



NM PRODUCTION & ECONOMICS OUTLOOK

PREPARED FOR: Legislative Finance Committee

DI Strategy & Analytics | July 2019 | Cloudcroft, NM



DISCLAIMERS

Forward-Looking Statements

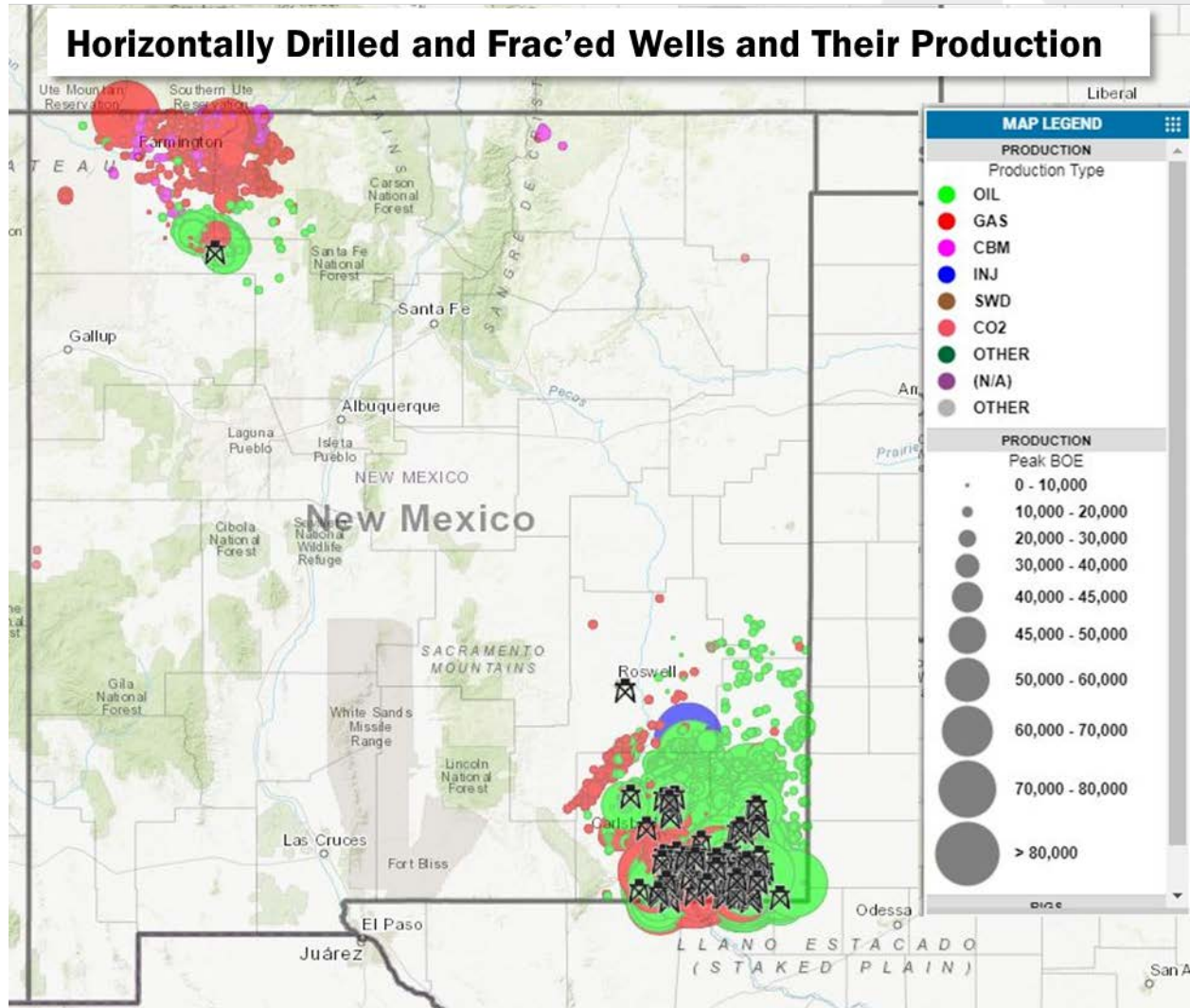
This presentation may contain forward-looking statements. In this context, forward-looking statements often address future commodity prices and M&A or E&P activity and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “target,” similar expressions, and variations or negatives of these words. Forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those expressed in any forward-looking statements. Nothing in this presentation should be considered a guarantee of future results. Important risk factors that may cause such a difference include, but are not limited to, trends in oil and gas production and exploration activity; government regulations, including those that negatively affect the production of oil and gas using hydraulic fracturing; industry and market trends; general changes in laws or regulations whether or not specific to the oil & gas industry; and general economic conditions whether or not specific to the oil & gas industry. While this list of factors is considered representative, no such list should be considered to be a complete statement of all potential risks and uncertainties. Unlisted factors may present significant additional obstacles to the realization of forward looking statements. We assume no obligation to publicly provide revisions or updates to any forward looking statements, whether as a result of new information, future developments or otherwise, should circumstances change, except as otherwise required by securities and other applicable laws.

No Investment Advice

This presentation is being provided solely for informational purposes and nothing herein shall be considered investment advice. We cannot guarantee the completeness, timeliness or accuracy of the information contained herein. Any decisions based upon the information contained in this presentation are the sole responsibility of the decision maker. INVESTMENTS IN OIL AND GAS PROPERTIES, EQUITIES, AND COMMODITIES INVOLVES SUBSTANTIAL RISK INCLUDING THE POSSIBLE LOSS OF PRINCIPAL. THESE RISKS INCLUDE PRICE FLUCTUATIONS AND UNFORESEEN EVENTS THAT MAY AFFECT OIL & GAS VALUES.

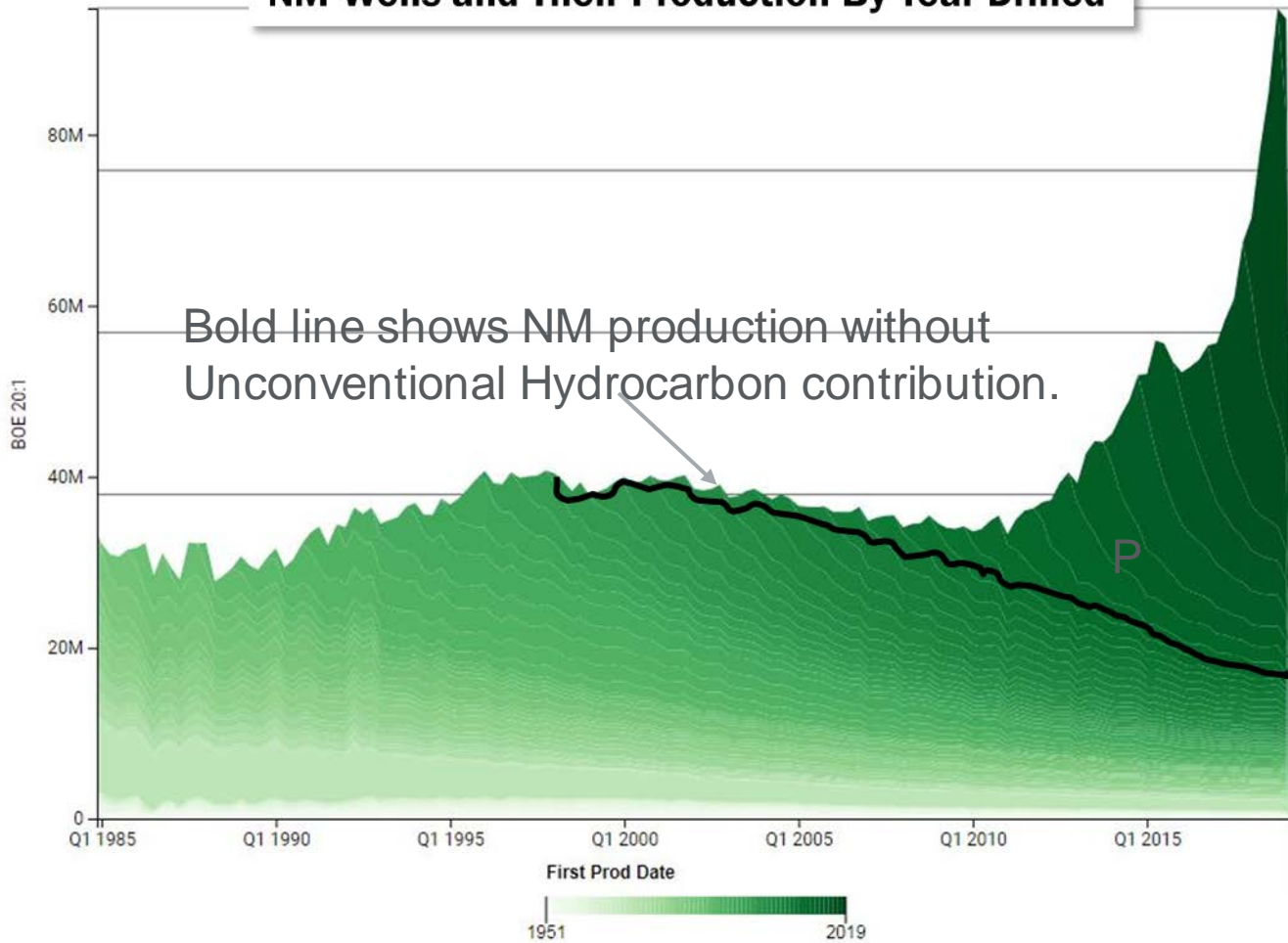
No Solicitation

This presentation is not, and nothing in it should be construed as, an offer, invitation, or recommendation in respect of the securities of Drilling Info Holdings, Inc. or any other company, or an offer, invitation or recommendation to sell, or a solicitation of an offer to buy, any securities in any jurisdiction. Neither this presentation nor anything in it shall form the basis of any contract or commitment. This presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any investor. All investors should consider such factors in consultation with a professional advisor of their choosing when deciding if an investment is appropriate.

