ENVERUS

Capital Pulse

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Select Stories in This Issue:

Conoco embarks on multi-pronged approach to debt cleanup

ConocoPhillips has put $4.8 billion in debt buyback and exchange offers on the table, in line with its ongoing plans to cut what it owes down to $15 billion by 2026. "We have a $5 billion gross debt reduction target, and we're on track," CEO Ryan Lance told analysts Feb. 3. The company ended 2021 with about $20 billion in total debt and $6.6 billion in cash and equivalents. CFO William Bullock said the company has about $800 million of debt maturing this year, which it expects to repay when it matures.

Cash tender offer for lingering Concho debt; exchange offers to extend maturity to 2062.

In the meantime, though, Conoco is seeking to exchange a total of $3 billion in older debt issued by the parent corporation itself, as well as subsidiaries ConocoPhillips Co., or CPCo, Burlington Resources and a Burlington subsidiary. The older notes will be exchanged into newer notes with longer maturities and lower coupons, as well as cash for early tenderers. The company issued private offers Feb. 22 to holders of nearly $7.7 billion aggregate principal amount of debt held across nine separate securities. *Read more...*

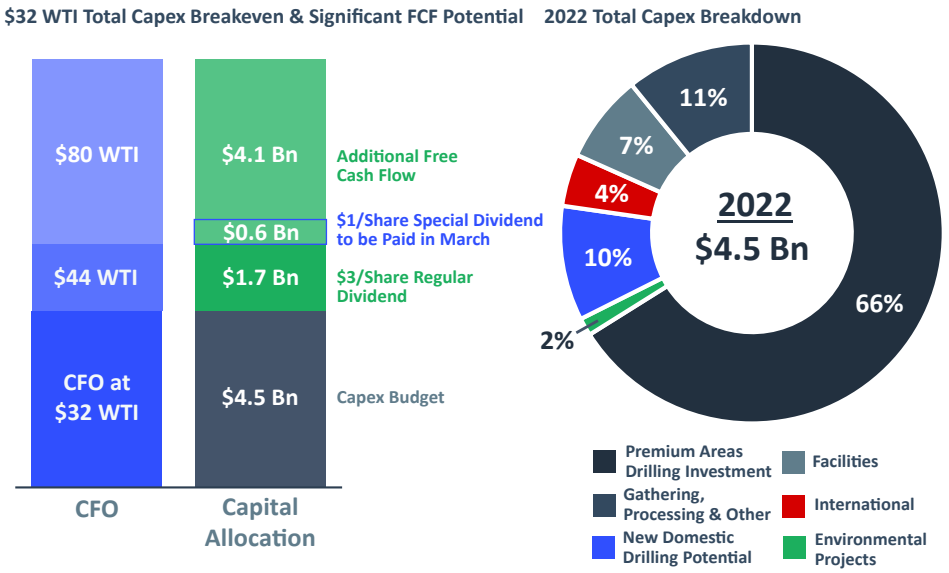
EOG's double premium on full blast in 2022 after record 2021

EOG Resources reported record profits for 4Q21, at just under $2 billion in profits on $6 billion of revenue, and for 2021 overall, at $4.6 billion on $18.6 billion of revenue. Quarterly income was up almost sixfold YOY, while annual profit swung back from a $605 million 2020 loss. The company began applying a "double-premium" strategy for D&C investment early last year, and that approach is beginning to pay off, CEO Ezra Yacob said. The strategy focuses on wells yielding a 60% direct after-tax rate of return at $40/bbl WTI and $2.50/Mcf Henry Hub, double its prior target.

Launched last year, the strategy targets wells yielding 60% return at $40 oil & $2.50 gas.

The company took in close to $3.2 billion in net cash from operations in Q4 and $8.8 billion for the year. Its 2021 discretionary cash flow—net cash before exploration costs and changes in working capital—of $9.4 billion less its $3.9 billion capex bill left $5.5 billion of free cash flow. *Read more...*

Low Breakeven & Significant FCF in 2022



Source: EOG Resources 02/25/22 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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Upstream

If no IPO for Colgate, backers may consider a sale instead

Colgate Energy Partners III, rumored for months to be on a path toward a mid-2022 IPO, could get sold instead. Its private equity backers Pearl Energy Investments and NGP Energy Capital are evaluating a sale of the Permian E&P company that could bring in around $5 billion in proceeds, according to Bloomberg. Citing sources familiar with the matter, the news agency said Colgate's backers could sell to a larger rival or execute a "merger of equals." The IPO option, though, is still on the table too.

