MERCER CAPITAL

BUSINESS VALUATION & FINANCIAL ADVISORY SERVICES

VALUE FOCUS

# Exploration & Production

## Second Quarter 2023 // Region Focus: Permian

### EXECUTIVE SUMMARY

Permian production growth over the past year continued to run well ahead of growth in the Eagle Ford, Appalachian, and Bakken, as the Permian basin remains one of the most economic regions for U.S. energy production.  With the decline in commodity prices over the past year, rig counts fell, with the most significant decline occurring in May.  With E&P firms expecting continued cost increases through the remainder of 2023, the Permian's existing cost advantage will contribute to its continued dominance over the major U.S. basins.

MERCER CAPITAL

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## In This Issue



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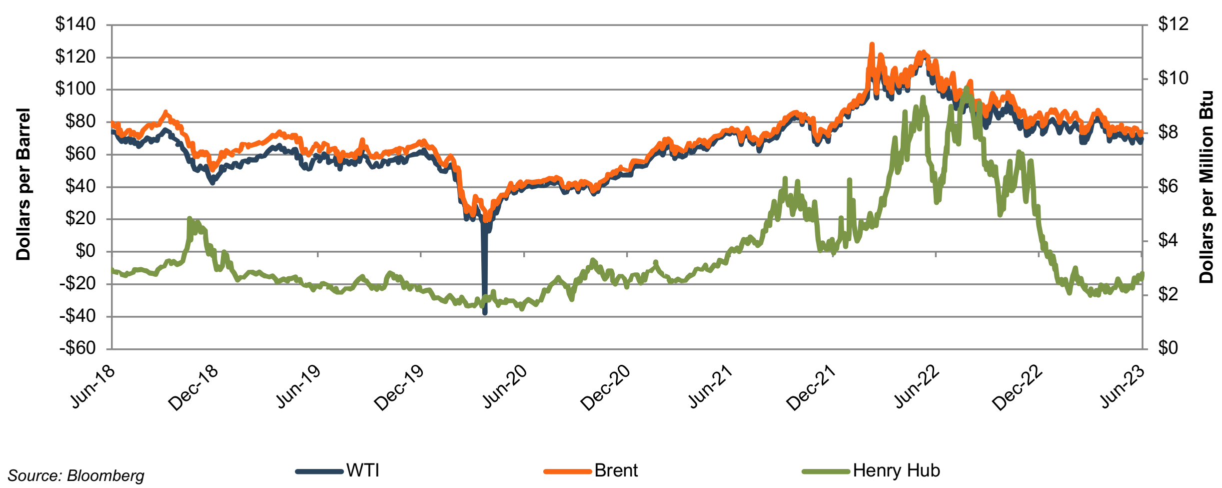
# Oil and Gas Commodity Prices

Oil prices generally declined over the latest twelve months from $106 WTI and $109 Brent to $71 WTI and $75 Brent. Short-lived increases occurred in October 2022 (12% for WTI and 11% for Brent) and March-April 2023 (21% WTI and 16% Brent). Oil prices remained within fairly narrow ranges between the September-October and March-April increases. A similar narrow price range occurred following the March-April increase, with WTI varying between $67 and $79 and Brent varying between $72 to $83. The latter part of the September-October 2022 oil price rise was spurred on by the October 5 OPEC+ **announcement** of a two million barrels per day output reduction. Another OPEC+ **voluntary reduction** of 1.16 million barrels per day contributed significantly to the March-April price increase.

Gas prices experienced much wider swings, with the Henry Hub running up 80% from $5.39 on June 30, 2021, to a month high of $9.42 on August 25, 2021. Henry Hub slid over the next five months reaching $2.40 in early February 2023, with only a short intervening increase in November. Since February, gas prices have ranged from $2.01 to $2.87. **The long slide in gas prices** from December to February primarily resulted from an unexpectedly mild winter that contributed to natural gas inventories ending above the trailing five-year average.

**Commodity Futures Prices**




*Source: Bloomberg*

# Macro Update

Exxon made waves in the energy M&A markets by announcing its acquisition of Denbury, Inc. on July 13, 2023. Exxon paid somewhere between Denbury's stock price and a slight premium depending on the timing and stock price fluctuations. In total, the headline value was around $4.9 billion, according to Exxon's news release.

However, while Denbury is an energy company on the whole, it is made up of two main segments that have very different economics: first, its carbon capture utilization and storage segment (CCUS), and second, its upstream enhanced oil recovery segment. These two businesses, in many ways, represent Denbury's journey over the last several years that have one foot in the carbon future and one foot in the oily past. Neither of their business segments appears to be worth the $4.9 billion price tag. So what did Exxon buy exactly, and how might one value it?

A quick look at some of the overall implied metrics related to the deal reveals some oddities compared to pure-play oil companies. As to CCUS transactions, there really have not been many to compare to, and certainly not at the scale that Denbury has achieved thus far. The table below was compiled based on figures from the announcement and *Capital IQ* data.

| Exxon / Denbury Adjusted Valuation Metrics | |
|---|---|
| Enterprise Value | $4,900,000,000 |
| Per Share | $89.45 |
| LTM EBITDA | $861,220,000 |
| LTM EBITDA Margin | 52.4% |
| Denbury Q1 Daily Production (BOE) | 47,655 |
| Denbury Year-End Proved Reserves (BOE) | 202,000,000 |
| CO2 Pipeline Miles | 1,300 |
| | |
| Enterprise Value / EBITDA | 5.7x |
| Enterprise Value / Flowing Barrel | $102,822 |
| Enterprise Value / Proven Reserves | $24.26 |
| Enterprise Value / Mile of Pipeline | $3,769,231 |

Just looking at the implied values relating to upstream multiples, the flowing barrel metric jumps out as high compared to most operators, especially with an EBITDA margin below 55%. This implies a higher multiple than much larger global companies such as BP, ConocoPhillips, and Occidental Petroleum—which does not make intuitive sense.

# Macro Update
## (cont.)

On the other side of the equation, the value per mile of pipeline appears relatively high at first glance. This is considering management's recent earnings call comments about construction costs being between $2 million to $4 million per mile, coupled with the fact that the pipelines are not fully utilized yet. There clearly is a mix of segment-made contributions that drive different elements of the overall transaction price.