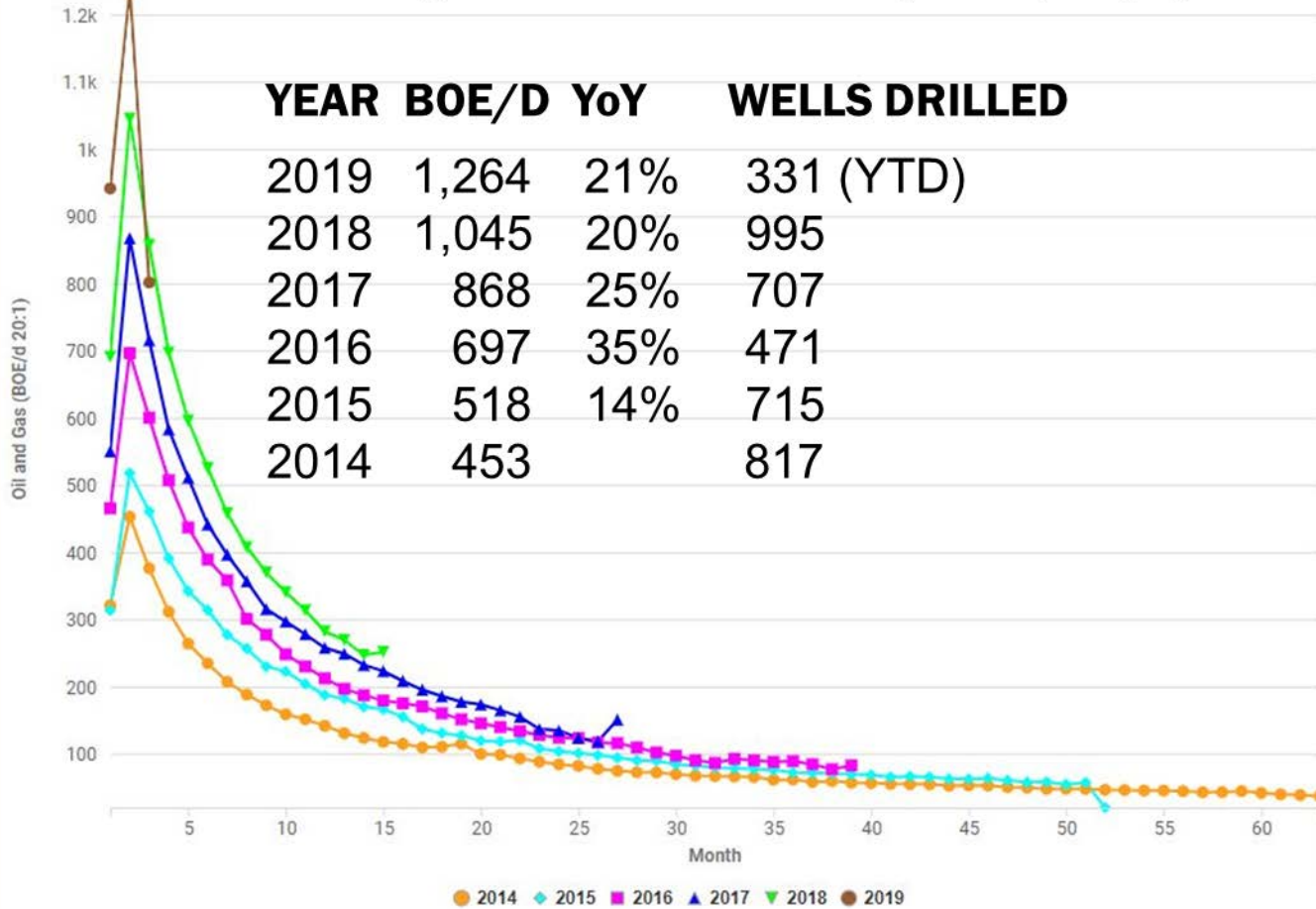


Only 1.5% of known locations drilled overall.
 Midland and Delaware Basins USGS Resource Base of 70 Billion Barrels of Oil...
 Possibly to exceed 400 Billion Barrels of Oil.

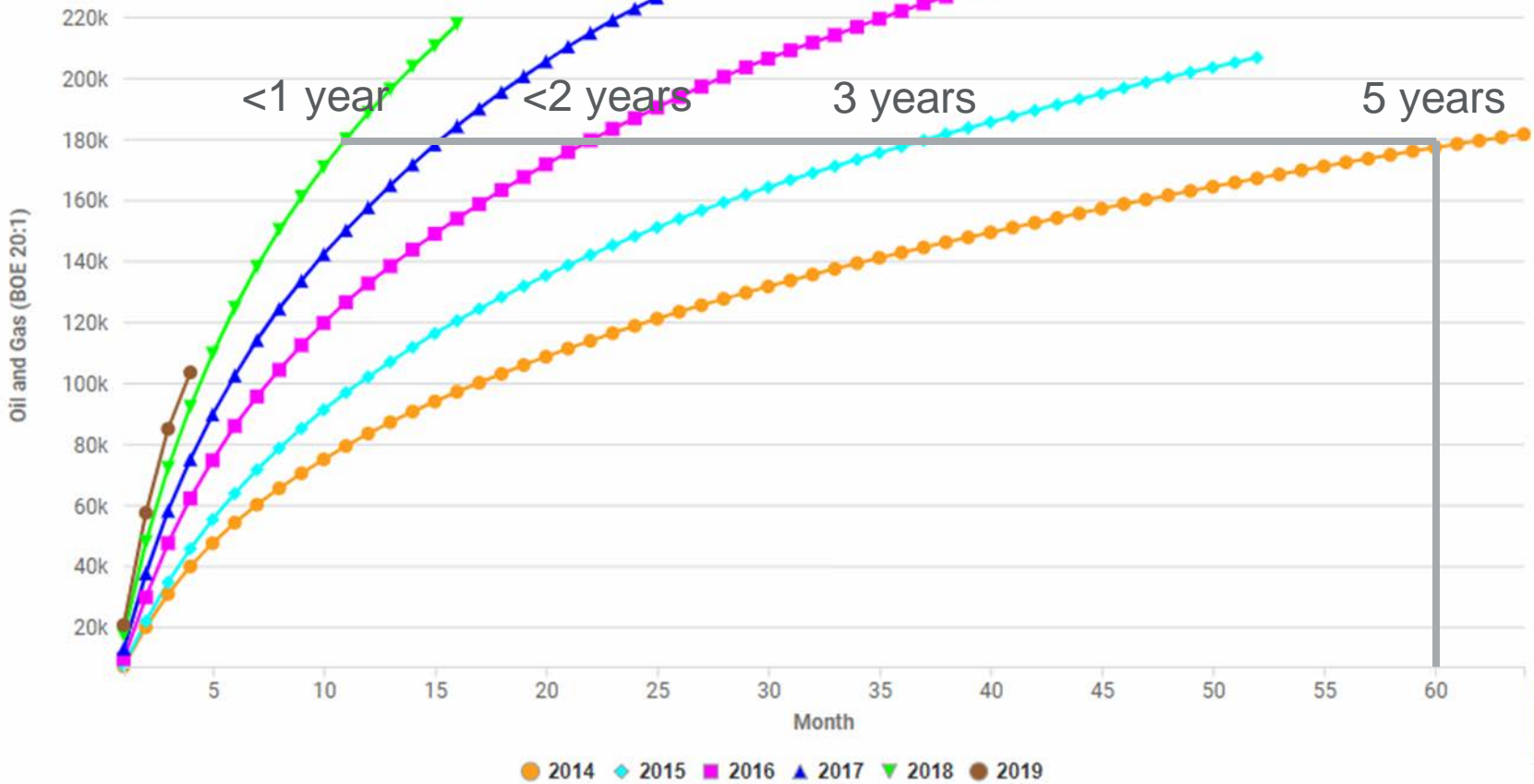
NM Wells and Their Production By Year Drilled



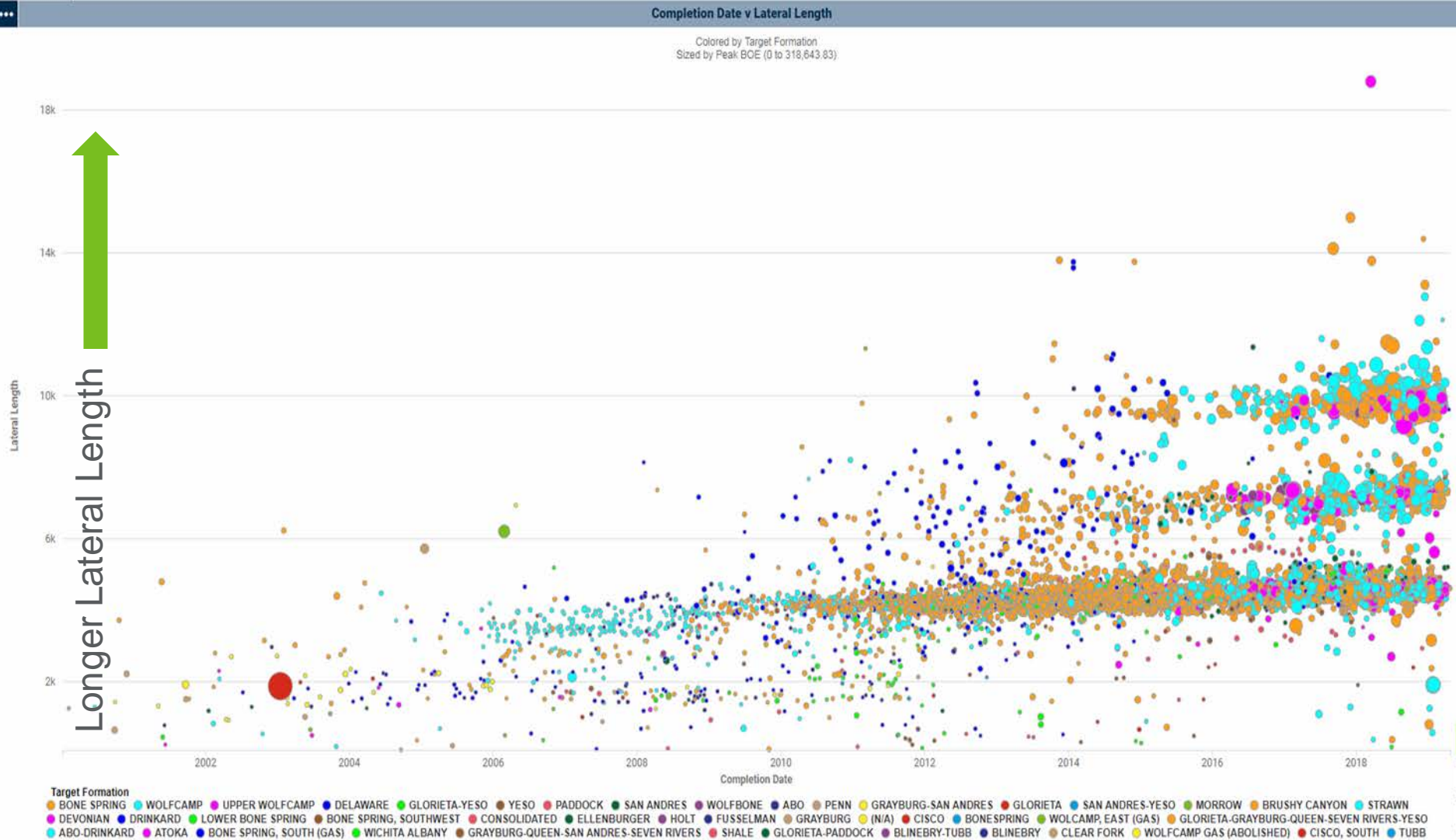
Average Well Performance By Year (boepd)



Comparative Type Curve



Evolution of Wellbore Lateral Length in NM Delaware

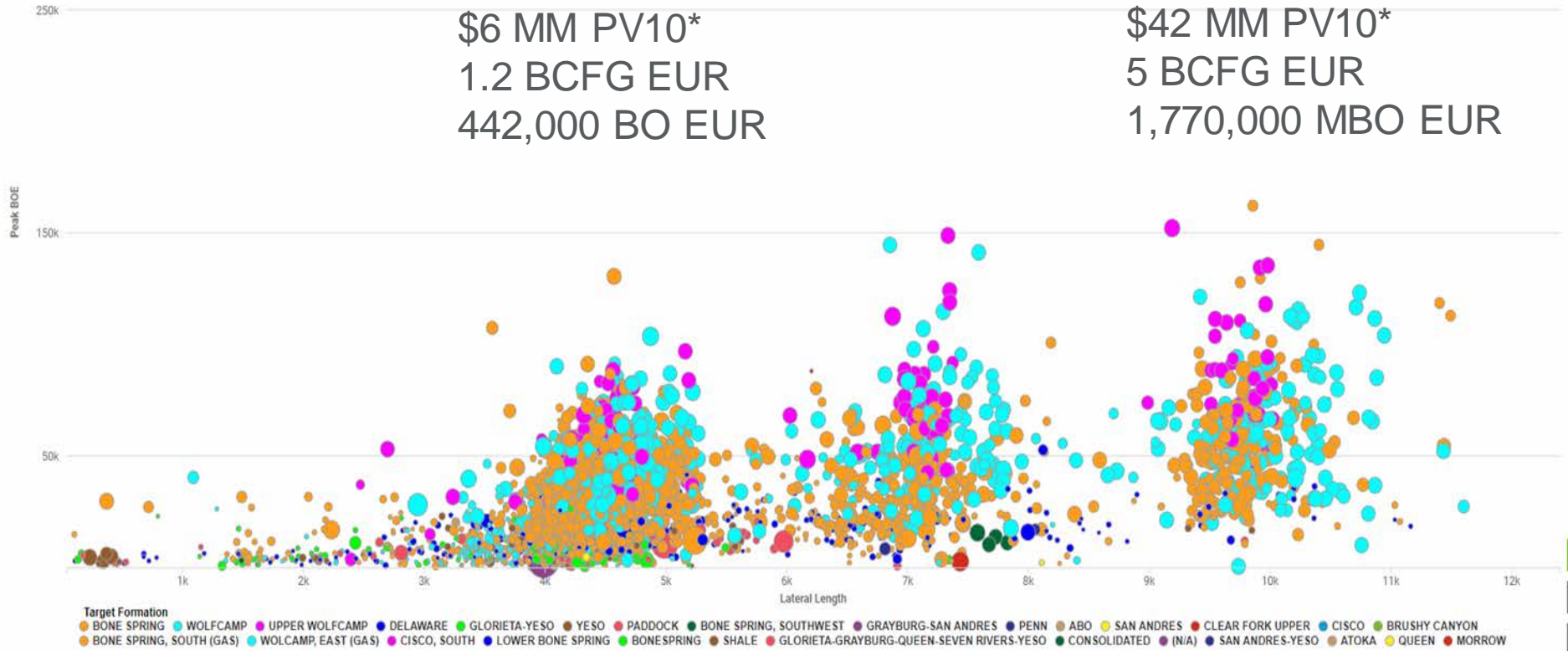


Lateral Length v Peak BOE

Colored by Target Formation
Sized by Proppant per Perforated Foot (First Treatment Job) (6,891 to 7,332,431)

