ENVERUS

Upstream Pulse

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Select Stories in This Issue:

Section Index	PG.

Recurring Tables & Graphs	PG.

Matador's first tests of new interval at Stateline top 3 Mboe/d

Improved operational efficiencies allowed Matador Resources to bring online 13 wells at its Boros project in the Stateline area of Eddy County, New Mexico, in late Q3 instead of early Q4 as originally planned. In addition to the Avalon Shale, First Bone Spring, Second Bone Spring and Wolfcamp B, four of the wells were the company's first at Stateline to test the Third Bone Spring carbonate interval. Initial 24-hour rates ranged 2,820-3,247 boe/d, with an average of 3,061 boe/d (64% oil).

Shutting in more Stateline wells for longer in Q4 to protect from fracking of 11 Voni wells.

Including these four, eight of the new Boros producers averaged IP24s of 2,857 boe/d (58% oil); five are still cleaning up. Matador also turned four Second Bone Spring wells to sales in the Greater Stebbins area in Eddy County in Q3, but no IP rates were provided.

Matador is drilling the next 11 Voni wells at Stateline and anticipates turning these to sales in mid-February. Based on its experience with the latest Boros wells, the company says it will shut in a significant number of the 39 wells producing at Stateline at various times during Q4 to limit frack communication. *Read more...*

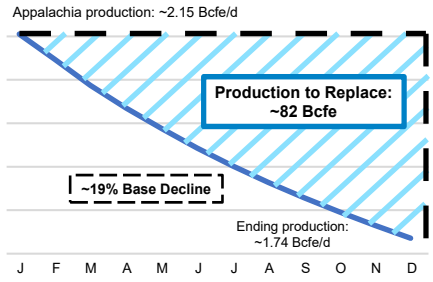
Range's maintenance D&C pace unmoved by market dynamics

Despite growing demand for natural gas and NGLs, Range Resources CEO Jeff Ventura says the company does not "believe the market is incentivizing Appalachian producers to grow in the near term." The Appalachian pure-play is committed to a maintenance capital program and is prioritizing free cash flow generation, balance sheet strength and returning capital to investors.

Playing long game, Range sees decades of inventory on its contiguous 1.5 million core acres.

"After many years of supply exceeding demand, supply for natural gas and NGLs has stabilized over the last 18 months, while demand continues to grow, both domestically and internationally," Ventura said on an Oct. 27 earnings call. "This has driven storage levels for most commodities from near all-time highs just one year ago to near multi-year seasonal lows today. Continued discipline from producers is prudent." Long term, Range is confident that slow and steady plus a contiguous core position will win the race. *Read more...*

Range's Low Maintenance Capital Requirement



1st year recoveries[a] for SW PA wells:

- Super Rich = 2.93 Bcfegross (2.33 Bcfe net)
- Wet = 3.77 Bcfe gross (3.00 Bcfe net)
- Dry = 4.17 Bcf gross (3.31 Bcf net)

Average: ~2.88 Bcfe net per well

Well Costs[a] for SW PA:

- Super Rich: $6.57 million
- Wet: $6.21 million
- Dry: $5.49 million

Average: ~$6.1 million cost per well

Simple Calculation[b]

- Average well contributes ~1.44 Bcfe net in calendar year if brought on mid-year under perfect conditions
- Production can be held flat with ~57 wells
  57 wells x 1.44 Bcfe recovery = ~82 Bcfe
- ~57 wells x ~$6.1mm average well cost = ~$350mm

~$350 million D&C Maintenance Capital

Additional Considerations[b]

- Non-D&C investment: ~$25 million annually
- Typical operating adjustments:
  - Ethane flexibility
  - TIL allocation (wet vs. dry)
  - Timing of TILs
  - Maintenance, weather, etc.

~$425 million All-In Maintenance Capital

[a] Assumes 10,000 ft. laterals and 2021 plan well costs. [b] Assumes constant DUC inventory.

Source: Range Resources 10/26/21 presentation via **Enverus docFinder**

Activity Index

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

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Multi-Region

SM encouraged by bigger Midland fracks & Austin Chalk pilot

SM Energy saw a higher-than-expected jump in production in Q3, driven by higher base production, reduced flaring, larger frack jobs in the Midland Basin and the early completion of wells in South Texas. Production grew 14% sequentially to 155,800 boe/d (56% oil) and outperformed the company's 141,000-143,000 boe/d guidance. As a result of this outperformance, full-year guidance has been increased to 135,600-137,000 boe/d from 130,100-135,600 boe/d. Q4 volumes are expected to range 138,000-143,500 boe/d.

