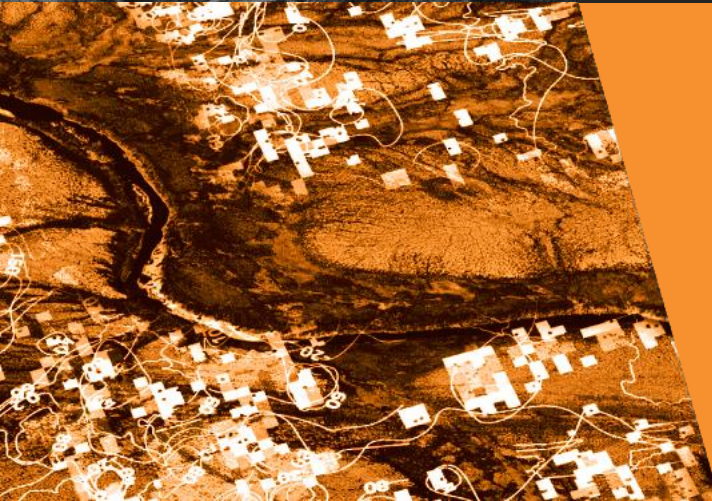


Enverus LFC Panel Discussion

Macro & Permian Insights

June 2021



The Macro Picture



Key Takeaways

\$60+ crude prices are a result of OPEC+ supply management & demand improvements (actual and anticipated based on continued COVID vaccine rollout)

- Iran deal presents downside pricing risk
- Storage is well on the way to normal levels

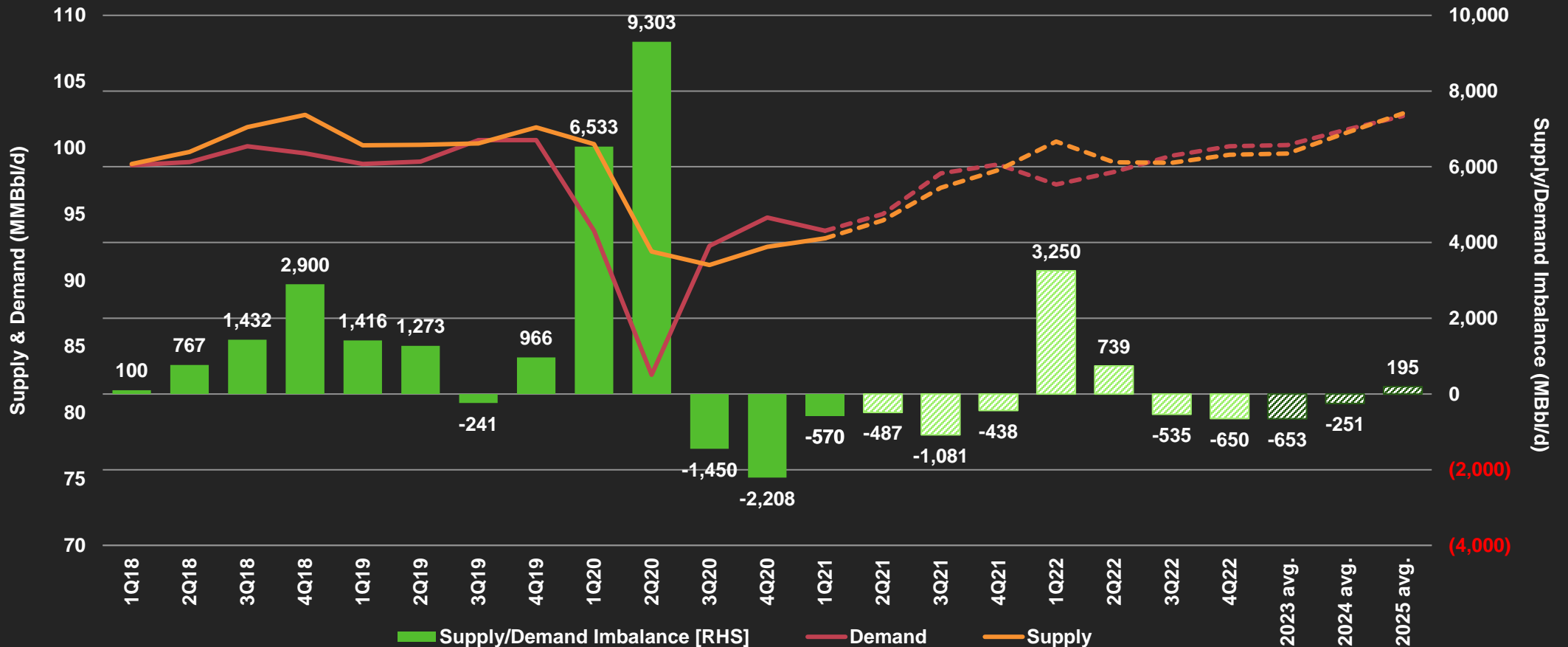
Natural gas prices hover around \$3. All eyes are on production, summer weather, and LNG exports

The New Mexico Delaware is well-positioned relative to our price expectations and other US basin economics.



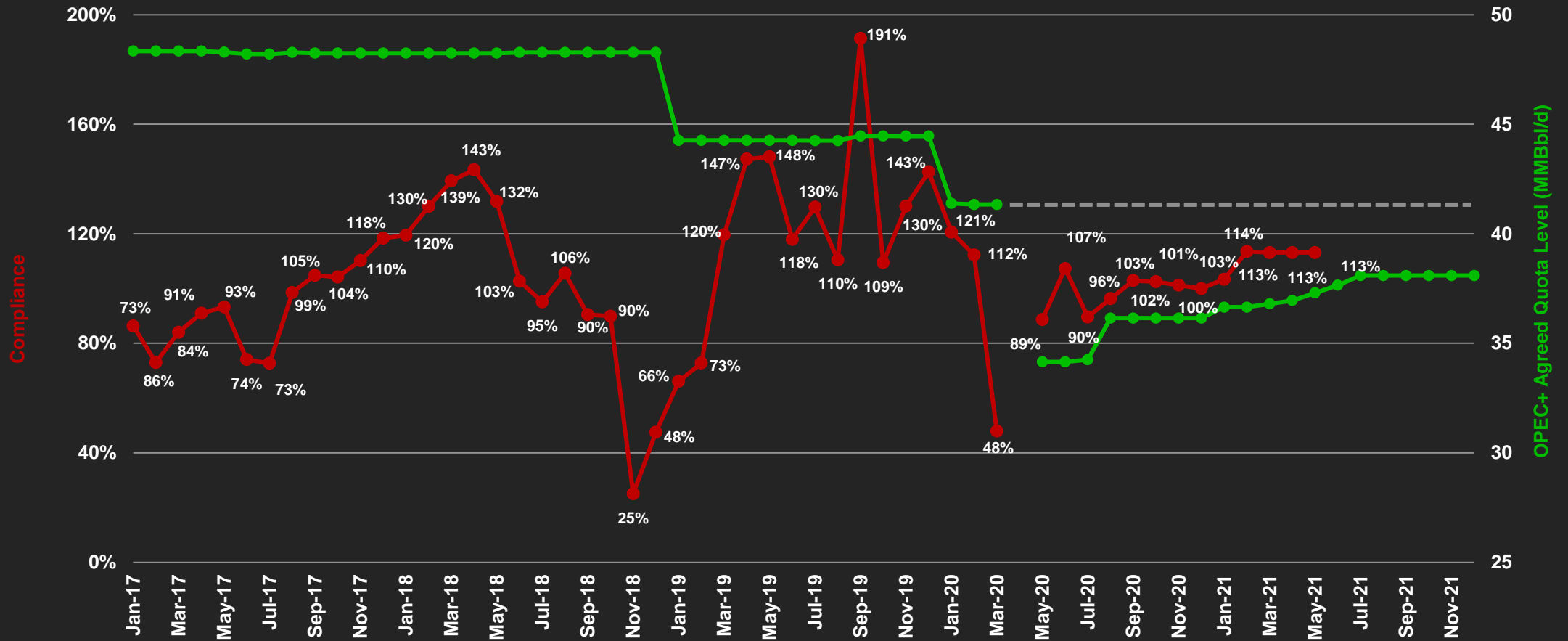
Global Supply and Demand Outlook

With OPEC+ redoubling market management efforts in January 2021 and moving to conscientiously taper production cuts going forward, global inventories are expected to post further draws through the end of the year. However, our expectation for a lifting of US sanctions on Iran may test the resolve of existing OPEC+ participants. The balance below assumes the core OPEC-10 members will step in to balance the market again in 2022. Failure to do so would undoubtedly spur a steep decline in crude oil prices.





