ENVERUS

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SM lasers in on Austin Chalk as returns compete with Midland

Results from 35 Austin Chalk wells completed by SM Energy last year indicate it has inventory over a broad area, leading the company to shift the focus of its South Texas program this year from Eagle Ford development to Austin Chalk appraisal. In fact, optimizing Austin Chalk operations to further establish development potential, competitive returns and inventory is one of the company's three strategic objectives this year alongside ESG targets and debt reduction. Already, the dual-basin driller says, the play has demonstrated economics competitive with its Midland Basin assets and its wells from last year are expected to have a nine-month average payout.

2021 Austin Chalk wells to pay out in 9 months; 2022 focused on optimization.

In 2022, SM plans to drill 37 net wells and complete 38 in South Texas, with laterals averaging 11,000 ft. The company drilled 32 net wells and completed 28 in South Texas in 2021. Its 4Q21 output of 55,700 boe/d from the region was up 14% sequentially and 35% YOY, but because of the Austin Chalk wells its South Texas oil volumes jumped 147% YOY to 11,800 bo/d. *Read more...*

Ovintiv making faster, stronger Permian wells without upspacing

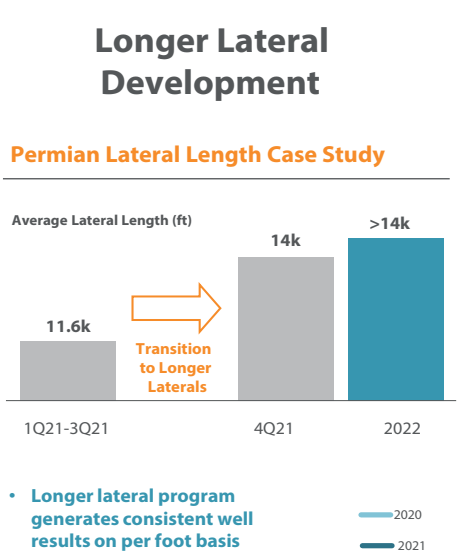
Ovintiv lowered its Midland Basin D&C costs 10% YOY in 2021 primarily through operational efficiencies. Drilling speeds increased 30% to more than 1,800 ft per day, and completion rates were 35% faster at more than 2,800 ft per day. Already off to a good start, Ovintiv used simul-frac operations to complete over a mile of lateral footage in a single day early this year, a company record.

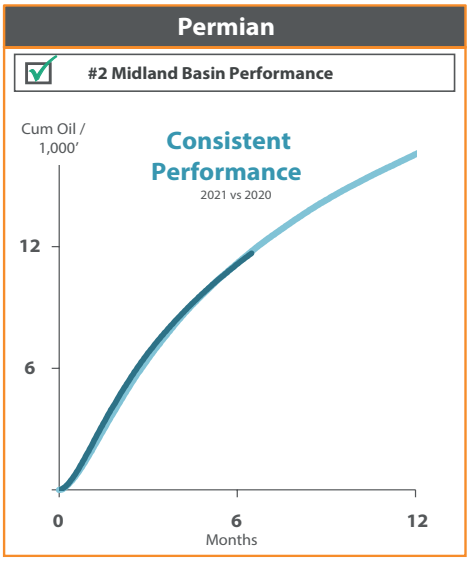
One of every five simul-frac completions last year was carried out by Ovintiv.

The company says the use of simul-frac operations has been a tremendous efficiency driver, and it employed the method on 90% of its Permian completions last year. Ovintiv claims a place at the forefront of simul-frac development, saying it completed one out of every five wells that used the technology industrywide last year.

"In today's inflationary environment, the simplest path to mitigate higher cost is to reduce the amount of time spent on location, and that is exactly what we are doing," COO Greg Givens said on a Feb. 25 earnings call. *Read more...*

Ovintiv's Long Laterals Deliver Consistent Results Per Foot





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

Activity Index

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Eastern

Ascent pursuing maintenance, more wells & longer laterals

Ascent Resources Utica laid out a production maintenance capex program for 2022, as the company prioritizes cash flow over growth. Capex has been set at $710-770 million, with $625-675 million for D&C and $85-95 million for land. In 2021, Ascent incurred capital expenditures, excluding $48 million in capitalized interest, of $624 million, with $566 million for D&C and $58 million for land. After averaging 1.9 Bcf/d (91% gas) in 2021 and 2.0 Bcf/d (93% gas) in Q4, volumes this year will be 2.0-2.1 Bcf/d (92-94% gas).

