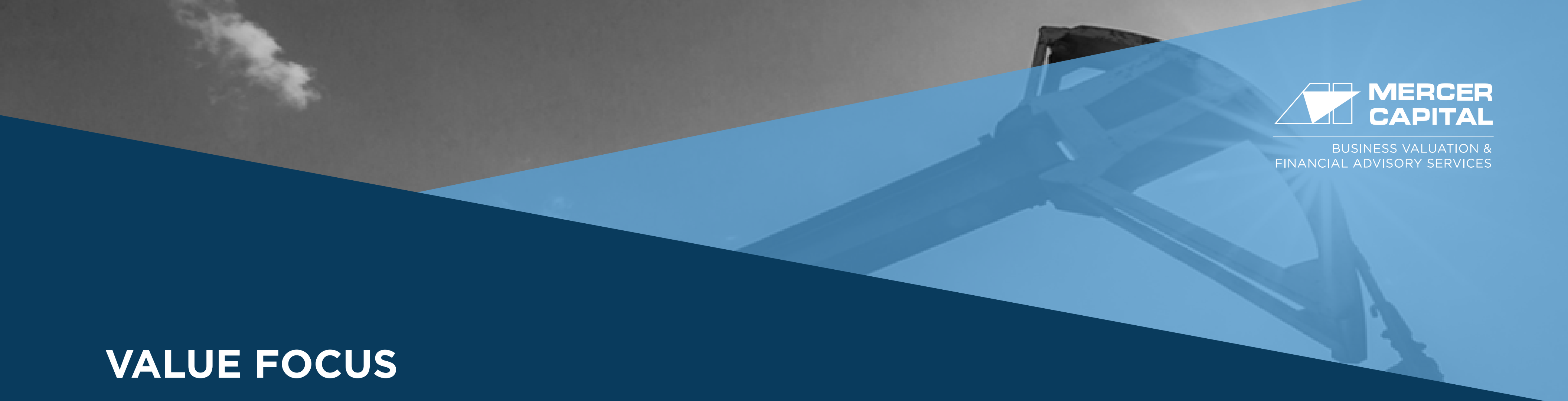

MERCER CAPITAL
BUSINESS VALUATION & FINANCIAL ADVISORY SERVICES

VALUE FOCUS

Exploration & Production

First Quarter 2025 // Region Focus: Eagle Ford

EXECUTIVE SUMMARY

Despite a notable rig count decline, Eagle Ford production generally remained about flat over the twelve months ended March 2025. Modestly declining commodity prices combined with the formation's falling rig count pushed the region's benchmark groups' stock prices into single-digit declines over the review period.

Although M&A activity in the Eagle Ford remained minimal, with only two material transactions over the last twelve months, Andrew Dittmar, with Enverus Intelligence Research, noted that the Eagle Ford remains the most fragmented of the major unconventional plays and provides substantial opportunities to build via acquisition.

Oil and Gas Industry Services

Mercer Capital provides business valuation and financial advisory services to companies in the energy industry.

Services Provided

- Valuation of oil & gas companies
- Transaction advisory for acquisitions and divestitures
- Valuations for purchase accounting and impairment testing
- Fairness and solvency opinions
- Litigation support for economic damages and valuation and shareholder disputes

Industry Segments

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- Exploration & Production
- Oil Field Services
- Midstream Operations
- Alternative Energy
- Downstream
- Retail

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In This Issue

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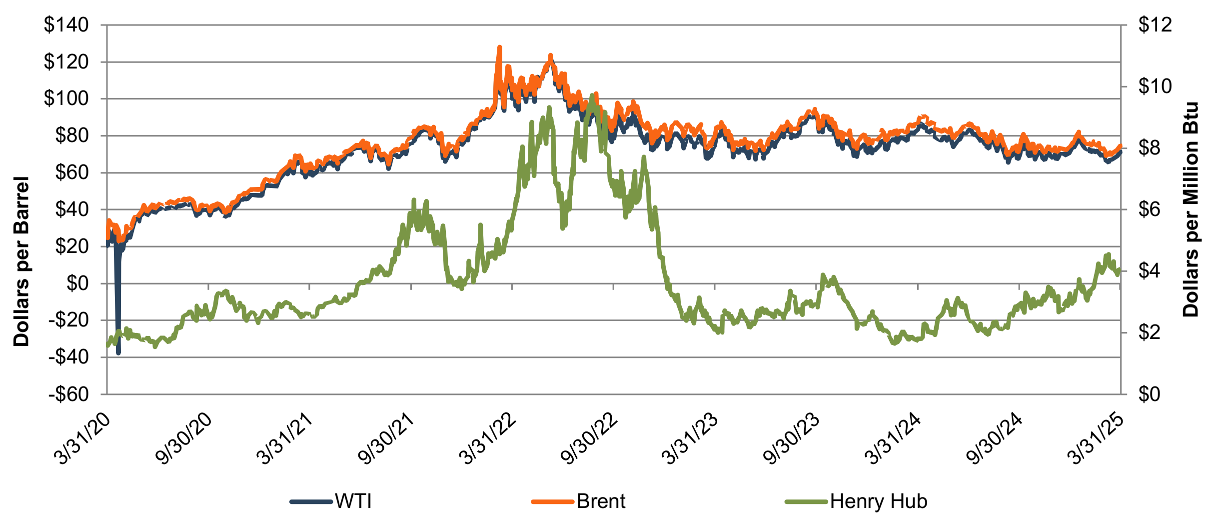
Oil and Gas Commodity Prices

Oil prices, as represented by the West Texas Intermediate (WTI) and Brent Crude (Brent) front-month future contracts, generally declined over the year ending March 2024, ending the review period 15% and 14%, respectively, below their prior-year levels. Oil prices began the review period at $83.71 and $87.42, coming off a 3-month rise related to rising **tensions** in the Middle East and continuing OPEC+ production cuts that eased concerns about too much U.S. production. Although OPEC+ continued its production decreases into mid-2024, the next five months saw a fairly steady decline in the oil benchmarks, with WTI reaching $65.75 (down 24% from early April) and Brent reaching $69.19 (down 23%) on non-OPEC production growth and economic **weakness** slowing oil consumption growth. Other than a short spike during the first week of October (again tied to Middle East tensions but with Iran launching an estimated 200 missiles into Israel), both futures held fairly steady through year-end, with WTI holding within a range of $66 to $71 and Brent at $72 to $76. Prices rose in late December and early January on concerns over a potential **reduction** of Russian crude oil supplies when the United States imposed a new round of sanctions on Russia's energy sector. The decline in the general review period returned in mid-January when WTI reached its review period low of $65.68 in mid-March.

