ENVERUS

Capital Pulse

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'Icahn's 10' looking for seats at Vegas utility's directors table

As the battle intensifies for control of Southwest Gas Holdings' board, the Las Vegas-based utility confirmed that Icahn Enterprises has provided notice of its plan to nominate 10 director candidates to stand for election at the company's as-yet unscheduled 2022 annual meeting of shareholders. Carl Icahn identified his 10 candidates in a Nov. 15 press release, emphasizing that eight have no affiliation with his companies and are completely independent.

'The Dispute in the Desert' was sparked by Southwest's $1.98B deal to buy Questar Pipelines.

The Icahn camp has maintained that Southwest's planned purchase of Questar Pipelines for almost $2 billion, announced Oct. 5, would "result in serious diminution of shareholder value" and that its slate of 10 director nominees would be able to "meaningfully reduce the egregious SG&A that has increased an amazing 42% under CEO John Hester." A few of the nominees would even "make excellent CEOs of any utility in the country," Icahn's press release said. *Read more...*

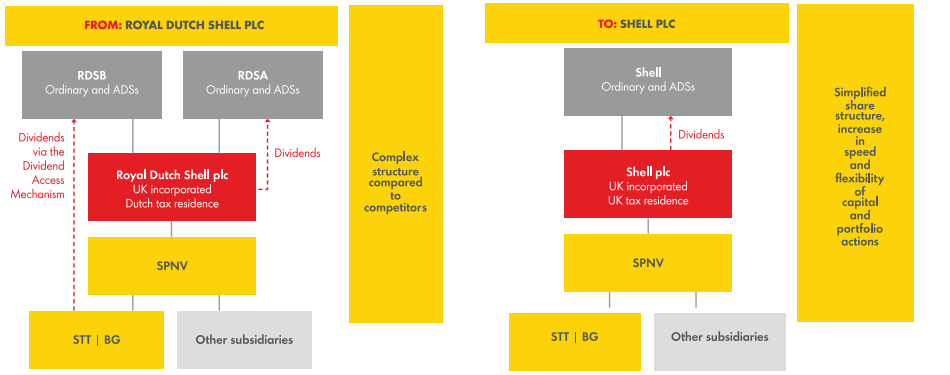
Shell proposes realignments to share structure & domicile

Royal Dutch Shell plc will ask shareholders Dec. 10 to eliminate the company's A/B share structure, move its incorporation entirely to the U.K. and drop the first two words of its legal title to become simply Shell plc. An Anglo-Dutch company with a name that's held up since 1907, Royal Dutch Shell announced Nov. 15 that the resolutions will—formally—propose the single line of ordinary shares and "align Shell's tax residence with its country of incorporation in the U.K., where it will hold board and executive committee meetings and locate its CEO and CFO."

Simpler structure, less stringent tax regime to let Shell 'manage portfolio with more agility.'

The board's decision to leave the Netherlands comes amid an increasingly contentious relationship between the country and the company. This year, Dutch state pension fund ABP said it would drop its Shell investment and all fossil fuels from its portfolio, and in May a Dutch judge called Shell's CO2 reduction program too weak and ordered the company to accelerate emissions-reduction plans. *Read more...*

Shell Asking Shareholders To Switch To One Class Of Shares



KEY FEATURES

Lines of shares & voting rights	Two lines of shares with equal voting rights (As and Bs)	Country of incorporation	UK
Location of Board and EC meetings	NL	Listings	Amsterdam, London, New York
Location of CEO & CFO	NL	Indexation	FTSE UK and AEX indexation
Tax residence of the PLC	NL		

KEY FEATURES

Lines of shares & voting rights	One line of shares with equal voting rights	Country of incorporation	No change
Location of Board and EC meetings	UK	Listings	No change
Location of CEO & CFO	UK	Indexation	No change to FTSE UK index inclusion No change expected to AEX index inclusion
Tax residence of the PLC	UK		

Source: Royal Dutch Shell, 11/15/21 shareholder circular

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

Colgate plans third debt sale of 2021 for New Mexico bolt-on buy

Privately held Colgate Energy Partners III LLC announced Nov. 8 that it priced $200 million aggregate principal amount of 5.875% senior notes due 2029 at 101.75 in an SEC Rule 144A-Reg. S offering to qualified purchasers. Expected to close Nov. 12, the offering is an add-on to the company's June sale of $500 million of the notes, with identical terms. The pricing of the new tranche implies a 5.441% yield to maturity. The placement's underwriting group consisted of nine banks, including Citi, Goldman Sachs and Credit Suisse.