OPEC+ Compliance: Jan 2017 – May 2021

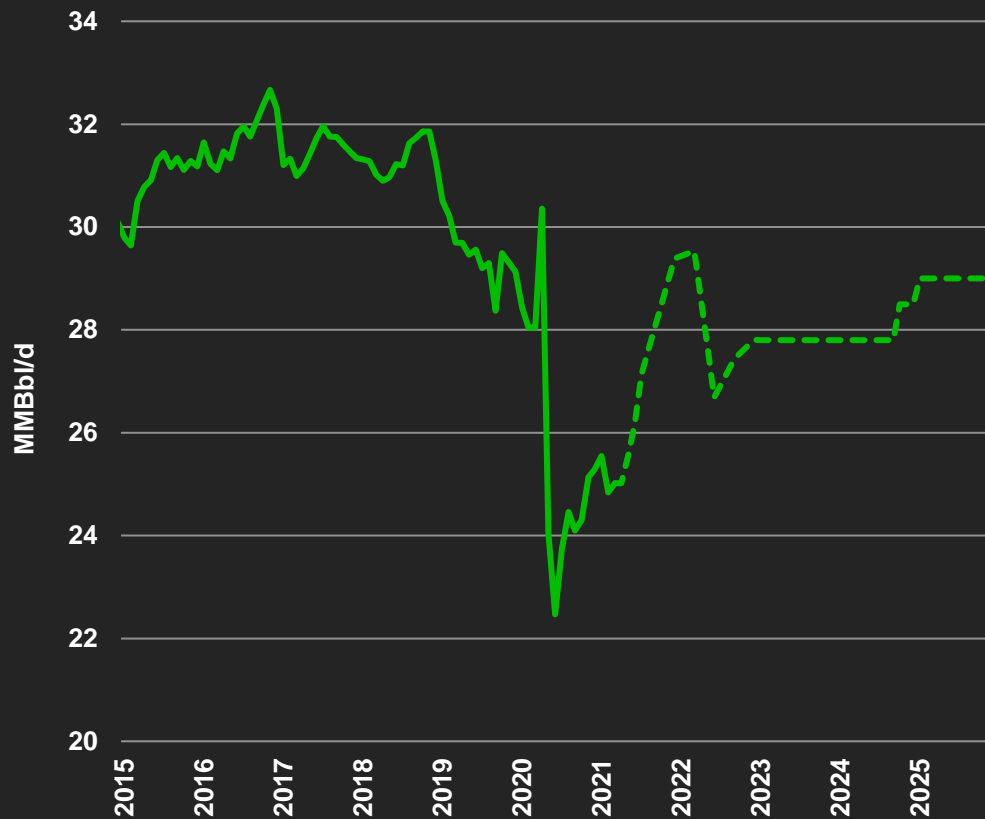




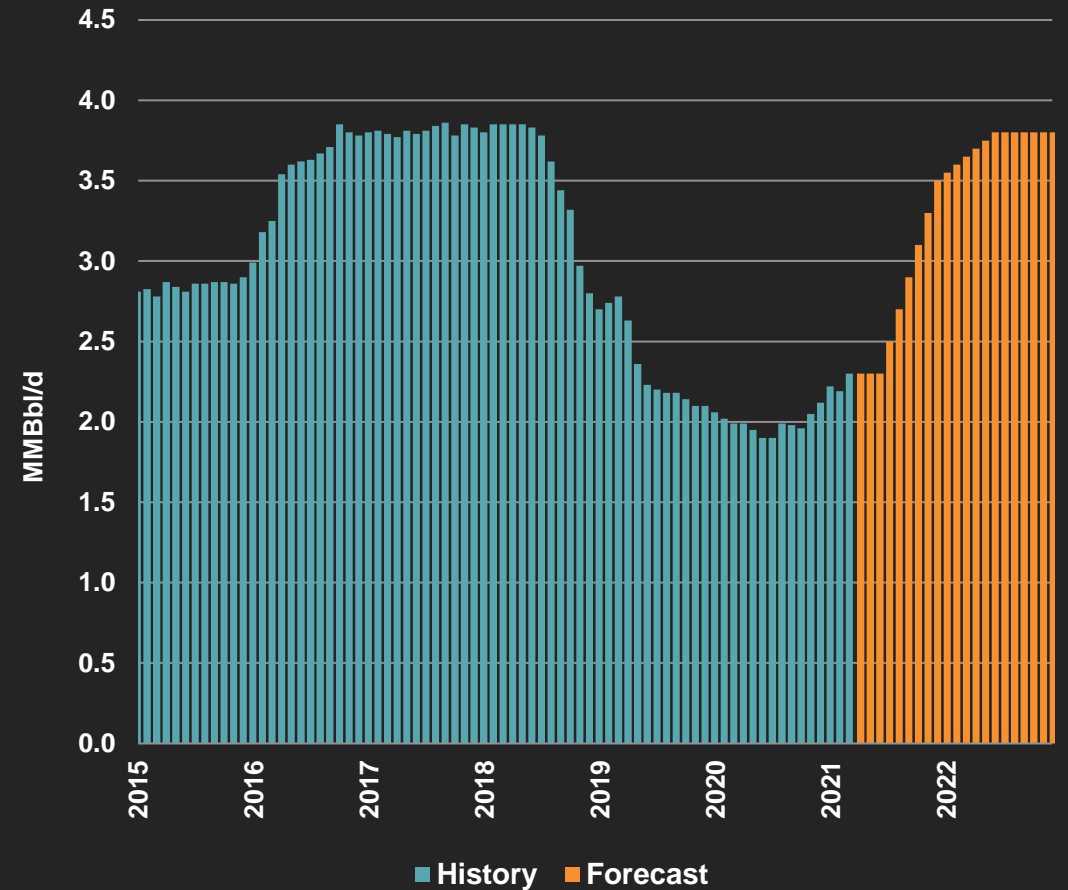
OPEC: Crude Production

Enverus anticipates the Biden administration lifting sanctions on Iranian crude oil exports in Q3 2021, resulting in an increase of 1.5 MMBbl/d of supply from the Islamic Republic by the end of 2022. This will likely test OPEC-10's resolve, but will nevertheless require additional production cuts in 2022 in order to offset the additional Iranian barrels and avoid another price collapse.

OPEC-14 Crude Production



Iranian Crude Production





Enverus 5-Year Crude Price Forecast

Enverus expects relatively strong prices for the remainder of 2021 before a drop in 2022+ as a result of Iranian production return, US production growth potential, and slower demand growth trends after the rebound.



