ENVERUS

Upstream Pulse

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Comstock drills first 15,000-ft laterals, plans 9 more in 2022

Haynesville-focused Comstock Resources is implementing a long-lateral strategy to offset inflationary pressures. In 2022, lateral lengths for the 67 horizontals it intends to drill will average 10,484 ft compared to 8,800 ft per well drilled in 2021. Twenty-one of this year's laterals will be longer than 11,000 ft and nine will stretch 15,000 ft. The strategy is a continuation from 4Q21, when the company drilled nine laterals averaging 11,163 ft including its first four 15,000-ft laterals in the Haynesville-Bossier play. Despite inflation in December, Comstock's Q4 D&C costs for laterals over 8,000 ft were flat compared to 2020 at $1,027/ft, driven by the longer laterals.

Two 15,000-ft Haynesville laterals in DeSoto Parish delivered IP24s of 41 MMcf/d & 48 MMcf/d.

Of the 15,000-ft laterals drilled so far, two target the Haynesville and two the Middle Bossier. All were completed in Q4, with the Haynesville wells brought online in early December and the Middle Bossier producers starting production in mid-February. The two Haynesville horizontals, both located on a single pad at Bethany Longstreet field in DeSoto Parish, Louisiana, delivered initial rates exceeding 40 MMcf/d. ***Read more...***

Diamondback delivers D&C efficiencies to wrestle down inflation

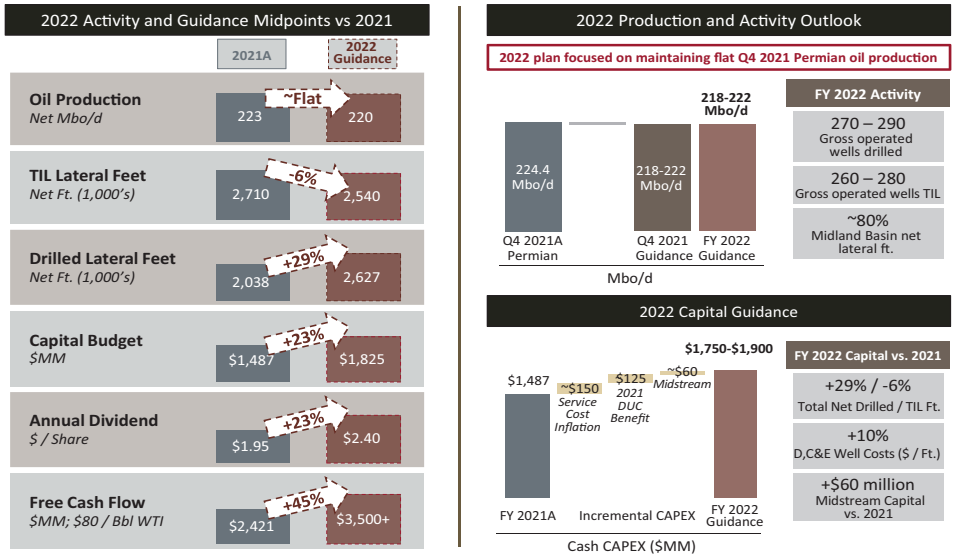
As inflation ramped up in 2021, Diamondback Energy mitigated higher costs through operational improvements, highlighted by a 35% reduction in Midland Basin drilling days versus 2020. A new design is delivering spud-to-TD times of 10.1 days. On the completion side, the company's use of four-well simulfrac operations has increased frack rates to 3,200 ft per day, 33% faster than two-well simulfrac and a 94% improvement on zipper frack.

Drilled a 15,000-ft lateral in the Midland Basin in 7.5 days, one in the Delaware Basin in 9 days.

The company recently drilled a 15,000-ft Delaware Basin lateral in nine days, a record for Diamondback in the basin. In the Midland Basin, a 15,000-ft lateral reached TD in just 7.5 days.