Planned $200MM add-on will bring private Permian driller's notes outstanding to $1B.

Permian-focused Colgate intends to use net proceeds from the private sale to fully repay amounts outstanding under its revolving credit facility, with the remainder helping to pay for a $190 million purchase of nearly 22,000 net acres in Eddy and Lea counties, New Mexico, directly offsetting its legacy Parkway operating area. The acreage to be acquired is 95% operated and currently produces around 750 boe/d.

In addition to proceeds from the add-on debt sale, the company will use cash on hand and revolver borrowings to pay for the transaction, which has a Sept. 1 effective date and is expected to close during 1Q22.

Colgate issued its first debt security in January: a $300 million private placement of 7.75% senior notes due 2026 to qualified investors, which received a B rating. The company was founded in 2017 with initial equity commitments from Pearl Energy Investments and NGP.

Berry making sweeter juice for shareholders via new returns model

The leadership of Berry Corp. has created a shareholder return model in light of its view that the recent upturn in oil prices and demand will potentially last for the next couple of decades. In addition to its regular quarterly common dividend of $0.06 a share, the board approved a model consisting of a mix of methods to return capital to shareholders, including a variable dividend starting in 2022.

"At our stock price and the current oil strip, we believe the shareholder returns could be more than 20% per share annually," chairman and CEO Trem Smith said. Berry shares closed at $9.74 on Nov. 2. The methods will also include share buybacks and debt retirement, Smith said. The company will provide more detail on the new return-of-capital model later this quarter.

In Q3, Berry earned $9.8 million on revenue of $143 million, swinging back from an $18.9 million loss on $90 million of revenue a year earlier. The company incurred about $44 million in derivative losses during the quarter. Cash flow from operations totaled $22.4 million while the company spent $38 million on capex.

Gulfport to buy back $100MM of equity, reports $461MM Q3 loss

Gulfport Energy Corp. will buy back up to $100 million of its common stock outstanding from time to time in open-market or privately negotiated transactions, subject to available liquidity, market conditions and other factors. The company said the program will run through YE22. When Gulfport exited Chapter 11 bankruptcy protection in May, its common stock shareholders consisted entirely of holders of claims against the company.

The company's exit credit facility was amended Oct. 14, with an increase to $700 million from $580 million, extension to October 2025 from May 2025 and elimination of a $40 million availability blocker.

In Q3, Gulfport lost $461 million as it contended with more than $622 million of derivative losses. Revenue was $380 million. It also reported net cash from operating activities of $126 million and delivered almost $70 million in free cash flow. The company is forecasting 2021 FCF of $345-365 million.

Gulfport produced more than 973 MMcfe/d and realized an average price of $3.20/Mcfe including settled derivatives during the quarter. The company's principal properties are in the eastern Ohio Utica and Oklahoma's SCOOP play.

Devon boosts dividend 71%, launches $1B share buyback

Devon Energy Corp. said its top priority for free cash flow is funding its fixed-plus-variable dividend. Including the variable component, it will pay an $0.84 quarterly dividend for Q3, up by 71% from the previous quarter, on Dec. 30 to holders of record as of Dec. 10. The variable portion is calculated based on up to 50% of remaining FCF after the fixed portion is funded. Because capital reinvestment is held to 30% of operating cash flow, which hit $1.6 billion in Q2, Devon's Q3 FCF amounted to $1.1 billion.

The company's board also authorized a common stock repurchase plan to buy back up to $1 billion in shares by YE22. The plan would bring in around 4% of Devon's market cap, currently over $28 billion. On the debt side, the company will retire and call low-premium debt approximating $1 billion in 2022 and 2023. It currently has $2.3 billion in cash and short-term investments and $6.75 billion total debt.

Earned $844 million in Q3, reversing from a $90 million loss a year earlier.

Devon earned $844 million in Q3, reversing from a $90 million loss a year earlier. Revenue of $3.6 billion was 225% higher YOY. President and CEO Rick Muncrief credited outstanding execution and an improved cost structure for allowing Devon "to fully capture the benefits of rising commodity prices."

