



SAMPLE REPORT

This report was created using Enverus Valuation Analytics™

To learn more, [click here](#)

CAPITAL MARKETS
EASTERN US
CANADA
GULF COAST

CURRENT PRODUCTION VALUATIONS

3Q21 | More Yield Available in E&Ps' Equity Than Credit

AUTHORS

Lucas Nguyen
Associate

Shawn Stuart, CFA
Vice President

Andrew McConn
Director

Tyler Hoge
Senior Associate

Dane Gregoris, CFA
Managing Director

Amy Chen
Associate

FOCUS

How do market valuations compare with our current production value (CPV) estimates for North American E&Ps?

KEY POINTS

- AR continues to be the most compelling opportunity in the gas space, in our view. Currently trading below our CPV estimate, AR offers unique exposure to a liquids-rich asset base boasting nearly nine years of inventory at one of the lowest EV/CPV multiples in our gas coverage.
- [REDACTED] appears expensive relative to our oil-focused operator coverage group. The name trades at 2.5x EV/CPV — above large-cap operators with longer inventory lives including [REDACTED] and [REDACTED] and over a full turn above a majority of other SMID-cap peers.
- [REDACTED], [REDACTED] and [REDACTED] trade below our CPV estimates at \$60 WTI. [REDACTED] is particularly compelling given it holds over five years of sub-\$40/bbl breakeven inventory and offers a peer-leading consensus [REDACTED] yield of 27% in 2022. While Rockies-focused [REDACTED] and [REDACTED] lack the inventory depth and quality of [REDACTED], the names represent cheap equities for obtaining oil exposure and boast consensus [REDACTED] yields at or above 18%. We prefer [REDACTED] over [REDACTED] due to superior inventory quality and relative valuation.
- [REDACTED], [REDACTED] and [REDACTED] debt screen attractively among oil-focused names with yield to worst of 9% and debt coverage ratios of at least 1.6x at our base case scenario of flat \$60 WTI and \$3.00 HH. [REDACTED] and [REDACTED] stand out in the gas space with 8% YTWs and over 2.2x debt coverage at \$3.00 HH.
- Large-cap oil-focused operators continue to trade ~0.5x above their SMID-cap oil counterparts on an EV/CPV basis at a flat \$60 WTI and \$3.00 HH price deck. We attribute the premium to a longer life of high-quality inventory, a desire for scale and acquisition potential.
- De-leveraging remains a focal point for operators as they look to shore up their balance sheets and position themselves for incremental shareholder distributions. Consensus estimates for 2022 net debt/EBITDAX now average 0.4x and 0.6x for oil- and gas-focused operators, down from 0.8x and 1.1x at the start of the year.
- Consensus estimates suggest Canadian gas-focused operators [REDACTED], [REDACTED] and [REDACTED] will grow production by an average of 16% in 2022 from current levels. This stands in stark contrast to U.S. operators whose consensus growth estimates average 1% in 2022.

Scan to download the Intelligence mobile app.



Please contact support@enverus.com if you encounter any problem launching the mobile app.



AUTHORS

Nikhil Maini
Senior Associate

Remy Onyegbutulem
Associate

Urvashi Rathore
Associate

Vishnu Gopakumar
Associate

GENERAL

CPV has become less relevant as commodities have rallied and attention to undeveloped upside has increased. In turn, investors are increasing focus on equity value rather than debt. We expect that trend to continue as **2022 hedge books** protect against commodity price risk and ensure operators will continue to de-leverage over the near term.

One factor that could mitigate the pace of de-leveraging is investors' appetite for shareholder distributions, sometimes even at the expense of a faster pace of debt reduction for higher-leverage names. We expect debt-burdened operators to continue to prioritize de-leveraging, even if conditions allow for some increase in shareholder distributions.

NEED TO KNOW

Our CPV estimates represent a PV-10 value of each company's current production base assuming no incremental drilling and variable costs. We include hedge NPV from our hedging report and PV-10 G&A using the annualized value of last-reported quarter taken at a 4x multiple as part of our CPV estimates. Our production forecast is based on the aggregation of go-forward production estimates on a well-by-well basis for each company's gross operated wells across North America. Our CPV estimates do not include working capital, ARO and other assets and liabilities. Our base case CPV estimates assume operating costs are 100% variable over the modeled period. **This report** illustrates the sensitivity of fixed costs on our CPV estimates .