Denbury's CCUS business represents the future of Denbury and embodies the key rationale for Exxon's interest. Denbury has touted this segment, and most of its marketing, to investors centers on this aspect of its business. Its enthusiasm is apparent as its annual report spent almost all its focus on this area of the business. CCUS does represent a synergistic operational advantage for the company because Denbury has been one of the few upstream companies focusing on older, depleted fields that have lost what the industry calls "natural drive" and thus require incremental efforts to bring oil to the surface. Denbury's solution to this challenge for a long time has been to inject its CO2 into the fields to create pressure and stimulate oil production.

However, the business model for a standalone CCUS business model is still relatively nascent, requiring hundreds of millions of dollars of investment and years before it could potentially reach cash flow sustainability separate from oil production activities. There's already much in place now with 1,300 miles of pipeline and ten onshore sequestration sites, which was attractive to Exxon. However, things like the growth of offtake agreements, Section 45Q tax incentives, and carbon storage contracts are not expected to generate net positive income for Denbury until several years in the future.

Nonetheless, this developmental potential and strategic location in the Gulf region have significantly contributed to Denbury's stock price and Exxon's interest. How much the CCUS is contributing to Denbury's value is uncertain. But an interesting article by Hart Energy interviewed Andrew Dittmar, a Director at Enverus, who estimated that (effectively) about 62% of Denbury's value was based on their CCUS business.

In the meantime, Denbury's upstream enhanced oil recovery (EOR) business has been pulling the income statement's performance along. Nearly all profits for Denbury are generated through this business line. However, compared to other public upstream companies, Denbury's profitability is comparably lower, production is smaller, and production costs are higher.

# Macro Update
## (cont.)

This is not a recipe for high comparative valuations, certainly not over $100 thousand per flowing barrel, which only the likes of Exxon and Chevron imply. (While we're on the topic of segments, it is not a clean comparison either since Exxon and Chevron are two integrated companies with many segments that contribute to their values too).

Denbury is primarily a regional oil producer with less than 50 thousand barrels per day of production and EBITDA margins lower than many public oil companies. To its credit, Denbury does have lower decline rates than other companies due to the maturity of the fields they produce from. However, the flip side is that it costs $35-$39 per barrel to produce. Those are expensive lease operating costs when many companies operate somewhere in the teens per barrel. All that said, Enverus's estimate in their Hart Energy interview was that the EOR business contributed about 38% of Denbury's value.

So, if Enverus's analysis is to be applied here, that would put an adjusted value on Denbury's production at around $39,000 per barrel and an adjusted value per pipeline mile of around $2.3 million. Take a look at these "adjusted" figures:

| Exxon / Denbury Adjusted Valuation Metrics | |
|---|---|
| Enverus Estimate - CCUS % Ratio | 62.22% |
| Enverus Estimate - Upstream % Ratio | 37.78% |
| | |
| Adjusted Upstream Transaction Value | $1,851,111,111 |
| Adjusted CCUS Transaction Value | $3,048,888,889 |
| | |
| Adjusted Upstream Value / Flowing Barrel | $38,844 |
| Adjusted CCUS Value / Mile of Pipeline | $2,345,299 |
| Adjusted Upstream Value / Proven Reserves | $9.16 |

Under this scenario, Denbury's upstream business would potentially be slotted in with public regional upstream producers with characteristics closer to: (i) under 200 thousand barrels per day of production and (ii) EBITDAX margins under 60%. Companies like Chord Energy (a Bakken-focused producer), Callon Petroleum (a smaller Permian operator), or maybe even Enerplus (another Bakken-focused producer) come to mind. Additionally, the value per mile of pipeline drifts down to the lower end of the construction estimate range, which also appears to be more realistic. Of course, this value depends on commodity expectations, regulatory stability, and execution of Denbury's plan. Exxon appears to be optimistic about it. Whether or not Denbury's shareholders will be remains to be seen.

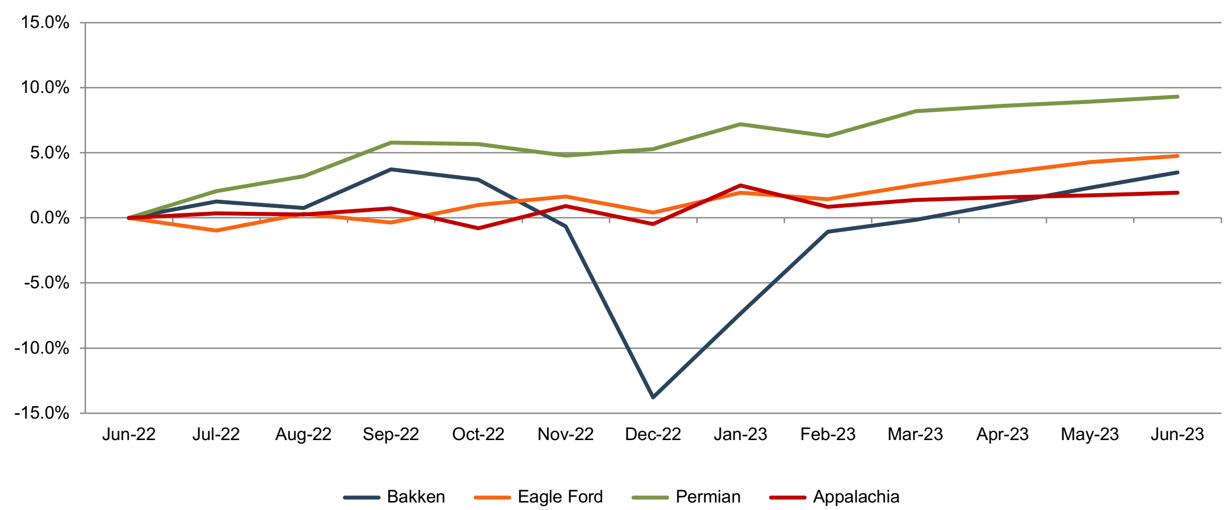
# Permian

## Production and Activity Levels


*The economics of oil and gas production varies by region. Mercer Capital focuses on trends in the Eagle Ford, Permian, Bakken, 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 Permian.*

Estimated Permian production (on a barrel of oil equivalent, or "boe" basis) increased 9.9% year-over-year through June. Other basins analyzed (Bakken, Eagle Ford, and Appalachian) showed markedly lower production increases ranging from 2.5% to 5.5%.There were 345 rigs in the Permian as of June 10, up 49% from June 4, 2021. The Bakken, Eagle Ford, and Appalachia rig counts were up 131%, 106%, and 34%, respectively, over the same period.