Devon's total production averaged 608,000 boe/d in Q3. It exited the quarter running 16 operated drilling rigs and five completion crews, with around 80% of the activity in the Delaware Basin, where it produced 409,000 boe/d (52% oil). Production averaged 75,000 boe/d (20% oil) in the Anadarko Basin and 58,000 boe/d (67% oil) in the Williston Basin. Eagle Ford and Powder River Basin output averaged 42,000 boe/d and 20,000 boe/d, respectively. Next year, Devon plans to spend $1.9-2.1 billion and produce 570,000-600,000 boe/d.

See Also...

Initial Devon-Dow STACK wells deliver 2.7 Mboe/d for $8MM each

Upstream

Kimbell offers common units at $14 each to fund royalty buy

Fort Worth, Texas-based Kimbell Royalty Partners LP priced a public offering of 3.75 million common units at $14 each and granted underwriters a 562,500-unit overallotment option. The partnership raised $52.5 million from the offering and can gross up to $60.375 million and have 47,228,972 common units outstanding following the Nov. 15 closing and factoring in full exercise of the 30-day greenshoe. Citi and Raymond James were joint bookrunning managers for the offering, with participation from RBC, KeyBanc, Stephens, Stifel and TD Securities.

The partnership is using the net proceeds to fund a portion of the $57 million cash purchase price for an acquisition of oil and gas mineral and royalty interests primarily in the Permian, Mid-Continent and Haynesville from an undisclosed seller. The acquisition is expected to be immediately accretive to distributable cash flow and is expected to close in Q4 with a Nov. 1 effective date. Kimbell will also pay down revolver debt with the offering proceeds.

The partnership also called in its Series A cumulative convertible preferred units for redemption on Nov. 16. Kimbell said it will redeem the 25,000 preferred units initially issued in 2018 on Dec. 7 for about $31 million.

See Also...

Kimbell buys into Permian, Mid-Con & Haynesville wells

CRC updates guidance after emergence from Chapter 11

Fresh out of bankruptcy on Oct. 27, California Resources Corp. said it will generate more cash flow this year than originally anticipated, in the $460-510 million range instead of the prior $400-500 million forecast. It also expects higher earnings for the year, hiking its adjusted EBITDAX range to $840-900 million from $725-825 million. Operating costs are also expected to rise, though, to $700-720 million from $670-695 million. The company plans to spend $180-200 million on capex in 2021, having spent $128 million in the first nine months of the year.

The company began fresh-start accounting Oct. 31, enabling the successor company to report a $103 million profit and $182 million in cash flow during the quarter. President and CEO Mac McFarland said CRC expects to have more than $325 million of cash on hand at year's end after share repurchases and its newly adopted quarterly cash dividend payment of $0.17 a share. The company also bought back 3.1 million shares for $104 million through Nov. 5 at an average price of $33.99.

CRC Raises the Bar on Guidance Post-Bankruptcy

	PRIOR GUIDANCE FY 2021E	REVISED GUIDANCE FY 2021E[1]
Net Total Production (Mboepd)	97 – 100	**99 - 101**
Net Oil Production (Mbopd)	60 – 62	Reaffirmed
Operating Costs ($MM)	$670 - $695 $18.36 - $19.63 $/boe	$700 - $720 $18.99 - $19.93 $/boe
Capital Spend ($MM)	$170 - $190 $4.66 - $5.37 $/boe	$180 - $200 $4.88 - $5.53 $/boe
G&A ($MM)	$180 - $190 $4.98 - $5.42 $/boe	$190 - $200 $5.15 - $5.53 $/boe
Adjusted EBITDAX ($MM)	**$725 - $825** **$19.86 – $23.30 $/boe**	**$840 - $900** **$22.79 – $24.91 $/boe**
Free Cash Flow ($MM)	$400 - $500	**$460 - $510**
Free Cash Flow Yield	11% - 14%	**13% - 15%**

Guidance updated for:

Strong Operational Performance
- Continued strong operational performance (horizontal program, maintenance program and workover opportunities)
- Acceleration of drilling rig planned for Q1 2022 and incremental workover opportunities

Market Dynamics
- Above expectations increase in realized natural gas and NGLs prices raising costs, but CRC is net long in natural gas
- Higher electricity sales margin
- Higher natural gas trading margin