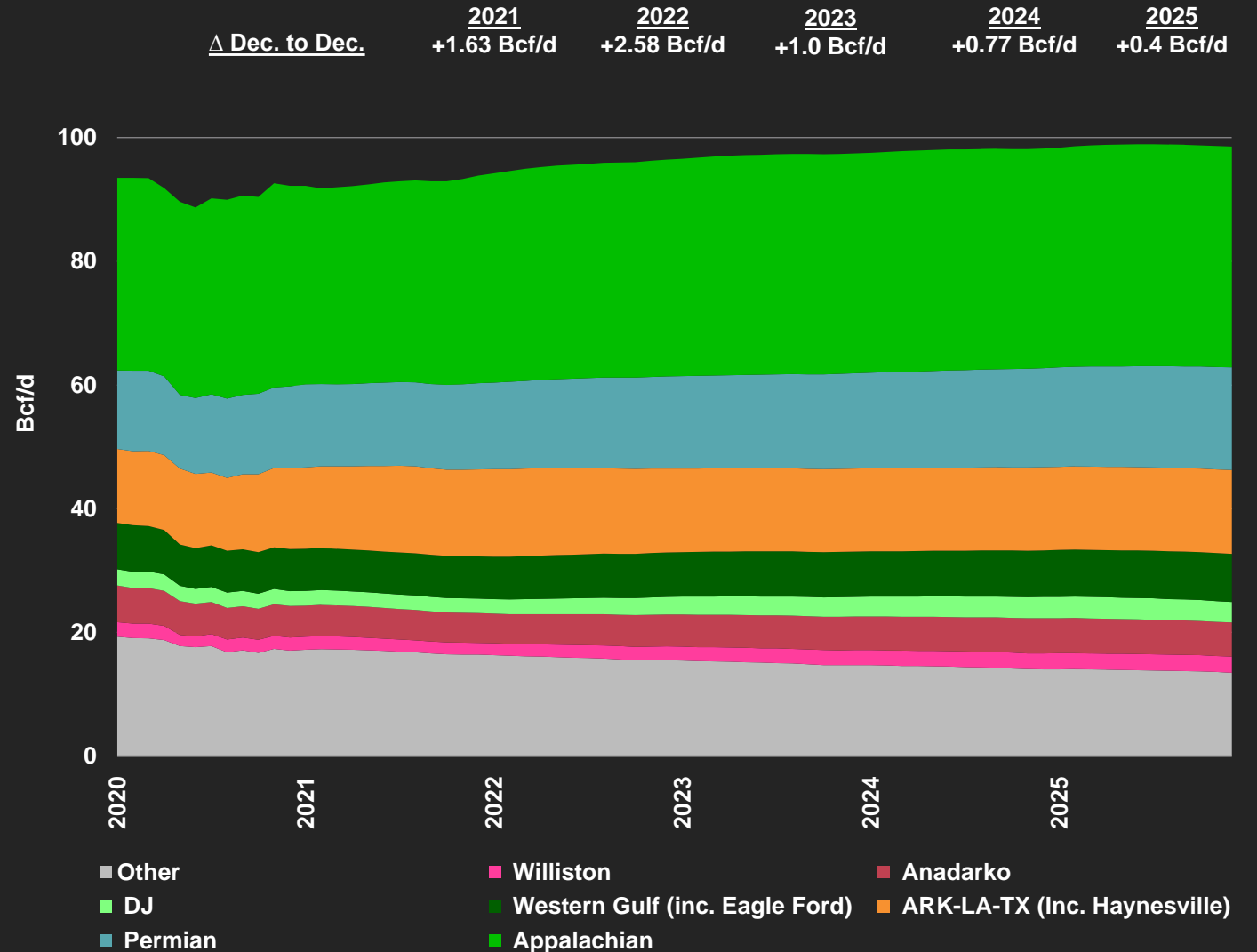


Gas Production: 5-Year Outlook

Natural gas production growth has returned and is expected to continue over the next five years. Higher oil prices of course mean lower gas prices can still bring incremental gas production to the market.

Dry gas areas in the Marcellus/Utica and Haynesville gas plays are expected to drive the growth in 2021 along with higher associated gas production in the Permian.

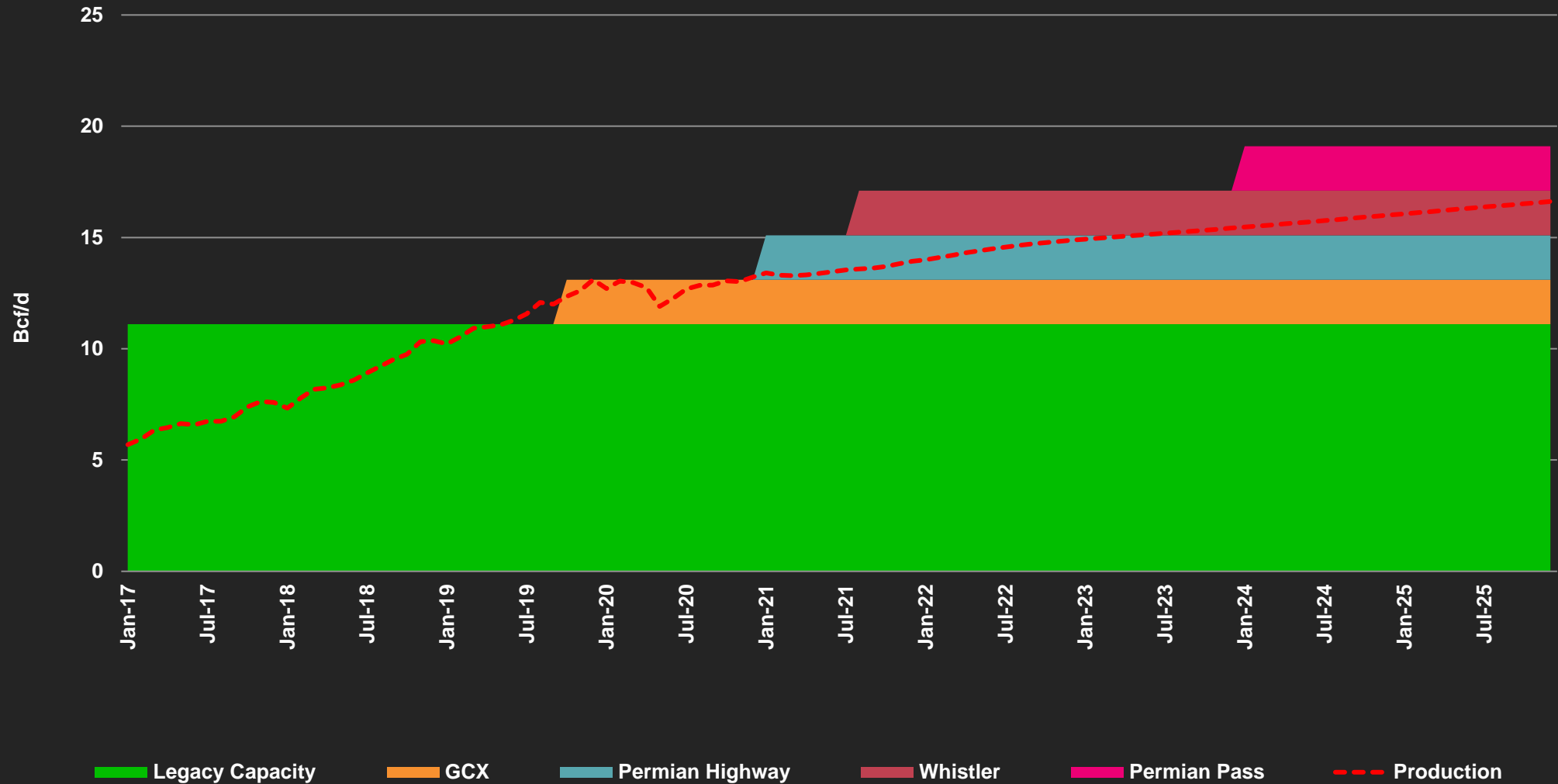
Dry Natural Gas Production



Year	HH (\$/MMBtu)	WTI (\$/Bbl)
2021	\$3.19	\$64.2
2022	\$3.27	\$54.7
2023	\$3.00	\$53.5
2024+	\$3.00	\$50.0