FIGURE 1 | Oil-Focused Multiples @ \$3.00/MMBtu HH

Ticker	Group	EV/CPV WTI (\$/bbl)			Consensus EV/EBITDAX		Debt Coverage WTI (\$/bbl)			Consensus Net Debt/EBITDAX		Fulcrum Security	Weighted-Average Coupon Yield (%)	Yield to Worst (%)	Weighted-Average Debt Price	Consensus Production Growth		Consensus FCF Yield (%)	Consensus FCF/EV (%)
		\$55	\$60	\$65	2022	2023	\$55	\$60	\$65	2022	2023					2022/3Q21	2023/3Q21		
	SMID	2.7x	2.5x	2.3x	5.2x	5.5x	12.2x	13.5x	14.7x	(0.3x)	(0.2x)	Unsec	6%	5%	\$1.02	7%	14%	9%	9%
	Large	2.3x	2.2x	2.1x	6.5x	6.1x	3.9x	4.0x	4.3x	1.3x	1.3x	Unsec	5%	3%	\$1.19	24%	38%	5%	4%
	Large	2.3x	2.1x	2.0x	4.9x	5.0x	6.9x	7.6x	8.2x	0.2x	0.2x	Unsec	2%	2%	\$1.00	5%	9%	12%	11%
	Large	2.2x	2.0x	1.8x	4.5x	5.0x	2.1x	2.3x	2.5x	0.6x	0.5x	Unsec	4%	3%	\$1.05	(0%)	1%	16%	12%
	Large	2.1x	2.0x	1.8x	4.5x	4.7x	30.0x	32.6x	35.2x	(0.2x)	(0.4x)	Unsec	3%	2%	\$1.13	5%	12%	11%	10%
	Large	2.2x	1.9x	1.8x	4.5x	4.7x	3.6x	4.0x	4.3x	0.4x	0.3x	Unsec	5%	3%	\$1.20	(3%)	(1%)	16%	14%
	Large	2.0x	1.8x	1.6x	3.9x	4.4x	2.2x	2.5x	2.8x	0.5x	0.4x	Unsec	4%	3%	\$1.20	(0%)	(1%)	21%	17%
	SMID	2.0x	1.6x	1.4x	7.9x	7.3x	134.0x	159.8x	186.4x	(0.6x)	(1.0x)	N/A	4%	4%	\$1.00	(1%)	0%	7%	7%
	Large	1.7x	1.6x	1.6x	3.9x	4.6x	4.3x	4.5x	4.7x	0.1x	0.1x	Unsec	4%	4%	\$1.08	2%	4%	18%	16%
	Large	1.6x	1.5x	1.4x	4.3x	4.9x	2.0x	2.2x	2.3x	0.8x	0.5x	Unsec	4%	2%	\$1.09	(1%)	4%	19%	13%
	SMID	1.6x	1.4x	1.3x	3.3x	3.5x	8.8x	9.8x	10.7x	(0.1x)	(0.4x)	Unsec	8%	6%	\$1.01	5%	8%	17%	15%
	Large	1.6x	1.4x	1.2x	3.5x	3.8x	1.6x	1.8x	2.0x	1.2x	1.1x	Unsec	5%	4%	\$1.09	(2%)	(4%)	22%	13%
	SMID	1.5x	1.4x	1.3x	3.4x	3.3x	1.9x	2.0x	2.1x	0.6x	0.2x	Unsec	6%	6%	\$1.01	(8%)	(5%)	22%	14%
	SMID	1.4x	1.3x	1.2x	4.0x	4.2x	3.8x	4.0x	4.3x	0.4x	0.1x	Unsec	6%	5%	\$1.01	8%	15%	17%	14%
	SMID	1.4x	1.3x	1.2x	3.8x	4.1x	2.0x	2.2x	2.3x	0.8x	0.5x	Unsec	6%	6%	\$1.00	1%	5%	17%	11%
	SMID	1.4x	1.3x	1.2x	3.1x	3.3x	2.0x	2.1x	2.2x	0.3x	(0.0x)	Unsec	9%	9%	\$1.02	10%	17%	21%	14%
	Large	1.5x	1.3x	1.1x	3.9x	4.5x	1.7x	1.9x	2.1x	1.5x	1.3x	Unsec	5%	5%	\$1.05	1%	2%	29%	12%
	SMID	1.3x	1.3x	1.2x	3.1x	3.3x	3.9x	4.1x	4.3x	0.1x	(0.1x)	Unsec	6%	6%	\$1.01	(1%)	1%	25%	20%
	SMID	1.3x	1.3x	1.2x	3.9x	4.1x	1.5x	1.6x	1.7x	1.4x	1.1x	Unsec	8%	9%	\$0.96	(5%)	(2%)	22%	11%
	Large	1.4x	1.3x	1.2x	3.1x	3.3x	2.0x	2.2x	2.4x	0.8x	0.5x	Unsec	5%	4%	\$1.22	(3%)	(3%)	26%	17%
	SMID	1.3x	1.2x	1.1x	3.5x	3.6x	3.2x	3.6x	4.0x	0.3x	(0.1x)	Unsec	4%	4%	\$1.00	(0%)	1%	21%	16%
	SMID	1.2x	1.1x	1.0x	3.0x	2.9x	2.2x	2.4x	2.7x	0.9x	0.5x	Unsec	8%	7%	\$1.03	(1%)	9%	26%	14%
	SMID	1.2x	1.0x	0.9x	3.7x	4.1x	4.5x	5.1x	5.7x	0.4x	(0.1x)	Sec	4%	4%	\$1.00	6%	9%	18%	15%
	SMID	1.0x	0.9x	0.9x	3.0x	2.8x	1.8x	1.9x	2.0x	1.4x	0.9x	Unsec	9%	9%	\$0.99	(2%)	(2%)	27%	12%
	SMID	0.9x	0.8x	0.7x	3.0x	3.1x	51.1x	56.6x	60.8x	(0.8x)	(1.5x)	RCF	4%	4%	\$1.00	0%	(2%)	21%	21%
	SMID	0.6x	0.6x	0.6x	2.8x	3.0x	(38.1x)	(39.6x)	(41.5x)	(0.5x)	(1.0x)	Unsec	7%	6%	\$1.05	3%	3%	18%	19%
Average		1.6x	1.4x	1.3x	4.0x	4.2x	9.6x	11.0x	12.5x	0.4x	0.2x		5%	5%	\$1.05	2%	5%	19%	14%