"What's amazing about that is we don't spend 3.5 days in the lateral," CEO Travis Stice said of the Midland Basin well on a Feb. 23 earnings call. "Now we use a rotary steerable, and sometimes rotary steerable technology is a little harder to replicate. But that's what's possible." ***Read more...***

Diamondback's 2022 Guidance Overview



Source: Diamondback Energy 02/23/22 presentation via **Enverus docFinder**

Activity Index

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Rockies

Hess trims Bakken well costs, looks to offset inflation in 2022

During 2021, Hess trimmed $400,000 from its well costs in the Williston Basin compared to the previous year, for an average of $5.8 million. The company expects to offset inflation through lean manufacturing and technology-driven efficiency gains to keep costs flat in 2022. A three-rig program is planned for the year to drill 90 operated Williston wells and turn 85 to sales. In Q1, Hess will drill 22 wells and bring online 10.

If prices remain 'relatively high,' will return to a 4-rig program in 2023 & push volumes to 200,000 boe/d.

Hess produced an average 159,000 boe/d in 4Q21 and 156,000 boe/d in 2021 from its Bakken operations. Q1 is forecast to average 155,000-160,000 boe/d. The company's addition last September of a third rig and improving weather conditions are expected to deliver a ramp in Bakken production beginning in Q2, resulting in 2022 output of 165,000-170,000 boe/d, a 7% YOY increase at midpoint.

If prices remain "relatively high," Hess will return to a four-rig program in 2023 and push volumes to 200,000 boe/d, COO Gregory Hill said on a Jan. 26 earnings call. The four-rig, 200,000 boe/d level maximizes Hess' infrastructure and delivers around $1 billion in free cash flow at $60-$65/bbl oil, according to Hess, which believes it could operate at this level for almost a decade.

Oasis picks its completion timing to maximize capital efficiency

Williston Basin-focused Oasis Petroleum laid out a 2022 plan focused on capital efficiency and cash flow generation of more than $500 million, assuming $70/bbl WTI and $3.50/MMBtu Henry Hub. The company set E&P capex guidance at $295 million, a 73% increase at midpoint from the estimated $168-172 million spent in 2021. D&C activity has been allocated 85% of capex.

Oasis plans to run a two-rig program and complete 40-42 operated wells this year (72% WI), a quarter of which will have more capital-efficient 3-mile laterals. As a result of the current operating environment, nine of Oasis' 2022 wells will be completed in late Q1, after which frack operations will be paused until a dedicated completion crew can arrive in late May to complete the rest. The company had initially forecast 50 completions in 2022.

Timing of operations will result in 40-42 completions rather than a prior target of 50.

"As we evaluated the landscape of rising prices, experienced crew shortages and service availability, rather than scramble to work with unproven service providers and pay elevated rates to slot in activities to deliver a volume answer, we constructed a program that focuses on operational consistency, which we believe will lead most importantly to safer but also more efficient and cost-effective operations," CEO Daniel Brown said on a Feb. 10 earnings call. "The impact of this approach is reflected in a 2022 plan which seeks to maximize continuity with our rigs and completion crews."

Activity this year will focus on the South Nesson, Indian Hills/City of Williston and Fort Berthold areas. During 2021, Oasis completed 23 operated wells in the Williston Basin.

One notable continuing project will be the Nikolai development in the northernmost portion of Oasis' Wild Basin area in McKenzie County, North Dakota, which is now expected to deliver 90% full-cycle rates of return. The units are "adjacent to an area of high structural flexure as you climb out of the basin center to the Nesson Anticline," Brown said, and adjacent DSUs have had strong performance. However, early production from two of Oasis' units suggest they are connected to the neighboring DSUs through natural fracturing, resulting in greater depletion than Oasis had modeled and lower economic returns than anticipated. The lower-than-expected early productivity negatively impacted 4Q21 production, although at 68,800 boe/d (65% oil) volumes were still up 33% sequentially due to the $745 million acquisition of Bakken assets from Diamondback Energy in late October. For 2022, production guidance has been set at 65,000-70,000 boe/d (64% oil).