The company began employing larger completion designs on its Midland Basin wells in fall 2020, with proppant loadings increasing to an average 2,800 lb/ft from 1,800 lb/ft. With a year of data, results are encouraging. About 80 wells have been completed using more than 2,300 lb/ft, with some exceeding 3,000 lb/ft and 40% also fracked with higher fluid loadings. At current development spacing, the upsized completions are driving strong performance and better economics.

Six Austin Chalk wells at 675-ft & 1,000-ft spacing flow 2 Mboe/d with expected RORs above 100%.

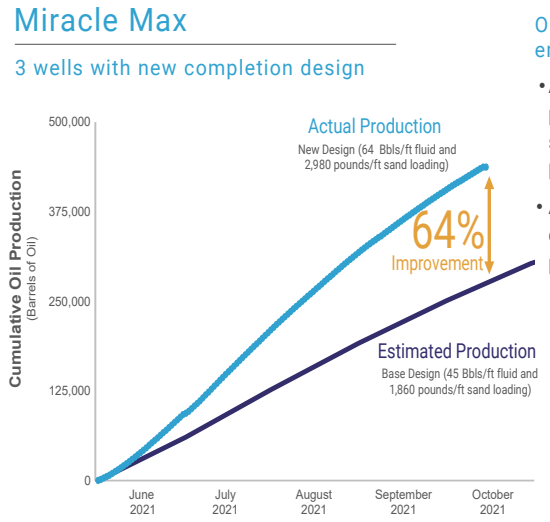
The larger design increased budgeted well costs just $20/ft to $520/ft while generating "a clear, very discernible uptick in the performance through six months," president and CEO Herb Vogel said on an Oct. 29 earnings call. Three wells highlighted in SM's earnings presentation are delivering 64% higher cumulative oil production after four months than estimated with the base design.

SM's Midland Basin production averaged 106,700 boe/d (74% oil) in Q3, up 16% sequentially. The company drilled 14 net wells and completed 24 net in the basin.

Results in South Texas were highlighted by a six-well Austin Chalk development pilot on a single pad, with three completed at development spacing of 675 ft and three at 1,000 ft. The wells produced an average three-stream peak 30-day rate of 2,000 boe/d (51-54% oil, 74-78% liquids) from laterals averaging 11,119 ft and are expected to deliver rates of return above 100%.

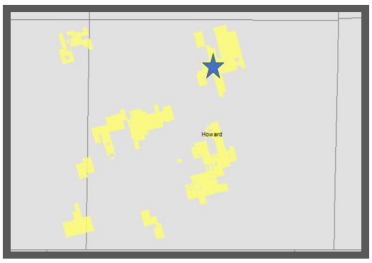
Q3 production from South Texas, where SM drilled 10 net wells and completed 11, was 49,000 boe/d, up 9% versus Q2. Output benefited from the successful remediation of a casing issue encountered last fall, which allowed five wells that had previously been deferred to 2022 to be brought online ahead of schedule.

SM's New Midland Completion Design Driving Higher EURs and NPVs



Optimizing EUR and NPV by employing data analytics

- Approximately 80 wells have employed proppant loadings of 2,300+ lbs/ft with some testing >3,000 lbs/ft; ~40% also paired with higher fluid loadings
- At current development spacing, the larger completions are driving stronger performance and better economics



Source: SM Energy 10/29/21 presentation via **Enverus docFinder**

Rockies

Williston Basin drillers driving a rig rebound in the Rockies

The number of rigs running in the Rockies has more than doubled since the beginning of the year, according to Enverus Rig Analytics. As of Oct. 23, there are 73 rigs running in the region compared to 33 at YE20. The largest increase occurred in the Williston Basin, where there are now 29 rigs running, up by 17 rigs or 142% YTD.

There are 29 rigs running in the Williston Basin, up 17 rigs, or 142%, since the start of the year. Two rigs were added over the last month. The most active operators are Continental Resources with nine rigs, Hess with three and Marathon Oil with three.

In the Powder River Basin, 11 rigs have been added since the beginning of the year. The 15 rigs running as of Oct. 23 are up by three in the last month. Anschutz Exploration is the most active operator with three rigs running, while Continental and EOG Resources are runners-up with two each.

Niobrara far outpaces Bakken in September D&C, though DJ has less than half as many rigs.

Nine rigs running in the Uinta Basin are up by five YTD and triple the level of drilling activity there a year ago. CH4-Finley Operating, EP Energy, Koda Resources and XCL Resources are running two rigs each, while Ovintiv has one running in the Utah play.