Ascent plans to run an average of 3.5 rigs this year to drill 80-85 wells. It will turn 75-80 wells to sales, with laterals averaging 13,800 ft. Drilling, completion, facility and pad costs are projected to run $600-620/ft, putting total well costs at $8.28-8.56 million. In 2021, Ascent averaged 3.9 rigs and drilled and completed 72 wells, with laterals averaging 13,329 ft. Wells costs were down 8% YOY at $565/ft last year, which the company said were the lowest in Appalachia.

Gulfport's long Angelo Utica laterals to deliver 100%+ IRR

Gulfport Energy's six-well Angelo pad in Jefferson County, Ohio, reached peak production in 4Q21. The Utica wells began production in October from laterals averaging 17,026 ft with one, the Angelo 2A, stretching a record 19,413 ft. The pad peaked at a cumulative rate of 250 MMcf/d, exceeding the company's 230 MMcf/d target, delivered over 28 Bcf in its first 120 days, and as of March 1 had produced more than 32 Bcf. Gulfport anticipates that the pad will have a an IRR of more than 100%.

In Gulfport's March 1 earnings call, CEO Timothy Cutt noted that the four-well Shannon pad and three-well Hendershot pad in southeast Belmont County are performing "extremely well and only recently began to decline following plateau periods of 8-10 months." Both are expected to deliver EURs of 2.5 Bcf per 1,000 ft. These two pads utilized wider inter-well spacing of 1,450 ft and optimized frac jobs on laterals averaging 8,505 ft.

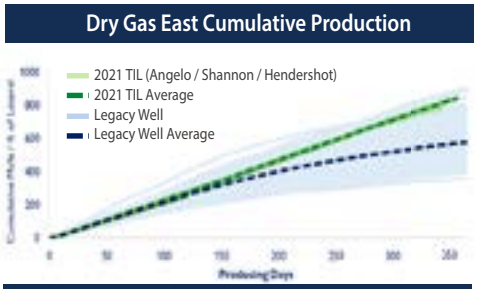
The two-well Morris pad and two-well Gehring pad in Monroe County are outperforming expectations and historical wells in the area and are expected to plateau over six months. Both pads were drilled on 1,650-ft spacing with 13,400-ft laterals.

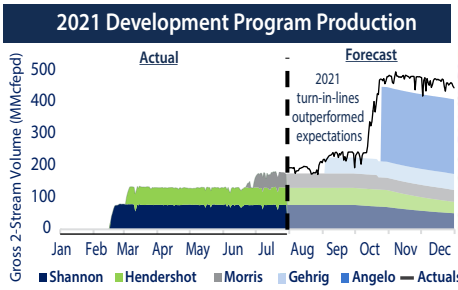
Gulfport turned 17 Utica wells to sales in 2021 and aims to keep that pace in 2022 with a continuous one-rig drilling program. The 2022 wells will be drilled on wider spacing and completed with high-intensity frac jobs, with inter-well spacing averaging 1,250 ft and laterals averaging 15,000 ft. Pad sizes will range from two to five wells.

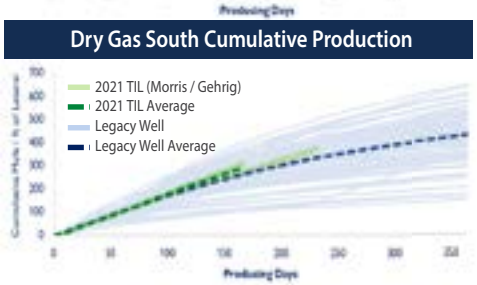
Gulfport's 2021 Development Program Outperforms

Key Highlights

- Utica net production totaled ~825 MMcfepd during 4Q2021
- 2021 turn-in-line program included 17 gross wells
- Actual well performance continue to yield strong results
- Angelo pad flowed at a peak rate of ~250 MMcfpd during 4Q2021
  - In ~120 days the pad has produced over 28 Bcf of gas into a favorable pricing environment
- Expect pad to begin decline late first quarter of 2022







Source: Gulfport Energy 02/28/22 presentation via **Enverus docFinder**

Inflation & higher JV stake push Antero D&C capex up

After incurring $749 million in 2021 capex, Antero Resources has set a maintenance-level 2022 budget of $740-775 million. It will spend $675-700 million on D&C activity, compared to $627 million last year, and has allocated $65-75 million for land. Encouraged by a strong commodity price outlook, the Appalachian producer is hiking its working interest in its drilling partnership with Quantum Energy Partners affiliate QL Capital Partners by 5%, which will increase its spending by $35-40 million. Rising service costs will also increase capex, but the company expects to hold D&C cost increases to 5% YOY in large part by using local sand, which should save $400,000-$500,000 per well.