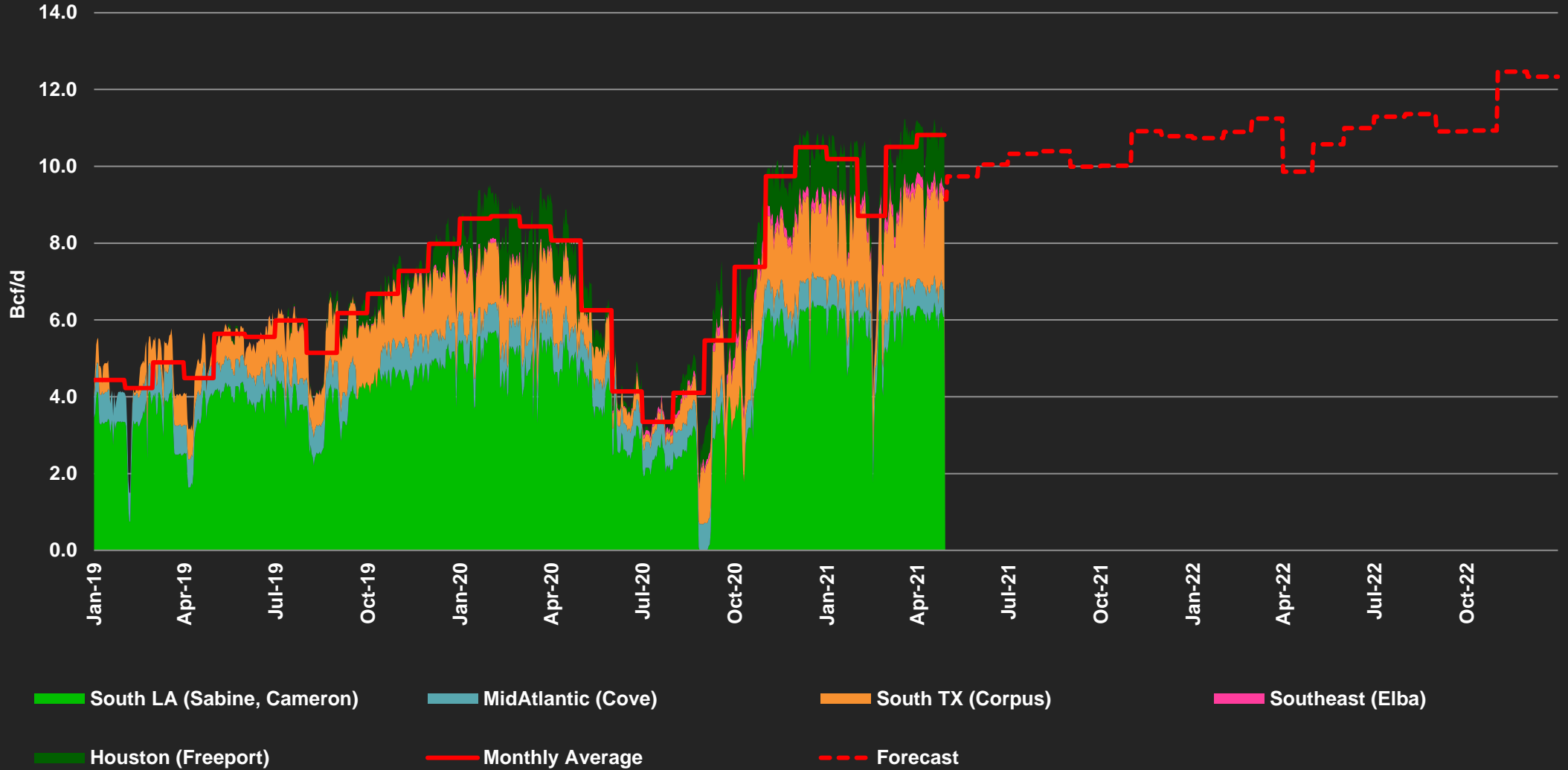


Permian Dry Gas Production vs Takeaway





LNG Exports

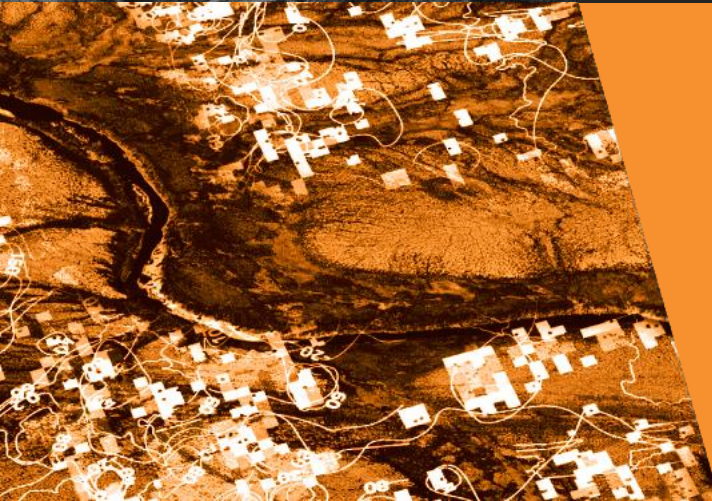




Enverus 5-Year Gas Price Forecast

Enverus expects higher prices than those currently trading in the forward market. A price increase starting in 2021 to \$3.00/MMBtu is necessary to incentivize production growth to meet expected demand.



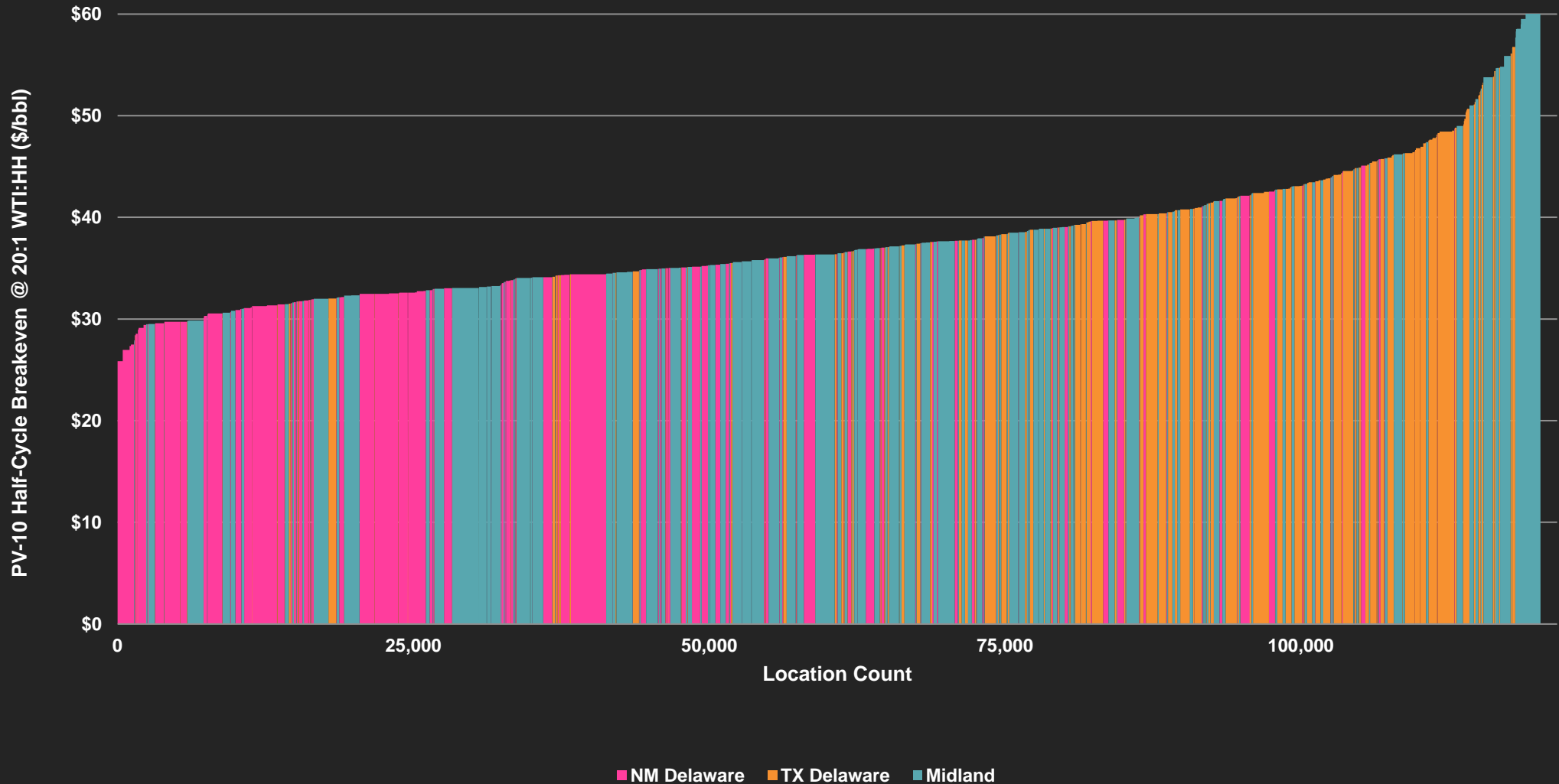


Permian Themes



NM Delaware Inventory-Weighted Breakeven ~\$34/bbl

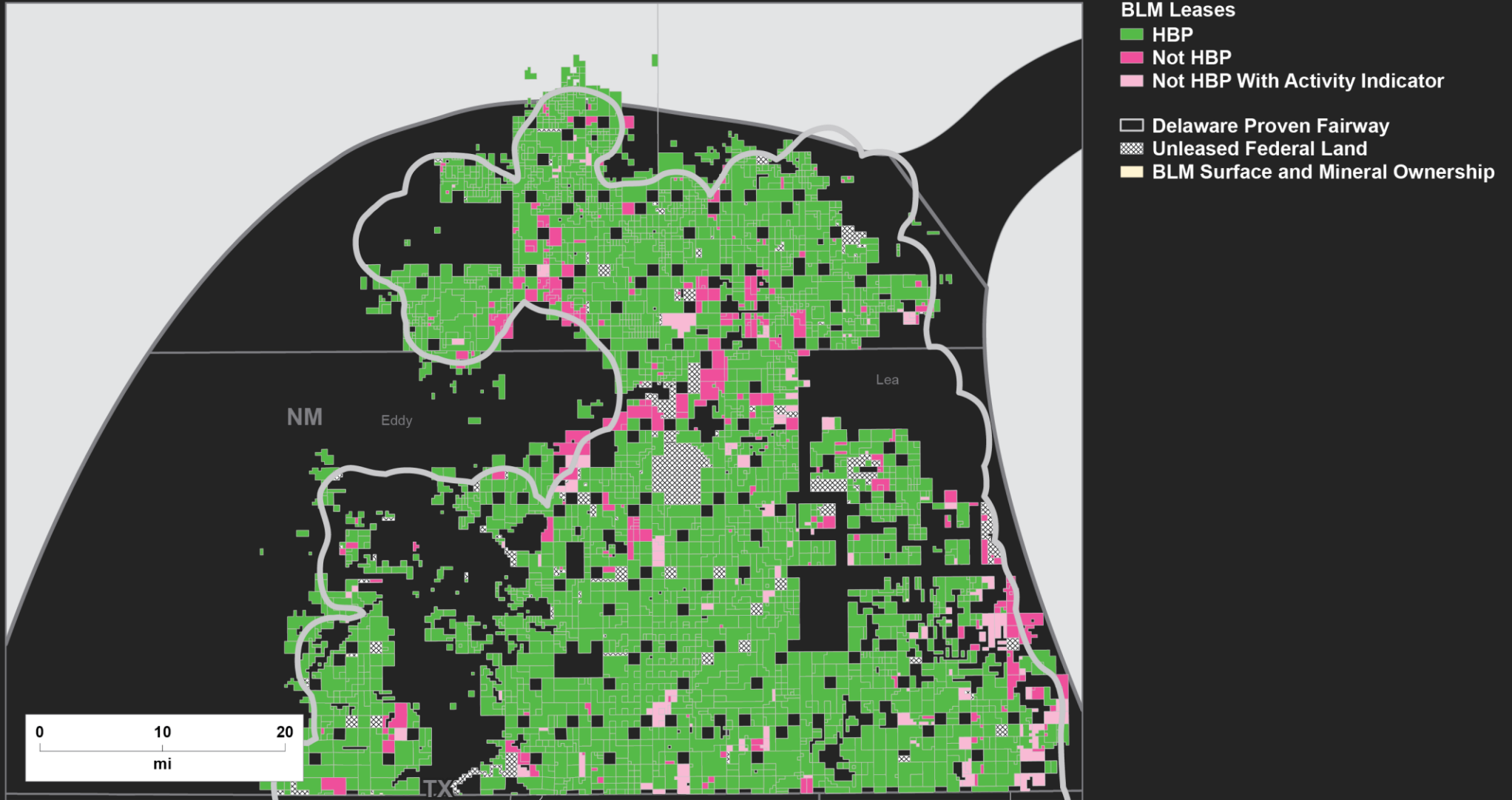
56% of Sub-\$35/bbl Permian Inventory Situated in NM, 55% of Delaware Inventory in NM