Crude Oil and Natural Gas Prices



Source: Capital IQ

Oil and Gas Commodity Prices

(cont.)

Henry Hub natural gas front month futures prices began the review period with a 73% run-up from $1.79 in early April to $3.09 in mid-June. The run-up resulted from natural gas supplies increasing **less than expected**, indicating production pullback and upcoming summer demand. Prices fell back to late April levels by early August due to an unusually mild summer and rising storage inventories. From that mid-2024 low, prices began an eight-month 112% climb to $4.12 at the end of March, with a particularly steep climb during the first three weeks of February that saw the price shoot up from $3.04 to $4.25. The late 2024 through Q1 2025 run was attributable to multiple factors, including **unexpected** severe winter weather driving up demand, weather-related "freeze-offs" that stifled production, reduced wind speeds limiting wind-based energy production, and rising global LNG demand.

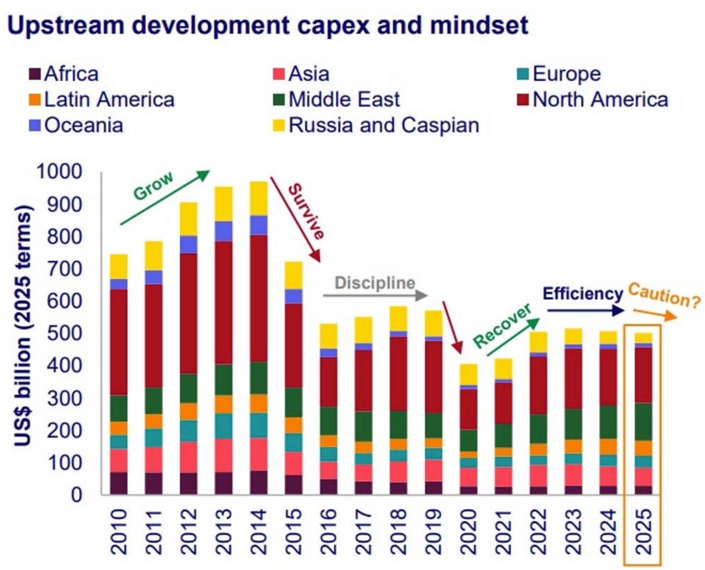
Macro Update

Oil Markets: Prices Going Down While Costs Go Up

Oil markets and energy companies are wrestling with understanding changes in domestic and international energy markets. As company outlooks become cloudier, uncertainty is on the rise. This has been developing for several weeks now, with some early indications showing that executives and investors don't quite know how to respond yet. The latest **Dallas Fed Energy Survey** reflects this with comments such as:

"The only certainty right now is uncertainty. With that in mind, we are approaching this economic cycle with heightened capital discipline and a focus on long-term resilience. I don't believe the tariffs will have a significant effect on drilling and completion plans for 2025, although I would imagine most managers are developing contingency plans for the potential effects of deals (Russia-Ukraine deal, Gaza-Israel-Iran deal) on global crude or natural gas flows. Now, these contingency plans probably have more downside price risk baked in than initial drilling plans did for 2025."

The comment above appears to reflect what is going on in Q2. Wood Mackenzie released a report emphasizing caution in capex and drilling budgets for the remainder of 2025. Fraser McKay, head of upstream analysis, reported that tariffs could increase costs for both onshore and offshore producers. In addition, OPEC+ may continue to add production to the market as well, putting further downward pressure on oil prices. The chart below from Wood Mackenzie reflects this sentiment:



Source: Wood Mackenzie

Macro Update

Oil Markets: Prices Going Down While Costs Go Up

(cont.)

The EIA's **short-term outlook** also reflects this uncertainty, as it has lowered pricing forecasts for the remainder of 2025 and beyond.

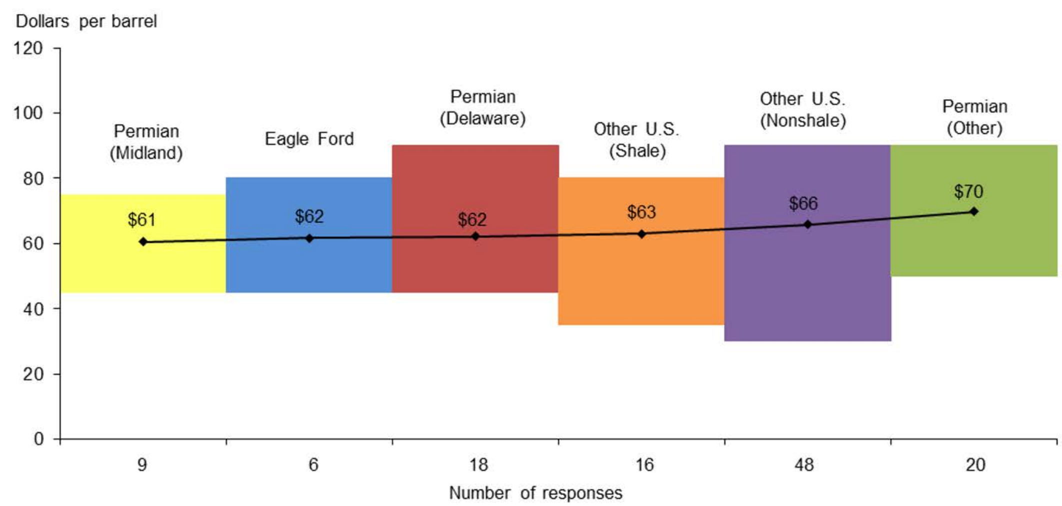
The **Dallas Fed Survey** estimates higher prices than the EIA for oil in 2025, $68 per barrel, but it is still down from earlier this year.