**1-Year Change in Production**

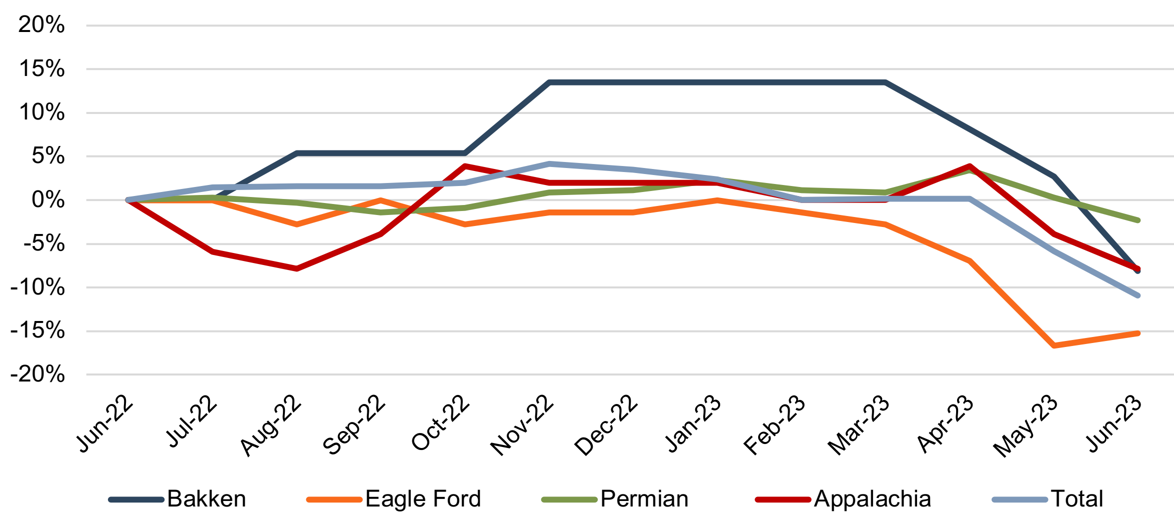



*Source: Energy Information Administration*

## Production and Activity Levels (cont.)

Rig counts declined across all four basins by nearly 11%. The Permian showed the lowest year-over-year decline at 2.3%. The other basins posted rig count losses of 9% to 15%, with the gas-heavy Appalachian basin recording the lowest decline after the Permian. The Permian's rig count declined from 349 to 342, but Permian rigs edged upward from 46% of total four-basin rigs to 51%.

**1-Year Change in Rig Count**

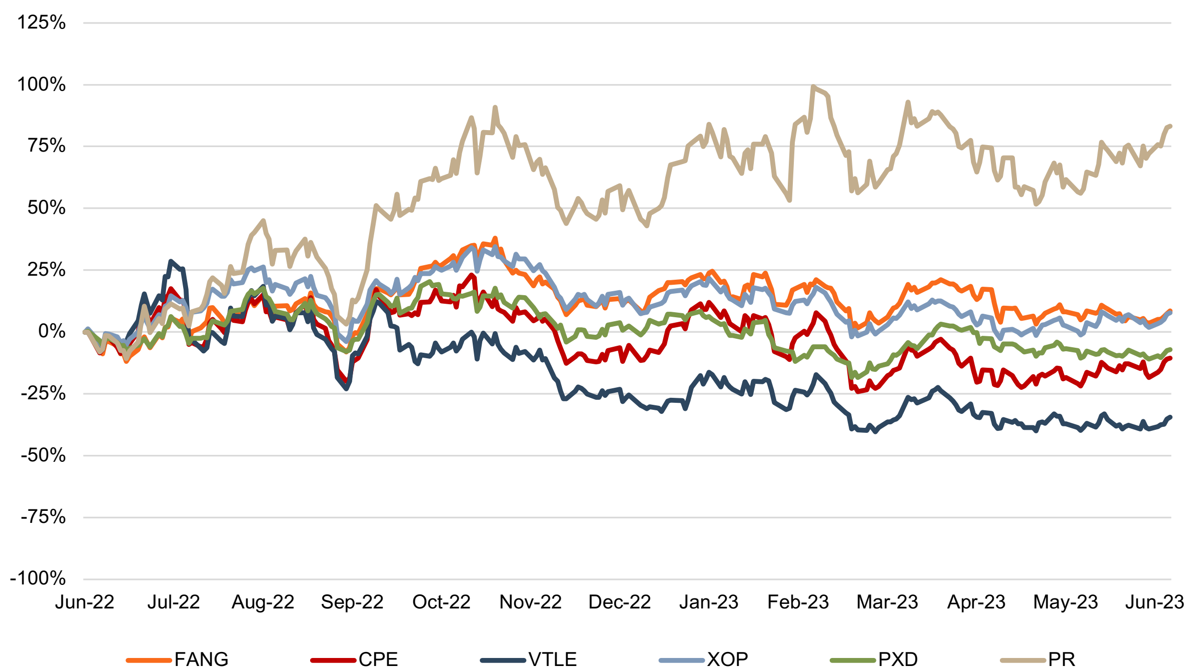



*Source: Baker Hughes*

## Financial Performance

The Permian public comp group showed a mixed bag of stock price performance over the past year (through June 30). Three of the five members (Diamondback, Callon, and Pioneer) posted price performance from -7.1% to 8.4%, with an average among the three of -3.1%. Permian Resources posted an outlier high-side increase of 83.3% following its September 1 **formation from the merger** of Centennial Resources and Colgate Energy. The low-side outlier was Vital, with a price decline of -34.1%.