Whiting outlines modest jump in D&C activity for 2022

Williston Basin pure-play Whiting Petroleum has laid out a two-rig, one-completion-crew development program for 2022, with drilling planned for Mountrail, McKenzie and Williams counties, North Dakota. Although the company hasn't yet provided a forecast of how many new wells this program will deliver, it has estimated 44 wells drilled and 55 turned to sales in 2021 with a slightly smaller program averaging 1.75 rigs and 0.75 completion crews.

Whiting is taking its success with 3-mile laterals in Sanish field to other areas, with plans to drill additional 3-milers further west in McKenzie County.

Taking Sanish success to other areas, with plans to drill 3-mile laterals further west in McKenzie County.

With improved commodity prices compared to 2021, the company also anticipates participating in increased non-operated activity. It noted in its Feb. 8 press release that this year's budget is "designed with higher working interests and slightly greater activity."

Whiting's 2022 capex is set at $360-400 million, up 54% at midpoint from an estimated $240-252 million for 2021. Production guidance has been set at 91,000-95,000 boe/d (58% oil) compared to expected 2021 volumes of 88,000-92,000 boe/d (57% oil). Whiting noted in the release that an eight-well pad ran into delays during January and will impact the timing of production until later in the year.

LOE guidance has been set at $275-300 million versus $235-245 million last year, and G&A cash expense is projected to be $40-50 million compared to $41-45 million in 2021. Low-double-digit inflation is built into the guidance, which targets a reinvestment rate of 40% of expected EBITDA—the same as in 2021. Assuming $70/bbl WTI and a $3.00-$4.00/bbl discount for its wellhead volumes, Whiting expects to generate $900 million of EBITDA and $500 million of adjusted free cash flow.

See Also...
Whiting hikes ownership in existing Sanish acreage for $273MM

Mid-Continent

Devon-Dow JV ramps up after hiking productivity, cutting costs

After running two rigs in Oklahoma during 2021, Devon's JV with chemical giant Dow will ramp to three rigs in 2022 to drill 45 wells and bring online 40 new wells. Activity will focus on low-risk, up-spaced development projects. Last year, the JV drilled 30 wells and commenced production from 16. Four of those are outperforming the type curve by an average 35% after 120 days; the other 12, all targeting the Meramec, will reach peak IP30s during Q1. Compared to Devon's legacy activity, the JV has seen a 25% improvement in D&C costs, with new wells coming in at $6.5-7.0 million.

Completed first Anadarko Basin multi-well pad with 15,000-ft laterals in December.

"The initial capital efficiency is excellent. With the benefit of state-of-the-art completion designs and appropriately up-spaced developments, per-well capital costs have decreased by 25% versus legacy activity and well productivity to date has exceeded the type curve expectations by 35%," Devon COO Clay Gaspar said on a Feb. 16 earnings call. "With the strong execution, the carried returns we're seeing from this activity will compete for capital with any asset in our portfolio."

Included in Devon's 2021 Oklahoma completions was its first multi-well pad with 15,000-ft laterals in the Anadarko Basin. Completed in December, the four-well Columbine 22_15-15N-10W pad targets the Meramec with effective laterals averaging 15,398 ft. Three of the four wells have been flow tested and delivered IP24s averaging 1,441 boe/d (63% oil), or 94 boe/d per 1,000 ft, on 26/64-inch chokes at 7,258 psi FTP.

Continental highlights 'impressive' Sycamore, Meramec & Woodford

During its most recent earnings call, Continental Resources highlighted a well in the Sycamore oil window that generated a company-record IP30 of 4,000 boe/d (82% oil) and a cumulative 170,000 bo in its first 60 days. It continues to produce at a rate of about 3,500 boe/d, according to the company, which said state data indicates it is the most prolific horizontal oil well in Oklahoma's recorded history.