While prices go down, costs continue to increase. According to the Dallas Fed Energy Survey, both finding and development costs and lease operating costs are increasing. Breakeven costs for drilling new wells are climbing and almost parallel with current crude prices today, around $63 per barrel.

Price summary (historical and forecast)

	2023	2024	*2025*	*2026*
WTI Crude Oil[a] *dollars per barrel*	77.58	76.60	*63.88*	*57.48*
Brent Crude Oil *dollars per barrel*	82.41	80.56	*67.87*	*61.48*
Gasoline[b] *dollars per gallon*	3.52	3.31	*3.09*	*3.11*
Diesel[c] *dollars per gallon*	4.22	3.76	*3.44*	*3.53*
Heating Oil[d] *dollars per gallon*	3.84	3.61	*3.43*	*3.36*
Natural Gas[d] *dollars per thousand cubic feet*	15.35	14.55	*14.26*	*14.86*
Electricity[d] *cents per kilowatthour*	16.00	16.48	*17.03*	*17.61*

Source: EIA



NOTES: Lines show the mean, and bars show the range of responses. Executives from 81 exploration and production firms answered this question during the survey collection period, March 12–20, 2025.
SOURCE: Federal Reserve Bank of Dallas.

Macro Update

Capex Spending Pause or Pullback?

Oil executives such as Kaes Van't Hof suggest that current crude prices could set oil markets into a period of weakness. One Dallas Fed Survey respondent said that geopolitical unrest and tariff uncertainties indicate the need to hit pause on spending. **Matador** is doing just that. It has recently (late April) cut its capex and production outlook for 2025 by shrinking drilling and completion plans by $100 million.

Crude oil futures are fairly flat, with December 2028 contracts priced around $61 per barrel at the time of this newsletter. This is not the pricing environment that companies need to "drill baby drill." Many observers feel that oil prices need to be in the $75 - $80 range to stimulate new activity. However, observers don't know if oil will be in the $50's or $70's per barrel later this year either.

Planning is becoming more difficult for oil producers as steel-based products (such as tubing and well casing) are anticipated to cost more in the short term. Prices are not conducive to aggressive drilling plans, and pullback among capital plans is rising. It appears it is going to take time for oil companies to figure out what to do next.

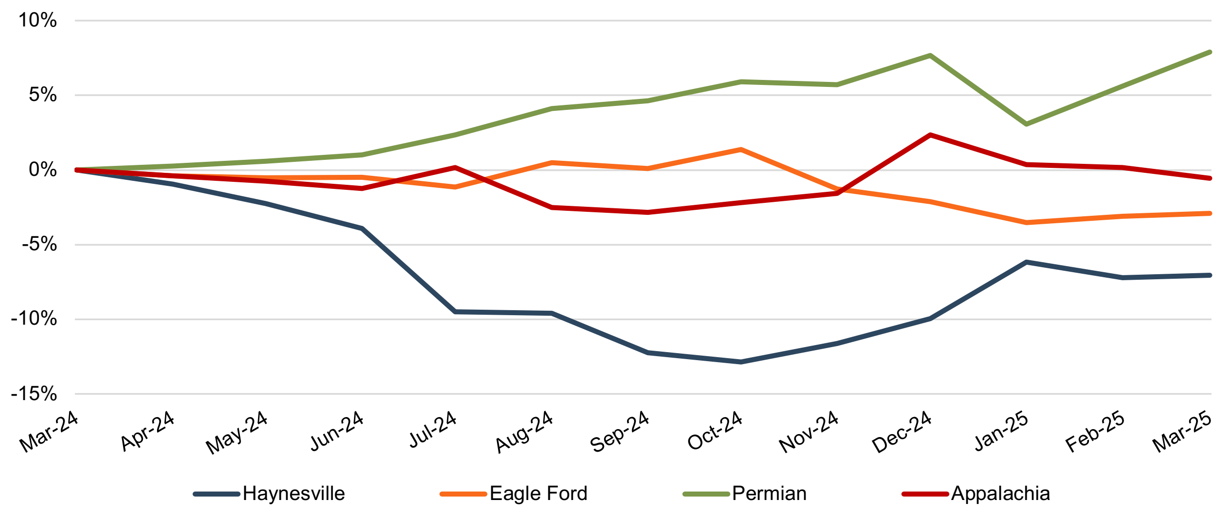
Eagle Ford

Production and Activity Levels

The economics of oil and gas production varies by region. Mercer Capital focuses on trends in the Eagle Ford, Permian, Haynesville, and Appalachia plays. The cost of producing oil and gas depends on the geological makeup of the reserve, depth of reserve, and cost to transport the raw crude to market. We can observe different costs in different regions depending on these factors. This quarter we take a closer look at the Eagle Ford.

Eagle Ford production (on a barrels of oil equivalent, or "boe" basis) dipped 2.9% since March 2024. Production levels varied only slightly during the twelve-month period, with the rolling monthly percentage change in March varying between -3.5% and 1.4%. Appalachian production change over the period was similar to that of the Eagle Ford, ending at a 0.5% decline, with March 2024 varying between -2.8% and 2.3%. The Permian and Haynesville year-over-year (YoY) production changes were markedly different, with the Permian ending the review period 7.9% above its March 2024 production level. Permian production saw fairly consistent monthly growth, with only two months where the production level declined from the previous month, one of those being a negligible 0.2% decrease. Haynesville posted the most significant decrease over the review period, ending with a YoY 7.1% decline. Over the last twelve months, Haynesville production ranged by as much as 12.9% below March 2024 levels after consistent decreases in the seven months through October.