In December, Reuters sources divulged that Pearl and NGP Credit Suisse were in talks about the potential IPO, then thought to be worth around $4 billion. Colgate already has a public debt profile: The company has $1 billion in notes outstanding and a B credit rating from S&P.

Based in Midland and founded in 2015 by co-CEOs Will Hickey and James Walter, Colgate acquires and develops both conventional and unconventional oil properties in the Permian. The company, whose third iteration launched in 2017, signed a definitive agreement in November to buy bolt-on assets in New Mexico for $190 million from Occidental Petroleum. The new assets will bring the company's position up to 108,000 net acres and production to 62,000 boe/d, with five rigs operating. Neither Colgate, Pearl nor NGP responded to requests from Bloomberg for comment about a potential sale.

New SPAC HNR Acquisition Corp. will draw from wide pool

Special-purpose acquisition company HNR Acquisition Corp. began trading on the NYSE American exchange Feb. 11, conducting an IPO of 7.5 million units at $10 each to raise $75 million. Sponsored by HNRAC Sponsors LLC, which is majority owned by Houston Natural Resources Corp. subsidiary Houston Natural Resources Inc., the new SPAC's units trade under the symbol HNRAU. Each unit consists of one common share and a warrant for three-fourths of a common share. Warrants will be exercisable only for whole shares, at $11.50 per share. Concurrent with the public offering, the company placed 460,000 units privately with its sponsor at the same price.

The blank-check company will seek a business combination to acquire North American upstream, midstream or downstream hydrocarbon assets. In its prospectus, HNRA explained that its management team can identify and execute potential acquisitions of assets projected to be sold by the world's largest oil and gas companies as they focus on top-performing regions.

EF Hutton, a division of Benchmark Investments LLC, is sole bookrunning manager for the offering. HNRA granted it a 45-day overallotment option for up to 1.125 million additional common shares. Assuming full exercise of the greenshoe, along with the IPO and the private placement, HNRA could gross up to $89.7 million.

Pulse Oil raising funds to 'get busy' with Bigoray EOR project

Pulse Oil Corp. announced a private placement of 250 million units at C$0.05 each for C$12.5 million in gross proceeds. Pulse plans to use proceeds to fund its fully owned Bigoray-area EOR project in west-central Alberta. The company said the proceeds would enable it to buy the necessary infrastructure and secure a reliable supply of NGL injection solvent.

Each unit consists of one common share and a warrant to buy another common share at C$0.065 for one year from closing. The TSX Venture-listed company said all securities in the sale will be subject to a four-month, one-day hold. The transaction will require shareholder approval and is expected to close in Q2.

"Pulse has existed in survival mode for the past two years as global circumstances stalled oil and gas investment momentum," CEO Drew Cadenhead said in a mid-January press release. "We've made it through now, and it is clear there is an increasing energy supply shortage that continues to increase oil and gas prices as the reality of the push towards de-carbonization conflicts with the reality of near-term fossil fuel demands. It's a good time to own assets like our Bigoray oil pools; it's time to get busy."

Oxy offers to buy back $2.5B in debt, earns $1.3B in Q4

Occidental Petroleum has set up two pools of debt securities from which it will repurchase an aggregate $2.5 billion of its obligations and shave about 9% off its long-term debt load of $28.5 million. The larger pool for a maximum $1.5 billion in buybacks contains eight securities with over $5.5 billion combined principal amount outstanding and maturities ranging from 2023 through 2029. The second pool for $1.0 billion of repurchases consists of seven securities totaling more than $5.2 billion principal amount outstanding that come due between 2039 and 2049. The offer runs Feb. 28 through March 4.

Q4 profit swung back from $1.35B loss a year earlier, with revenue up 90% YOY.

The latest offer follows a similar weeklong tender offer in December for $2 billion of its then more than $33 billion of debt outstanding. Oxy ended 2021 with $31.1 billion in total debt and $2.7 billion in cash.