Note | CPV ratios include market value of minority interests (EV/CPV = [EV - Minority Interest] / [CPV + Hedging NPV]), Debt Coverage = [CPV + Minority Interest + Hedging NPV] / [Total Debt - Cash]
 Source | Enverus, FactSet, company disclosures

This document is intended only for rebekah.rentro@enverus.com @ Enverus (Primary Account). Unauthorized distribution of this report is prohibited.

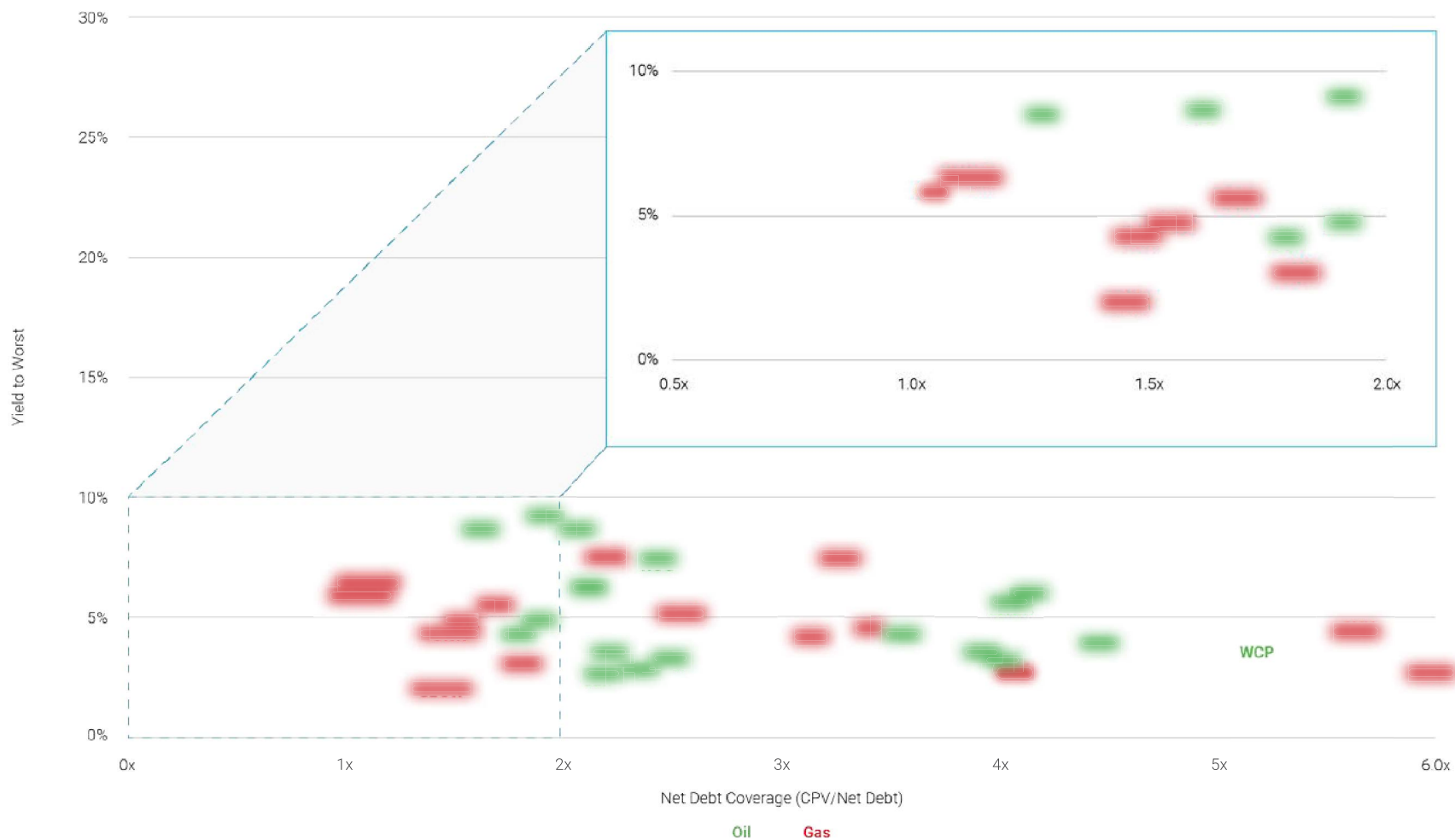
FIGURE 2 | Gas-Focused Multiples @ \$60/bbl WTI