1-Year Change in Production



Source: Energy Information Administration

Eagle Ford

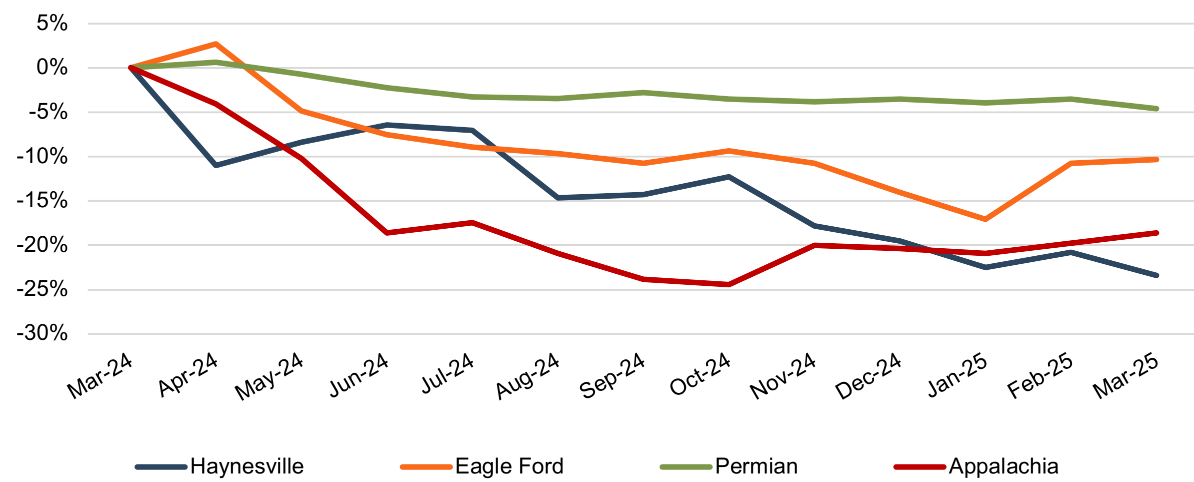
Production and Activity Levels

(cont.)

The Haynesville production decline was spurred by weak natural gas prices and related cuts in Haynesville rig counts. The more modest production decrease in Appalachia, combined with the Haynesville decline, led to the first shale-based natural gas production decrease in the past 25 years.

All four regions suffered rig count declines in the last twelve months through March 2025. On a monthly basis, the Haynesville and Appalachia recorded the largest twelve-month declines of 23% and 19%, respectively. The Eagle Ford posted a slightly lower of decline of 10% over the same span. Even the stalwart Permian ended the period with a YoY decline, though the most modest for the four regions, at 5% through Q1 2025. The returning culprit was reduced commodity prices, leading to the rig count reductions.

1-Year Change in Rig Count



Source: Baker Hughes

Eagle Ford

Production and Activity Levels

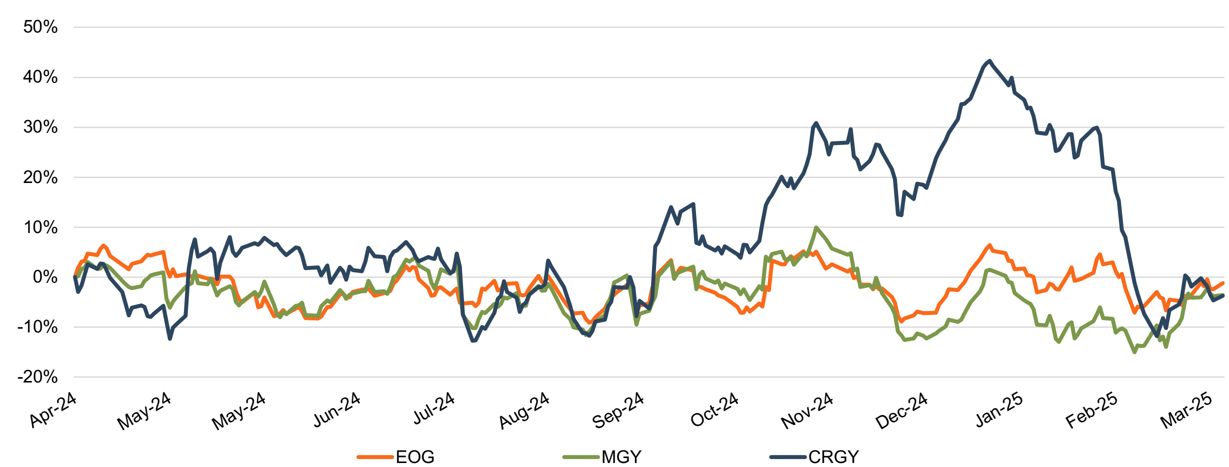
(cont.)

On a weekly basis, the oil-heavy Permian showed the least punctuated rig count declines, with the largest single-week drop being a mere 2%. The Eagle Ford and the gas-heavy Haynesville and Appalachia showed many more significant weekly dips. The Eagle Ford suffered weekly drops of 4% to 5% four times during the review period, while the Haynesville posted 6% weekly dips five different times. Appalachia posted three 5% decline weeks in just the first seven months of the review period and a period-record 10% plunge in May. Notably, the Appalachian rig count significantly stabilized following its last 5% dip in October. At one point in the review period, the **Pennsylvanian** rig count fell to only 12, marking the lowest statewide rig count in the last 17 years.

Financial Performance

Stock prices among the public comparable group for Eagle Ford showed YoY declines within a narrow range of 1% to 4%. However, the "path" to those similar YoY declines was markedly different for EOG Resources (EOG) and Magnolia Oil & Gas (MGY) versus Crescent Energy (CRGY). EOG and MGY posted similar patterns of rises and falls during the review period, generally varying between year-to-date (YTD) increases and declines between +10% and -10%. Only MGY broke outside of that +10% to -10% range during the last four months of the period. Even the range breakout only took MGY's YTD price change down to lows of -13% in mid-December and early February and to a review period low of -15% in early March.

1-Year Change in Stock Price



Source: Capital IQ

Eagle Ford

Financial Performance
(cont.)