\$6 MM PV10*
1.2 BCFG EUR
442,000 BO EUR

\$42 MM PV10*
5 BCFG EUR
1,770,000 MBO EUR



Sharma & Burleson: SPE Eastern Regional Meeting, 2019



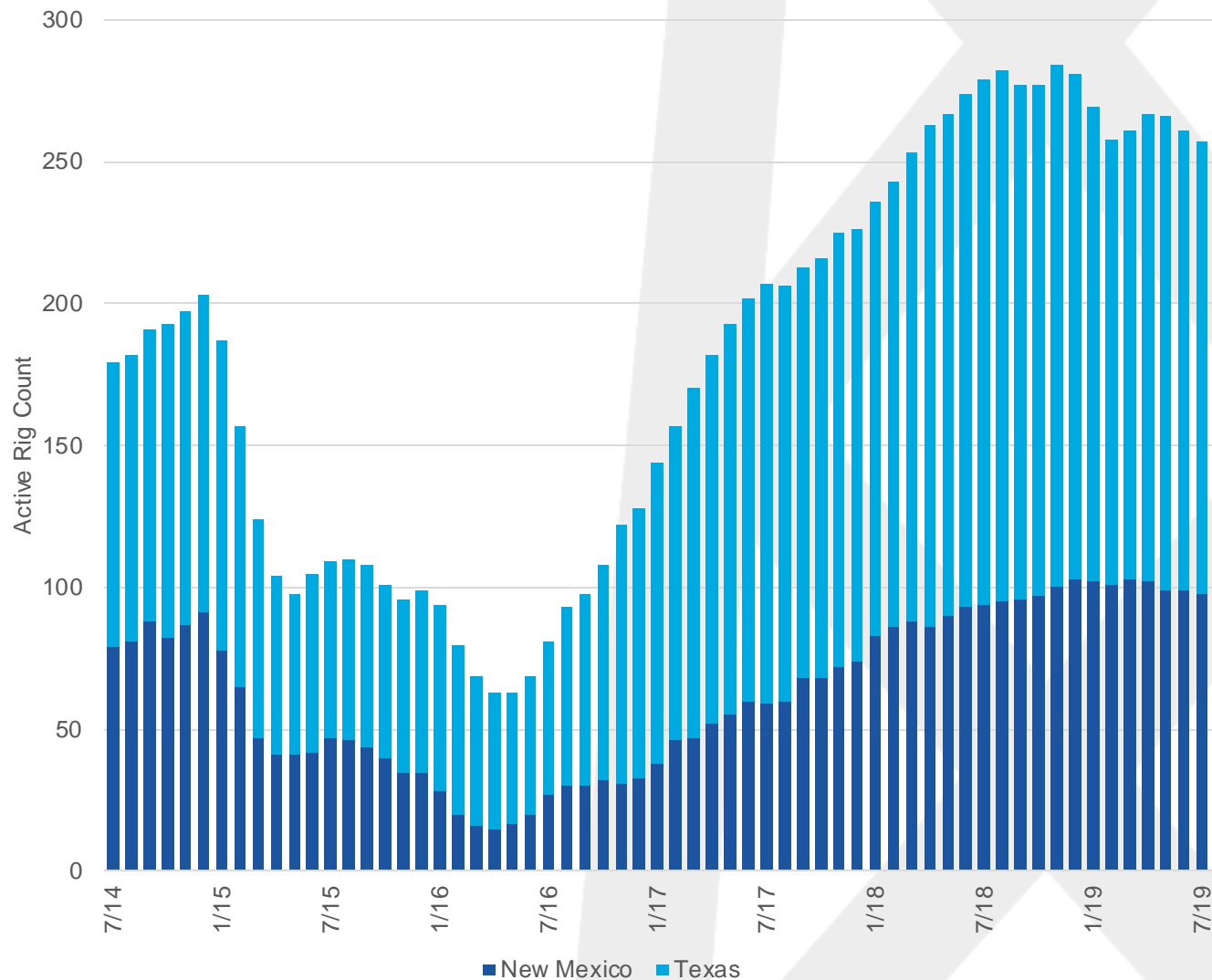
DELAWARE BASIN RIG COUNT

The chart shows the average monthly active rig count over time in the Delaware Basin broken out by state.

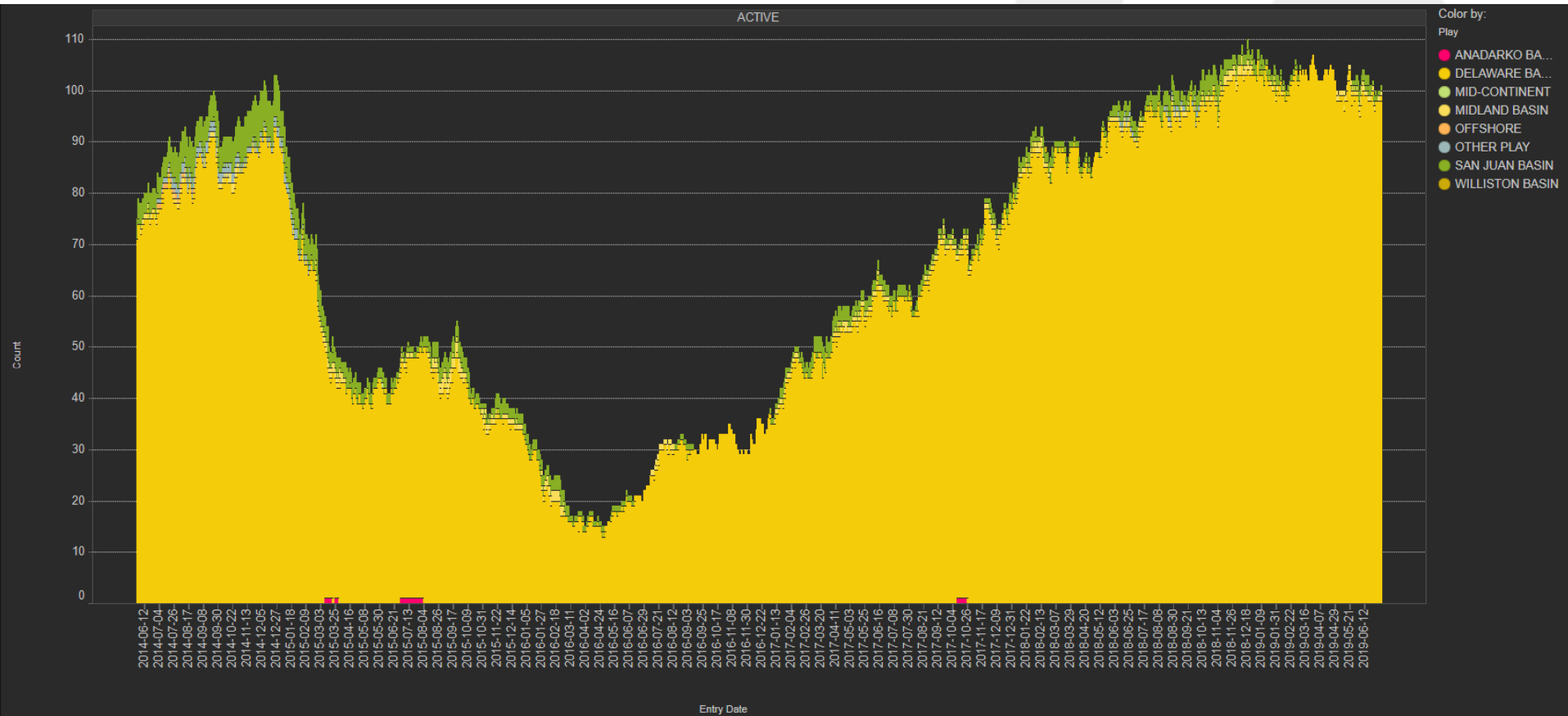
Following the oil price drop in 2014, rig count dropped across the country, but the Delaware Basin started to recover first.

The Delaware Basin has recovered to more rigs running than prior to the price crash, including NM.

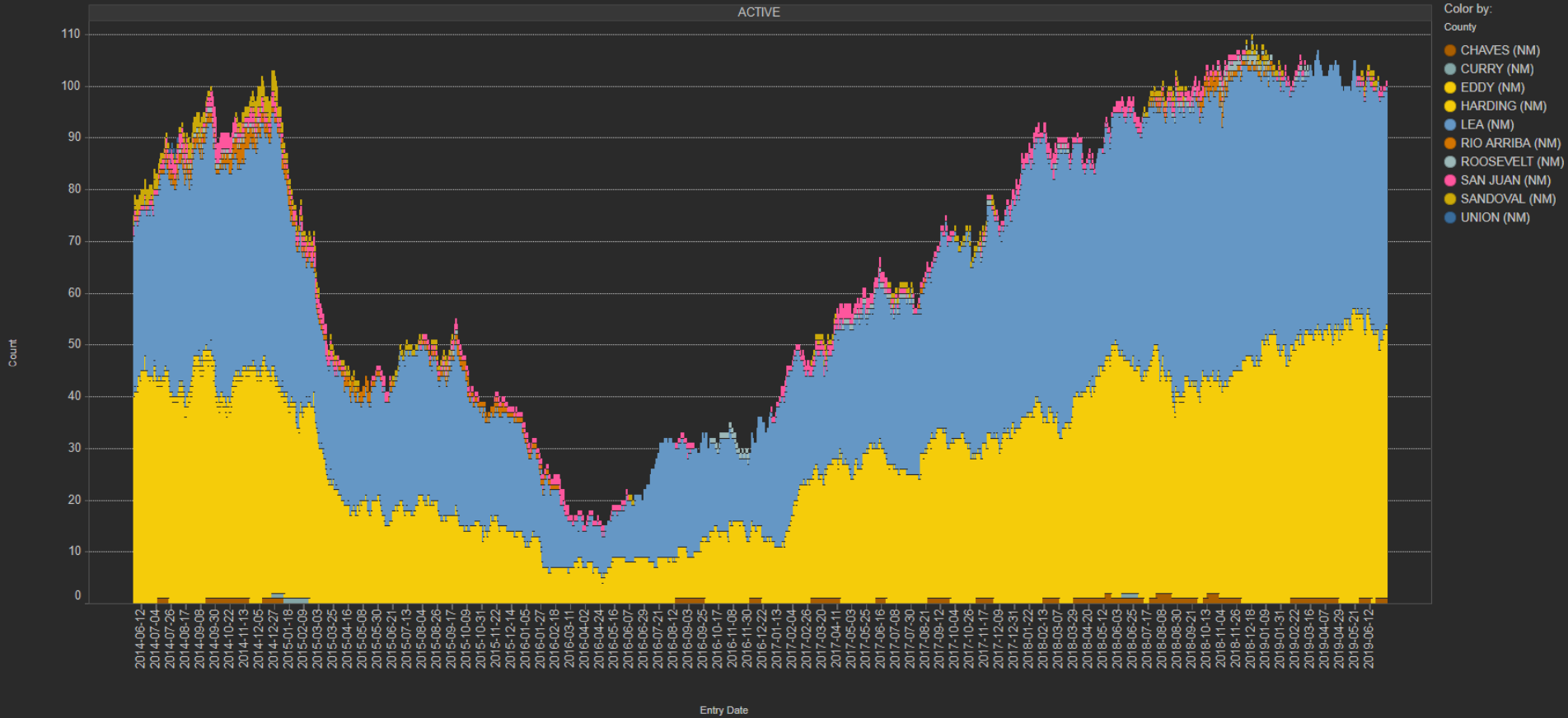
This is a testament to the great economics of the area. There are still ~100 rigs running on the NM side of the Delaware Basin currently.