~60% Increase in corporate FCF Guidance since 2021 Strategy Day

Source: California Resources Corp. 11/11/21 presentation via **Enverus docFinder**

Lime Rock continues CrownRock investment into Fund VI AF

Private equity group Lime Rock Partners has closed on a $203 million continuation fund to maintain an investment in two entities owned by Permian-focused CrownRock Minerals LP. Lime Rock Partners VI AF acquired the assets of the group's Fund VI LP, which was formed in 2012, raised $767 million and has—by now—exited most of its investments. The 10-year life of Fund VI was coming to an end and meant to be fully liquidated, but Lime Rock thought it was too early to get rid of stable CrownRock, which is experiencing growth as fields underlying its holdings are still being developed.

Too early to liquidate CrownRock mineral & royalty investment, so Lime Rock built it a new fund.

Fund VI AF was funded largely by Goldman Sachs Group Inc.'s asset management arm, according to Lime Rock, and provided most of the $134 million in new commitments, including co-investment capital. Also, about $69 million of the AF fund's capital came from Fund VI limited partners that rolled over their exposure, Lime Rock partner Jonathan Farber told The Wall Street Journal. Fund VI limited partners also had the option of receiving accelerated full liquidity.

CrownRock Minerals of Midland owns mineral and royalty interests in the Permian. It was formed in 2016 as a JV of Lime Rock and CrownQuest Operating LLC. "The mineral vehicles have a lot of growth and a lot of remaining value to add over time," Farber said. "We wanted to offer investors the option of continuing to hold those vehicles."

Lime Rock said it has partnered with CrownQuest Operating since 2007. Its first continuation fund, Lime Rock Partners IV AF, was formed in 2018 mainly to hold interests in CrownRock, which is still majority owned by that fund.

"With this, our second GP-led secondary, we continue to believe that there are good, market solutions to respond to some investors' preferences for liquidity while allowing others to hold investments beyond a normal fund life," said John Reynolds, co-founder and managing director of Lime Rock.