65% of completions will be in H2, when Shell cracker startup will improve ethane recovery.

Antero plans to run three rigs and two completion crews to drill 70-80 wells with laterals averaging 13,600 ft—3% longer than last year—and to complete 60-65-wells. Antero drilled and completed 68 wells in 2021 and had 26 in various stages of drilling or completion at year's end. It said the wells it turned to sales last year outperformed type curve projections, driving capital efficiency improvements.

Unlike last year when Antero completed 60% of its wells in the first half, 2022 completions will be weighted toward the back half to the tune of 65%. The ramp-up will coincide with the startup of Shell's ethane cracker in Beavery County, Pennsylvania, which will improve Antero's ethane recovery. The cracker will have capacity to convert local ethane to 1.6 mtpa of polyethylene. Antero has committed to deliver 30,000 bbl/d to the facility and expects its current level of ethane recovery to double by this time next year.

The maintenance-level program for 2022 will keep full-year average production flat at 3.2-3.3 Bcfe/d, including 175,000-185,000 bbl/d of liquids. However, the weighting of completions toward 2H22 will drive 4-5% YOY growth in the exit rate, and Antero's higher working interest in the QL drilling partnership is expected to drive low-single-digit production growth in 2023 compared with 2H22 volumes.

Rockies

PDC eyes up to 5% standalone growth, 16% with Great Western

PDC Energy drove home its DJ Basin focus—at the expense of the Delaware Basin—in two ways during its 4Q21 earnings release. The company committed 79% of its capex to the basin in Colorado and concurrently announced a deal to buy DJ peer Great Western Petroleum for $1.27 billion. Excluding the acquisition, PDC set 2022 capex at $675-725 million, which would be a 20% YOY increase at midpoint. Production is forecast to grow 0-5% to an average 195,000-205,000 boe/d (32% oil). Assuming $75/bbl WTI and $4.00/MMBtu Henry Hub, free cash flow is projected to be $1.1 billion.

For Q1, PDC expects production to drop 5-10% sequentially to 190,000-200,000 boe/d, with a 15% drop in the Delaware because of a lack of completion activity in 4Q21 and a 7% drop at Wattenberg field in the DJ driven by the timing of bringing new wells online, lower non-operated activity and weather-related freeze-offs. The company produced 29,000 boe/d in the Delaware and 182,000 boe/d at Wattenberg in 4Q21. Q1 spending of $195-215 million will be the highest of any quarter this year as the company works to complete most of the 15-20 Delaware wells it has planned for 2022 during the quarter.

Stand-alone PDC to mobilize a second DJ rig in Q2, add a third at Great Western closing.

At Wattenberg, $550 million will be spent this year, with well costs averaging $450/ft, up 25% YOY on an increase of more than 40% in steel costs. The company will keep one frac crew active at Wattenberg and will add a second drilling rig in Q2. It plans to transition to electric rigs and e-frac stimulation. Assuming spud-to-rig-release times of five days or fewer and 20 frac stages per day, PDC estimates it will spud 130-145 wells and turn 115-130 to sales at Wattenberg. This activity will include testing of the Niobrara A and drilling of 3-mile laterals. The company recently drilled 10 3-milers in a little over five days apiece on average and expects to complete them at a rate of more than 20 stages per day.

Assuming the Great Western acquisition closes as planned in Q2, PDC's capex will be even more strongly weighted toward the DJ, with a third rig and a part-time frac crew mobilized. Capex for the basin will rise by $250 million to $800 million, boosting overall capex to $900 million to $1 billion and FCF guidance to $1.3 billion. H2 production would be 250,000-260,000 boe/d (33% oil), boosting the full-year forecast 16% at midpoint to 225,000-240,000 boe/d.

