ENVERUS

# Capital Pulse

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## Select Stories in This Issue:





## Chevron earns $6.1B in Q3, its best quarter in over 8 years

Chevron Corp. delivered its most profitable quarter since 1Q13, reporting $6.1 billion in earnings while revenue, at $44.7 billion, rose to levels not seen since 2014. The Q3 earnings reversed from a $207 million net loss a year earlier as revenue increased 86% YOY. The company also had its best free cash flow quarter in history: Cash flow from operations of $8.6 billion less its $1.9 billion in capex produced $6.7 billion in FCF during Q3. The company used it to pay out $2.6 billion in dividends, help cut debt by $5.6 billion and buy back $625 million of shares during the quarter as it resumed a repurchase plan at rates approaching $3 billion a year.

**Upstream earnings exceeded $5B, a 22x leap YOY, with average crude realization climbing 87%.**

Upstream operations earned $5.1 billion in Q3 compared with $235 million a year earlier. Worldwide production of 3.03 MMboe/d, though slightly off Q2's 3.13 MMboe/d, was 7% higher on a YOY basis. Q3 crude sales pricing averaged $58/bbl compared with $31 a year ago, and natural gas at $3.25/Mcf compared with $0.89 in 3Q20. ***Read more...***

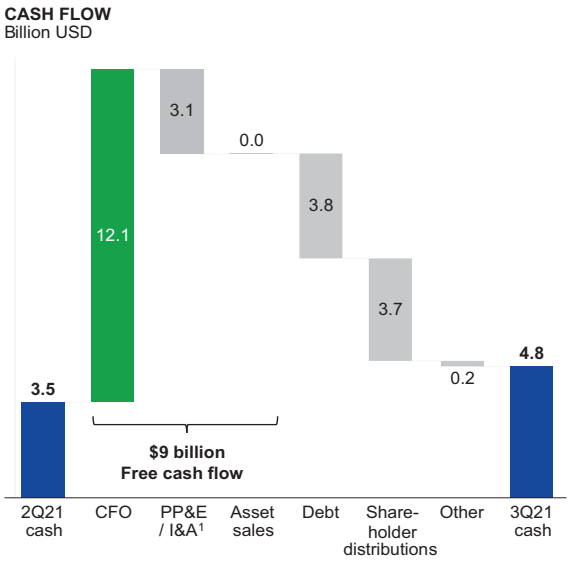
## Exxon planning higher capex after $6.8B profit, best since 4Q17

Exxon Mobil Corp. reported a $6.75 billion profit in Q3, reversing from a $680 million loss in 3Q20. At $73.79 billion, revenue rose 9% YOY. The largest U.S. energy company delivered its most profitable quarter since 4Q17 and its highest revenue since 3Q18 as demand flowed back to pre-pandemic levels, prices improved and cost controls continued. Exxon increased its quarterly dividend by $0.01 to $0.88, the first such increase since 2019.

**Board will approve $20-25B in annual spending going forward, vs. low end of $16-19B this year.**

"Free cash flow more than covered the dividend and $4 billion of additional debt reduction," CEO Darren Woods said. "With the progress made in restoring the strength of our balance sheet, this week we announced a dividend increase maintaining 39 consecutive years of annual dividend growth. … We anticipate the company's strong cash flow outlook will enable us to further increase shareholder distributions by up to $10 billion through a share repurchase program over 12-24 months, beginning in 2022." ***Read more...***

### Exxon Paid For Dividend & Reduced Debt With FCF




- Cash flow from operations increased $2.4 billion
- Free cash flow increased $2.1 billion
- Continuing to strengthen the balance sheet
  - Paid down debt by $3.8 billion; $11 billion debt reduction year-to-date
- Paid $3.7 billion dividend; $11.2 billion year-to-date

Source: ExxonMobil 10/29/21 presentation via **Enverus docFinder**

## Activity Index



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**Capital Pulse** is published every three weeks by **Enverus** and covers oil and gas finance primarily in the U.S. upstream sector, including the equity and debt markets, capital expenditures, restructurings and financial results.

All dollar amounts in this report are in U.S. dollars unless otherwise stated.