CRGY followed a very different price path. Its stock price movements were somewhat similar to EOG and MGY through the end of September. However, starting in October, investor sentiment pushed the company's share price upward in three separate spikes that carried its YTD performance from -6% in late September to 13% in early October, from 4% in late October to 30% in late November, and from 12% in mid-December to 42% in mid-January. The **upward** drive was primarily the result of investors showing greater confidence in the company capitalizing on strategic initiatives, such as its successful integration of SilverBow, buying pressure resulting from the company being added to the S&P Small Cap 600 index, and the December announcement of its acquisition of Ridgemar Energy. The share price turned downward in late January, near the time the Ridgemar deal closed, with the decline picking up steam in late February as the YTD price change fell from its review period high of 42% to 24% in mid-February and on down to -12% in mid-March. It took a mid- to late-March rebound to propel its YTD performance back to -4% at the end of the month.

Market Valuations & Transaction History

Where Have All the Deals Gone?

Over the past 12 months, deal activity in the Eagle Ford remained stagnant, with only two pure Eagle Ford Shale deals closing compared to two transactions closed in the prior 12-month period, according to Shale Experts. A third deal, **ConocoPhillips**' $22.2 billion acquisition of Marathon Oil Corp., was spread across Marathon's entire portfolio, which included assets in the Eagle Ford, but also the Permian Basin, the SCOOP STACK, and the Bakken Shale in the U.S., and on and offshore Equatorial Guinea in western Africa, making a meaningful comparison to the pure Eagle Ford deals difficult.

Recent Transactions in the Eagle Ford

Announced on May 16, 2024, **Crescent Energy purchased Silverbow Resources** in an all-stock transaction for $2.1 billion, gaining 180,000 acres in the Eagle Ford, representing a purchase price of $11,667/acre. This deal created the second-largest operator in the Eagle Ford Shale and comes on the heels of Silverbow's purchase of 42,000 acres from Chesapeake Energy for $700 million, or $16,667/acre, in 2023.

Announced Date	Buyer	Seller	Deal Value ($MM)	$ / Acre	$ / Boe/d
9/4/2024	Crescent Energy Company	Not Disclosed	$168	$12,923	$42,000
5/29/2024	ConocoPhillips	Marathon Oil Corp.	22,500	na	55,980
5/16/2024	Crescent Energy Company	Silverbow Resources	2,100	11,667	23,333
Median			**$11,334**	**$12,923**	**$48,990**
Average			**$11,334**	**$12,923**	**$48,990**

Source: Shale Experts

Crescent Energy was also active prior to its purchase of Silverbow, purchasing 75,000 acres from Mesquite Energy for $600 million in May 2023, or $8,000 acre. One observation from recent activity is Silverbow's apparent "buy high, sell low" acquisition process, buying Chesapeake's assets at $16,667/acre in August 2023 while selling its acreage to Crescent Energy at $11,667/acre. Excluding the Silverbow acquisition, Crescent, on the other hand, has made two other deals over the past two years below Silverbow's acquisition price of Chesapeake, at $/acre values of $12,923 and $8,000.

Market Valuations & Transaction History

Where Have All the Deals Gone?

(cont.)

Announced Date	Buyer	Seller	Deal Value ($MM)	$ / Acre	$ / Boe/d
8/14/2023	Silverbow Resources	Chesapeake Energy Corp.	$700	$16,667	$21,875
5/3/2023	Crescent Energy Company	Mesquite Energy Inc.	600	8,000	30,000

Source: Shale Experts

When $2.1 Billion Does Not Equal $2.1 Billion

Crescent Energy's announcement of its purchase of Silverbow was favorably accepted by industry observers. Andrew Dittmar, a Principal Analyst at Enverus Intelligence Research, noted that "The Eagle Ford is the most fragmented among the major unconventional plays and provides substantial opportunity to build a large and relevant company, something the Crescent team is on their way to achieving." Tying this deal to the generally positive outlook for **LNG**, Dittmar further noted that "The increased scale near the coast and ability to more efficiently source pipeline capacity and coordinate on bottlenecks should also help the combined company capture value by providing gas to LNG facilities." Crescent Energy's acquisition was welcomed by Silverbow shareholders (except for **Kimmeridge** Energy, of course), which had been engaged in fending off the private alternative asset manager and dissident Silverbow shareholder's attempt to buy the company for two years. Silverbow, in fact, **rejected** Kimmeridge's most recent offer, which valued the company at $2.1 billion, to accept Crescent Energy's $2.1 billion. Rejecting one $2.1 billion deal for another $2.1 billion demonstrates that not all deals are created equal, even if the value on paper is the same.

Conclusion

The slowdown in M&A activity in the Eagle Ford over the past two years might be ahead of a global slowdown in upstream M&A activity. According to *Rystad Energy*, global M&A activity this year is expected to fall short of the highs seen over the past two years, as the major wave of consolidation in the U.S. shale sector has largely run its course. Additionally, ongoing geopolitical tensions in the Middle East and an uncertain fiscal climate in the UK will likely further dampen deal making. On the upside, a potential rebound in U.S. shale gas deals could provide some support—particularly if favorable Henry Hub prices align with President Donald Trump's renewed approval of LNG export permits.