**1-Year Change in Stock Price**




*Source: Capital IQ*

# Market Valuations & Transaction History

## Recent Transaction in the Permian

Transaction activity in the Permian Basin remained flat over the past 12 months. The transaction count decreased slightly to 19 deals, a decline of two from the 21 deals that occurred over the prior 12-month period. This level is in line with the 22 transactions that occurred in the 12 months ended mid-June 2020 but well off the pace of the 27 transactions that closed during the same time period in 2021. While deal activity has remained flat year-over-year, three deals have closed since the beginning of May, including two deals valued at over $2.0 billion each (discussed in detail below), as producers are showing concern that "Grade-A" drilling sites are becoming scarce. The most likely targets are expected to be publics with market capitalizations of less than $10 billion. Ryan Lance, CEO of ConocoPhillips, **recently suggested** that M&A in the Permian Basin is a necessity for exploration and production to remain a healthy business.

A table detailing E&P transaction activity in the Permian over the last 12 months is shown below.

| Announced Date | Buyer | Seller | Deal Value ($MM) | Acreage | Production | $ / Acre | $ / Boepd |
|---|---|---|---|---|---|---|---|
| 6/20/23 | Civitas Resources Inc. | Tap Rock Operating LLC | $2,450 | 30,000 | 59,000 | $81,667 | $41,525 |
| 6/20/23 | Civitas Resources Inc. | Hibernia Resources III LLC | 2,250 | 38,000 | 41,000 | 59,211 | 54,878 |
| 5/3/23 | Callon Petroleum Co. | Percussion Petroleum II, LLC | 475 | 18,000 | 14,000 | 26,389 | 33,929 |
| 4/3/23 | Ovintiv Inc. | Piedra Resources LLC; PetroLegacy Energy II, LLC; Black Swan Operating, LLC | 4,200 | 65,000 | Undisclosed | 64,615 | nm |
| 2/14/23 | Laredo Petroleum Inc.; Vital Energy, Inc. | Driftwood Energy Partners | 212 | 11,200 | 5,400 | 18,946 | 39,296 |
| 1/24/23 | Matador Resources Company | Advance Energy Partners | 1,600 | 18,500 | 24,500 | 86,486 | 65,306 |
| 1/17/23 | Permian Resources Corp. | Undisclosed Seller | 98 | 4,000 | 1,100 | 24,500 | 89,091 |
| 11/16/22 | Diamondback Energy, Inc. | Lario Oil & Gas | 1,600 | 15,000 | Undisclosed | 106,667 | nm |
| 10/11/22 | Diamondback Energy, Inc. | Firebird Energy LLC | 1,600 | 68,000 | 22,000 | 23,529 | 72,727 |
| 9/30/22 | Northern Oil and Gas, Inc. | Alpha Energy Partners | 125 | Undisclosed | 3,000 | nm | 41,667 |
| 9/13/22 | US Energy Development Corp | Undisclosed Seller | 60 | 0 | Undisclosed | nm | nm |
| 9/6/22 | Sitio Royalties Corp. | Brigham Minerals Inc. | 4,800 | 85,710 | 13,548 | 56,003 | 354,296 |
| 8/23/22 | Henry Resources LLC, et al | Avant Natural Resources | 133 | 3,900 | 850 | 33,974 | 155,882 |
| 8/17/22 | Northern Oil and Gas, Inc. | Laredo Petroleum Inc. | 110 | 10,000 | 1,600 | 11,000 | 68,750 |
| 8/4/22 | APA Corp. | Undisclosed Seller | 555 | 0 | 13,000 | nm | 42,692 |
| 7/5/22 | Ring Energy Inc. | Stronghold Energy II LLC | 465 | 37,000 | 9,100 | 12,568 | 51,099 |
| 6/28/22 | Moss Creek Resources, LLC | Titus Oil & gas Production, LLC | 575 | 7,900 | 31,800 | 72,785 | 18,082 |
| 6/27/22 | Sitio Royalties Corp. | Momentum Minerals | 224 | 12,200 | Undisclosed | 18,361 | nm |
| 6/27/22 | Sitio Royalties Corp. | Foundation Minerals | 323 | 19,700 | 1,250 | 16,396 | 258,400 |
| **Median - All Transactions** | | **Count: 19** | **$475** | **16,500** | **13,000** | **$30,182** | **$54,878** |
| **Average - All Transactions** | | | **$1,150** | **24,673** | **16,077** | **$44,569** | **$92,508** |

# Market Valuations & Transaction History

## Recent Transaction in the Permian (cont.)

**Relative to 2021-2022**, the median deal size was approximately $475 million, 23% higher than the $387 million median deal size in the prior 12-month period. However, the median acreage purchased over the past year was 16,500 net acres, over 21% lower than the 20,000 acres in the previous year. The theme is flipped upside down, however, when looking at acquired production, as the median production among transactions over the past year was 13,000 barrel-oil-equivalent per day ("Boepd"), a whopping 136% increase from the 5,500 Boepd metric from the prior year.

The obvious observation is that companies are paying more per acre than one year prior, with the median price per net acre up 43% period-over-period. While the median transaction value per Boepd jumped 12% (from $49,143 in the prior 12 months preceding June 2022 to $54,878 in the latest 12-month period), one year ago, this jump was 54%, from $31,886 in 2020 to $49,143 in 2021. This tempered willingness to pay more per Boepd than one year prior could suggest that the underlying economics of the targets are increasingly less attractive. However, the marginal costs of these acquisitions may have breached the perceived marginal returns projected for these properties, as evidenced by the relatively flat transaction count compared to last year.

The approach to the marginal "equilibrium" appears to have been a pretty short runway to land on. Of the 19 completed transactions, 12 occurred from June to December, with the remaining seven from January 2023 to the present. Based on the deal value per production (annualized) per acre, one metric we analyzed indicates a sharp increase in the "bang for the buck" exhibited by the transactions before and after year-end 2022. As presented below, the median cost per production acre for the 12 transactions from June to December 2022 was $5.18. In contrast, the median metric for the seven transactions from January to June 2023 was $2.492, indicating an approximate 50% decrease in the cost per production acre. A deeper dive into the details of each transaction would be needed to discern any common causes for this movement, but it could indicate a shift in focus from developed-producing reserves towards undeveloped acreage. In other words, acquirers may be putting increased value on the potential optionality for greater-but-yet-proven production presented by these targets. This observation ties in nicely with the prior observation of increased deal value per acre.