89% of Federal Leasehold Is Held by Production (HBP)

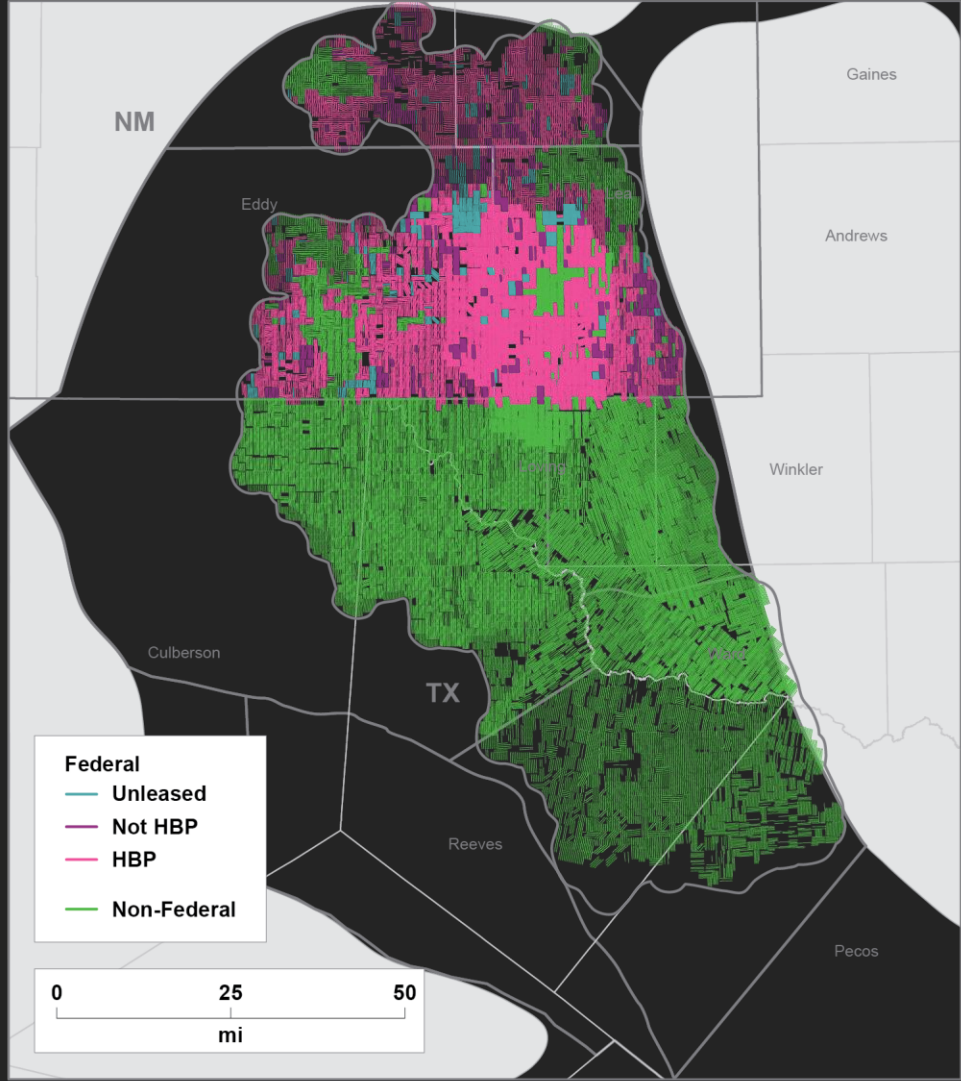
33% of Leasehold Not HBP Intersects a Permitted, Drilled or Completed Well



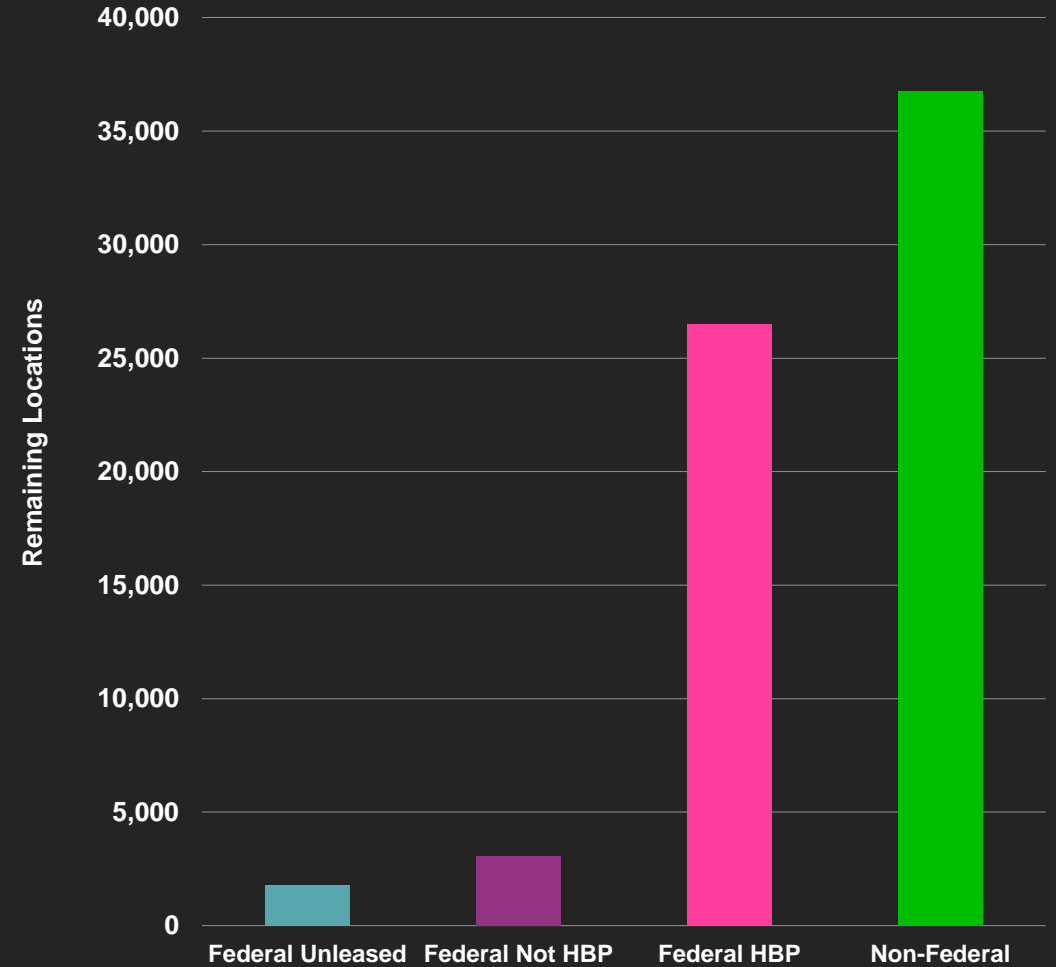


Federal Land Inventory Risk From Potential Ban on Leasing

7% of Delaware Inventory at Risk if Only Currently Producing Leases Are Considered HBP