At closing, the Great Western acquisition will add 54,000 net acres in Adams and Weld counties, Colorado, production of 55,000 boe/d (42% oil, 25% NGLs) and YE21 proved reserves of 185 MMboe (54% PD). PDC will gain 315 core operated Wattenberg locations—100 in Weld County and 215 in Adams County—including 12 DUCs and 114 permitted locations. This will bolster PDC's existing Wattenberg inventory of 145 DUCs and 230 permitted locations, the latter including the eight-well Spinney oil and gas development plan. The larger 70-well Kenosha OGDP has passed the completion determination and is set to be heard by the Colorado Oil and Gas Conservation Commission in May. Larger yet, the 450-well Guanella comprehensive area plan was submitted in December. PDC plans to submit the 16-well Whitney OGDP this year. With the Great Western closing comes the 30-well Broe OGDP in Weld County, which has passed completeness determination.

In the Delaware Basin, PDC plans to run one rig this year and a part-time completion crew in H1 to drill and complete the 15-20 wells. The basin has been budgeted $150 million and well costs, including facilities, are projected to average $850 per lateral ft. Activity will include tests of the Second Bone Spring and U-laterals—2-mile laterals in 1-mile sections—targeting the Wolfcamp A. The company's first U-lateral project includes six wells on one section, with three of the laterals being drilled to the end of the lease before making a U turn and being drilled back toward the vertical segment. The other three extended laterals will target the Wolfcamp A and B.

See Also...
PDC growing Wattenberg position with $1.3B Great Western buy

Bakken's top leaseholder to run 4-rig, up to 110-well program

Merging Bakken pure-plays Whiting Petroleum and Oasis Petroleum are expected to spend $655-695 million in pro forma capex in 2022, equivalent to the sum of Whiting's previously planned $360-400 million and Oasis' prior $295 million guidance. Between the individual companies and the as-yet unnamed entity they will form upon closing in H2, plans call for running four rigs and completing 108-110 gross operated wells (68% WI) in 2022, of which more than 20% will have 3-mile laterals. Even after closing, the individual programs are expected to continue in parallel, with G&A and operational cost synergies starting to materialize in 2H23 to the tune of $65 million annually.

"I think the thought for the time being until we close, obviously, we'll continue to run our existing programs as our independent organizations," Oasis CEO Daniel Brown said on a March 7 M&A call. "And then post-close, the practical reality is, I think, we'll continue those programs for some period of time and then get together as a new management team and organization and put together an integrated and optimized development plan based on the environment at the time."

Completions will be weighted toward H2, with only 27% of the planned total scheduled to be executed by the individual companies in H1. Activity will focus on the South Nesson, Sanish, Indian Hills/City of Williston, Fort Berthold, Foreman Butte and Cassandra areas, at spending levels designed to sustain production at 164,000-169,000 boe/d (58% oil) and maximize returns at a low reinvestment rate—below 40%, assuming $85/bbl WTI and $3.50/MMbtu Henry Hub.

On a standalone basis, Oasis had previously announced plans to run a two-rig program and complete 40-42 operated wells this year (72% WI), a quarter of which would 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 frac operations will be paused until a dedicated completion crew can arrive in late May to complete the rest. Whiting's plans called for two rigs and one frac crew to drill 62 wells and bring online 68.

Rockies

Denbury ramps non-CCA EOR oil program to sustaining level

For the last few years, Denbury Inc. has underinvested in its oil business, with annual capex allocations for all projects but Cedar Creek Anticline EOR coming in below the estimated $175-200 million needed to keep production flat. Sales volumes in 2021 averaged 48,770 boe/d, down 5% compared to 2020 and down 16% compared to pre-pandemic 2019. The company is turning the corner in 2022 with plans to spend $190 million on its oil business outside of CCA EOR, including tertiary and non-tertiary oil development projects, capital internal costs and CO2 sources and pipelines.

The budget is at the higher end of the sustaining range because of inflationary pressures and is up 47% compared to 2021's $129 million. The midpoint of this year's 46,000-49,000 boe/d (97-98% oil) production guidance still represents a 3% YOY decline, but volumes will climb throughout the year.

Cedar Creek Anticline EOR spending lower this year following completion of CO2 pipeline.

Meanwhile spending on CCA EOR in North Dakota and Montana will be 6.5% lower YOY at $115 million. Overall spending of $290-320 million is up from $252 million in 2021. Separately, Denbury Carbon Solutions will spend $50 million on its CCUS initiatives.