Oxy also reported net income of $1.3 billion in Q4, taking a $107 million hit from net derivative losses and $130 million of charges for non-core expiring domestic onshore undeveloped oil and gas leases and inventory impairments, partially offset by a positive state tax rate revaluation of $88 million and $68 million from gains on sales. The company swung back from around $1.35 billion in losses a year ago. Revenue of $7.9 billion was up 90% YOY.

The company generated $3.2 billion of cash flow and spent $937 million in Q4, for record free cash flow of more than $2.9 billion.

Oxy realized average worldwide oil prices of $75.39/bbl, average NGL prices of $36.52/bbl and average gas prices of $4.64/Mcf. It produced 1.189 MMboe/d in Q4 and reported that its Permian, Rockies and Gulf of Mexico assets produced 490,000 boe/d, 313,000 boe/d and 149,000 boe/d, respectively. International average daily production came to 237,000 boe/d.

Chemicals earned Oxy $574 million before taxes. Midstream lost $15 million during the quarter, done in by $76 million of derivative losses and $21 million of valuation adjustments to inventory.

The North American 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	$340,931	4,233.6	$80.53	$83.08	$52.10
Chevron Corp.	NYSE:CVX	$300,196	1,947.6	$154.14	$155.75	$92.86
ConocoPhillips	NYSE:COP	$127,406	1,299.5	$98.04	$99.97	$47.85
EOG Resources Inc.	NYSE:EOG	$68,342	585.4	$116.74	$118.95	$62.81
Canadian Natural Resources Ltd.	TSX:CNQ	$67,681	1,177.1	$57.50	$58.29	$28.29
Pioneer Natural Resources Co.	NYSE:PXD	$58,839	242.9	$242.25	$245.71	$133.73
Occidental Petroleum Corp.	NYSE:OXY	$45,181	934.1	$48.37	$49.29	$21.62
Suncor Energy Inc.	TSX:SU	$44,667	1,431.4	$31.20	$31.73	$17.29
Devon Energy Corp.	NYSE:DVN	$38,958	664.2	$58.65	$60.74	$20.14
Cenovus Energy Inc.	TSX:CVE	$31,524	1,995.3	$15.80	$16.23	$7.02
Hess Corp.	NYSE:HES	$31,329	307.8	$101.78	$102.99	$61.93
Imperial Oil Ltd.	TSX:IMO	$30,549	669.1	$45.65	$45.86	$22.27
Diamondback Energy Inc.	NasdaqGS:FANG	$24,247	177.4	$136.67	$142.09	$65.93
Continental Resources Inc.	NYSE:CLR	$21,330	359.5	$59.33	$60.16	$24.40
Coterra Energy Inc.	NYSE:CTRA	$20,889	813.8	$25.67	$25.94	$14.28
Marathon Oil Corp.	NYSE:MRO	$16,808	730.8	$23.00	$23.57	$9.70
Tourmaline Oil Corp.	TSX:TOU	$13,398	331.6	$40.40	$42.03	$17.54
APA Corp.	NasdaqGS:APA	$13,132	346.8	$37.87	$39.17	$15.55
Ovintiv Inc.	TSX:OVV	$12,134	256.8	$47.26	$49.21	$21.01
Texas Pacific Land Corp.	NYSE:TPL	$9,626	7.8	$1,242.75	$1,773.95	$946.29
Chesapeake Energy Corp.	NasdaqGS:CHK	$9,410	118.6	$79.37	$80.46	$40.00
EQT Corp.	NYSE:EQT	$9,367	376.5	$24.88	$25.62	$15.71
ARC Resources Ltd.	TSX:ARX	$8,564	692.1	$12.37	$12.92	$5.65
Antero Resources Corp.	NYSE:AR	$7,660	314.7	$24.34	$24.71	$8.64
Range Resources Corp.	NYSE:RRC	$6,536	259.5	$25.19	$26.48	$8.47
PDC Energy Inc.	NasdaqGS:PDCE	$6,491	96.4	$67.34	$70.26	$30.25
Matador Resources Co.	NYSE:MTDR	$6,075	118.0	$51.46	$52.40	$21.55
Southwestern Energy Co.	NYSE:SWN	$5,861	1,114.3	$5.26	$5.96	$3.74
Murphy Oil Corp.	NYSE:MUR	$5,536	154.5	$35.83	$36.53	$14.91
Civitas Resources Inc.	NYSE:CIVI	$4,903	84.8	$57.78	$59.65	$29.62
Whitecap Resources Inc.	TSX:WCP	$4,870	626.2	$7.78	$7.98	$3.70
SM Energy Co.	NYSE:SM	$4,680	121.9	$38.40	$39.77	$14.10
Crescent Point Energy Corp.	TSX:CPG	$4,349	582.2	$7.47	$7.66	$2.90
Magnolia Oil & Gas Corp.	NYSE:MGY	$4,206	183.7	$22.89	$23.40	$10.29
MEG Energy Corp.	TSX:MEG	$4,143	307.0	$13.49	$13.61	$4.77
Denbury Inc.	NYSE:DEN	$3,800	50.2	$75.69	$91.30	$38.03
Callon Petroleum Co.	NYSE:CPE	$3,654	61.5	$59.42	$65.45	$25.32
CNX Resources Corp.	NYSE:CNX	$3,452	202.5	$17.05	$17.30	$10.41
California Resources Corp.	NYSE:CRC	$3,356	78.7	$42.62	$47.18	$21.79
PrairieSky Royalty Ltd.	TSX:PSK	$3,239	238.8	$13.56	$14.12	$9.88