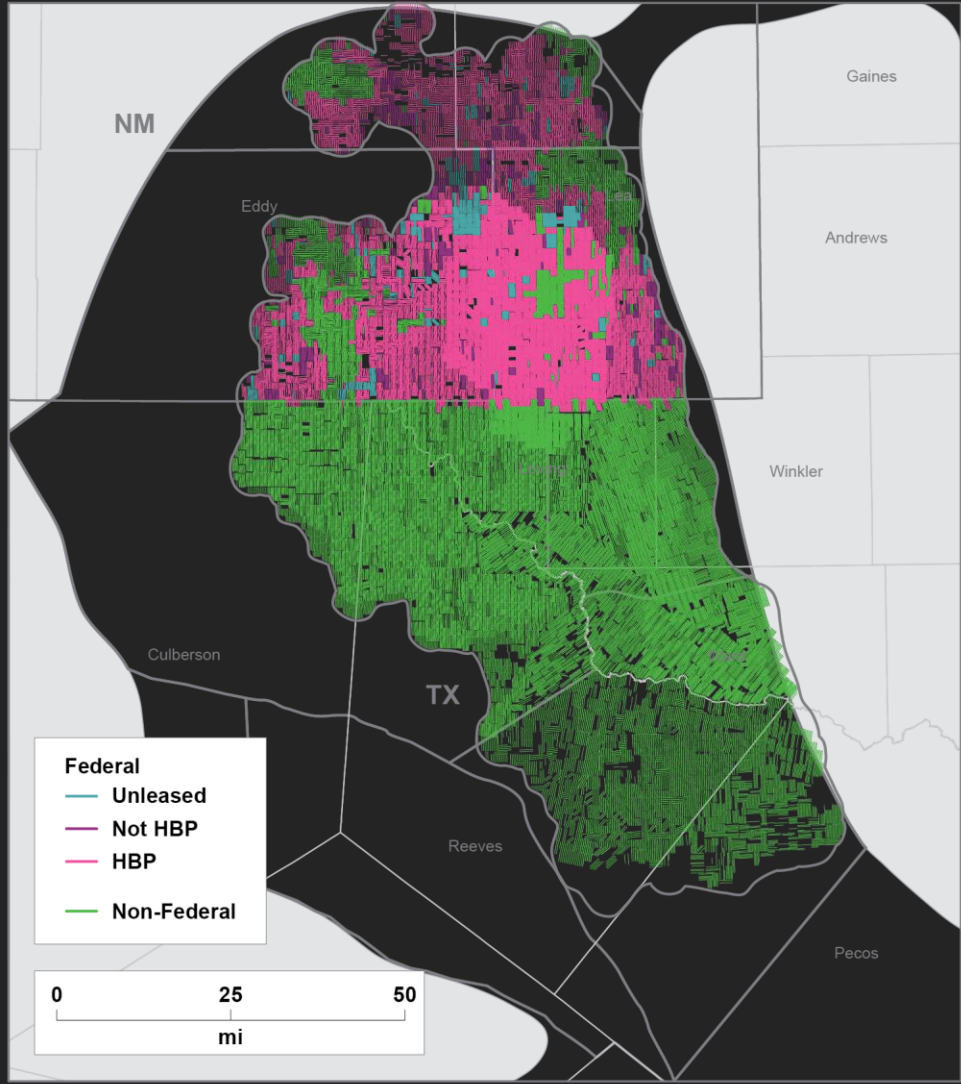
More Severe Case - Considers Only Producing Leases to be HBP



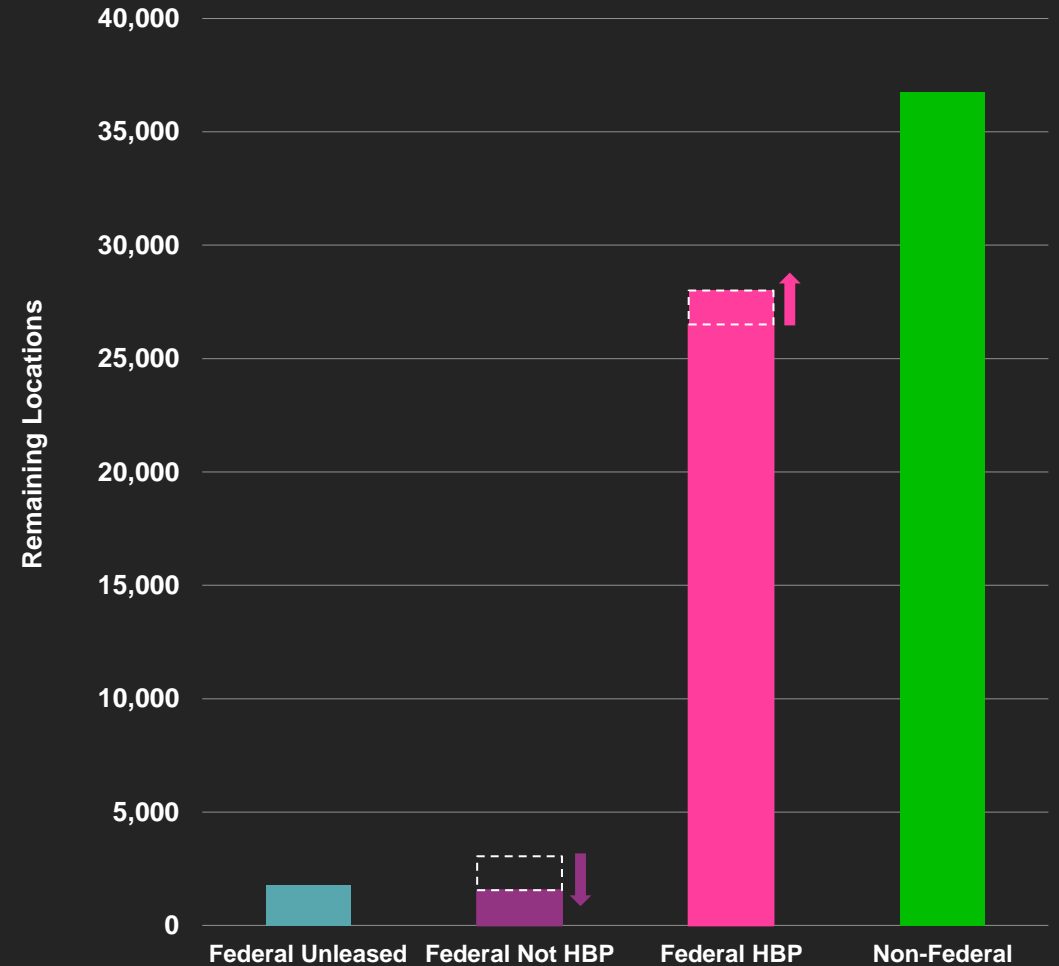


Federal Land Inventory Risk From Potential Ban on Leasing

5% of Delaware Inventory at Risk if Leases with Early Activity Signals Are Considered HBP



