 1 rig and 2 fleets
- Majority of 2019 work is in Greenzweig area in Bradford County, PA





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