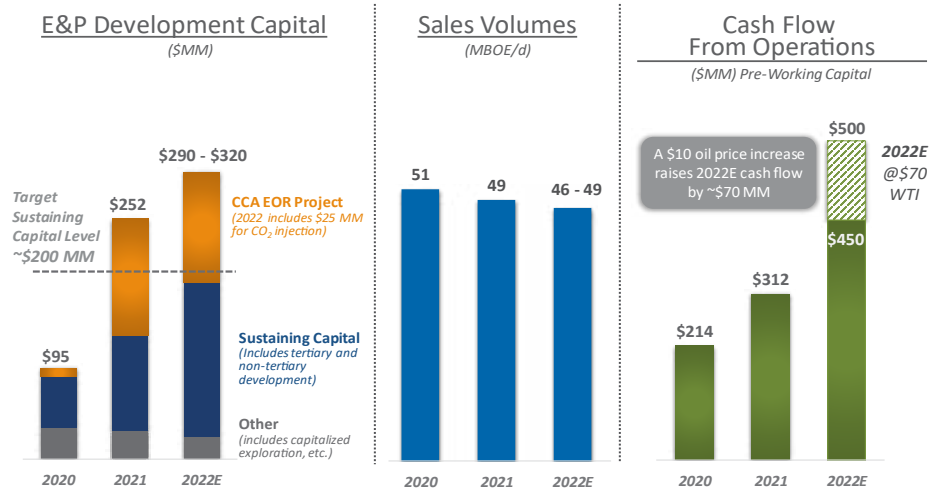
In Mississippi this year, Denbury is adding downdip injection for addition recovery from the Tuscaloosa sands at Heidelberg East; adding three CO2 patterns with new injectors and producers at Cranfield Phase 8, and converting mature CO2 flood patterns to move uphole into the Rodessa reservoir at Soso. At Oyster Bayou field in Texas, Denbury will complete the second phase of A2 downdip expansion with new producers and injectors. Non-tertiary projects include horizontal development at Webster and Thompson fields in Texas and the CCA waterflood areas in Montana.

Last year, Denbury completed a 105-mile CO2 pipeline from Bell Creek field to CCA EOR ahead of schedule and under budget. CO2 line fill has been completed, and this year's CCA EOR capex will primarily go toward construction of field CO2 recycling facilities and infrastructure, capitalized Phase 1 CO2 costs and a development pilot in the Interlake formation. CO2 costs in Phase 1 are considered capital costs but will become lease operating expenses in 2H23 when tertiary production commences.

CO2 injection is currently underway at Cedar Hills South and East Lookout Butte fields, where Phase 1 targets 30 MMbo recoverable in the Red River formation. Phase 2, commencing in 2024, will target 100 MMbo recoverable in the Interlake, Stony Mountain and Red River in the Cabin Lake area.

Denbury E&P Development Capital

Strong cash flows provide flexibility for funding CCUS growth



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

Bakken cold snap drags Hess output down, raises costs

Hess lowered its Q1 Bakken production guidance March 1 to 150,000 boe/d from a previously forecast 155,000-160,000 boe/d. The lower volumes are attributed primarily to severe winter weather and higher NGL prices that lowered production entitlements under percentage-of-proceeds contracts. Under a POP, a midstream provider keeps a percentage of the proceeds from NGL sales in exchange for gas processing services.

By Q4, Bakken volumes are expected to catch up to previously set guidance of 175,000-180,000 boe/d. Average Bakken guidance for the full year has been lowered by 5,000 boe/d to 160,000-165,000 boe/d.

Also impacting guidance, high NGL prices lowered Hess' entitlements under processing contracts.

Additional production reductions will result from the delayed startup of a tieback well at Shell-operated Llano field in the Garden Banks area of the Gulf of Mexico, where Hess owns 50% WI. The Llano 6 well was previously expected to spud in February and come online by year's end, with a gross plateau range of 10,000-15,000 boe/d. The well is being tied back to Shell's Auger platform.

The Bakken reductions pushed Hess' Q1 guidance, excluding Libya, down to 270,000-275,000 boe/d from 275,000-285,000 boe/d. Full-year guidance fell to 325,000-330,000 boe/d from 330,000-340,000 boe/d, with Q4 volumes unchanged at 360,000-370,000 boe/d.

Excluding Libya, Hess' Q1 cash cost expectations were increased by $1.50/boe to $15.00-$15.50/boe, driven by lower production and increased production taxes resulting from higher oil prices. For the full year, cash cost guidance increased to $12.50-$13.00/boe from $11.50-$12.50/boe.

See Also...

Hess shifting to 'return of capital mode,' CEO tells analysts

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