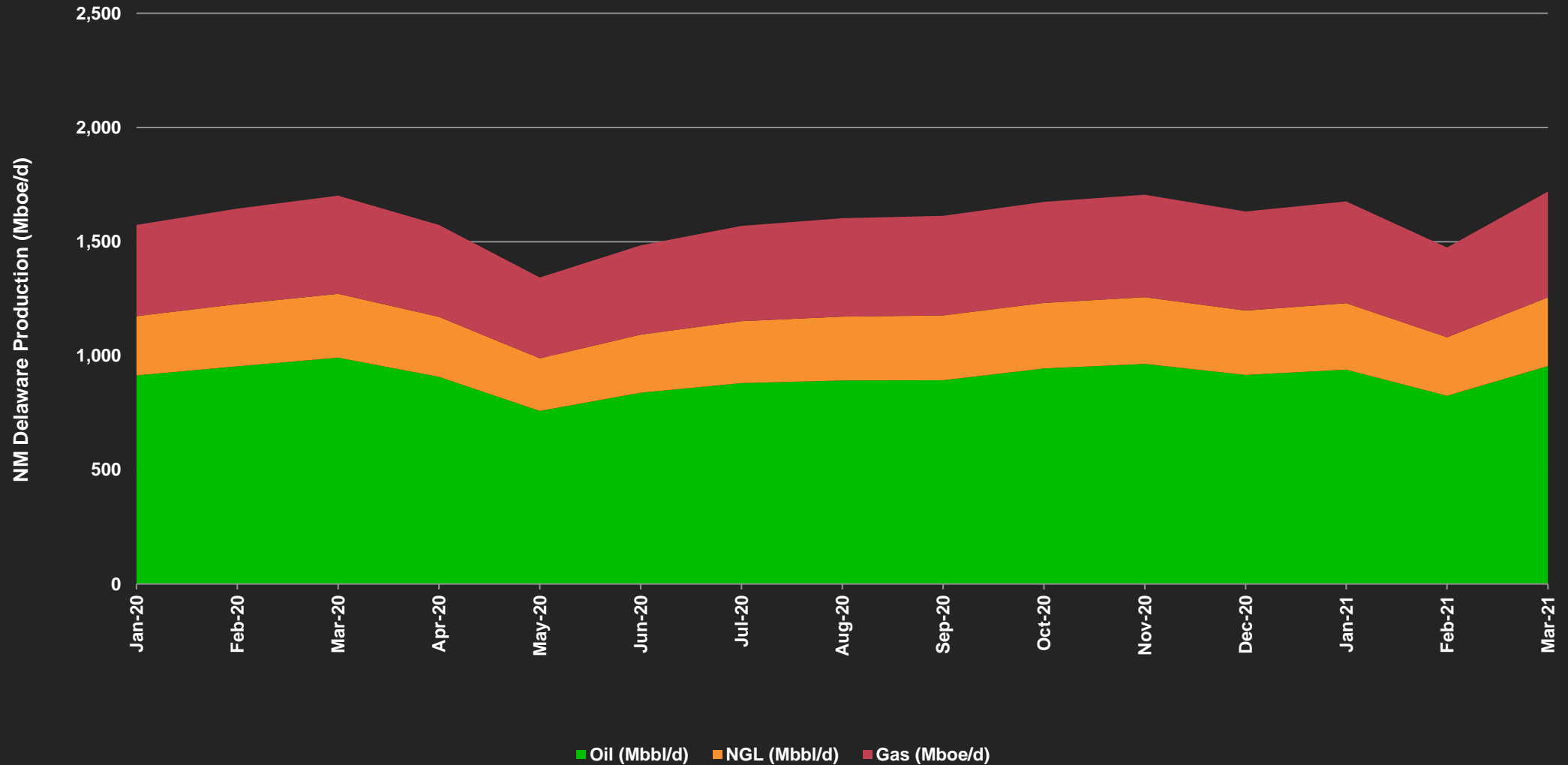
Less Severe Case – Producing, Drilled, Completed and Permitted Leases Considered HBP





Texas Storm Uri Production Impact

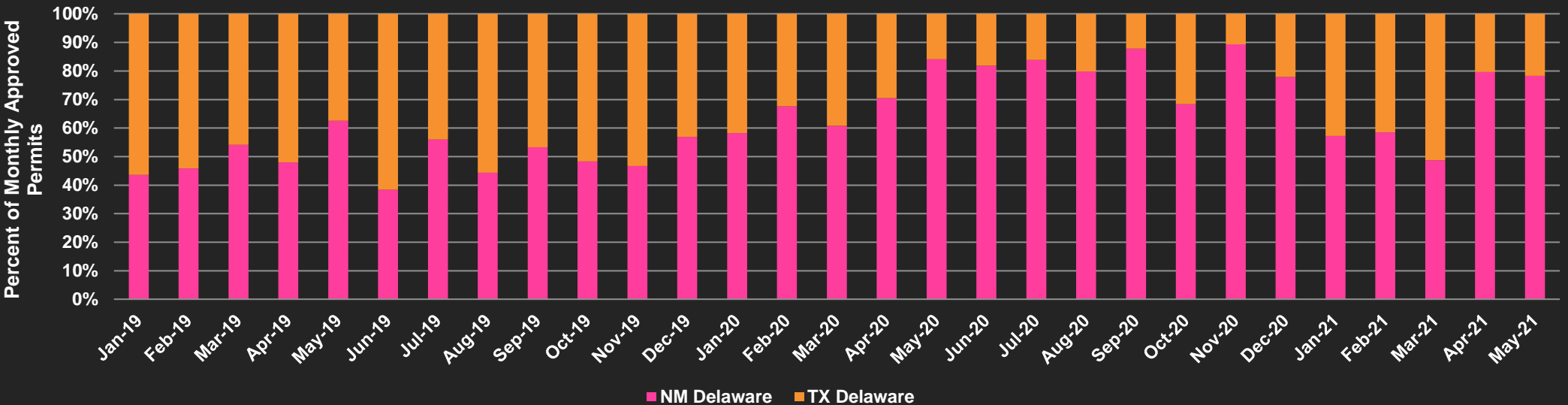
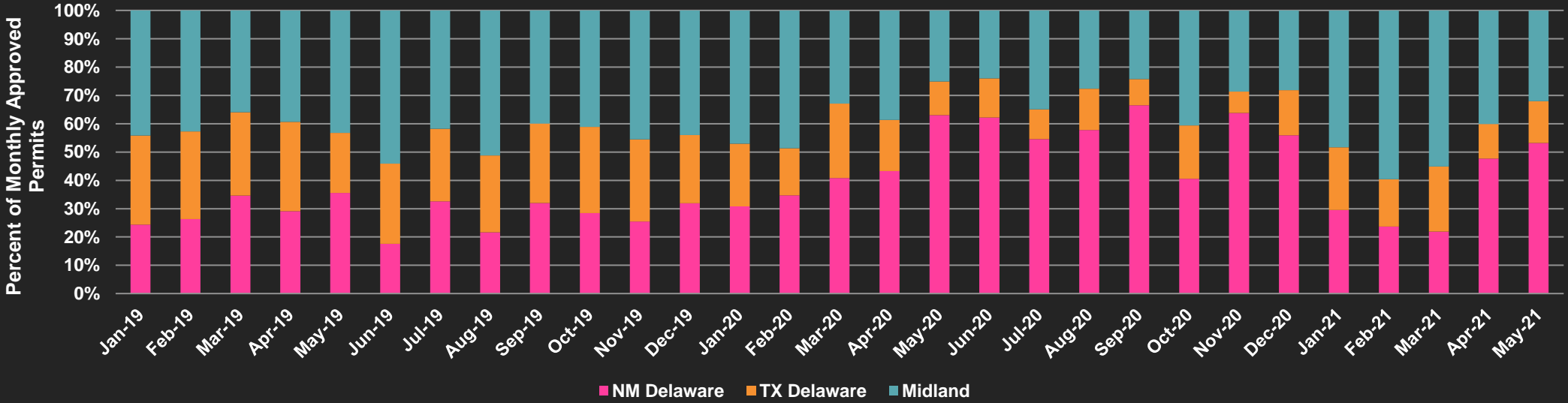
Field Shut-Ins Reduce Production by 223 Mboe/d or 13% in February





Permit Activity Shifted to NM Ahead of Election

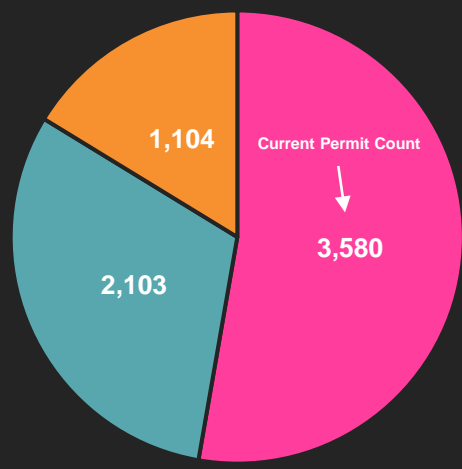
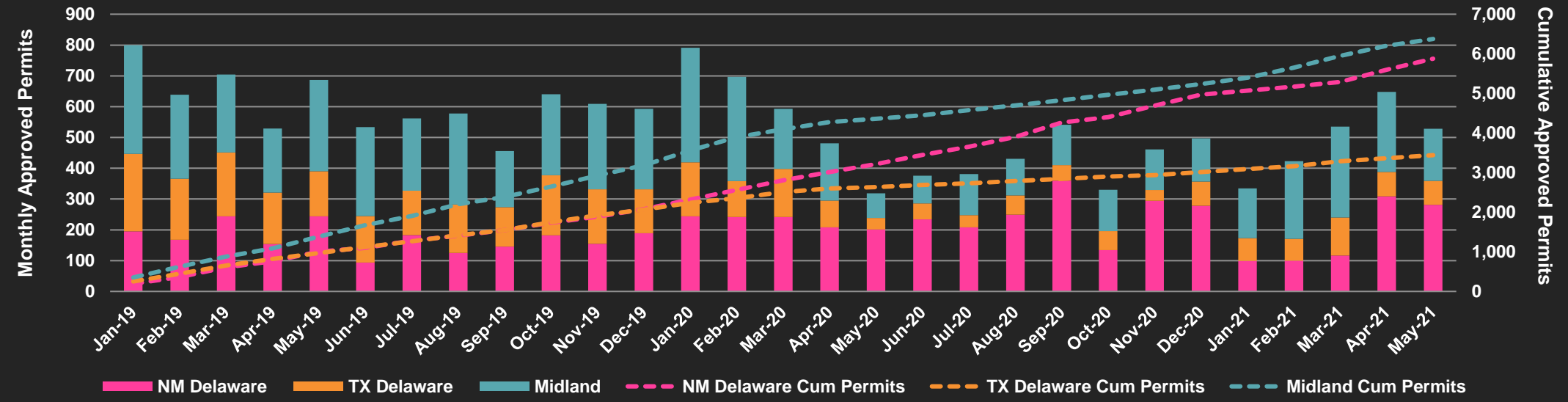
NM Permitting Activity Bounces Back Post Moratorium