New Mexico Rig Count By Basin

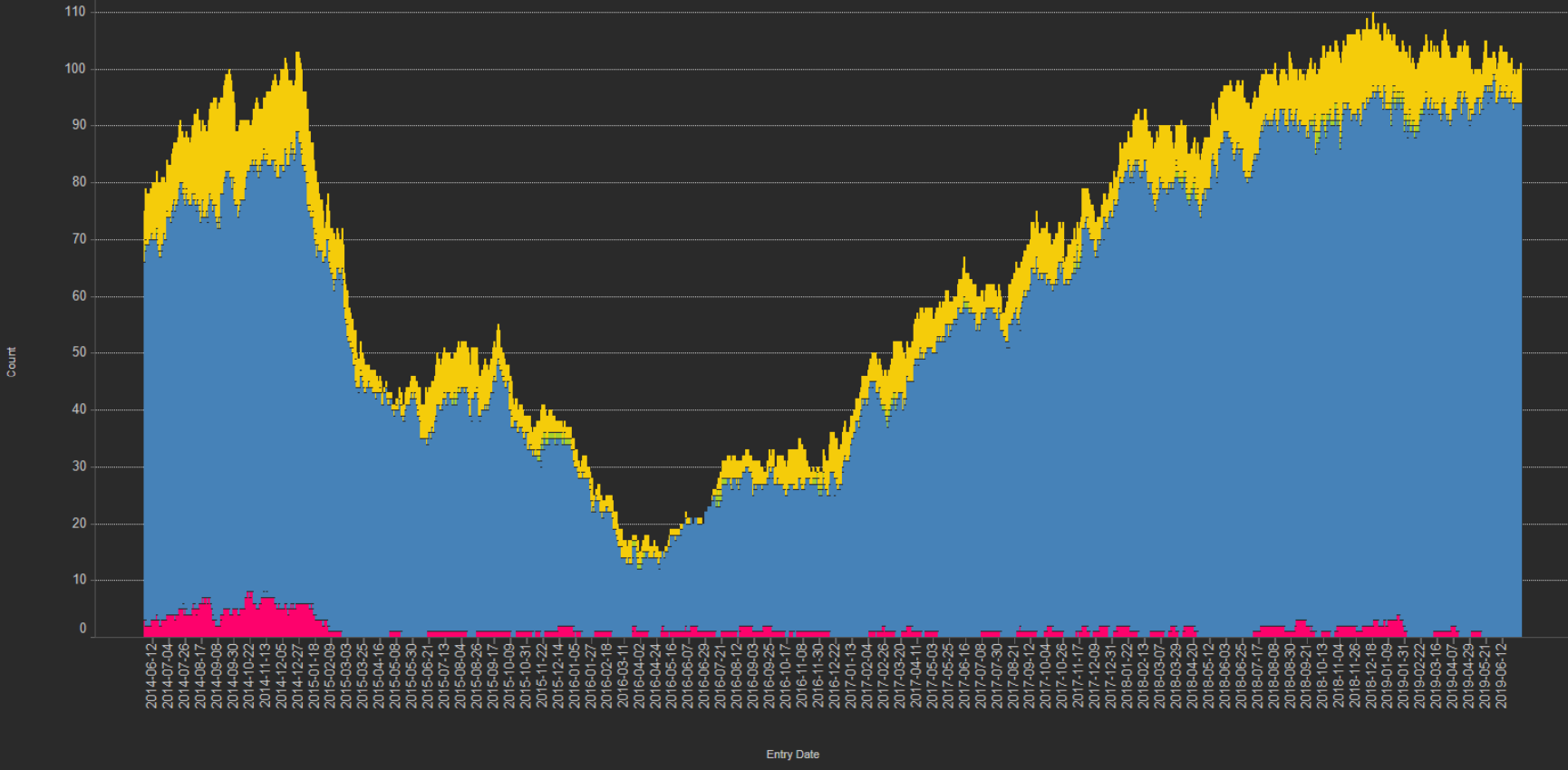


ACTIVE



ACTIVE

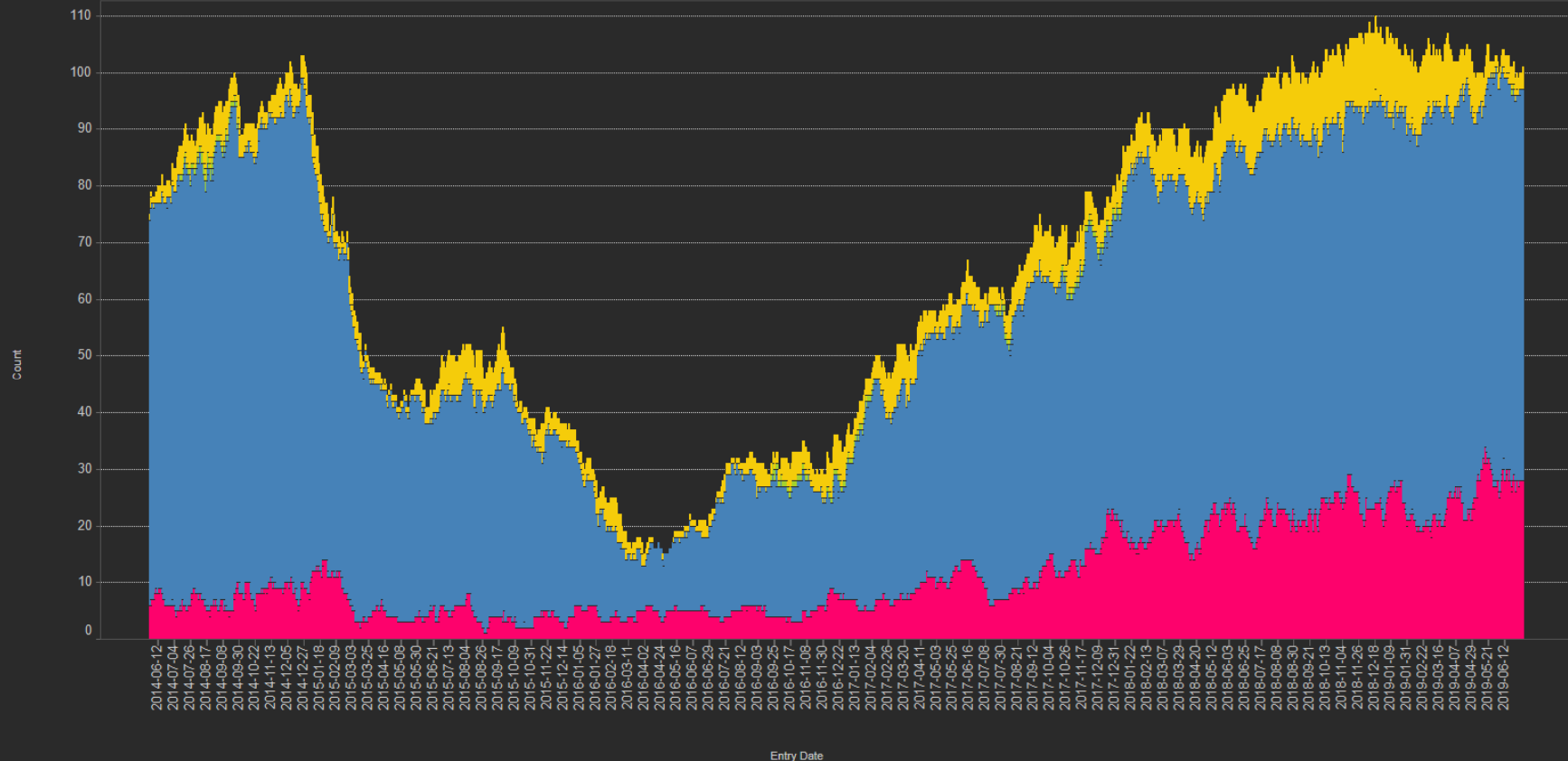
Color by:
Drilling Trajectory
DIRECTIONAL
HORIZONTAL
UNKNOWN
VERTICAL