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## Upstream

### Diamondback redeeming 2023 notes, closes $745MM Bakken exit

Diamondback Energy Inc. announced that it will redeem $650 million aggregate principal amount of its 0.9% senior notes due 2023 at 100 plus accrued and unpaid interest up to the Oct. 31 redemption. Pro forma for the 2023 notes redemption, the company will have around $6.6 billion of notes outstanding.

The company also announced that it had completed on Oct. 21 the previously announced divestiture of its oil and gas assets in the Williston Basin to Oasis Petroleum Inc. Initially, Oasis had expected its $745 million purchase of Diamondback's assets in the basin to close in July, after the companies agreed on the deal in May. They later set an outside date of Oct. 27 to close the deal, saying timing would depend on final government approval.

Permian-focused Diamondback had acquired the Bakken assets as part of its purchase of QEP Resources completed in March. The assets consist of 95,000 net acres in the South Antelope and Fort Berthold areas of North Dakota and produced 27,000 boe/d in Q1.

### HighPeak nets equity proceeds, gets 50%-plus borrowing bump

HighPeak Energy Inc. closed a public offering of 2.53 million common shares at $10 each on Oct. 25. The total number of shares included the 330,000-share greenshoe granted to underwriters Roth Capital Partners, Northland Capital Markets and Seaport Global Securities. Net proceeds of around $23 million may be used to accelerate drilling and other development activities and for other general purposes. As a result of the offering, HighPeak now has about 95.3 million shares outstanding.

The company also announced that lenders increased the borrowing base under its revolving credit facility to $195 million from $125 million at its regular fall redetermination. Elected commitments were modified to reflect the increase. HighPeak attributed the increase to production growth and strong well results. Illustrating that growth, HighPeak estimated its production for the second half of October at around 15,000 boe/d, compared with average Q3 output of 8,168 boe/d.

**Borrowing base & elected commitments rise to $195MM based on production growth & strong wells.**

Q3 production was impacted by temporary well shut-ins that were returned to production in late September. With the 15,000 boe/d level and strong commodity prices, CEO Jack Hightower said, "We intend to pull as much present value forward as we can for our investors. EBITDA generated at today's prices and current production rates would be over $350 million on an annualized basis."

During Q3, HighPeak closed bolt-on acquisitions in the Permian's Signal Peak area that added 10,600 net acres with more than 1,400 boe/d of estimated average production, stakes in saltwater disposal wells and related infrastructure.

### Gulfport Energy's credit opens up wider at fall redetermination

Gulfport Energy Corp. announced Oct. 14 that aggregate elected lender commitments under its third amended and restated credit agreement rose to $700 million from $580 million, and that a $40 million availability blocker—placed until the successful resolution of certain midstream issues—was removed. The Utica Shale and SCOOP-focused E&P company's 14-bank lending syndicate is led by JP Morgan.

Gulfport, which restructured its debt under Chapter 11 protection through May 17, said that the amendment also provides for repayment of the term loan under its exit facility, a new leverage ratio covenant to allow a maximum EBITDAX ratio of up to 3.25x as of the last day of each quarter, the ability to make certain restricted payments from free cash flow, reduction of the applicable rate for all borrowings under the credit agreement by 25 bps at each level of utilization, and reduction of a 100 bps LIBOR floor to zero. Also, the company can repurchase up to $150 million of its senior notes outstanding.

As of Sept. 30, Gulfport had about $4.0 million in cash and equivalents, $200 million of borrowings under its exit facility, $115 million of letters of credit outstanding and $550 million of outstanding 2026 senior notes. Pro forma for the amendment, Gulfport's liquidity at the end of Q3 totaled about $389 million, including $385 million of available borrowing capacity.

### Oasis revolver more than doubles as $745MM purchase closes

Upon closing its purchase of 95,000 net acres and producing wells from Diamondback Energy, Williston Basin-focused Oasis Petroleum Inc. announced that its lenders more than doubled the capacity of its senior secured revolving credit facility to $900 million from $400 million at its regular semi-annual borrowing base redetermination. The elected commitment amount is $450 million and the next redetermination will occur in April 2022. The company said it had not drawn on its previous facility and had cash of around $818.9 million at the end of Q3. Pro forma cash adjusting for the acquisition would have been $307.6 million.