Recent NM Permit Cadence On Pace With Midland

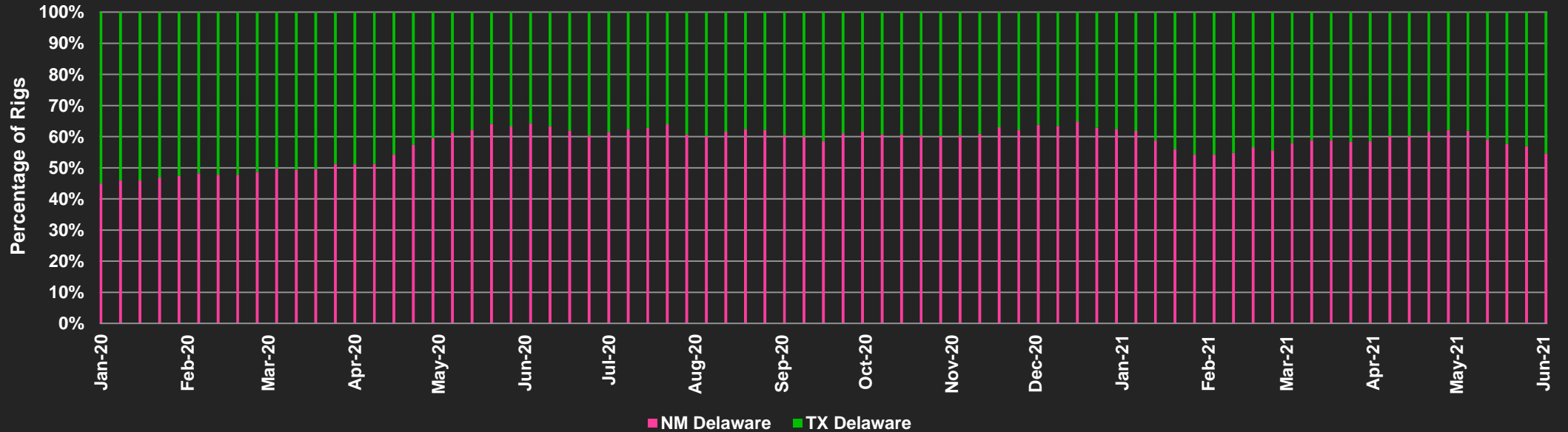
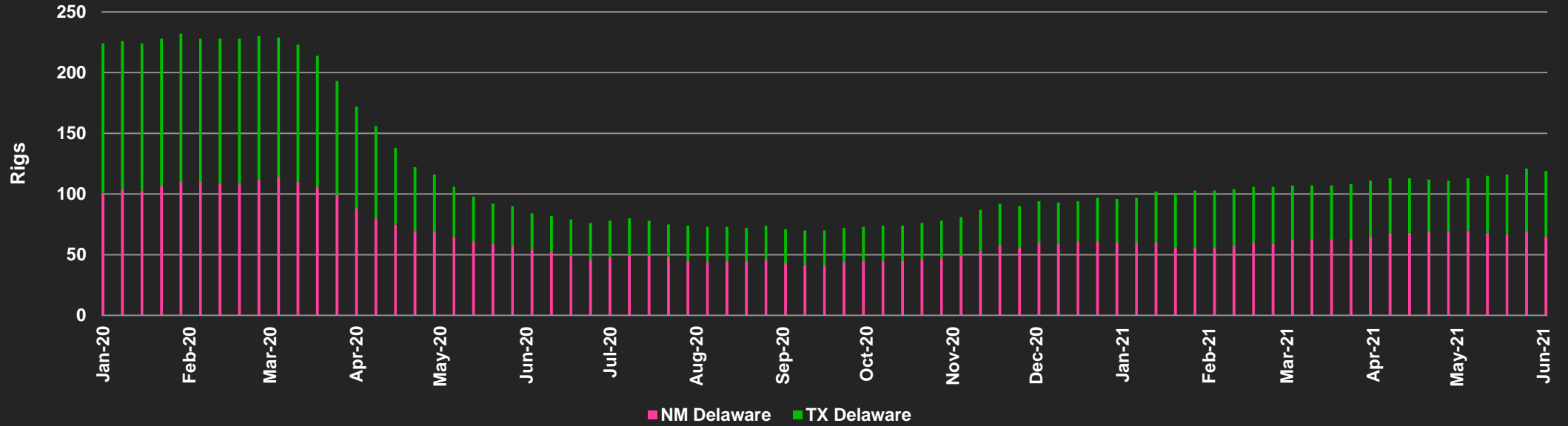
Over 50% of Permian-Wide Permits Reside in NM Delaware





NM Rig Activity Continues to Climb

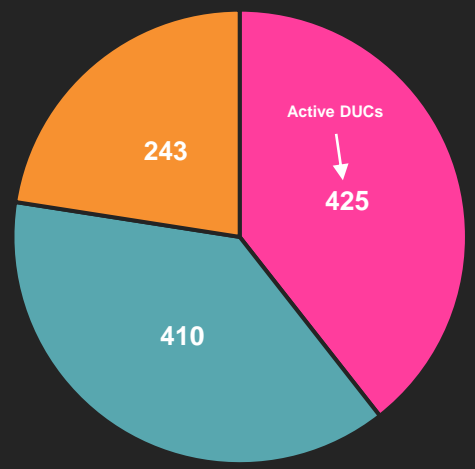
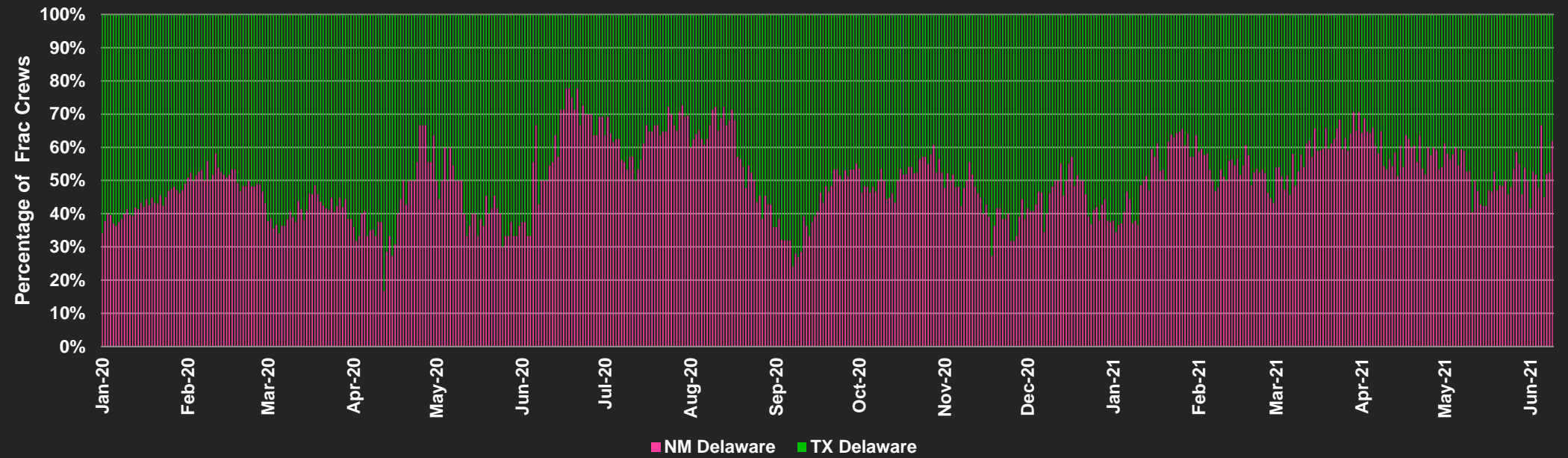
60% of Delaware Rig Activity in NM Following Oil Price Crash





NM Share of Frac Crew Activity Over 50% Since Bottom

Largest Fraction of Active DUCs Situated in NM



Note | Active DUC count includes wells spud over the last two years.

Source | Enverus

■ NM Delaware ■ Midland ■ TX Delaware

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