Appendix A

Selected Public Company Information

Mercer Capital tracks the performance of Exploration and Production companies across different mineral reserves in order to understand how the current pricing environment affects operators in each region. We created an index of six groups to better understand performance trends across reserves and the industry. The current pricing multiples of each company in the index are summarized below.

					as of 3/31/2025		
Company Name	**Ticker**	**3/31/2025 Enterprise Value**	**YoY % Change in Stock Price**	**EBITDAX Margin**	**Daily Oil Equiv. Production (mboe/d)**	**EV/ EBITDAX**	**Price per Flowing Barrel***
Global Integrated							
Exxon Mobil Corp	XOM	$548,235	2.3%	20.9%	4,639	7.7x	$118,192
Shell PLC	SHEL	261,779	10.1%	20.0%	2,676	4.6	97,821
Chevron Corp	CVX	318,196	6.1%	23.4%	3,319	7.0	95,874
BP PLC	BP	136,801	-10.0%	15.6%	2,244	4.7	60,956
Equinor ASA	EQNR	78,904	0.2%	38.0%	2,060	2.0	38,300
Group Median			**2.3%**	**20.9%**	**2,676**	**4.7x**	**$95,874**
Global E&P							
Hess Corporation	HES	4.6%	58.9%	474	7.8x	$122,724	$102,534
ConocoPhillips	COP	-17.5%	43.6%	2,365	6.2	64,256	65,861
Occidental Petroleum Corporation	OXY	-24.0%	52.8%	1,395	5.7	57,309	55,677
Murphy Oil Corporation	MUR	-37.9%	54.4%	165	3.6	35,378	34,601
Group Median		**-20.8%**	**53.6%**	**934**	**5.9x**	**$60,783**	**$60,769**

Source: Capital IQ

- *Price per Flowing Barrel is EV/ daily production ($/boe/d). Market data per Capital IQ. Daily Production based on Q1 2025 consensus estimates per Capital IQ as available*
- *Companies included in the Guideline Group are not meant to be an exhaustive list. The selected companies' market caps exceed $1 billion and/or revenues exceed $500 million.*
- *We review 10-K's and annual reports from guideline companies to ensure companies continue to operate in the regions and groups we have identified.*

Appendix A

Selected Public Company Information

Company Name	Ticker	3/31/2025 Enterprise Value	YoY % Change in Stock Price	EBITDAX Margin	Daily Oil Equiv. Production (mboe/d)	EV/ EBITDAX	Price per Flowing Barrel*
				as of 3/31/2025			
Permian Basin							
Diamondback Energy, Inc.	FANG	$61,340	-19.3%	73.4%	851	7.9x	$72,109
Permian Resources Corporation	PR	14,921	-21.6%	73.4%	369	4.1	40,401
Vital Energy, Inc.	VTLE	3,299	-59.6%	61.7%	140	2.7	23,637
Devon Energy Corporation	DVN	32,909	-25.5%	48.9%	820	4.4	40,121
APA Corporation	APA	14,527	-38.9%	60.2%	462	2.5	31,449
Group Median			**-25.5%**	**61.7%**	**462**	**4.1x**	**$40,121**
Eagle Ford							
EOG Resources, Inc.	EOG	$69,430	0.3%	54.1%	1,087	5.5x	$63,848
Magnolia Oil & Gas Corporation	MGY	4,966	-2.7%	71.0%	94	5.3	52,787
Crescent Energy Company	CRGY	6,325	-5.5%	43.4%	256	5.0	24,712
Group Median			**-2.7%**	**54.1%**	**256**	**5.3x**	**$52,787**

Source: Capital IQ

- *Price per Flowing Barrel is EV/ daily production ($/boe/d). Market data per Capital IQ. Daily Production based on Q1 2025 consensus estimates per Capital IQ as available*
- *Companies included in the Guideline Group are not meant to be an exhaustive list. The selected companies' market caps exceed $1 billion and/or revenues exceed $500 million.*
- *We review 10-K's and annual reports from guideline companies to ensure companies continue to operate in the regions and groups we have identified.*

Appendix A

Selected Public Company Information

					as of 3/31/2025		
Company Name	**Ticker**	**3/31/2025 Enterprise Value**	**YoY % Change in Stock Price**	**EBITDAX Margin**	**Daily Gas Equiv. Production (mmcfe/d)**	**EV/ EBITDAX**	**Price per Daily MMCFE***
Haynesville							
Expand Energy Corporation	EXE	$31,412	25.3%	27.9%	6,780	26.5x	$4,633
Comstock Resources, Inc.	CRK	9,069	119.2%	50.0%	1,290	14.5	7,032
Group Median			**72.2%**	**38.9%**	**4,035**	**20.5x**	**$5,833**
Appalachia							
Range Resources Corporation	RRC	$11,152	16.0%	34.0%	2,190	13.9x	$5,091
EQT Corporation	EQT	44,824	44.1%	49.8%	6,220	17.9	7,206
Coterra Energy Inc	CTRA	23,854	3.7%	61.9%	4,440	7.3	5,373
Antero Resources Corporation	AR	16,812	39.4%	21.3%	3,405	18.4	4,938
Group Median			**27.7%**	**41.9%**	**3,922**	**15.9x**	**$5,232**
OVERALL MEDIAN			**0.2%**	**49.8%**	**N/A**	**5.7x**	**N/A**

Source: Capital IQ

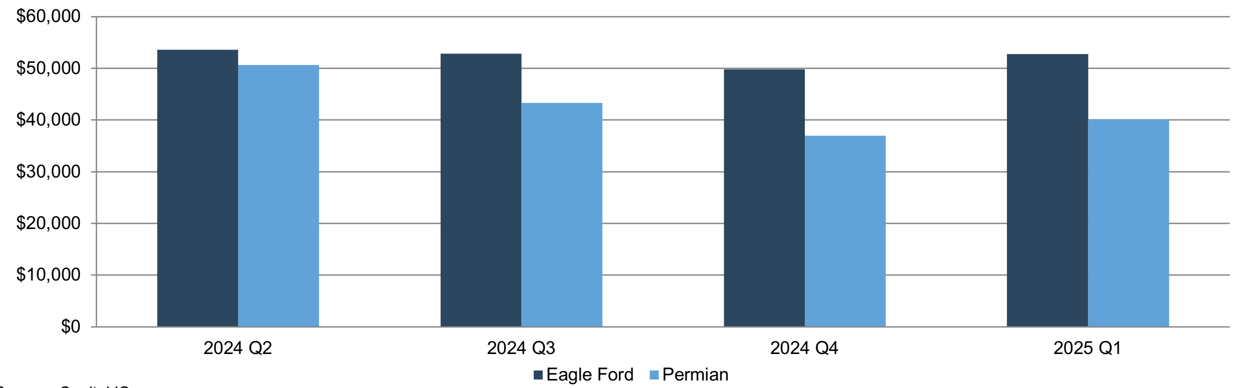
- *Price per Daily MMCFE is EV/ daily production ($/mmcfe/d). Market data per Capital IQ. Daily Production based on Q1 2025 consensus estimates per Capital IQ as available*
- *Companies included in the Guideline Group are not meant to be an exhaustive list. The selected companies' market caps exceed $1 billion and/or revenues exceed $500 million.*
- *We review 10-K's and annual reports from guideline companies to ensure companies continue to operate in the regions and groups we have identified.*