Oasis closed the acquisition Oct. 21. It paid $511.3 million cash at closing, net of the $75 million deposit paid in Q2 and reflecting customary purchase price adjustments to the transaction, which was valued at around $745 million with an April 1 effective date. Initially, Oasis had expected the purchase to close in July after the companies agreed on the deal in May. They later set an outside date of Oct. 27 to close the deal, saying timing would depend on final government approval. The assets, located in North Dakota's South Antelope and Fort Berthold areas, produced 27,000 boe/d in Q1.

"The closing of this asset acquisition allows us to integrate and drive significant value from our Williston Basin position, where we see long-term running room given our pro forma inventory depth," CEO Danny Brown said. "The closing follows Oasis' Permian Basin exit in June and represents a strategic portfolio repositioning, where we were able to buy assets for PDP value and sell assets for a significant premium to PDP value. With the closing, Oasis' pro forma volumes increase by approximately 50%."

Brown added that the company is committed to increasing its fixed dividend by moe than 33% to $0.50 a share per quarter, or $2.00 a share annually, in November.

See Also...
Oasis shifting development toward new areas & 3-mile laterals

## Upstream

### Three become one: Civitas now DJ's largest pure-play producer

Bonanza Creek Energy Inc. and Extraction Oil & Gas Inc. completed their combination and subsequent acquisition of Crestone Peak Resources, and the consolidated entities will move forward as Civitas Resources Inc. The transactions closed Nov. 1, after Bonanza Creek and Extraction shareholders overwhelmingly voted in favor of the deal. Civitas, which instantly became the DJ Basin's largest pure-play producer and says it is Colorado's first carbon-neutral oil and gas company, began NYSE trading as CIVI on Nov. 2.

Shares of Civitas were evenly split between Extraction and Bonanza Creek shareholders in a transaction Enverus valued at $1.36 billion, including $228 million in assumed Extraction debt. Under terms of the deal, Extraction shareholders received 1.1711 Bonanza Creek common shares for each of their shares. Then, a month after their May 7 agreement to combine, the pair signed another agreement to acquire Crestone Peak for 22.5 million Bonanza Creek shares, worth more than $1 billion, and the assumption of $248 million of debt. That deal brought the combined enterprise value to $4.5 billion from $3.2 billion.

**Ex-Bonanza Creek & Extraction shareholders own 37% each of Civitas equity, Crestone Peak 26%.**

Ultimately, Civitas' equity is split three ways with 37% each for former Bonanza Creek and Extraction shareholders and 26% for Crestone Peak ownership—96% of which is the Canada Pension Plan Investment Committee. Kimmeridge Energy owned 38% of Extraction, and a substantial portion of Bonanza Creek shareholders trace their lineage to Natural Gas Partners and Bill Barrett Co. via the purchase of HighPoint Resources, which closed a month before it signed a definitive agreement with Extraction. Regardless of where they're from, Civitas will pay its shareholders an annual dividend of $1.85 a share to start. In October, Bonanza Creek sold $400 million in bonds to help repay all borrowings under the CPPIB Crestone Peak Resources America Inc. credit facility, and for general purposes.

Eric Greager, former president and CEO of Bonanza Creek, is now Civitas' CEO. Extraction CFO Marianella Foschi and COO Matt Owners continue their roles at Civitas. The new board has nine members: four each from Bonanza Creek and Extraction and one from Crestone Peak. Former Extraction chairman Ben Dell reprises his role for Civitas.