Ticker	EV/CPV HH (\$/MMBtu)			Consensus EV/EBITDAX		Debt Coverage HH (\$/MMBtu)			Consensus Net Debt/EBITDAX		Fulcrum Security	Weighted- Average Coupon Yield (%)	Yield to Worst (%)	Weighted- Average Debt Price	Consensus Production Growth		Consensus FCF Yield (%)	Consensus FCF/EV (%)
	\$2.75	\$3.00	\$3.25	2022	2023	\$2.75	\$3.00	\$3.25	2021	2022					2022/3Q21	2023/3Q21		
Small Gas	2.3x	2.1x	2.0x	3.0x	2.8x	2.0x	2.2x	2.4x	0.4x	(0.1x)	Unsec	8%	8%	\$1.02	32%	57%	19%	15%
Mid Gas	2.0x	1.9x	1.7x	3.8x	3.7x	3.2x	3.4x	3.6x	0.2x	(0.1x)	Unsec	8%	8%	\$1.00	12%	25%	12%	10%
Mid Gas	2.1x	1.8x	1.6x	4.0x	4.5x	5.4x	6.0x	6.6x	(0.3x)	(0.4x)	Unsec	2%	3%	\$0.97	10%	13%	18%	17%
Small Gas	1.9x	1.7x	1.5x	3.8x	4.9x	4.5x	5.2x	5.9x	(0.0x)	(0.5x)	RCF	13%	13%	\$1.00	10%	16%	16%	14%
Small Gas	1.8x	1.6x	1.5x	3.2x	3.3x	0.9x	1.0x	1.1x	1.3x	0.9x	Unsec	6%	6%	\$1.02	4%	8%	39%	16%
Mid Gas	1.8x	1.6x	1.5x	4.4x	5.1x	1.5x	1.6x	1.8x	1.0x	0.7x	Unsec	7%	5%	\$1.05	2%	3%	23%	14%
Mid Gas	1.6x	1.4x	1.2x	4.1x	3.6x	1.5x	1.8x	2.0x	1.1x	0.6x	Unsec	4%	3%	\$1.15	3%	4%	20%	12%
Mid Gas	1.4x	1.3x	1.2x	3.3x	3.6x	3.8x	4.0x	4.3x	0.3x	(0.1x)	Unsec	3%	3%	\$1.01	3%	6%	21%	17%
Mid Gas	1.4x	1.3x	1.2x	4.4x	4.7x	1.7x	1.8x	1.9x	1.3x	0.6x	Unsec	5%	6%	\$1.14	(6%)	(6%)	22%	12%
Mid Gas	1.4x	1.3x	1.2x	3.7x	3.6x	1.5x	1.6x	1.7x	1.5x	1.0x	Unsec	6%	4%	\$1.06	0%	0%	18%	9%
Small Gas	1.3x	1.2x	1.1x	3.0x	3.5x	2.4x	2.6x	2.9x	0.4x	N/A	Unsec	8%	5%	\$1.09	5%	6%	25%	17%
Mid Gas	1.2x	1.2x	1.1x	3.3x	3.1x	5.2x	5.5x	5.9x	0.2x	0.0x	Unsec	6%	5%	\$1.06	(3%)	(2%)	16%	14%
Small Gas	1.2x	1.2x	1.1x	2.7x	2.8x	1.4x	1.5x	1.5x	N/A	N/A	Sec	2%	2%	\$1.00	5%	7%	27%	11%
Mid Gas	1.0x	0.9x	0.9x	3.1x	3.9x	3.1x	3.4x	3.7x	0.3x	(0.1x)	Unsec	6%	5%	\$1.06	1%	0%	30%	21%
Small Gas	0.9x	0.9x	0.8x	3.2x	3.8x	3.0x	3.2x	3.4x	1.2x	1.0x	Unsec	4%	4%	\$1.00	1%	7%	20%	13%
Small Gas	N/A	N/A	N/A	N/A	N/A	0.9x	1.1x	1.3x	N/A	N/A	Unsec	7%	6%	\$1.08	N/A	N/A	N/A	N/A
Average	1.6x	1.4x	1.3x	3.5x	3.8x	2.6x	2.9x	3.1x	0.6x	0.3x		6%	5%	\$1.04	5%	10%	22%	14%