# Market Valuations & Transaction History

## Recent Transaction in the Permian (cont.)

| Announced Date | Buyer | Seller | Deal Value ($MM) | Production (MBoepa) | Acreage | Deal Value / (Prod. / Acre) ($) |
|---|---|---|---|---|---|---|
| 6/20/23 | Civitas Resources Inc. | Tap Rock Operating LLC | $2,450 | 21,535 | 30,000 | $3.413 |
| 6/20/23 | Civitas Resources Inc. | Hibernia Resources III LLC | 2,250 | 14,965 | 38,000 | 5.713 |
| 5/3/23 | Callon Petroleum Co. | Percussion Petroleum II, LLC | 475 | 5,110 | 18,000 | 1.673 |
| 4/3/23 | Ovintiv Inc. | Piedra Resources LLC; PetroLegacy Energy II, LLC; Black Swan Operating, LLC | 4,200 | na | 65,000 | na |
| 2/14/23 | Laredo Petroleum Inc.; Vital Energy, Inc. | Driftwood Energy Partners | 212 | 1,971 | 11,200 | 1.206 |
| 1/24/23 | Matador Resources Company | Advance Energy Partners | 1,600 | 8,943 | 18,500 | 3.310 |
| 1/17/23 | Permian Resources Corp. | Undisclosed Seller | 98 | 402 | 4,000 | 0.976 |
| 11/16/22 | Diamondback Energy, Inc. | Lario Oil & Gas | 1,600 | na | 15,000 | na |
| 10/11/22 | Diamondback Energy, Inc. | Firebird Energy LLC | 1,600 | 8,030 | 68,000 | 13.549 |
| 9/30/22 | Northern Oil and Gas, Inc. | Alpha Energy Partners | 125 | 1,095 | Undisclosed | na |
| 9/13/22 | US Energy Development Corp | Undisclosed Seller | 60 | na | 0 | na |
| 9/6/22 | Sitio Royalties Corp. | Brigham Minerals Inc. | 4,800 | 4,945 | 85,710 | 83.196 |
| 8/23/22 | Henry Resources LLC, et al | Avant Natural Resources | 133 | 310 | 3,900 | 1.666 |
| 8/17/22 | Northern Oil and Gas, Inc. | Laredo Petroleum Inc. | 110 | 584 | 10,000 | 1.884 |
| 8/4/22 | APA Corp. | Undisclosed Seller | 555 | 4,745 | 0 | na |
| 7/5/22 | Ring Energy Inc. | Stronghold Energy II LLC | 465 | 3,322 | 37,000 | 5.180 |
| 6/28/22 | Moss Creek Resources, LLC, | Titus Oil & gas Production, LLC | 575 | 11,607 | 7,900 | 0.391 |
| 6/27/22 | Sitio Royalties Corp. | Momentum Minerals | 224 | na | 12,200 | na |
| 6/27/22 | Sitio Royalties Corp. | Foundation Minerals | 323 | 456 | 19,700 | 13.947 |
| **Median - 2023 (Jan-June) Transactions** | | **Count: 7** | **$1,600** | **7,026** | **18,500** | **$2.492** |
| **Average - 2023 (Jan-June) Transactions** | | | **$1,612** | **8,821** | **26,386** | **$2.715** |
| **Median - 2022 (June-Dec) Transactions** | | **Count: 12** | **$394** | **3,322** | **12,200** | **$5.180** |
| **Average - 2022 (June-Dec) Transactions** | | | **$881** | **3,899** | **23,583** | **$17.116** |
| **Median - All Transactions** | | **Count: 19** | **$475** | **4,745** | **16,500** | **$3.310** |
| **Average - All Transactions** | | | **$1,150** | **5,868** | **24,673** | **$10.470** |

# Market Valuations & Transaction History

## Civitas Resources Sitting on One Decade's Worth of Permian Inventory

On June 20, 2023, Civitas Resources **announced** the completion of two separate asset transactions: the purchase of oil-producing assets in the Midland and Delaware Basins from Tap Rock Resources and Hibernia Resources III, both of which are portfolio companies of funds managed by NGP Energy Capital Management. The combined transaction value of the two deals was approximately $4.7 billion ($2.45 billion for the Tap Rock Resources assets and $2.25 billion for the Hibernia Resources assets).

Transaction highlights include:

» **Permian Basin entry with immediate scale:** The combined transactions will add approximately 68,000 net acres (90% held by production) in the Midland and Delaware basins. The transactions will increase Civitas' existing production by 60%, adding approximately 100 MBoe/d (54% oil) of current production, with the acquired assets expected to average approximately 105 Mboe/d from close through year-end 2023.

» **Adds premium, low breakeven oil inventory, enhances oil-weighting and margins:** Combined, the acquisitions will add about 800 gross locations, with approximately two-thirds having an estimated IRR of more than 40% at $70/Bbl WTI and $3.50/MMBtu Henry Hub NYMEX pricing.

» **Attractively priced, immediately accretive to key financial metrics**: The acquisitions are attractively priced at 3.0x 2024 estimated Adjusted EBITDAX (after taking into account the consummation of the transactions). The transactions are expected to deliver an estimated 35% uplift to 2024 free cash flow per share. Civitas expects to generate approximately $1.1 billion of pro forma free cash flow in 2024 at $70/Bbl WTI and $3.50/MMBtu Henry Hub NYMEX pricing.

» **Balanced portfolio maximizes capital allocation flexibility:** Post close, Civitas will have a more balanced asset portfolio with basin and commodity diversity. The transactions will provide flexibility in future capital allocation and optimize returns.