In the DJ Basin, three rigs have been added since Jan. 1 and five YOY to reach 11 rigs, although the count is down by two from a month ago. Great Western Oil & Gas leads the pack with two rigs running, leaving nine other operators running a rig each.

According to EIA data, 41 wells were drilled in the Bakken in September, which is the most since April 2020. There are 539 DUCs in the play, down by 27 compared to August and down by 302 in the last year.

And in the Niobrara Shale, 91 wells were drilled in September, the highest number since May 2020. The DUC count fell by eight sequentially to 371 in September, down by 430 YOY. Interestingly, there were 99 completions in the Niobrara in September, on pace with the Eagle Ford and far ahead of the Bakken, where only 68 wells were completed during the month.

Permian

HighPeak mobilizes a third rig, aiming for 30-40 Mboe/d by YE22

When Midland Basin-focused HighPeak Energy activated a second drilling rig in early Q3, the company increased its 2021 capex 81% at midpoint to $245-270 million. However, a recently mobilized third rig will not result in a further rise in capex, the Fort Worth, Texas-based company said Oct. 28. HighPeak will use the third rig to further delineate its Signal Peak area in eastern Howard County, Texas, and to accelerate development drilling of the Flat Top area in the county's northeast corner. In addition, CEO Jack Hightower suggested a fourth rig may be on the way.

New rig will further delineate Signal Peak, accelerate Flat Top development in Howard County.

"Utilizing three rigs through 2022 would increase HighPeak's exit rate to the mid-30,000 boe/d range, and adding a fourth rig before the end of the year would increase that rate to approximately 40,000 boe/d, which would equate to almost $1 billion of EBITDA with the current margins and prices," Hightower said. "Either way, 2022 will be a year of tremendous growth for HighPeak, both in production levels and EBITDA."

Temporary shut-ins of producing wells during offset fracking operations reduced Q3 average production to 8,168 boe/d, down 7% from Q2. However, these wells were returned to production in late September and are increasing to pre-shut in rates, and the company estimates that its production jumped more than 80% to an average of around 15,000 boe/d for the second half of October, exceeding year-end guidance. It expects wells drilled with its second rig to begin contributing meaningful volumes later this year or in early 2022.

Riley lines up CO2 delivery for West Texas EOR project

Riley Exploration Permian signed agreements with Kinder Morgan Inc. to secure CO2 volumes for its CO2-flood EOR and waterflood pilot at Champions field in Yoakam County, Texas. KMI will establish a connection and delivery point at Champions on its Cortez CO2 pipeline, which originates in Cortex, Colorado, and sell CO2 volumes to Riley.

"This pipeline connection and purchase agreement represents the first step for Riley Permian in gaining direct access to a wider network of CO2 pipeline infrastructure and to CO2 source product," CEO Bobby Riley said.

The company has started drilling vertical injection wells at the EOR project, and water and gas lines are being installed with completion expected in 1Q22. Drilling will continue through year's end, and water injection is expected to commence in 2Q22.

Point serves up two company-record wells in S. Delaware Basin

Fort Worth, Texas-based Delaware Basin driller Point Energy Partners delivered its two highest IP24 rates to date during Q3. Located in Ward County, Texas, the Pep 8-21 A #1H was completed with a 7,643-ft effective lateral and produced an initial 24-hour rate of 2,695 boe/d (82% oil), or 353 boe/d per 1,000 ft, from the Wolfcamp on a 45/64-inch choke at 1,190 psi FCP. On the same pad, the Pep 8-21 B #2H sports a 7,794-ft lateral and delivered an IP24 of 2,244 boe/d (81% oil), or 288 boe/d per 1,000 ft, from the Wolfcamp on a 47/64-inch choke at 1,650 psi FCP.

Vortus-backed company running three rigs in Ward County after ramping up from one in July.

Backed by Vortus Investments LP, Point is focused on developing over 6,000 gross operated acres in Loving, Ward and Winkler counties. The company ramped up activity in Q3, according to Enverus Rig Analytics, going from one rig in July to two in August and three at the end of September, all of which are currently operating in Ward County. Point's five completion reports YTD to the state of Texas have also all been in Ward County. IP24s have averaged 1,700 boe/d (82% oil). The company has received 14 permits for new wells in the last 90 days.

At the end of 2020, Point acquired Battalion Oil's North West Quito assets in Ward County for $26.3 million. The deal included 3,700 net acres, 501 boe/d of net production and 2 MMboe of YE19 proved reserves.