Note | CPV ratios include market value of minority interests (EV/CPV = [EV - Minority Interest] / [CPV + Hedging NPV], Debt Coverage = [CPV + Minority Interest + Hedging NPV] / [Total Debt - Cash]).
Source | Enverus, FactSet, company disclosures

This document is intended only for rebekah.rentro@enverus.com @ Enverus (Primary Account). Unauthorized distribution of this report is prohibited.

FIGURE 3 | Market-Implied Coupon Yield Versus CPV/Fulcrum Security Book Value at \$60 WTI and \$3.00 HH



Note | CPV ratios include market value of minority interests (Debt Coverage = [CPV + Minority Interest] / [Total Debt - Cash])
 Source | Enverus, FactSet, company disclosures


APPENDIX A | Oil CPV Sensitivities and G&A at \$3.00/MMBtu HH

Ticker	CPV				PV G&A (\$MM)
	WTI Price (\$/bbl)				
	\$55	\$60	\$65		
	\$10,530	\$11,820	\$13,280	\$1,240	
	\$2,070	\$2,310	\$2,550	\$200	
	\$3,530	\$3,890	\$4,260	\$300	
	\$15,210	\$16,430	\$17,650	\$710	
	\$4,380	\$4,850	\$5,310	\$220	
	\$12,140	\$12,790	\$13,440	\$1,000	
	\$2,220	\$2,710	\$3,200	\$180	
	\$16,710	\$18,560	\$20,410	\$1,740	
	\$24,670	\$27,350	\$30,030	\$1,480	
	\$2,683	\$3,042	\$3,400	\$175	
	\$11,580	\$12,800	\$14,030	\$250	
	\$10,230	\$11,360	\$12,490	\$520	
	\$2,630	\$2,900	\$3,170	\$190	

Note | All CPV values exclude PV-10 G&A values and are US\$ assuming 1.2x C\$/US\$ exchange ratio.
Source | Enverus, company disclosures