Continental president Jack Stark also highlighted two other "impressive" wells on the company's 4Q21 earnings call Feb. 15. One, targeting the Meramec gas window, flowed an IP30 of 31 MMcf/d and delivered 2.5 Bcf in the first 90 days, while a Woodford producer delivered an IP30 of 2,400 boe/d (67% oil).

"These results are outstanding, and they compete with the best in the industry," Stark said. "Based on these results, we have continued to expand our dominant position in Oklahoma, adding approximately 55,000 net acres over the last 18 months in the heart of our Oklahoma assets."

Natural gas production crossed 1 Bcf/d for the first time in company history.

During 2021, Continental turned 74 wells to sales in Oklahoma, with most of its activity focused on gas because of improved pricing. These wells paid out in just 13 months. As a result of the pivot to gas, Continental's natural gas production crossed 1 Bcf/d for the first time in company history. Full-year 2021 output from the company's assets in the state rose 9% YOY to 147,249 boe/d, although Q4 volumes were down 4% sequentially at 146,131 boe/d.

Production across Continental's portfolio averaged 329,647 boe/d (49% oil) in 2021, up 10% YOY. Oil volumes of 160,600 bo/d were in line with guidance, and natural gas volumes were 1.01 Bcf/d. Q4 output of 340,168 boe/d, up 3% sequentially and flat YOY, included 7,189 boe/d from the Powder River Basin and 4,997 boe/d from the Permian, both new plays for the company.

The actual output of the Permian assets on the Dec. 21 closing date of Continental's entry transaction was 42,000 boe/d, but the position contributed only 11 days of volumes to the quarter. Bakken output of 175,585 boe/d during the quarter was down 4% YOY.

Eastern

Range grows proved reserves 3% with below-budget 2021

Appalachian gas producer Range Resources booked proved reserves of 17.78 Tcfe (34% NGLs, 2% crude and condensate, 59% PD) at YE21, up 3% YOY, and assigned them a PV-10 value of $12.7 billion. The company added 1.6 Tcfe through extensions, discoveries and additions during the year. Field-level performance increased reserves by 134 Bcfe because of continued improvement in well performance of existing Marcellus producing wells. A net 410 Bcfe was removed from PUD reserves as drilling locations fell outside the company's five-year drilling program.

Range produced an average 2.13 Bcfe/d last year and 2.20 Bcfe/d in Q4, which was up 3% sequentially and 2% YOY. The company spent $83.7 million on D&C and $8.6 million on acreage leasehold, gathering systems and other corporate items. Full-year 2021 capex of $414 million came in $11 million below the original $425 million guidance and $1 million below revised guidance issued in October.

Eastern

EQT to begin rollout of next-generation frack design in 2022

Appalachian gas driller EQT Corp. has set its 2022 capex guidance at $1.30-1.45 billion, a 25% YOY increase at midpoint from 2021 spending of $1.1 billion. Production is forecast to average 5.34-5.62 Bcfe/d under what EQT is calling a maintenance program; its Q4 sales volumes averaged 5.72 Bcfe/d. The company intends to run one to two top-hole rigs, two to three horizontal rigs and two to three frack crews to drill 81-101 net horizontal wells and turn to sale 88-110 net wells. Reserve development has been allocated $828 million, of which 55% will be spent in southwest Pennsylvania, 15% in northeast Pennsylvania, 30% in West Virginia and less than 1% in Ohio.

Additional $90/ft in SW Pennsylvania well costs should be offset by improved productivity.

After running small-scale completion pilots over the past two years, EQT plans to start rolling out its next generation of frack design in 2022. The company will spend around $50 million to deploy the design in southwest Pennsylvania at an added cost per well of around $90/ft, but it expects that to be offset by improved productivity.