Appendix A

Selected Public Company Information

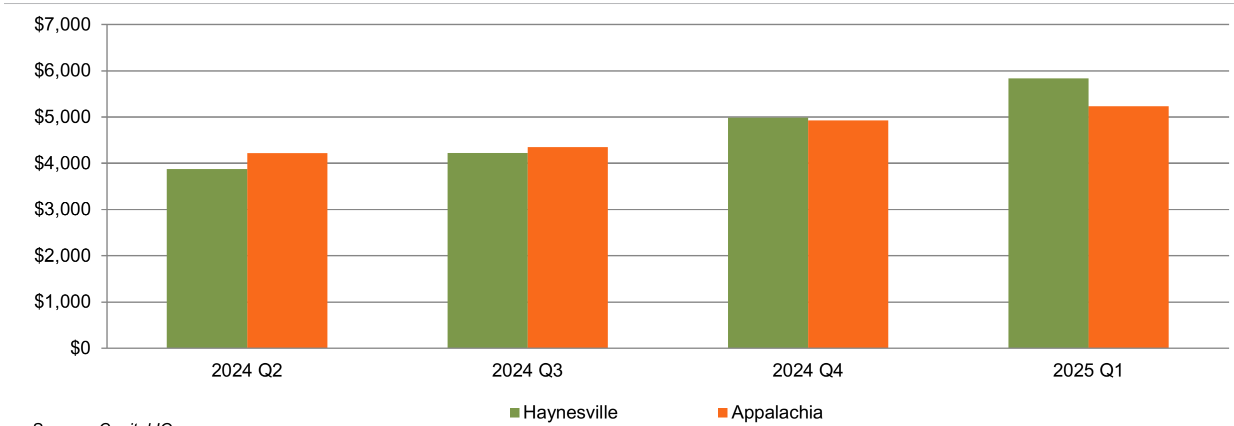
The following graphs depict the median of EV/production multiples from Q2 2024 through Q1 2025. The production multiples are segregated in the graphs by primarily oil-producing regions ($/boe/d) and primarily gas-producing regions ($/mmcfe/d).

Price per Flowing Barrel



Source: Capital IQ

Price per Daily MMCFE



Source: Capital IQ

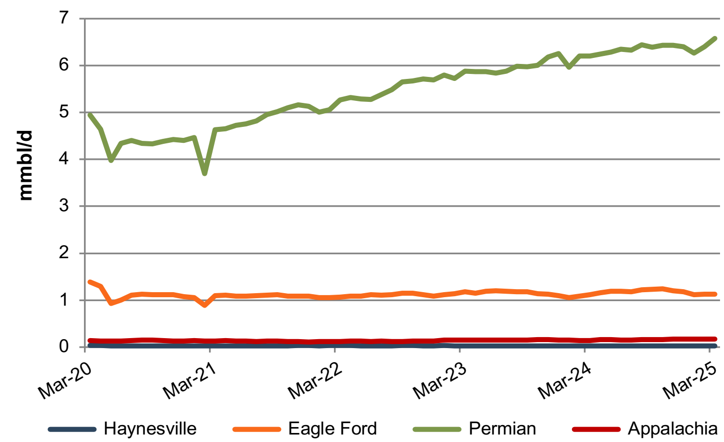
- Price per Flowing Barrel is EV/ daily production ($/boe/d), Price per Daily MMCFE is EV/ daily production ($/mmcfe/d)
- This is simply a graphic depiction of the median figures of our selected public companies for each region. This should be interpreted solely in the context of relative valuation between the various basins over time. Capital IQ aggregates this raw data, and Mercer Capital does not represent or warrant these figures as indicative of valuation multiples attributable to E&P companies or other interests.

Appendix B

Production

Daily Production of Crude Oil

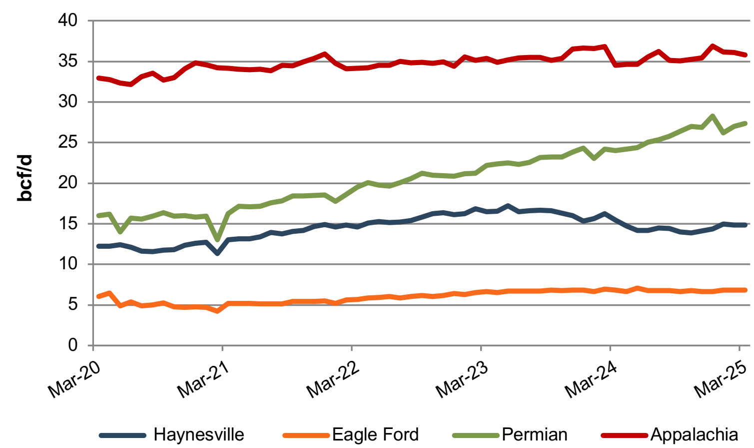
Oil production in the Permian increased by 5.9% in the twelve months through March 2025. Oil production in the Eagle Ford increased by 1.4% over the same twelve-month span. In the gas-focused Appalachia and Haynesville regions, oil production increased by 25% and decreased 9%, respectively, from a year ago.



Source: EIA

Daily Production of Natural Gas

The Permian led the analyzed regions in natural gas production growth at 14.0% over the last year to end Q1 2025. Natural gas production in the Appalachian basins increased by 3.7% over the same span. The Eagle Ford posted a modest decline of 0.4% year-over-year. Natural gas production in the Haynesville was 3.9% below levels from March 2024.