# Market Valuations & Transaction History

## Civitas Resources Sitting on One Decade's Worth of Permian Inventory

## (cont.)

Civitas President & CEO Chris Doyle commented:

> *"The Ranger acquisition is strategic. We are acquiring a strong operating capability in the Eagle Ford, on-trend with our non-operated position in the Karnes Trough and driving meaningful per-share accretion on all metrics. The transaction more than doubles our EBITDA and nearly doubles our free cash flow. The Ranger inventory immediately competes for capital in our portfolio and brings 12 to 15 years of quality oil-weighted drilling opportunities. We are building quality scale and a more durable business with a lower break-even WTI price."*

Civitas plans to fund the two transactions by issuing approximately $2.7 billion of unsecured senior debt, 13.5 million shares of Civitas common stock valued at $950 million, $600 million in borrowings under the Company's undrawn credit facility, and $400 million of cash-on-hand.

M&A transaction volume in the Permian declined during the first half of 2023 (seven deals) relative to the back half of 2022 (12 deals). Still, a late push of four deals from April through June 2023 could be the start of increased M&A activity as producers scramble to add quality assets to their portfolios. From a deal value perspective, these four deals account for approximately 43% of the total deal value from all 19 deals since the end of June 2022.

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 seven 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 6/30/2023 | | |
|---|---|---|---|---|---|---|---|
| **Company Name** | **Ticker** | **6/30/2023 Enterprise Value** | **YoY % Change in Stock Price** | **EBITDAX Margin** | **EV/ EBITDAX** | **Daily Production (mboe/d)** | **Price per Flowing Barrel*** |
| **Global Integrated** | | | | | | | |
| Exxon Mobil Corp | XOM | $450,069 | 25.2% | 24.1% | 4.7x | 3,724 | $120,848 |
| Shell PLC | SHEL | 245,778 | 14.8% | 20.9% | 3.1 | 2,555 | 96,178 |
| Chevron Corp | CVX | 304,354 | 8.7% | 25.4% | 5.1 | 2,949 | 103,222 |
| BP PLC | BP. | 142,370 | 23.4% | 24.1% | 2.4 | 2,269 | 62,745 |
| Equinor ASA | EQNR | 68,664 | -16.0% | 54.8% | 0.9 | 1,925 | 35,674 |
| **Group Median** | | | **14.8%** | **24.1%** | **3.1x** | **2,555** | **$96,178** |
| **Global E&P** | | | | | | | |
| Marathon Oil Corporation | MRO | $19,906 | 2.4% | 70.5% | 3.8x | 392 | $50,777 |
| Hess Corporation | HES | 48,617 | 28.3% | 52.5% | 8.2 | 367 | 132,547 |
| ConocoPhillips | COP | 133,348 | 15.4% | 42.7% | 4.0 | 1,790 | 74,503 |
| Occidental Petroleum Corporation | OXY | 80,896 | -0.1% | 55.7% | 4.1 | 1,180 | 68,574 |
| APA Corporation | APA | 17,208 | -2.1% | 62.9% | 2.7 | 399 | 43,122 |
| Murphy Oil Corporation | MUR | 7,657 | 26.9% | 73.1% | 2.7 | 180 | 42,632 |
| **Group Median** | | | **8.9%** | **59.3%** | **3.9x** | **396** | **$59,675** |

*Source: Capital IQ*

- Price per Flowing Barrel is EV/ daily production ($/boe/d)
- 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 | 6/30/2023 Enterprise Value | YoY % Change in Stock Price | EBITDAX Margin | EV/ EBITDAX (as of 6/30/2023) | Daily Production (mboe/d) (as of 6/30/2023) | Price per Flowing Barrel* (as of 6/30/2023) |
|---|---|---|---|---|---|---|---|
| **Bakken** | | | | | | | |
| Continental Resources, Inc. | CLR | $6,193 | 26.4% | 66.7% | 2.6x | 166 | $37,255 |
| Chord Energy Corp* | CHRD | 3,232 | 9.8% | 72.9% | 2.1x | 94 | 34,317 |
| **Group Median** | | | **18.1%** | **69.82%** | **2.3x** | **130** | **$35,786** |
| **Appalachia** | | | | | | | |
| Range Resources Corporation | RRC | $8,461 | 18.8% | 40.8% | 3.1x | 342 | $24,709 |
| EQT Corporation | EQT | 18,260 | 19.6% | 71.4% | 2.3 | 873 | 20,928 |
| Coterra Energy Inc | CTRA | 20,391 | -1.9% | 77.1% | 2.9 | 640 | 31,852 |
| Antero Resources Corporation | AR | 8,486 | -24.9% | 48.7% | 2.1 | 551 | 15,404 |
| Southwestern Energy Company | SWN | 10,550 | -3.8% | 56.0% | 1.3 | 764 | 13,800 |
| **Group Median** | | | **-1.9%** | **56.0%** | **2.3x** | **640** | **$20,928** |
| **Permian Basin** | | | | | | | |

*Source: Capital IQ*

- Price per Flowing Barrel is EV/ daily production ($/boe/d)
- 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 6/30/2023 | | |
|---|---|---|---|---|---|---|---|
| **Company Name** | **Ticker** | **6/30/2023 Enterprise Value** | **YoY % Change in Stock Price** | **EBITDAX Margin** | **EV/ EBITDAX** | **Daily Production (mboe/d)** | **Price per Flowing Barrel*** |
| Diamondback Energy, Inc. | FANG | $31,537 | 8.4% | 84.0% | 4.4x | 436 | $72,308 |
| Permian Resources Corporation | PR | 8,055 | 83.3% | 78.7% | 4.3 | 164 | 49,247 |
| Callon Petroleum Company | CPE | 4,371 | -10.5% | 66.4% | 2.2 | 107 | 40,941 |
| Vital Energy, Inc. | VTLE | 1,951 | -34.5% | 75.6% | 1.5 | 86 | 22,607 |
| Pioneer Natural Resources Company | PXD | 53,022 | -7.1% | 51.1% | 4.5 | 690 | 76,879 |
| **Group Median** | | | **-7.1%** | **75.6%** | **4.3x** | **164** | **$49,247** |
| **Eagle Ford** | | | | | | | |
| EOG Resources, Inc. | EOG | $65,733 | 3.6% | 56.0% | 4.1x | 963 | $68,293 |
| Magnolia Oil & Gas Corporation | MGY | 3,865 | -0.4% | 77.0% | 3.1 | 80 | 48,292 |
| SilverBow Resources, Inc. | SBOW | 1,362 | 2.7% | 97.9% | 1.8 | 54 | 25,246 |
| **Group Median** | | | **2.7%** | **77.0%** | **3.1x** | **80** | **$48,292** |
| **OVERALL MEDIAN** | | | **6.0%** | **59.5%** | **3.0x** | **494** | **$45,707** |