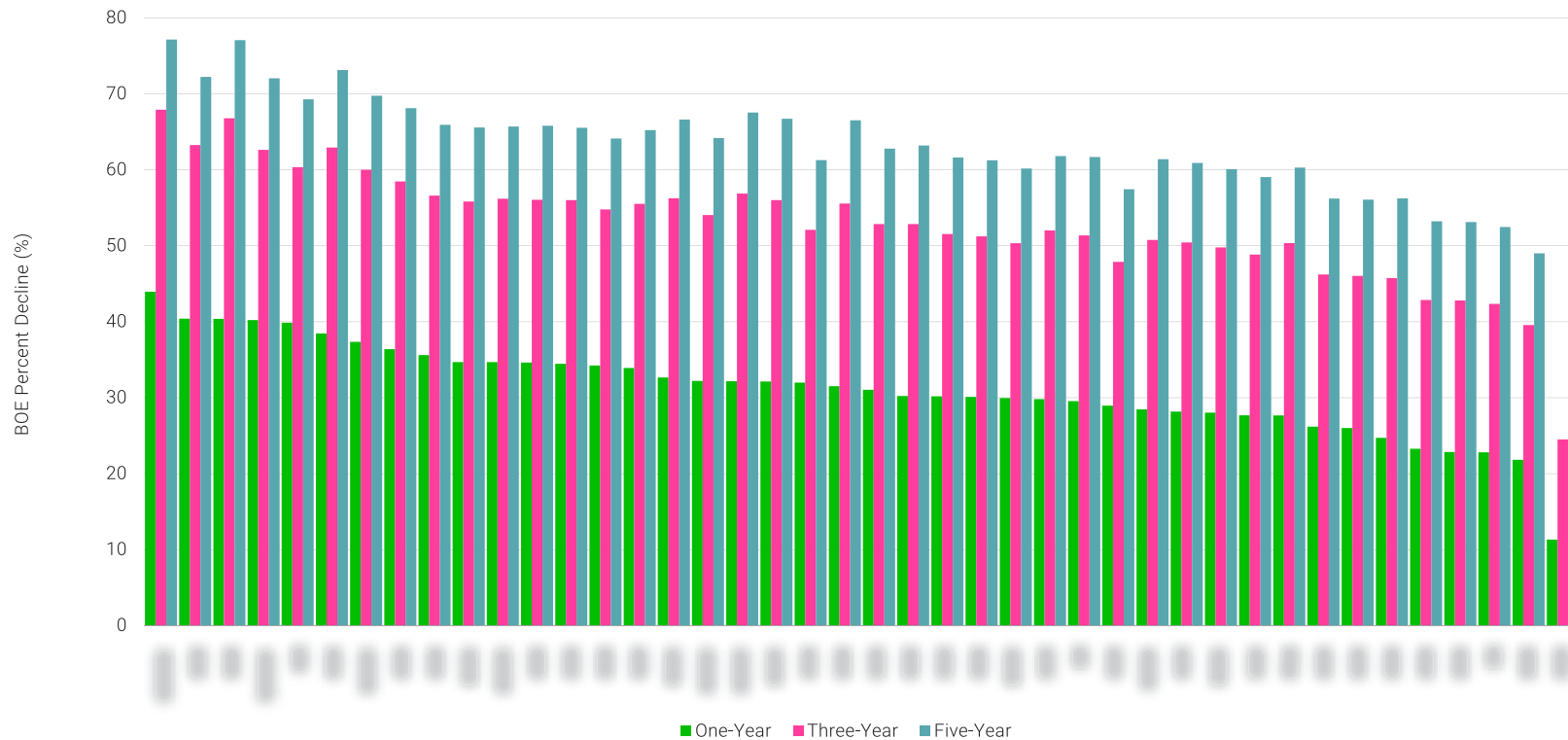
APPENDIX B | Gas CPV Sensitivities and G&A at \$60/bbl WTI

Ticker	CPV				PV G&A (\$MM)
	HH Price (\$/MMBtu)				
	\$2.75	\$3.00	\$3.25		
	\$680	\$770	\$870	\$67	
	\$6,270	\$7,080	\$7,880	\$440	
	\$6,160	\$6,590	\$7,010	\$417	
	\$8,730	\$9,500	\$10,270	\$720	
	\$3,590	\$4,110	\$4,630	\$380	
	\$2,670	\$2,990	\$3,310	\$100	
	\$8,560	\$10,350	\$12,150	\$700	
	\$1,850	\$2,070	\$2,290	\$170	
	\$710	\$780	\$840	\$67	
	\$2,110	\$2,290	\$2,460	\$17	
	\$1,400	\$1,500	\$1,610	\$133	
	\$4,410	\$5,040	\$5,670	\$500	
	\$730	\$780	\$830	\$60	
	\$7,720	\$8,850	\$9,980	\$600	
	\$5,800	\$6,530	\$7,260	\$308	
	\$2,690	\$3,110	\$3,530	\$200	

Note | All CPV values exclude PV-10 G&A values and are US\$ assuming 1.2x C\$/US\$ exchange ratio.
Source | Enverus, company disclosures

This document is intended only for rebekah.rentro@enverus.com @ Enverus (Primary Account). Unauthorized distribution of this report is prohibited.