Source: EIA

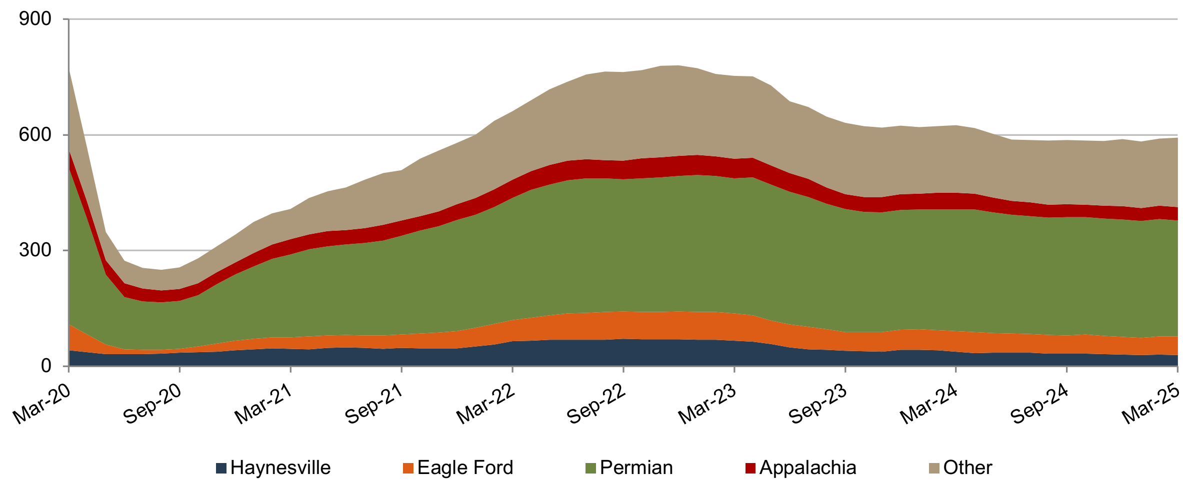
Appendix C

Rig Count

Baker Hughes collects and publishes information regarding active drilling rigs in the United States and internationally. The number of active rigs is a key indicator of demand for oilfield services & equipment. Factors influencing rig counts include energy prices, investment climate, technological changes, regulatory activity, weather, and seasonality.

The number of total active rigs in the U.S. at the end of March 2025 was 592, which represents a 5.2% decrease from 625 in March 2024. Rig counts declined across all four of the regions covered in the last year. The Permian was the most resilient of the regions with 301 rigs at the end of March 2025 compared to 315 a year ago, representing a 4.6% decrease. The Eagle Ford rig count dropped 10.3% from a year ago, while Appalachia and the Haynesville experienced more pronounced declines in rig count levels, ending Q1 2025 with year-over-year declines of 18.6% (Appalachia) and 23.4% (Haynesville).

Rig Count by Region

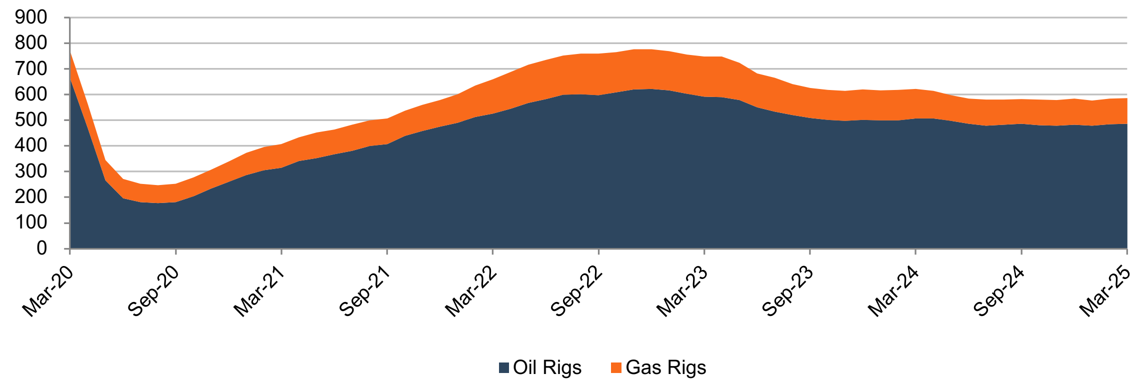


Source: Baker Hughes

Appendix C

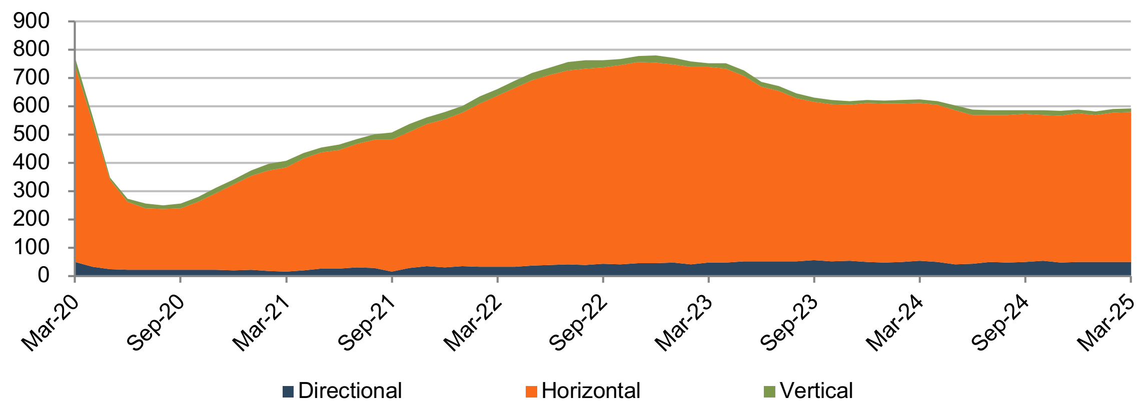
Rig Count

U.S. Rig Count by Oil vs. Natural Gas



Source: Baker Hughes

U.S. Rig Count by Trajectory



Source: Baker Hughes

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