Note: Data includes U.S. and Canadian-domiciled public companies operating in upstream oil and gas, limited to >$1.00 share. All amounts are in US$.
Source: S&P Capital IQ (as of 03/02/22)

Upstream

- HighPeak Energy Inc. priced $225 million principal amount of 10% senior unsecured notes due 2024 for private placement with qualified institutional buyers on Feb. 10. The company will use net proceeds to fund its 2022 development drilling program, pay off debt under its revolving credit agreement and pay fees and expenses related to the offering. At the end of 3Q21, HighPeak's $93.1 million in debt consisted solely of amounts borrowed under its $195 million revolver. The Fort Worth, Texas-based company acquires, develops, explores and exploits unconventional oil and gas reserves in the Midland Basin.
- Northern Oil & Gas Inc. has stepped up from the NYSE American exchange to the Big Board, i.e., the NYSE. The non-operating U.S. onshore E&P company announced Feb. 14 that the NYSE approved the transfer of the listing of its common shares. Northern's new trading venue became effective Feb. 17. The symbol NOG remained the same. "Uplisting to the NYSE marks a significant milestone in our transformation of the company over the past several years," CFO Chad Allen said.
- For the ninth consecutive quarter, Permian-focused Ring Energy was cash flow positive in 4Q21. The company utilized free cash flow during the quarter to pay down $5 million in borrowings, bringing its total in 2021 to $23 million. At YE21, the company had $290 million outstanding on its $350 million revolving credit facility and $2.4 million of cash on hand.
- Saturn Oil & Gas is selling 5.34 million units at C$3 each to raise gross proceeds of just over C$16 million in a brokered offering led by Echelon Capital Markets. Each unit contains one common share and a 36-month warrant to buy another share at C$4. The company granted underwriters a 30-day overallotment option for an additional 801,000 units. The offering was upsized from an initial 2.67 million units. The Saskatchewan-focused light oil developer said proceeds will fund a C$8.3 million ($6.5 million) acquisition in the Plato area of west-central Saskatchewan that complements its existing Viking assets.

Upstream

Tamarack Valley closes C$200MM sustainability-linked notes sale

Tamarack Valley Energy Ltd. completed Feb. 10 the issuance of C$200 million aggregate principal amount of 7.25% senior unsecured sustainability-linked notes due 2027 at 100. The notes were sold privately to parties within Canada and the U.S. through a group led by joint bookrunners National Bank Financial Markets and RBC Capital Markets.

Tamarack Valley is using net proceeds from the offering to fund a portion of the C$184.6 million purchase price for Crestwynd Exploration Ltd., a Clearwater pure-play it expects to buy this month. Proceeds will also pay down borrowings under a C$100 million sustainability-linked credit facility that the company said was no longer necessary because of the sale of the notes.

Proceeds funding part of the C$184.6MM purchase of Clearwater pure-play Crestwynd Exploration.