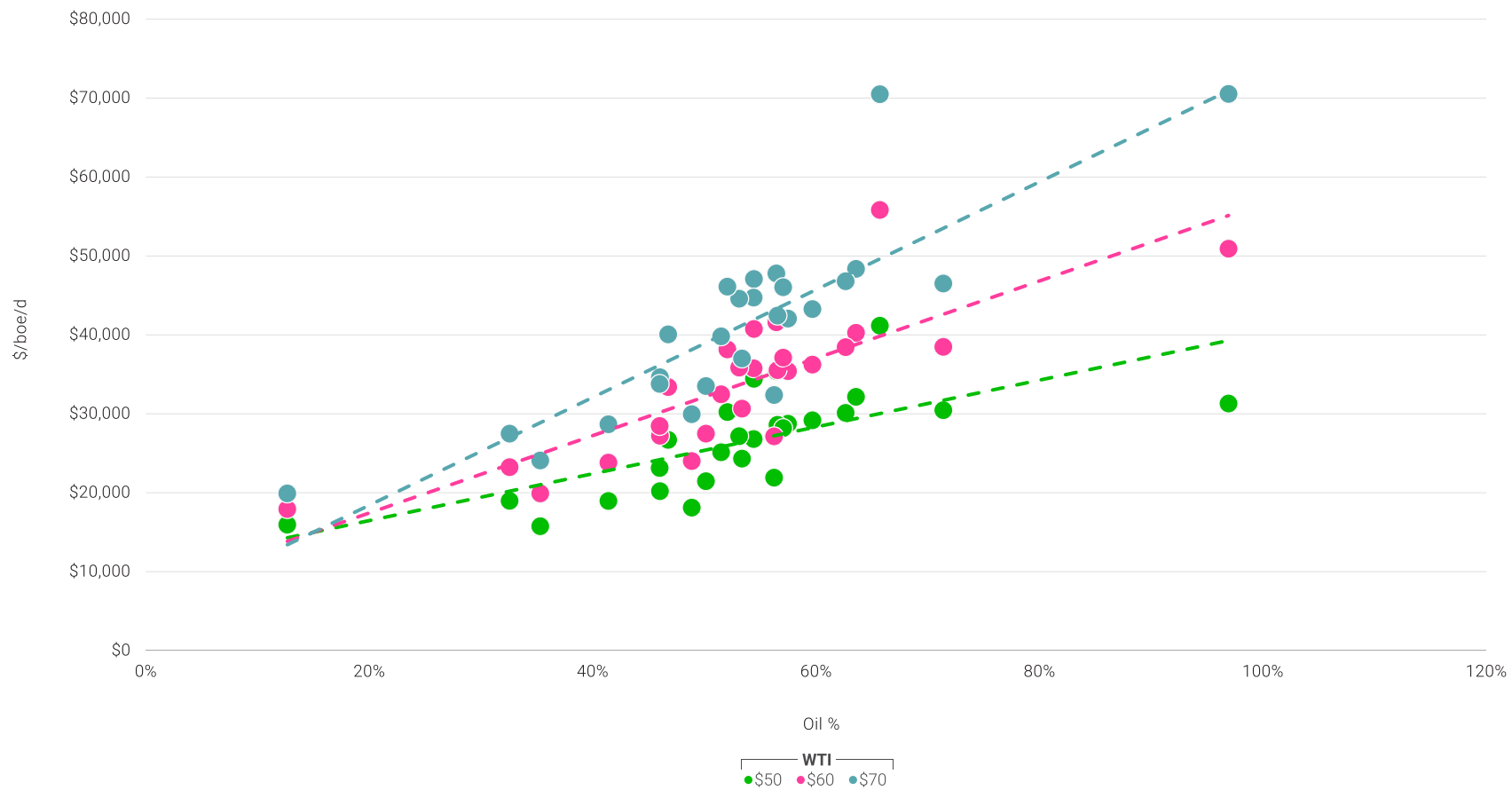
APPENDIX C | U.S. Onshore BOE Base Decline by Operator



Source | Enverus

This document is intended only for rebekah.rentro@enverus.com @ Enverus (Primary Account). Unauthorized distribution of this report is prohibited.

APPENDIX D | \$/boe/d Versus Oil % for U.S. Onshore CPV at \$3.00/MMBtu HH



Source | Enverus, company disclosures

Enverus Intelligence™ | Research Disclosure Statement:

© Copyright 2021 Enverus Intelligence Research, Inc., a part of Enverus. All rights reserved.

The material in this report is the property of Enverus Intelligence Research, Inc. ("EIR") unless otherwise indicated. All trademarks, service marks and logos used in this report are proprietary to EIR or Enverus. This report is provided solely to clients of EIR. Furthermore, this report is proprietary, confidential and provided for the exclusive use of the recipient and may not be redistributed to or shared with any individual, company or entity outside of your organization without the express prior written consent of EIR.