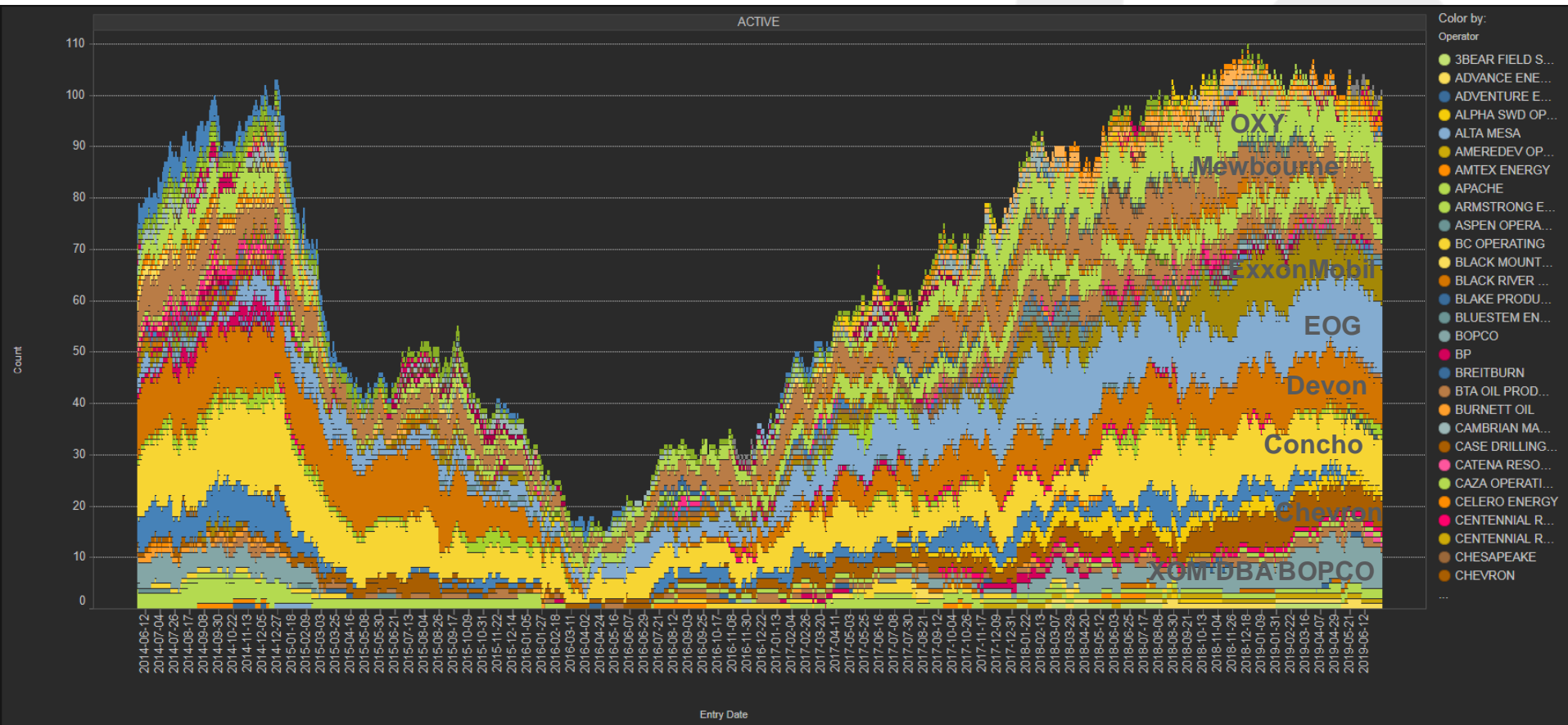


ACTIVE

Color by:
Product

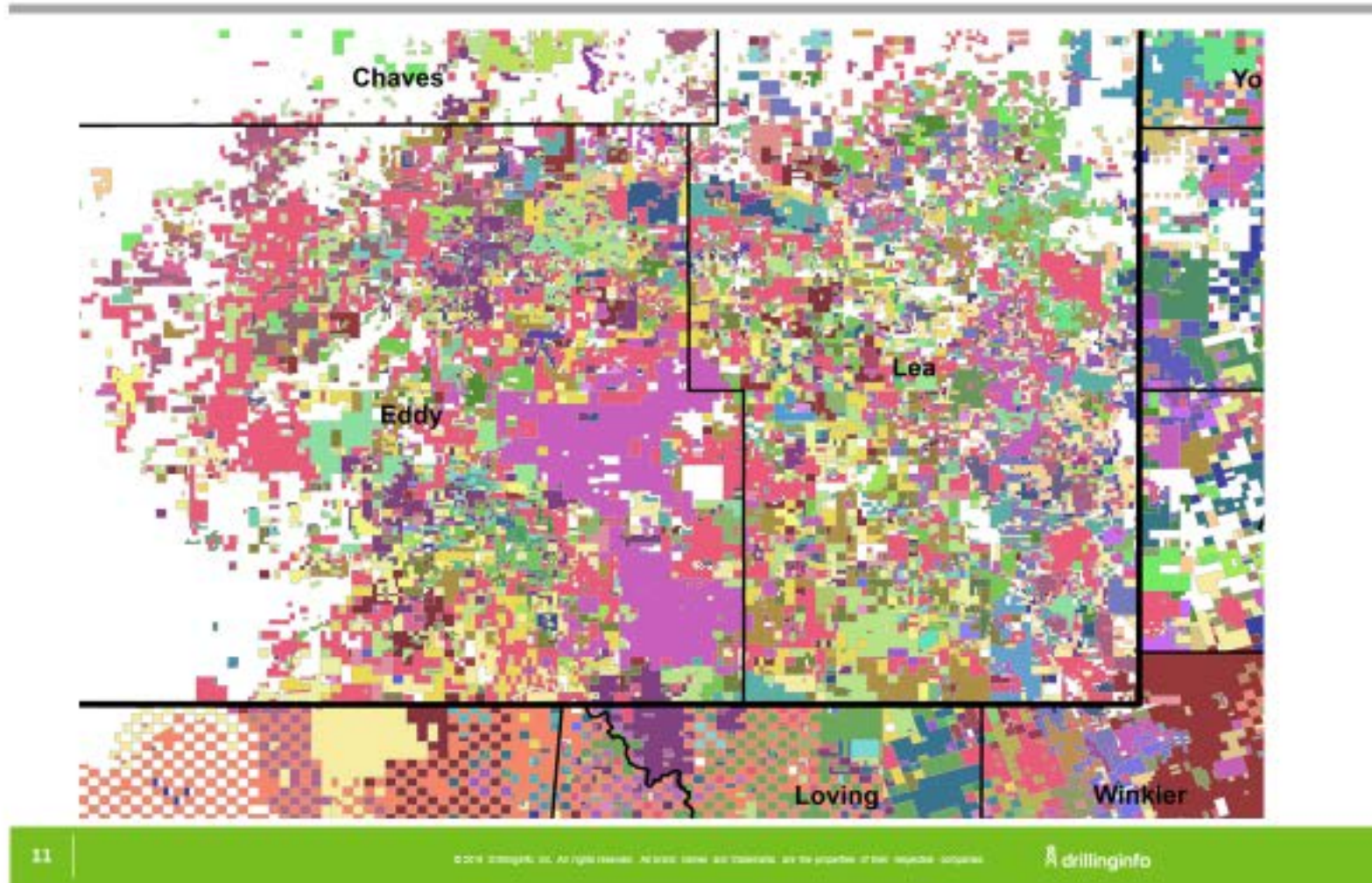
- GAS
- OIL
- OIL & GAS
- OTHER





Delaware Basin : Ownership Map

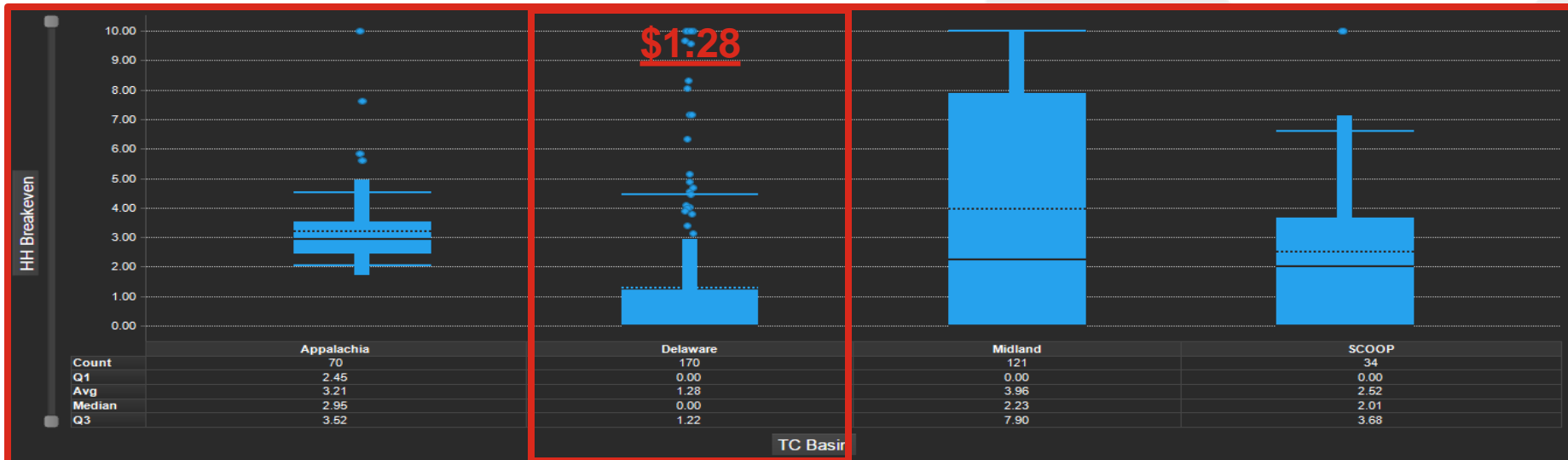
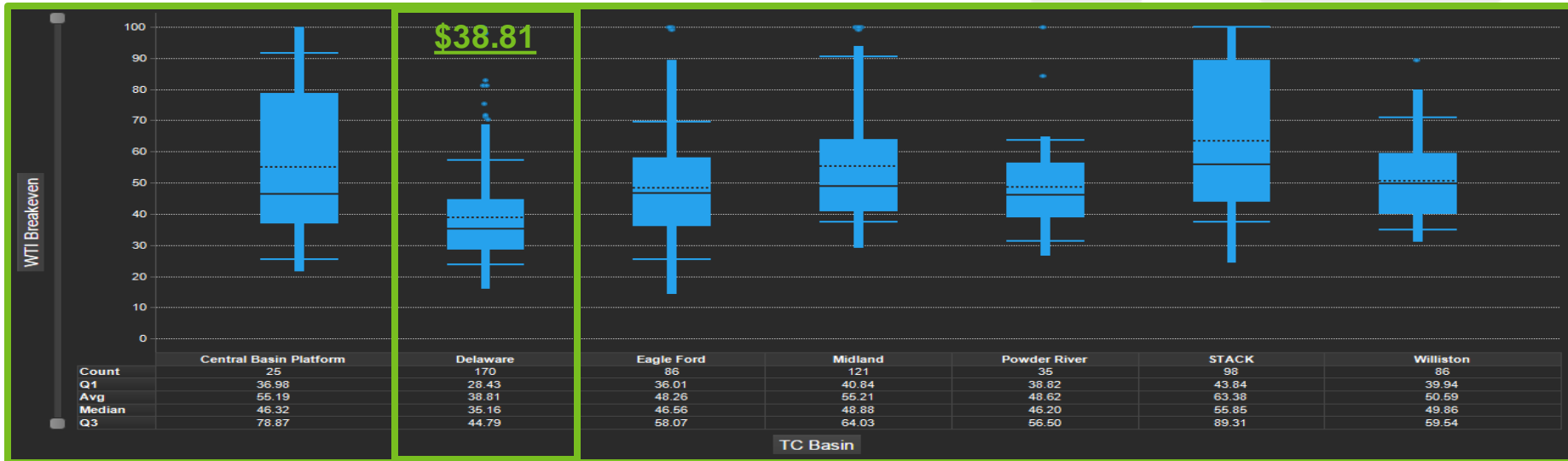
Virtually all acreage controlled – Mostly by Public E&P Co's



Trades and Buys to Consolidate Blocks to build undrilled long-wellbore well inventory