**U.S. Upstream Stock Movers—Last Month** Source: Capital IQ

| Company | Ticker | $/Share 11/03/21 | $/Share 10/04/21 | % Chg | % Chg YOY |
|---|---|---|---|---|---|
| **Top 5** | | | | | |
| Berry Corp. | BRY | $9.62 | $7.47 | 29% | 258% |
| APA Corp. | APA | $27.63 | $22.06 | 25% | 207% |
| SM Energy Co. | SM | $35.12 | $28.94 | 21% | 1840% |
| Denbury Inc. | DEN | $88.88 | $74.59 | 19% | 431% |
| Kosmos Energy Ltd. | KOS | $3.71 | $3.14 | 18% | 271% |
| **Bottom 5** | | | | | |
| U.S. Energy Corp. | USEG | $3.95 | $4.72 | -16% | -7% |
| Laredo Petroleum Inc. | LPI | $72.07 | $87.82 | -18% | 750% |
| Houston American Energy Corp. | HUSA | $1.90 | $2.33 | -18% | 38% |
| New Concept Energy Inc. | GBR | $4.04 | $5.01 | -19% | 153% |
| Pedevco Corp. | PED | $1.53 | $1.90 | -19% | 3% |

Note: Data includes public companies primarily operating in U.S. upstream oil and gas, limited to >$1.00/share and >100,000 daily share volume.

- Marksmen Energy Inc. has once again extended and expanded an equity private placement, now seeking to raise a total C$1.25 million by selling 20,833,333 units at C$0.06 each. The Calgary-based E&P company's former cap was 12.5 million units for C$750,000. Each unit contains one common share and one two-year common share purchase warrant exercisable at C$0.09. The increased proceeds will be used to drill an offset well to its Davis Holbrook 1 and 2 wells in Pickaway County, Ohio.
- Matador Resources Co. doubled its quarterly cash dividend to $0.05 a share from $0.025, with the new payout beginning Dec. 1 to shareholders of record as Nov. 10. Chairman and CEO Joseph Foran said the 100% increase shows Matador's confidence in its growing financial and operational strength. The company's stock is currently trading around its 52-week high price of around $45.00. Its lowest price during that period has been $6.29. The multi-basin E&P company focuses on the Delaware Basin with additional resources in the Eagle Ford, Haynesville and Cotton Valley plays.
- PDC Energy Inc. announced Nov. 1 that it will redeem all $102,324,000 aggregate principal amount remaining of its 6.25% senior notes due 2025 on Dec. 1 at 103.125. Following the redemption of the 2025 notes, which were issued in 2018, the BB rated DJ Basin and Delaware Basin driller will have $1.15 billion in long-term debt outstanding.
- Razor Energy Corp. entered subscription agreements for more than 2.6 million of its common shares that will raise around C$2.2 million and result in pension fund manager Alberta Investment Management Co. owning 19.5% or more of the Alberta-focused E&P operator. AIMCo will subscribe for 2.2 million shares while certain Razor insiders will buy 50,000, and the company will conduct a best-efforts offering for 369,047, all priced at C$0.84 a share. Closing of all transactions is expected this month, subject to TSX Venture approval.

## Upstream

### Harvest paying out more liquidation cash to common holders

Continuing its wind-up begun in February, Harvest Oil & Gas Corp. announced that it will pay a liquidating distribution of $10 per share on Nov. 4 to holders of record of its common stock as of Oct. 28. The company also announced that OWS Acquisition Co. LLC, which bought its Appalachian Basin assets a year ago, repaid on Sept. 30 the $15.6 million outstanding in a seller note issued in conjunction with the nearly $21.9 million acquisition. The note was held by Harvest subsidiary EV Properties LP. Harvest also said that it settled with EnerVest Group on Oct. 13 regarding uncollectible accounts receivable from third-party working interest owners that EnerVest believed was owed by Harvest.

Harvest previously paid a $3/share liquidating distribution in May, for an aggregate $3.1 million. The former independent oil and gas company filed a certificate of dissolution in the state of Delaware in February, with intent to wind up its operations and return capital to its shareholders. It filed an SEC Form 15-12b on May 15 to suspend its reporting obligations.

### Directors have Petrolia voting power as they await Canada exit

Petrolia Energy Corp., which holds E&P assets in Oklahoma, New Mexico, Saskatchewan and Alberta, has undergone a change of control. The company issued one Series B preferred share to each of three directors, James Burns, Leo Womack and Ivar Siem, as consideration for past services and in anticipation of future liabilities.