*Source: Capital IQ*

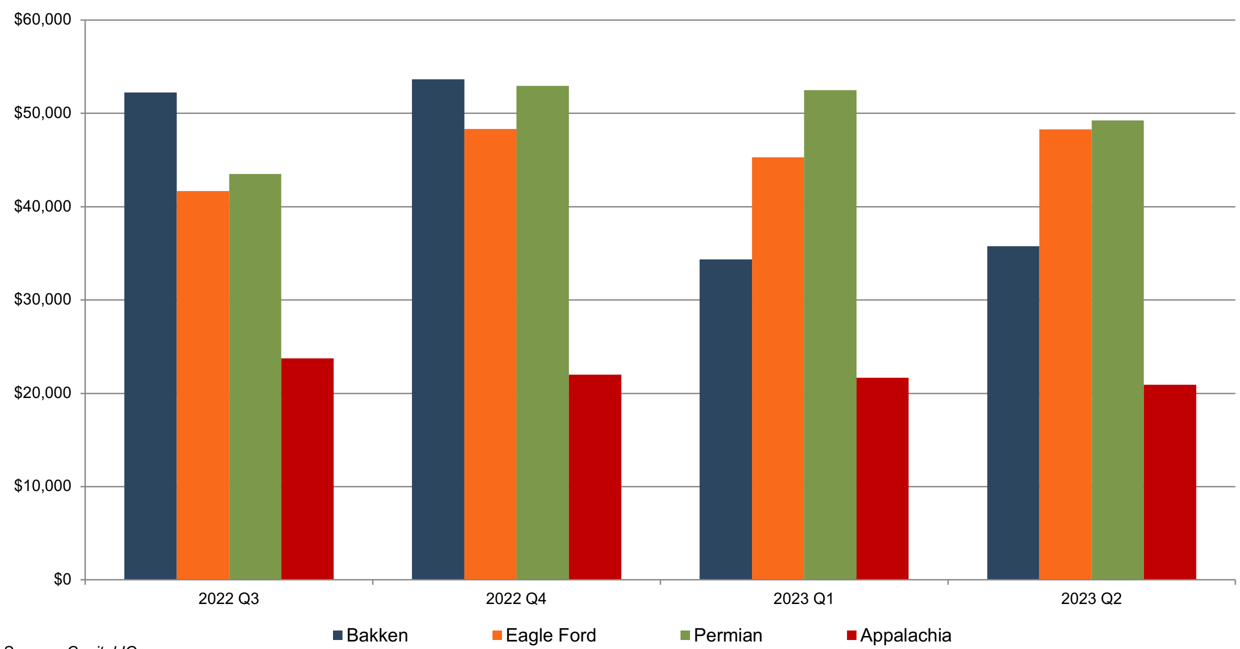
- Price per Flowing Barrel is EV/ daily production ($/boe/d)
- Companies included in the Guideline Group are not meant to be an exhaustive list. The selected companies' market caps exceed $1 billion and/or revenues exceed $500 million.
- We review 10-K's and annual reports from guideline companies to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

## Appendix A

# Selected Public Company Information

The following graph depicts the median of EV/production multiples, also known as price per flowing barrel, from Q3 2022 through Q2 2023.

**Price per Flowing Barrel**




*Source: Capital IQ*

- Price per Flowing Barrel is EV/ daily production ($/boe/d)
- This is simply a graphic depiction of 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. Bloomberg 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.

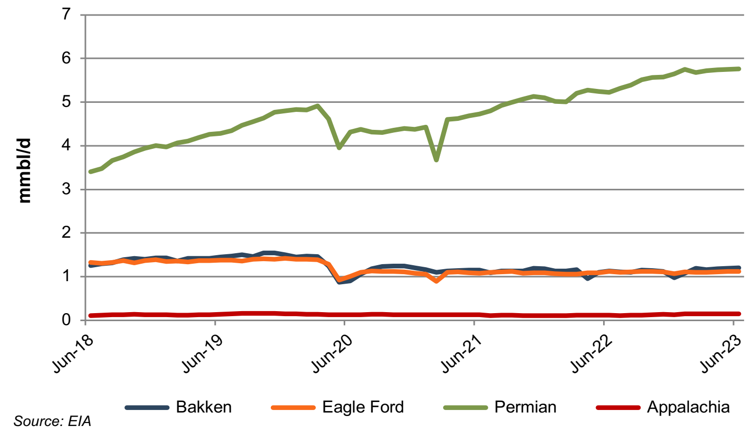
 

Appendix B

# Production

### Daily Production of Crude Oil

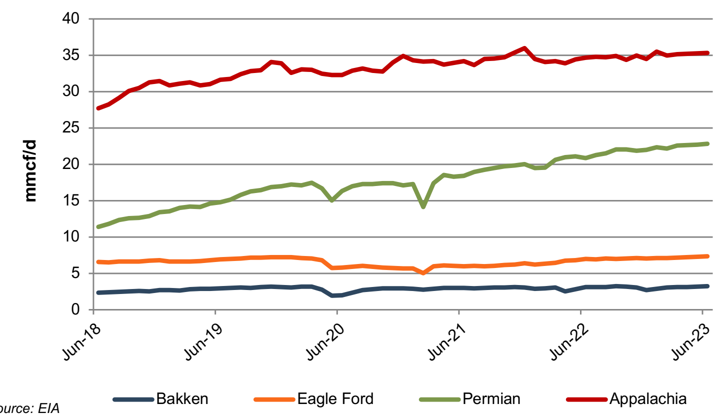
Oil production in the Appalachian basins increased by 32.9% over the last year, followed by a 10.3% increase in the Permian and a 6.4% increase in the Bakken. Eagle Ford oil production remained stagnant, increasing by 0.1% from a year ago.