DELAWARE BASIN: STANDOUT ECONOMICS





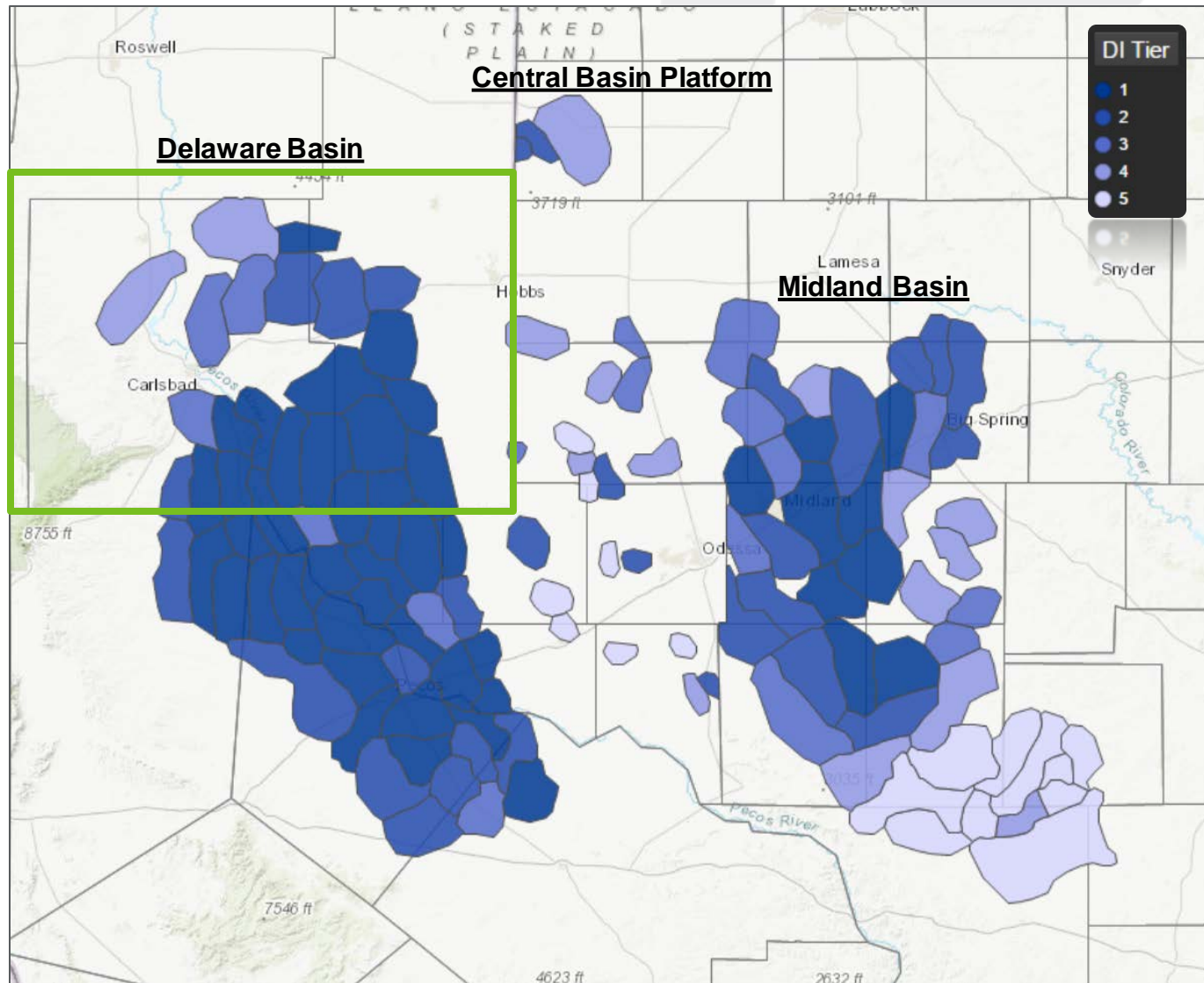
PERMIAN BASIN & THE ROLE OF NM

The map shows type curve areas defined in the Permian Basin, colored by tier (determined by EUR, IRR, & Proven Formations).

The Delaware Basin has the best economics in the Permian Basin, which translates to the best economics in the L48 & even globally.

The NM side of the Delaware Basin offers the best EURs, economics, & stacked pay potential.

The great economics have propelled the NM side of the Delaware Basin into one of the most actively drilled parts of the country.



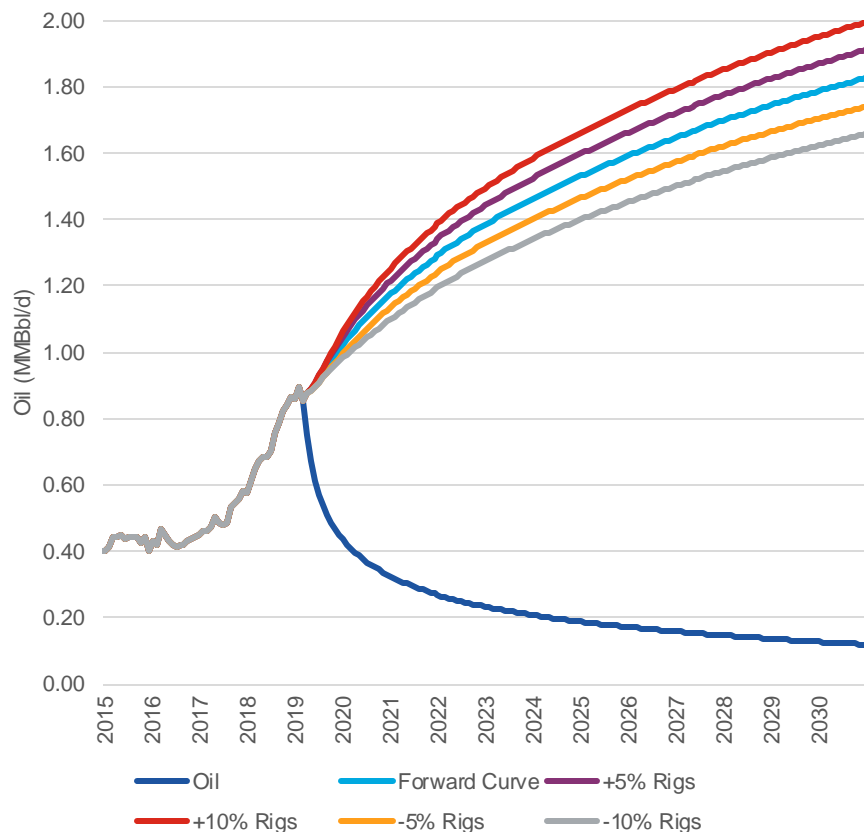


NM PRODUCTION FORECASTS

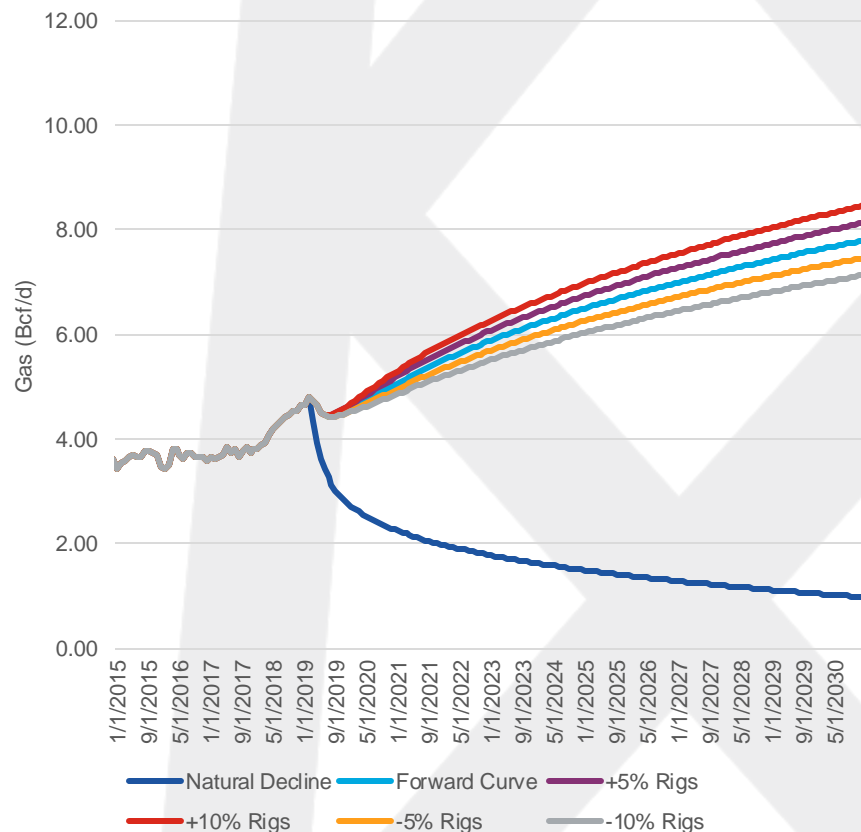
New Mexico production will continue to grow moving forward. The New Mexico part of the Delaware Basin is such a large & economic resource that even with a 10% lower rig count, production would continue to grow.

The economics are so good that a price level below \$40/Bbl WTI would be necessary to make the returns fall below a 15% rate of return on the NM side of the Delaware Basin, which is driving production growth for the Delaware Basin currently.

NM Crude Oil Forecast



NM Gross Gas Forecast



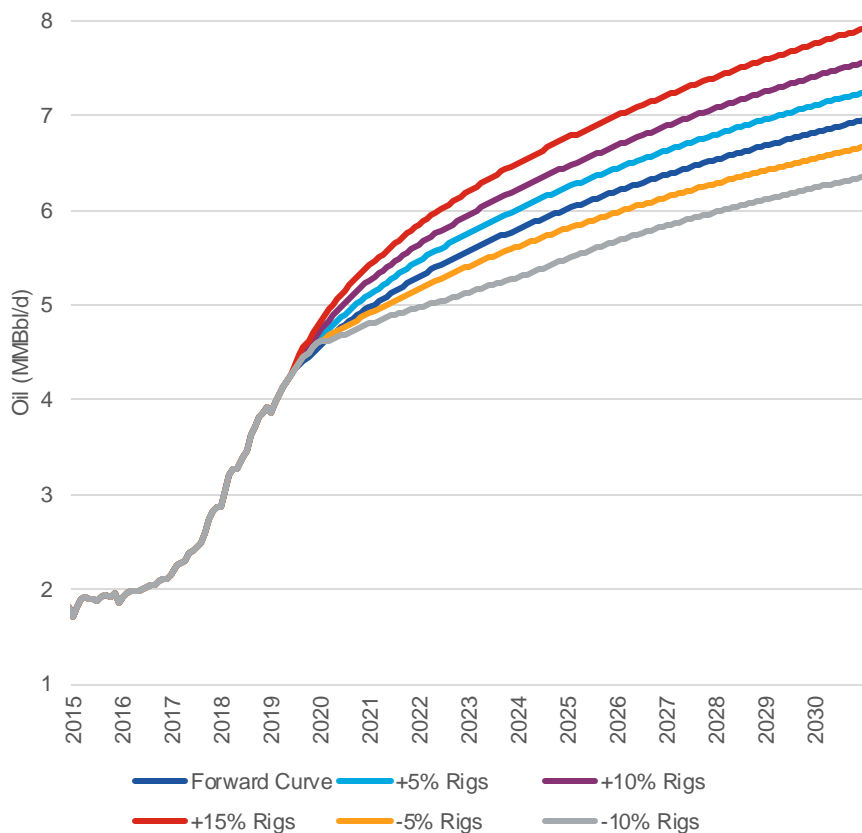


PERMIAN PRODUCTION FORECASTS

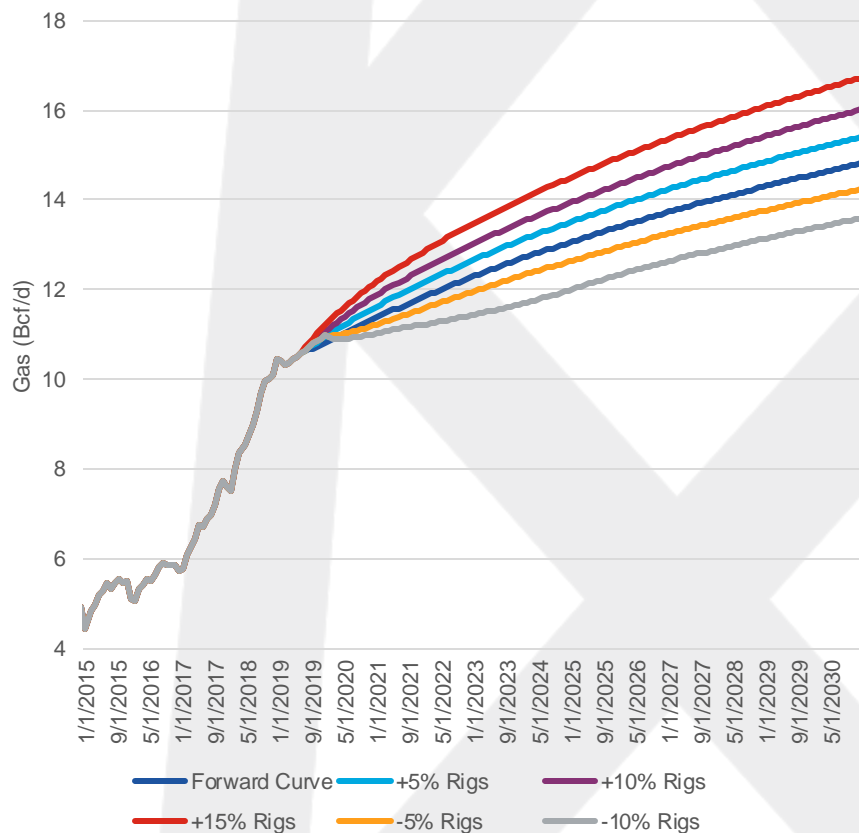
Permian Basin production will continue to grow moving forward. The Permian Basin is such a large & economic resource that has started being developed at an industrial pace. Even with a 10% lower rig count, the Permian would continue to grow.