Rockies

Hess beats Bakken guidance, moves to optimized activity level

For a second quarter in a row, Hess beat its internal production guidance in the Bakken, with Q3 volumes averaging 148,000 boe/d (53% oil) compared to the 145,000 boe/d target. The company credits strong execution of its Tioga gas plant turnaround and expansion for the outperformance. Q2 volumes were 159,000 boe/d compared to guidance of 155,000 boe/d. In Q4, Hess plans to produce 155,000-160,000 boe/d. Full-year 2021 guidance has been lowered to the low end of the company's 155,000-160,000 boe/d guidance because of increased NGL prices reducing volumes under a percentage-of-proceeds contract.

Accelerated activity with a third rig in September and would consider adding a fourth at YE22.

During Q3, Hess drilled 18 wells and brought online 19 in the Bakken, significantly accelerating its activity pace from H1. Q4 will see 19 wells drilled and 18 turned to sales, resulting in 2021 totals of 65 drilled and 50 turned to sales.

After running two rigs since February, Hess added a third in September to take advantage of higher oil prices and its "robust inventory of high-return drilling locations," COO Gregory Hill said on an Oct. 27 earnings call. "Moving to a three-year, three-rig program will allow us to grow cash flow and production, better optimize our in-basin infrastructure and drive further reductions in our unit cash costs."

Hess would like to move Bakken volumes back toward 200,000 boe/d, which it says is the optional output for free cash flow generation. Given its inventory of 2,200 locations at $60/bbl WTI, Hess could maintain 200,000 boe/d of output for nearly a decade, generating $750 million to $1 billion in free cash flow annually depending on commodity prices. Hill noted that the company would consider adding a fourth rig at YE22.

See Also...
Hess closes sale of Danish offshore assets to Ineos for $150MM

Permian

Matador's tests of new interval at Stateline top 3 Mboe/d From PG.1

Several of these wells will be shut in longer than originally anticipated. Shut-in production volumes will be restored in a staggered fashion during January as plugs are drilled out on the 11 new Voni wells. Shut-ins are also planned in the Great Stebbins area as nine wells are completed in Q4; two Second Bone Spring completions are also planned for the Uncle Ches project in the Ranger area of Lea County during the quarter.

As a result of the shut-ins, Matador expects its Q4 output to be down 3% YOY at 81,500 boe/d (56% oil). Q3 volumes of 90,000 boe/d (56% oil) were down 3% sequentially, but up 23% YOY.

Cost of added rig offset by lower Q3 spending including $5-6MM saved through D&C efficiencies.

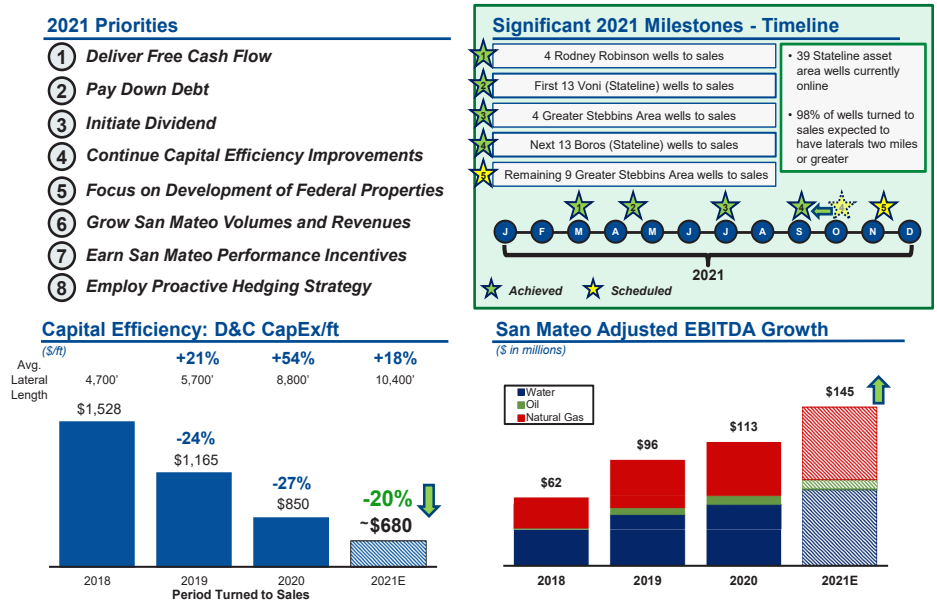
Matador added a fifth rig to its operations in the Delaware Basin in August to drill a saltwater disposal well in the Greater Stebbins area of Eddy County for its midstream affiliate San Mateo Midstream. Having been contracted for six months, the additional rig has now moved to Matador's Rodney Robinson leasehold in the western portion of the Antelope Ridge area in Lea County.