The U.S. Upstream Top 40

Company	Exchange: Ticker	Market Cap ($MM)	Shares Out (MM)	Share Price	52-Week Share Price High	52-Week Share Price Low
Exxon Mobil Corp.	NYSE:XOM	$253,125	4,233.6	$59.79	$66.38	$38.34
Chevron Corp.	NYSE:CVX	$216,094	1,927.7	$112.10	$118.08	$83.53
ConocoPhillips	NYSE:COP	$91,271	1,318.9	$69.20	$77.98	$38.77
EOG Resources Inc.	NYSE:EOG	$49,937	585.1	$85.35	$98.20	$46.31
Pioneer Natural Resources	NYSE:PXD	$42,553	244.1	$174.30	$196.64	$98.59
Devon Energy Corp.	NYSE:DVN	$27,639	676.8	$40.84	$45.56	$13.78
Occidental Petroleum Corp.	NYSE:OXY	$27,039	934.0	$28.95	$35.75	$14.77
Hess Corp.	NYSE:HES	$22,427	307.8	$72.86	$92.79	$47.10
Diamondback Energy Inc.	NasdaqGS:FANG	$18,661	181.2	$103.00	$117.71	$39.30
Coterra Energy Inc.	NYSE:CTRA	$16,060	813.6	$19.74	$23.64	$14.28
Continental Resources Inc.	NYSE:CLR	$15,347	359.6	$42.68	$55.48	$14.95
Marathon Oil Corp.	NYSE:MRO	$11,772	778.5	$15.12	$17.59	$5.76
APA Corp.	NasdaqGS:APA	$9,173	363.3	$25.25	$31.14	$12.20
Texas Pacific Land Corp.	NYSE:TPL	$9,144	7.8	$1,180.49	$1,773.95	$609.84
Ovintiv Inc.	TSX:OVV	$8,612	261.1	$32.98	$39.41	$12.87
EQT Corp.	NYSE:EQT	$6,939	377.9	$18.36	$23.24	$12.27
Chesapeake Energy Corp.	NasdaqGS:CHK	$6,675	117.1	$57.00	$69.40	$40.00
Antero Resources Corp.	NYSE:AR	$4,970	313.9	$15.83	$21.99	$3.71
Southwestern Energy Co.	NYSE:SWN	$4,736	1,114.3	$4.25	$5.96	$2.73
PDC Energy Inc.	NasdaqGS:PDCE	$4,622	97.4	$47.46	$59.00	$16.50
Range Resources Corp.	NYSE:RRC	$4,344	240.1	$18.09	$26.48	$6.19
Matador Resources Co.	NYSE:MTDR	$4,143	117.3	$35.31	$47.23	$10.22
Civitas Resources Inc.	NYSE:CIVI	$4,141	84.5	$49.03	$59.65	$18.91
Murphy Oil Corp.	NYSE:MUR	$3,943	154.5	$25.53	$31.00	$9.98
Denbury Inc.	NYSE:DEN	$3,802	50.1	$75.85	$91.30	$23.12
SM Energy Co.	NYSE:SM	$3,302	121.5	$27.18	$38.25	$3.94
Magnolia Oil & Gas Corp.	NYSE:MGY	$3,298	181.8	$18.14	$22.09	$6.07
California Resources Corp.	NYSE:CRC	$3,209	80.4	$39.92	$47.18	$18.30
Callon Petroleum Co.	NYSE:CPE	$2,871	61.4	$46.79	$65.45	$9.35
CNX Resources Corp.	NYSE:CNX	$2,784	211.2	$13.18	$16.08	$8.82
Whiting Petroleum Corp.	NYSE:WLL	$2,410	39.1	$61.59	$71.61	$19.75
Oasis Petroleum Inc.	NasdaqGS:OAS	$2,260	19.7	$114.43	$133.20	$33.99
Black Stone Minerals LP	NYSE:BSM	$2,243	208.7	$10.75	$12.75	$6.63
Comstock Resources Inc.	NYSE:CRK	$1,740	232.9	$7.47	$11.34	$4.24
Viper Energy Partners LP	NasdaqGS:VNOM	$1,635	79.1	$20.66	$25.32	$11.19
Centennial Resource Development Inc.	NasdaqCM:CDEV	$1,634	284.1	$5.75	$8.29	$1.04
Kosmos Energy Ltd.	NYSE:KOS	$1,523	451.9	$3.37	$4.24	$1.51
Tellurian Inc.	NYSEAM:TELL	$1,442	479.0	$3.01	$5.76	$1.20
Northern Oil and Gas Inc.	NYSEAM:NOG	$1,423	76.9	$18.51	$27.87	$5.78
Gulfport Energy Corp.	NYSE:GPOR	$1,382	20.6	$67.12	$88.86	$58.71

Note: Data includes U.S.-listed public companies operating in upstream oil and gas, limited to >$1.00 share.
Source: Capital IQ (as of 12/02/21)

Continental prices $1.6B in notes to help fund Permian acquisition

Continental Resources Inc. announced Nov. 9 that it priced $800 million aggregate principal amount each of 2.268% senior notes due 2026 and 2.875% senior notes due 2032. The private placement is expected to close Nov. 22. Pro forma for the completed placement, Continental will have around $6.5 billion in long-term debt outstanding. The company will use proceeds from the private sale to help pay for the $3.25 billion cash purchase of Delaware Basin assets from Pioneer Natural Resources.

Should the transaction not occur, proceeds will be used for general corporate purposes. However, the company is keen to enter the Delaware, CEO Bill Berry said: "This acquisition will complement our existing deep inventory portfolio in the Bakken, Oklahoma and most recently, the Powder River Basin. In addition to the competitive geologic attributes, this transaction is accretive on key financial metrics and supports our long-term target of 1.0x net debt to EBITDAX by year end 2022 at $60 WTI."

For Q3, Continental earned $369.3 million on more than $1.3 billion of revenue, swinging back from a $79.4 million loss on $692 million of revenue a year earlier. The company generated $1.02 billion of cash flow from operations and a record $669 million of free cash flow after spending $384 million on capital expenditures during the quarter. The company projects generating $3.9 billion of cash flow from operations and $2.6 billion of free cash flow in 2021.

Production in Q3 averaged 331,400 boe/d (47% oil). Realized prices of $66.48/bbl for oil and $4.62/Mcf were up 85% and 371% from 3Q20, respectively.

See Also...

ioneer's Delaware to be Continental's 4th play in $3.25B deal

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