*Source: EIA*

### Daily Production of Natural Gas

The Permian led the analyzed regions in natural gas production growth at 9.3% over the last year, followed by growth of 4.8% in the Eagle Ford, 3.5% in the Bakken, and 1.9% in the Appalachian basins over the same period.




*Source: EIA*

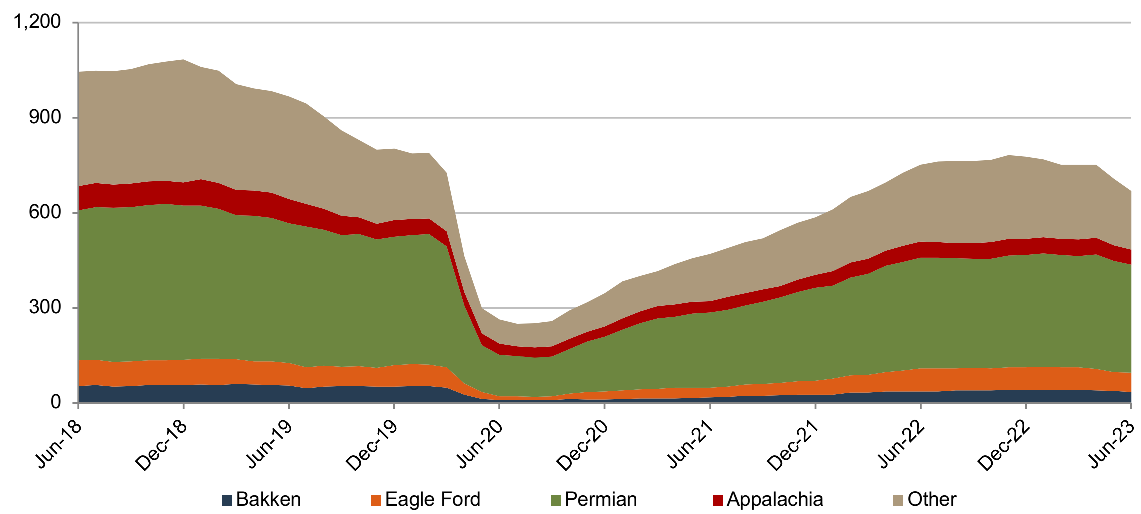
Appendix C

# 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 active rigs in the U.S. during June 2023 was 669, which represents a 10.9% decrease from 751 in June 2022. The number of active rigs represents the lowest point since March 2022 with a rig count of 668. Year-over-year, the rig count in the Eagle Ford experienced a decrease of 15.3%, from 72 to 61, representing the largest decrease of the regions analyzed. The Permian experienced the smallest decrease, falling by 2.3% from 349 to 341.

**Rig Count by Region**



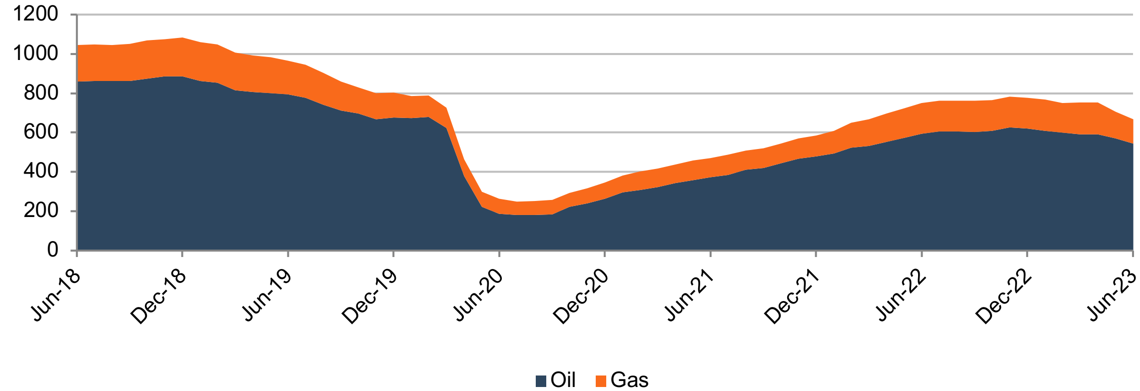

*Source: Baker Hughes*

[1] Calculations based on monthly crude oil and gas production and EIA drilling report by region.

Appendix C

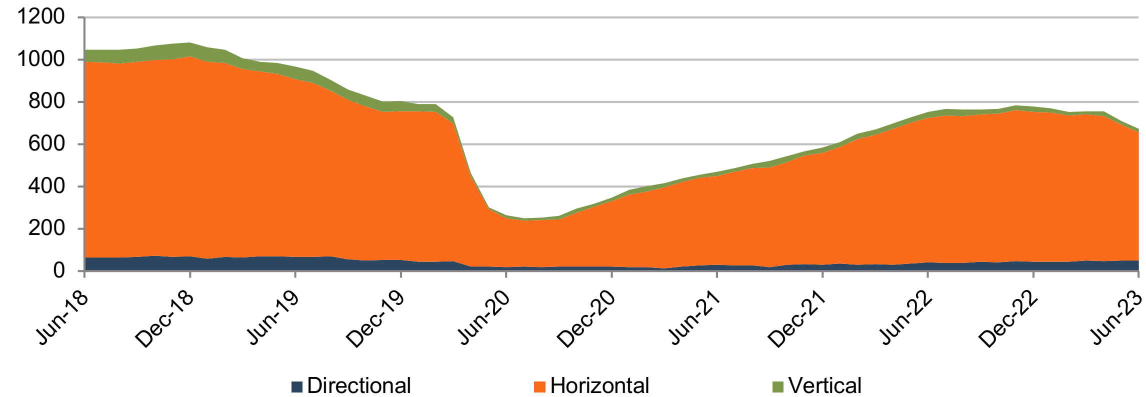
# Rig Count

**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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