The economics are so good that a price level below \$40/Bbl WTI would be necessary to make the returns fall below a 10% rate of return in the Delaware Basin, which is the driving force of production growth for the Permian Basin currently.

Permian Crude Oil Forecast



Permian Dry Gas Forecast



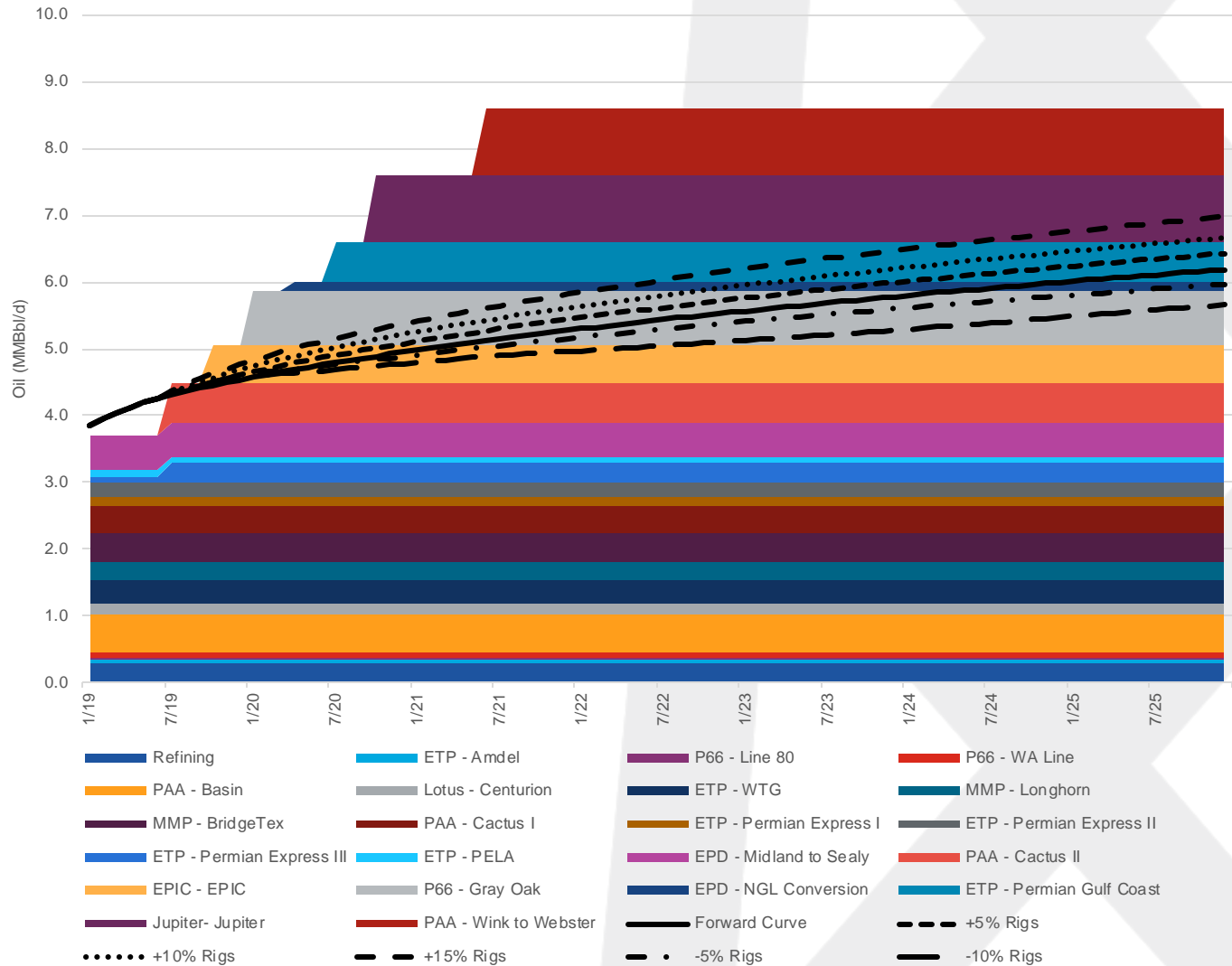


INFRASTRUCTURE: OIL TAKEAWAY

There has been a shortage of oil takeaway capacity out of the Permian Basin since late 2018, which has driven differentials between WTI Cushing & WTI Midland as high as \$25/Bbl.

There are a lot of proposed pipelines in queue to alleviate the constraints & allow for the crude oil to get to market.

It is prudent to note that the Permian Basin covers a large area, making it more important to make sure that the NM side of the Delaware Basin is tied into the takeaway capacity originating in different parts of the greater basin.



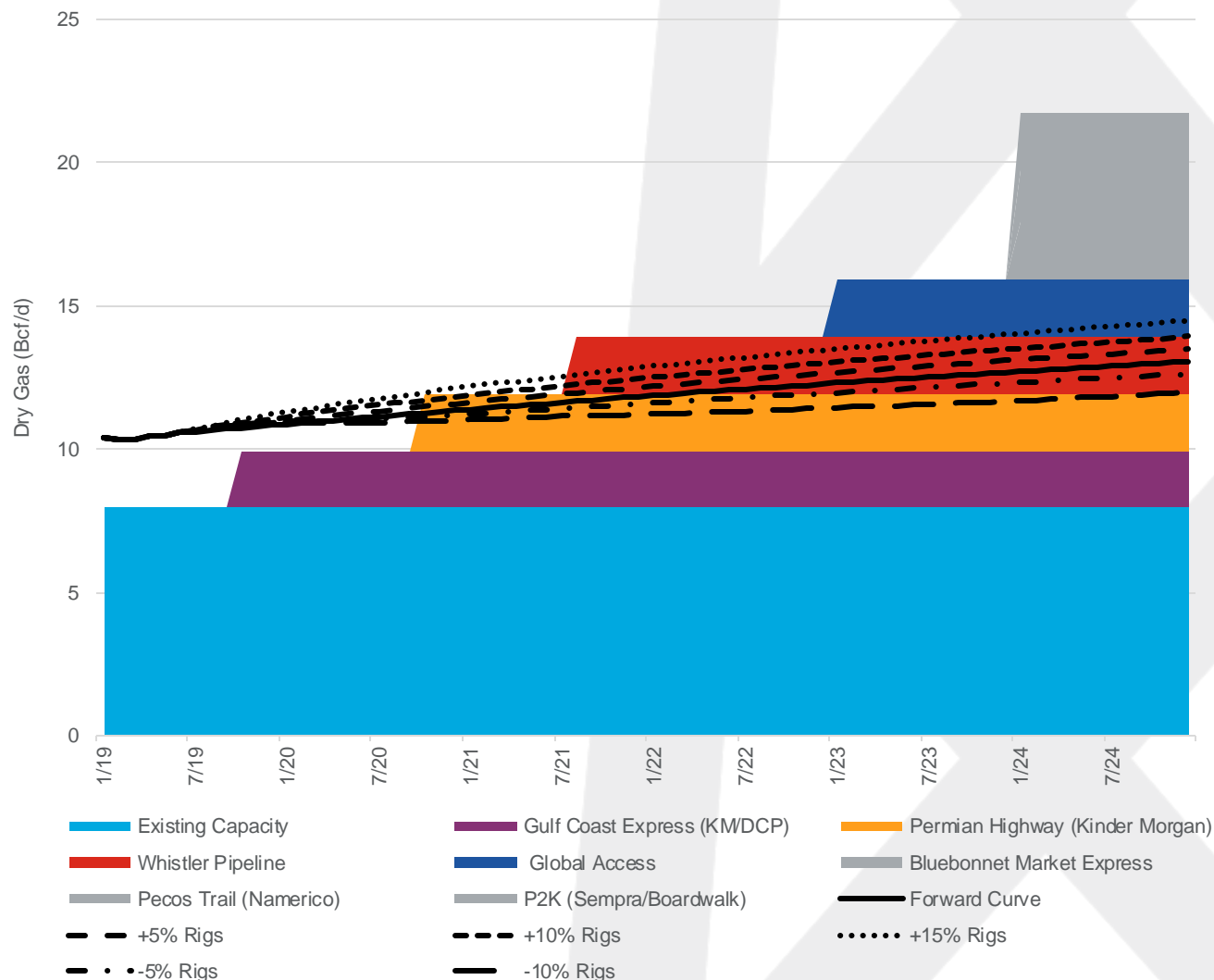


INFRASTRUCTURE: GAS TAKEAWAY

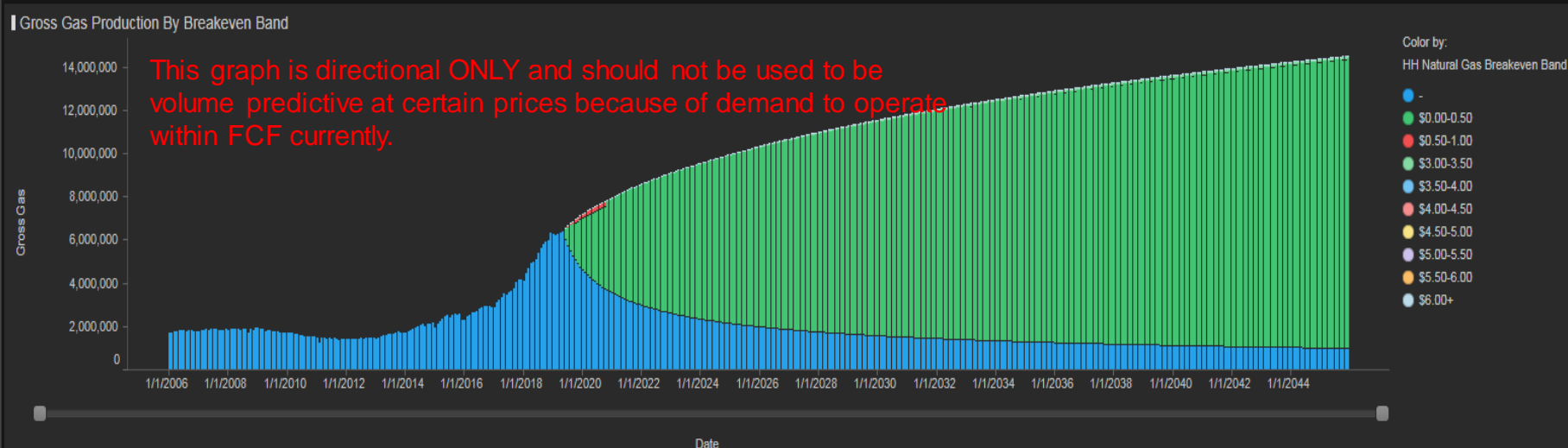
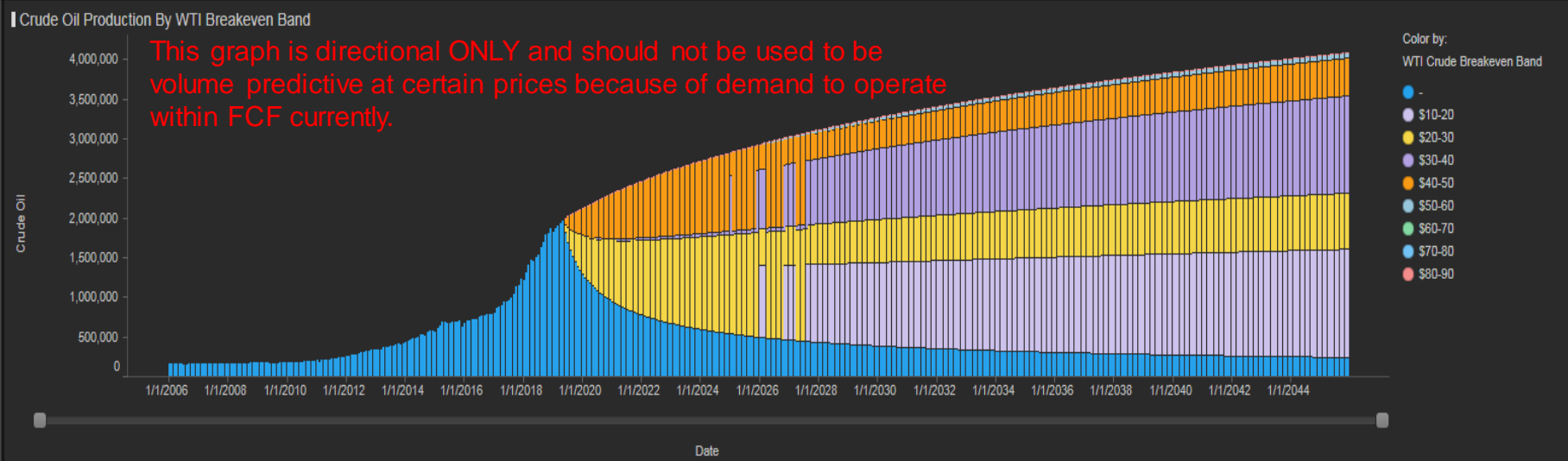
The dry gas takeaway capacity has been & remains constrained out of the Permian Basin. The Waha basis differential to Henry Hub has been high enough that in some case prices have been negative.