The material presented in this report is provided for information purposes only and is not to be used or considered as a recommendation to buy, hold or sell any securities or other financial instruments. Information contained herein has been compiled by EIR and prepared from various public and industry sources that we believe to be reliable, but no representation or warranty, expressed or implied is made by EIR, its affiliates or any other person as to the accuracy or completeness of the information. Such information is provided with the expectation that it will be read as part of a mosaic of analysis and should not be relied upon on a stand-alone basis. Past performance should not be taken as an indication or guarantee of future performance, and we make no representation or warranty regarding future performance. The opinions expressed in this report reflect the judgment of EIR as of the date of this report and are subject to change at any time as new or additional data and information is received and analyzed. EIR undertakes no duty to update this report, or to provide supplemental information to any client receiving this report.

To the full extent provided by law, neither EIR nor any of its affiliates, nor any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. The recipient assumes all risks and liability with regard to any use or application of the data included herein.

EIR provides custom research to its clients which are distributed on different frequency schedules. Custom research reports may provide different depths of analysis and more frequent updates based on levels of service and fees selected by clients.

No EIR directors, officers or employees are on the Board of Directors of a subject company and no one at a subject company is on the Board of Directors of EIR. EIR does not invest in any securities or manage any securities portfolios. Therefore, it would have no investment relationship with a subject company. Furthermore all employees are subject to restrictions on trading in energy company securities. The views expressed in this report accurately reflect the research analyst's personal views about the subject securities. EIR analysts are compensated from overall firm revenue only and are not compensated to express any view about an issuer or from proceeds derived from any particular transaction between EIR or any of its affiliates and an issuer.

_____ and _____ are or were subscriber clients of EIR in the preceding twelve months for research products or services. Enverus and its affiliated companies other than EIR serve over 6,000 customers globally and should be assumed to have received compensation from the subject company for non-securities related products or services in the preceding twelve months.

These disclosures apply to any and all supporting materials provided with this report, including but not limited to NAV or other models.

Equity owners of Enverus include affiliated entities of Hellman & Friedman and Genstar Capital, each of whom separately sponsor and manage private investment funds and may make investments in, or otherwise seek to do business with, a company or companies covered by this report. EIR has adopted and implemented policies and procedures reasonably designed to maintain the independence of its research coverage in an attempt to mitigate any potential conflict of interest related to such activities.

Valuation and Methodology

EIR valuations are based primarily on calculations of net asset value (NAV), which are derived using discounted cash flow (DCF) models. The NAV model begins with an evaluation of a company's proved developed reserves using industry-standard decline analysis. EIR then assesses the company's land holdings using a variety of technical data sources (geology, completion, historical production, etc.) to estimate the viability of the acreage for future drilling. Each well has an associated capital and operating cost structure that is incorporated into EIR's model, which also accounts for hedges, debt, taxes, general and administrative costs, and other corporate-level financial inputs. EIR typically runs a number of sensitivities around key variables, such as well cost, reserves and commodity prices, to show the range of possible outcomes.

Note to U.K. Persons

EIR is not an authorized person as defined in the U.K.'s Financial Services and Markets Act 2000 ("FSMA") and the content of this report has not been approved by such an authorized person. You will accordingly not be able to rely upon most of the rules made under FSMA for the protection of clients of financial services businesses, and you will not have the benefit of the U.K.'s Financial Services Compensation Scheme. This document is only directed at (a) persons who have professional experience in matters relating to investments (being 'investment professionals' within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "FPO")), and (b) High net worth companies, trusts etc of a type described in Article 49(2) of the FPO (all such persons being "relevant persons"). EIR's services are available only to relevant persons and will be engaged in only with relevant persons. This report must not be acted or relied upon by persons who are not relevant persons. Persons of a type described in Article 49(2) of the FPO comprise (a) any body corporate which has, or which is a member of the same group as an undertaking which has, a called up share capital or net assets of not less than (i) in the case of a body corporate which has more than 20 members or is a subsidiary undertaking of an undertaking which has more than 20 members, £500,000 and (ii) in any other case, £5 million, (b) any unincorporated association or partnership which has net assets of not less than £5 million, (c) the trustee of a high value trust within the meaning of Article 49(6) of the FPO and (d) any person ('A') whilst acting in the capacity of director, officer or employee of a person ('B') falling within any of (a), (b) or (c) above where A's responsibilities, when acting in that capacity, involve him in B's engaging in investment activity.