The coupon for the 2027 notes is tied to a sustainability-linked bond framework with certain performance targets the company must meet, or pay additional interest. If the company doesn't reduce its Scope 1 and 2 emissions intensity by 39% by 2025, compared to a 2020 baseline, it must pay an additional 75 bps. If at least 6% of Tamarack Valley's workforce are not Indigenous people by 2025, the company must pay another 25 bps on the notes.

In addition to the joint bookrunners, CIBC was co-lead manager on the deal, and ATB Capital, Desjardins, BMO, Peters & Co., Raymond James and Stifel FirstEnergy were co-managers. The company said its SSL notes were the first of their kind to be sold in the North American oil and gas industry.

Conoco embarks on multi-pronged debt cleanup From PG.1

Concurrently, the company also issued a cash tender offer to buy back up to $1.8 billion aggregate principal amount of debt to holders of nearly $3.9 billion of notes that had been issued across 10 separate securities originating from Concho Resources, which Conoco acquired in January 2021.

Deadline for exchange and cash tender offers is March 21, with March 7 early deadline.

The exchange offers consist of one pool of four notes with maturities ranging from 2036 to 2046, from which the company will accept up to $2 billion principal amount for exchange; and a second pool of five notes with maturities ranging from 2029 to 2031, from which Conoco will accept up to $1 billion for exchange. Holders who tender their older securities for exchange in the Pool 1 offer will be issued a new series of CPCo notes due 2062. Pool 2 holders will receive new CPCo notes maturing in 2042. The new 2062 notes will use a benchmark of 1.875% Treasuries due 2051 plus a 175-bps spread and the 2042 notes 2.375% Treasuries due 2042 plus 140 bps.

In the cash tender offer for up to $1.8 billion of notes, the company structured a waterfall prioritizing 3.75% senior notes due 2027 and 4.3% senior notes due 2028 originally issued by Concho, with a combined $2 billion outstanding. All 10 securities in the tender offer trace their roots to Concho. The deadline for both the exchange and cash tender offers is March 21, with a March 7 early deadline.

In a registration statement dated Feb. 22, the company stated its intention to sell notes with two-, three- and 30-year maturities. It expects gross proceeds in the billions from the sale of the notes to fund the exchange and tender offers. Citi, Credit Suisse, MUFG and TD Securities are underwriting.

See Also...
Conoco to bring 2-mile laterals to acquired Shell acreage

Enerplus' continental drift means a change in accounting

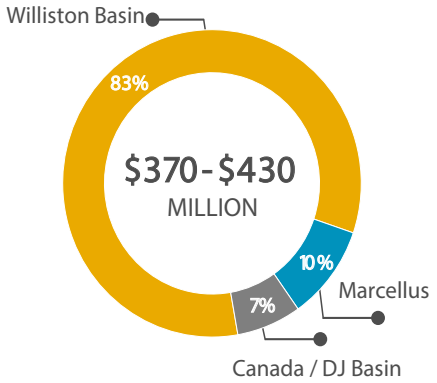
Shareholders of Calgary-based Enerplus Corp. will not be seeing the familiar "C" before the dollar sign come earnings reporting time. Beginning with its 4Q21 and 2021 results on Feb. 24, the company will begin reporting in U.S. dollars, reflecting the southward drift of its operations to predominantly U.S.-based assets. It will also start to report production on a net basis.

The company has been growing its operations in the Bakken and plans to divest all of its Canadian oil and gas assets by mid-2022. CFO Jodi Jenson Labrie told the Financial Post that the Canadian assets, stretching from northwest Alberta to southern Saskatchewan, are "good assets and they have free cash flow, but it's just becoming a smaller part of the business."

During Q4, Canadian assets contributed just 7%, or 9,100 boe/d, of Enerplus' total average production of 128,000 boe/d. The company had also issued guidance indicating that 80% of its $500 million capex budget for 2022 will be spent in the U.S. and just 6% will be directed toward Canada. Spending will be up 32% YOY and production is expected to average 122,000 boe/d.

The company first entered North Dakota and Montana in 2005 through the purchase of Lyco Energy. It acquired Bruin E&P Partners for $465 million last March and picked up $312 million in additional assets from Hess at the end of April. It has fine-tuned its Williston Basin position by also divesting non-core assets for an estimated $115 million in November.

2022 E&D Capital Plan Reflects Continental Drift



Source: Enerplus 02/24/22 presentation via **Enverus docFinder**

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