The issued preferred stock holds 60% of the shareholder voting power in the Texas-domiciled company, Petrolia said in an Oct. 25 filing. In September, Mark M. Allen replaced Zel C. Khan as CEO.

**Petrolia is selling its Canadian subsidiary to Blue Sky Resources for C$6.5 million.**

At the end of August, Petrolia agreed to sell its Canadian subsidiary Petrolia Canada Corp. to Blue Sky Resources Ltd. for C$6.5 million. Petrolia received a C$200,000 deposit and under terms of the deal will be paid C$2 million at closing, C$1 million by Oct. 31 less liabilities associated with the Utikuma property in Alberta, and C$3 million by Dec. 31. Closing was expected to occur Sept. 30 but has not yet been reported. Terms call for Petrolia to receive a nonrefundable penalty of C$200,000 in the event of a delayed closing.

### Anticipating Prairie Storm, InPlay closes C$11.5MM financing

InPlay Oil Corp. closed a bought-deal offering of 9,591,000 subscription receipts at C$1.20 each to gross C$11.5 million. Each receipt is a right to receive one InPlay common share upon the acquisition of Prairie Storm Resources Corp.

The receipt offering will help fund the C$50 million acquisition, which was announced in late September. Gross proceeds, inclusive of a 15% greenshoe, were placed in escrow pending satisfaction of release conditions.

To close the Prairie Storm acquisition, InPlay will pay C$40 million cash and 8,333,333 shares valued at C$1.20 each, the same price as the subscription receipts. It will also assume Prairie Storm's working capital surplus of around C$9.5 million at closing, which will bring the transaction's adjusted cost down to C$40.5 million. To fund the cash portion, InPlay will borrow from its C$85 million credit facility, which lenders recently agreed to increase from C$65 million.

Prairie Storm will seek approval for the buyout from its shareholders in November, and the deal is expected to close by Nov. 30. If it doesn't close, subscription receipt buyers will receive a refund including pro rata interest.

Eight Capital and ATB Capital Markets led the syndicate for the receipts offering, which included National Bank Financial, Canaccord Genuity and Acumen Capital Finance Partners.

InPlay's primary holdings are in the Cardium formation of west-central Alberta. The Prairie Storm purchase will add material scale to its Cardium development position.

### Vesta tempts 2023 noteholders with exchange for higher coupon

Private Duvernay Shale producer Vesta Energy Corp. launched an exchange offer to holders of its C$200 million outstanding of 8.125% senior unsecured notes due 2023 for new 10% second-lien senior secured step-up notes due 2026. The company said that holders of 48.75% of the 2023 notes have confirmed their support for the exchange, which needs a minimum of 50% acceptance to move forward.

Early tenderers, by Oct. 27, will receive an even exchange at 100 while those who tender between then and the regular deadline of Nov. 16 will receive $950 principal amount of the new notes for each $1,000 face amount of 2023s tendered. The 2026 notes have a step-up feature increasing the coupon to 11% from Oct. 15, 2023, and to 12% a year later.

- Riley Exploration Permian Inc. announced Oct. 14 that its lenders increased their elected commitments to the company's borrowing base under its credit facility to $175 million from $135 million at its regularly scheduled semi-annual redetermination. Chairman and CEO Bobby Riley said the increase followed a period of continued development activity leading to growth in the company's proved reserves as well as higher reserve value due to rising commodity prices.
- Alberta E&P company Silk Road Energy Inc. announced on Oct. 18 a non-brokered private placement of up to C$1.0 million of units at C$0.10 each. The units each contain one common share and a warrant to buy another common share at C$0.15, exercisable for 24 months. The offering is expected to close by Nov. 8.
- XFuels Inc., a Calgary-based optimizer of underdeveloped oil and gas assets, reported Oct. 12 that CEO Mike McLaren converted a C$1.3 million convertible promissory note into 125 million shares of restricted common stock. The conversion leaves less than C$1.5 million of promissory notes outstanding and gives the CEO around 25% of XFuels' equity. The transaction eliminates over C$1.46 million of derivative liability from XFuels' balance sheet and will enable it to reinvest more capital into future growth instead of servicing debt.


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