

Deal For Sale Alert

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Bakken
Comstock

Comstock Resources Hires EnergyNet Indigo to Market Bakken Non-Op Assets

What You Need to Know

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- Comstock Resources (NYSE: CRK) has engaged EnergyNet Indigo to market its Bakken Shale assets, which consist of non-operated working interests in 436 wellbores with last six months production of 6,408 boe/d (56% oil).
- Comstock acquired the assets, which included interests in 203 wells, in April 2018 from entities controlled by Dallas Cowboys owner Jerry Jones in a reverse takeover that gave the Jones Family ownership of 84% of Comstock shares.
- The company harvests Bakken cash flow to fund development on its 68,000 net acres in the Haynesville/Bossier play.
- In June 2019, Comstock significantly expanded in the Haynesville through the \$2.2 billion acquisition of Covey Park Energy (backed by Denham Capital).
- High oil prices and a resurgence in Bakken M&A activity may have led to the company's decision to market its non-op interests to help fund participation in Haynesville consolidation, which has accelerated with recent major purchases by Southwestern Energy (acquiring Indigo Natural Resources) and Chesapeake Energy (buying Vine Energy).

Asset Overview

- Comstock is offering an average ~15.5% non-op WI (~12.6% NRI) in 436 wellbores with 427 actively producing. Last six-month average production is 6,408 boe/d (~56% oil).
- Annualized 1Q21 cash flow is \$47.4 million and the PDP PV10 is \$196 million using August 3, 2021 strip pricing.
- Monthly net cash flow has risen from about \$4 million in the fall of 2020 to over \$6 million in March 2021.
- Production weighting is 96% Bakken, 2% Three Forks, and 3% Sanish.
- Operating costs per barrel of oil were 5% lower in 1Q21 than in all of 2020.
- Leading operators of the wells include Whiting, Continental, Oasis, RimRock, ExxonMobil, and ConocoPhillips.
- An EnergyNet Indigo virtual data room is open with a bid date of September 2, 2021 and an effective date of October 1, 2021.

Market Analysis

- After more than two years of tepid activity, Bakken M&A came strongly back to life in 2021 with major acquisitions by Enerplus, PE-funded Grayson Mill Energy, a restructured Oasis Petroleum, and Whiting Petroleum
- Higher oil prices have opened the M&A market for PDP oil-weighted production in mature basins such as the Bakken and Eagle Ford.
- There has also been interest in non-operated assets in the Bakken, with Lime Rock Resources and BOKF Petro Holdings recently selling asset packages to undisclosed buyers.
- Non-op interest consolidator Northern Oil & Gas, which has participated in nearly 30% of all Williston wells drilled since 2006, recently boosted its dividend by 50% as 2Q21 EBITDA doubled.
- The diversity of operators of the acreage in this package mitigates development and financial risk but also makes the package an unlikely purchase by major public producers, which are primarily interested in boosting working interests on their own operated properties.
- The significant production in this package should attract smaller companies and new entrants to the play who can use the steady cash flow to fund their operated development.
- That same cash flow is also attractive to prospective financial buyers. Family offices and other investors that are not inclined to manage operated assets may be interested in picking up non-op holdings to gain exposure to energy in an inflationary environment.
- The below comparable deals consist of the main 2021 Bakken acquisitions. It is worth noting crude prices have rallied substantially through the first half of 2021 driving up oil production values since deal announcement dates.
- The most recent Bakken non-op deals with disclosed deal values were transacted in a similar oil price environment in 2019.

Comparable Transactions

Whiting acquires Bakken assets from a private company for \$271 million.

- In July 2021, Whiting purchased 8,732 net acres with 4,200 boe/d of production (80% oil) and 39.5 net locations.
- After adjusting for existing production at \$34,100/daily boe the deal implied a price of \$14,100/acre.

Oasis Petroleum acquires Williston Basin assets from Diamondback for \$745 million.

- In May 2021, Oasis Petroleum acquired Williston Basin assets from Diamondback Energy that included 95,000 net acres (99% HBP, 84% avg. WI) with 27,000 boe/d of production (66% oil, 19% NGLs and 15% gas) and 66 MMboe of proved reserves (71% oil).
- The transaction implied a purchase price of \$27,600/daily boe.

Enerplus buys Bakken assets from Hess for \$312 million.

- In April 2021, Enerplus acquired assets in the Williston Basin from Hess that included 78,700 net acres (77% operated, 100% HBP) with 4,500 boe/d of net 1Q21 production, 6,000 boe/d WI production (76% oil, 10% NGLs, 14% natural gas) and 62.7 MMboe of WI 2P reserves (79% oil, 11% NGLs, 9% natural gas).
- After adjusting for PDP value using \$26,800/daily boe, the deal implied a price of \$2,400/acre.

Grayson Mill Energy acquires Equinor's Bakken assets for \$900 million.

- In February 2021, EnCap-funded Grayson Mill purchased 342,000 net acres with 48,000 boe/d of 4Q20 production.
- The transaction implied a purchase price of \$18,750/daily boe.

Enerplus purchases Bakken pure-play Bruin E&P Partners for \$465 million.

- In January 2021, Enerplus acquired 151,00 net acres with net production of 19,200 boe/d (72% oil, 14% NGLs, 14% gas) assuming a 20% royalty rate and 49.5 MMboe of proved reserves.
- The transaction implied a valuation of \$24,200/daily boe.

Whiting sells non-operated Bakken assets in two deals for a combined \$53 million.

- In July 2019, Whiting sold 6,800 net acres with 703 boe/d of April 2019 production from 195 wells.
- After adjusting for production at \$38,700/daily boe, the deal implied a price of \$4,000/acre.

Northern Oil & Gas acquires Bakken non-op assets from Flywheel Energy for \$310 million.

- In April 2019, Northern acquired 18,000 net acres with 6,600 boe/d (80% oil) of forecast 2H19 production.
- After adjusting for production using a plug of \$38,700/daily boe, the deal implied \$3,000/acre paid for upside.

Potential Strategic Buyers

- Northern Oil & Gas: Northern has been the dominant consolidator of Williston non-op interests since 2006.
- Kraken Resources II: This latest iteration of Kraken received an equity commitment of over \$400 million in July 2021 from Kayne Anderson to pursue acquisitions in the Williston Basin.
- PetroShale: This public Canadian listed firm, headed by former Harvest Energy Trust CEO Bruce Chernoff, is actively seeking Bakken acquisitions.
- Zavanna LLC: This private company founded in 1991 has become a top 20 Bakken producer.
- Sixth Street Partners: Founded in 2009, Sixth Street is a global investment firm with over \$50 billion in assets under management. It has been actively buying large energy packages including a wellbore-only interest from Laredo Petroleum in the Midland Basin and an overriding royalty interest from Antero in Appalachia.

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