Together with another rig already on site, it will drill nine wells in the area during Q4, which will be completed in January and February and turned to sales before the end of Q1. With the additional rig on the leasehold, Matador now expects to drill and complete all nine wells before operations halt in early March for the mating season of the lesser prairie chicken.

The SWD was drilled to handle anticipated volumes from Matador's increased Greater Stebbins D&C activity and is currently being completed. The company reiterated its plan to turn nine wells to sales at Greater Stebbins in Q4.

During Q3, Matador incurred $121 million for drilling, completion and equipping wells, which was 14% below guidance for the quarter. An estimated $5-6 million was saved by lower-than-expected D&C costs driven by continued improvements in operational efficiencies. The lower spending in Q3 will offset the addition of the fifth rig and leave the midpoint of 2021 DC&E guidance unchanged at $550 million. Matador's portion of costs associated with the SWD well was $15 million.

Matador 2021 Priorities and Milestones on Track



Source: Matador Resources 10/26/21 presentation via **Enverus docFinder**

Mid-Continent

Citizen tallies top 2021 IP rates ahead of $153MM bolt-on

During Q3, Warburg Pincus-backed Citizen Energy delivered its highest initial production results YTD from a two-well pad targeting the Mississippian in Canadian County, Oklahoma. The South Ranch 1H-22-27 and South Ranch 2H-22-27 were completed with laterals averaging 10,194 ft using 2,346 lb/ft of proppant and 52 bbl/ft of fluid. During 24-hour tests, the wells produced an average of 8.6 MMcfe/d (94% gas) each on 24/64-inch chokes at 4,107 psi FTP.

Canadian County has been the focus of Citizen's fracking campaign this year, hosting 25 of the company's 33 reported completions through Aug. 21, according to available state data. Meanwhile, drilling is shifting toward Grady County, where Citizen is currently running three of its four rigs in the Anadarko Basin; the last rig is in Canadian. Of 10 well permits received in the last 90 days, seven are in Grady and three in Canadian.

Boosting acreage position 14% and production by 12% with gas-rich acquisition.

Since the beginning of 2019, Citizen has been the most active operator in Canadian County. Despite drilling some of the longest laterals at an average of 9,075 ft, the company's initial productivity has lagged behind the majority of its peers, which include Cimarex Energy, Camino Natural Resources, Devon Energy, Paloma Resources and Chaparral Energy, according to an analysis using Enverus Prism data.

On Oct. 11, Citizen announced a gas-rich bolt-on acquisition primarily in Canadian, Blaine and Kingfisher counties from an undisclosed seller for $153 million. The assets include 28,000 net acres (94% HBP) largely within its existing footprint, with 8,000 boe/d (58% gas, 25% NGLs) of production from 97 operated and 400 non-operated wells. On closing, expected in Q4, Citizen's portfolio will grow to more than 230,000 net acres and net production of 74,000 boe/d from 1,700 wells in the Mid-Continent.

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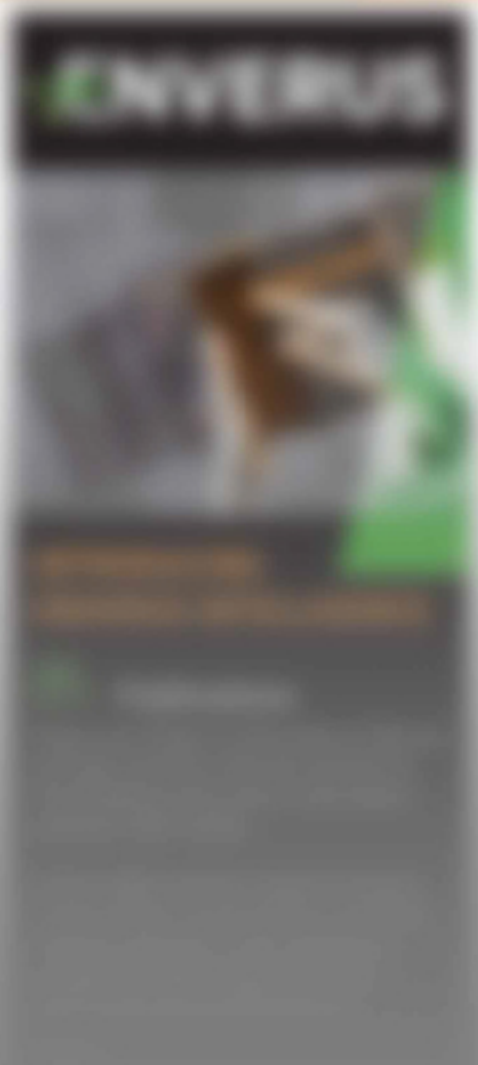

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