"Given the standard time frame between spud to turn in line and our planned phase deployment, we expect to have preliminary results by the end of '22 and full visibility by late 2023. … To understand the potential impact, next-generation well design could materially increase our five-year free cash flow forecast by more than $300 million, and with full implementation, could offer multiples of that when applied across our entire inventory," CEO Toby Rice said on a Feb. 10 earnings call. "We expect this next-generation well design will also afford us the ability to maintain production volumes with fewer wells, increasing the capital efficiency of our operations while also extending our core inventory runway even longer."

During 2021, EQT notched a 24%, or 360 Bcfe, increase in sale volumes, driven by its acquisition of Alta Resources, which closed July 21, and of Appalachian assets from Chevron, which closed Nov. 30, 2020, and only contributed about one month of production in that year. Alta added 170 Bcfe to 2021 volumes and Chevron added 127 Bcfe, while strategic curtailments offset those increases by 46 Bcfe. Proved reserves increased by 5.2 Tcfe or 26% YOY to 25.0 Tcfe (69% PD).

EQT's D&C Outlook

Wells Drilled (SPUD)

	SWPA Marcellus			NEPA Marcellus			WV Marcellus			OH Utica		
	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E
Net Wells	-	11-15	39-47	11	4-6	19-23	9	-	5-6	-	-	-
Net Avg. Lateral (1k ft.)	-	12.8-14.2	12.3-13.6	10.1	10.4-11.5	12.5-13.8	14.2	-	14.0-15.5	-	-	-

Wells Horizontally Drilled

	SWPA Marcellus			NEPA Marcellus			WV Marcellus			OH Utica		
	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E
Net Wells	28	2-3	36-44	6	4-6	25-31	-	8-11	20-25	-	0-1	0-1
Net Avg. Lateral (1k ft.)	11.5	9.8-10.8	12.0-13.2	11.9	10.3-11.4	10.9-12.1	-	16.1-17.8	14.7-16.3	-	14.6-16.2	14.6-16.2

Wells Completed (Frac)

	SWPA Marcellus			NEPA Marcellus			WV Marcellus			OH Utica		
	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E
Net Wells	4	15-20	57-70	3	2-3	12-15	8	5-7	22-27	-	0-1	0-1
Net Avg. Lateral (1k ft.)	14.7	13.0-14.4	12.2-13.4	8.9	10.9-12.1	10.0-11.0	12.2	12.0-13.2	11.5-12.7	-	11.4-12.5	12.2-13.5

Wells Turned-in-Line (TIL)

	SWPA Marcellus			NEPA Marcellus			WV Marcellus			OH Utica		
	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E	4Q21A	1Q22E	FY22E
Net Wells	12	9-12	56-69	6	1-2	10-13	8	5-6	22-27	-	-	0-1
Net Avg. Lateral (1k ft.)	12.5	14.4-15.9	12.2-13.5	9.7	10.0-11.1	10.3-11.3	12.2	11.9-13.2	11.5-12.7	-	-	12.2-13.5

Source: EQT Corp. 02/09/22 presentation via **Enverus docFinder**

Engie to buy Canary-certified RSG from Range Resources

Range Resources announced an agreement to supply Engie Energy Marketing with natural gas volumes certified by Project Canary as responsibly sourced gas. Engie will leverage its blockchain-based platform, The Energy Origin, to market the RSG, allowing its downstream customers to secure certificates representing the RSG's low methane emissions.

Last June, Range launched a pilot program utilizing the Canary X continuous monitoring technology on two pad locations in southwest Pennsylvania to achieve TrustWell certification. At that time, Range said a European multinational utility had agreed to purchase the gas from the pads. That entity could very well have been Engie. In the Feb. 7 announcement, Range called its RSG deal with Engie an "ongoing transaction."

"Natural gas is part of the global solution to meeting growing energy needs while helping to reduce overall carbon emissions," Range CEO Jeff Ventura said. "Our natural gas is produced with a focus on environmental responsibility and transparency. We believe this certification process and supply agreement highlight the advancements we have made in the Marcellus and more broadly reflect the expanded role that natural gas will have for decades to come."

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