The dry gas takeaway capacity is not going to be relieved until the 2021 & into 2022.

This means that Waha basis will remain wide. The need to make sure that new infrastructure that is built is connected to the NM side of the Delaware Basin is important to make sure the price differential doesn't impact operator margins, royalty payments, & state & local taxes.



The New Mexico Delaware will increase in production at wellhead prices over \$40 for Oil. Natural Gas is a Byproduct and will be increase for wellhead yields above \$0.50.





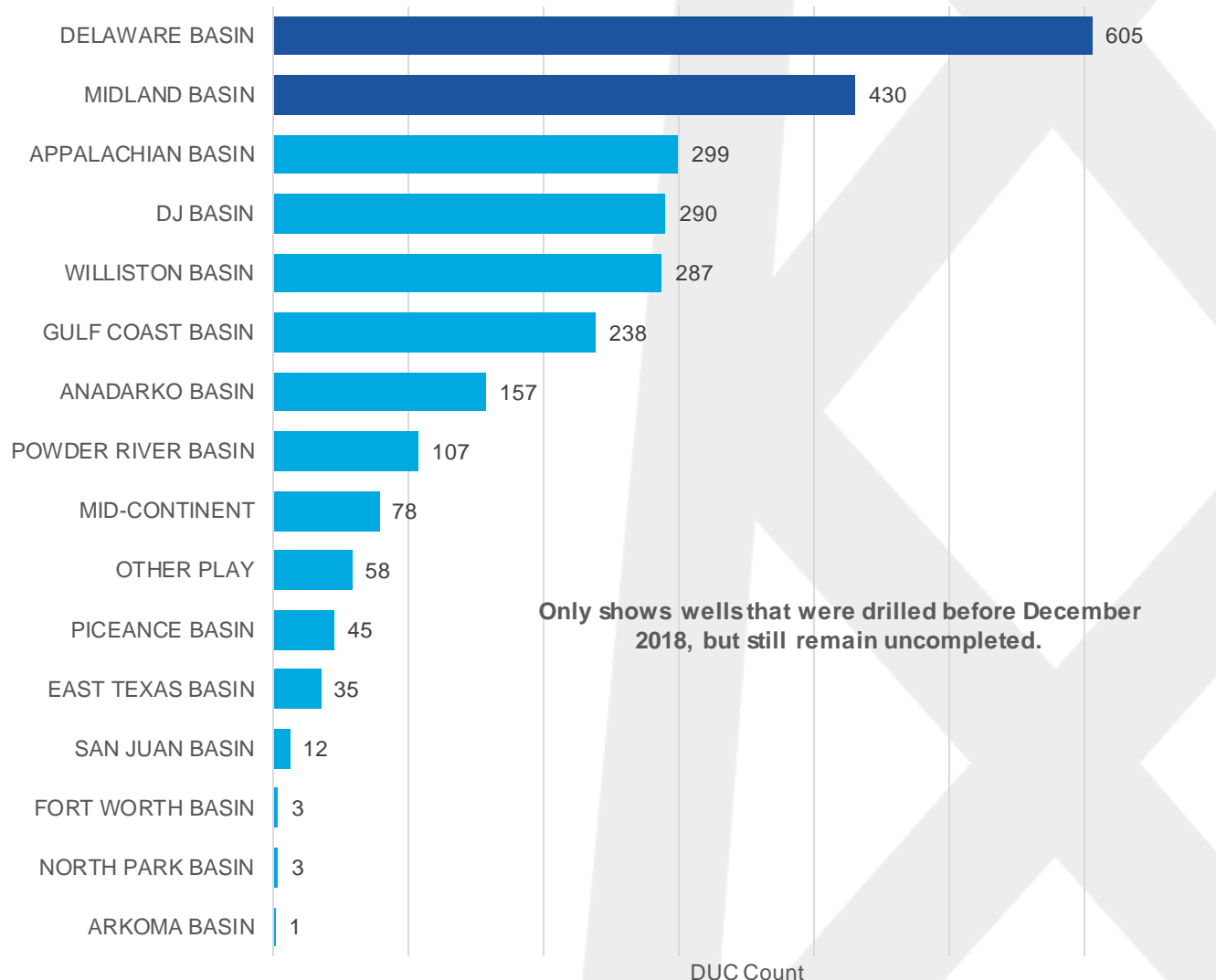
DUC COUNT

The Permian Basin has been building DUC count due to the lack of takeaway capacity & the depressed in-basin natural gas prices.

The chart shows wells that were drilled & remained uncompleted after more than 6 months, signaling that they are waiting on something: in this case, takeaway infrastructure.

It is troubling that the Delaware Basin has more DUCs than the Midland Basin, which has a lot more of the legacy infrastructure in place & has had more luck in attracting main injection points to takeaway pipelines.

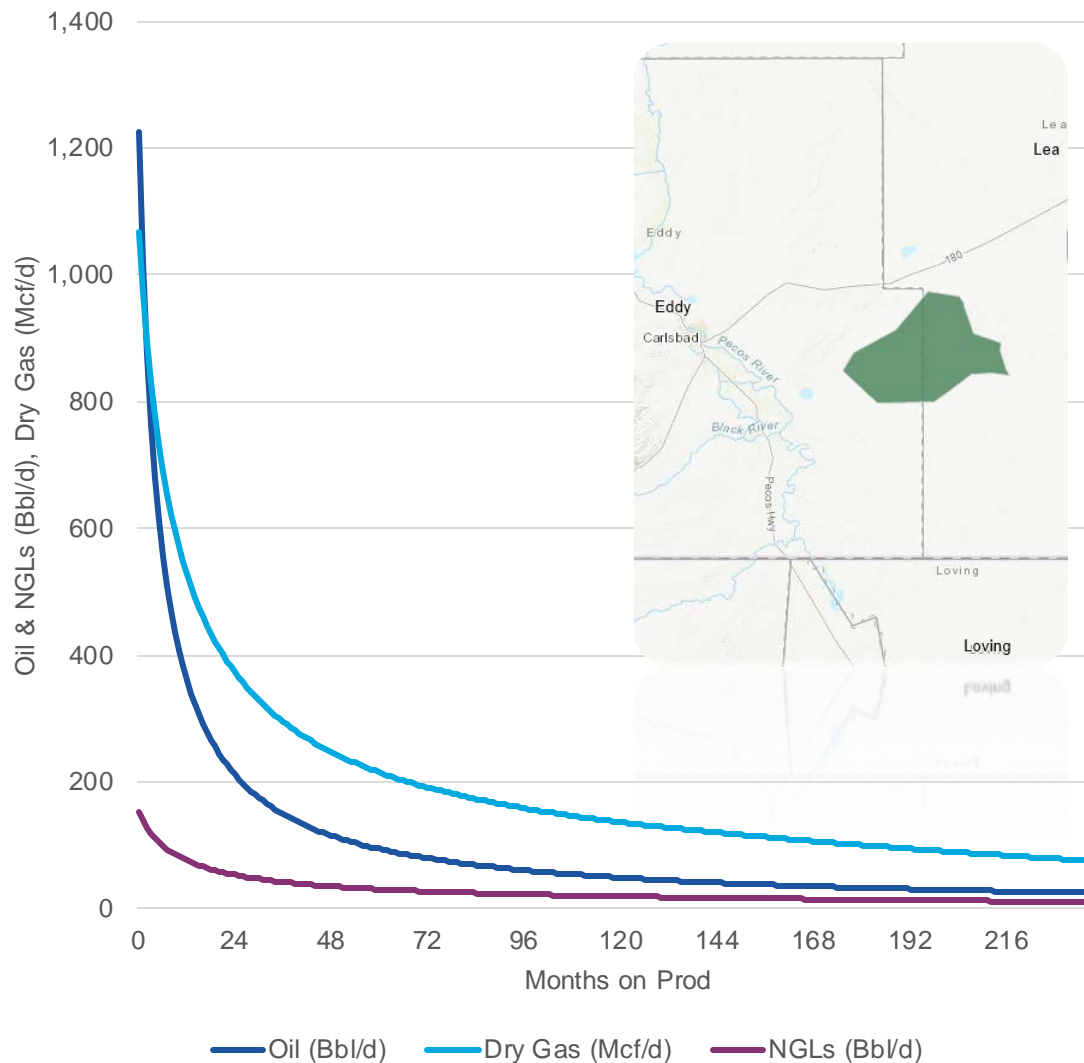
The lack of takeaway capacity also leads to flaring, which demeans the value of the natural resource, but the economics work regardless of the recovery of natural gas.



Only shows wells that were drilled before December 2018, but still remain uncompleted.



NM STATE & LOCAL TAXES EXAMPLE



Per Well Metrics (Undiscounted)

Metric	Value
Oil EUR	744 MBbl
NGL EUR	204 MBbl
Dry Gas EUR	1.42 Bcf
Boe (6:1) EUR	1.18 MMBbl
Oil Revenue	41.67 MM\$
NGL Revenue	3.06 MM\$
Dry Gas Revenue	2.49 MM\$
Total Revenue	47.22 MM\$
Oil State & Local	3.40 MM\$
NGL State & Local	0.27 MM\$
Dry Gas State & Local	0.22 MM\$
Total State & Local	3.90 MM\$
Royalty (12.5%-25%)	5.90 MM\$ - 11.81 MM\$

Severance: 3.75%
 Conservation: 0.0019%
 Emergency School: 3.15% (oil), 4% (gas)
 Ad Valorem: 1-1.5% (based on formula)
Total: 8.15% (oil), 9% (gas)

THANK YOU