BOE Report Weekly Round-up
March 14th, 2025

While Whitecap applied for a new reservoir at their Valhalla Charlie Lake and Montney play, and Veren applied for new surface permits in the Gold Creek South area – both feel relatively meaningless in light of their combination. Which is superb. The market has been very hawkish towards Veren's (and to a lesser extend Whitecap's) single well results; a behavior that this should begin to snuff out.

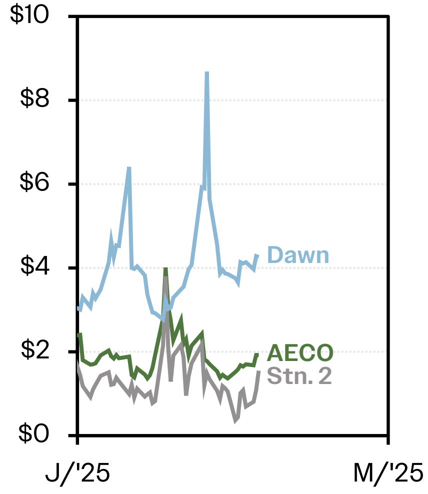
In a deal that may feel like a pyrrhic victory for Veren shareholders, owners of the combined company get to participate in the upside from a portfolio with a better inventory balance, and of equally high quality. Meanwhile, Whitecap pro forma is an actually ownable name for many institutions, given their capital markets relevance.

Inside we focus on the Whitecap/Veren transaction; and why we think it marks the beginning of the WCSB's greatest E&P.

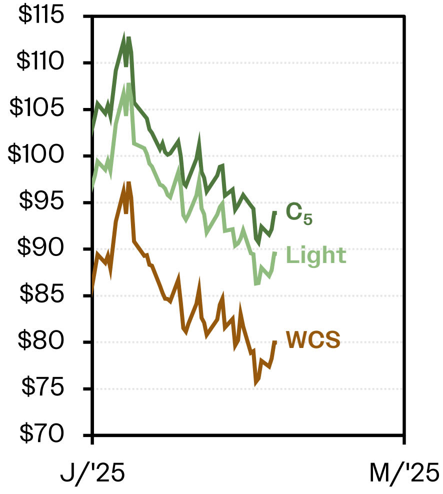
Rig Counts by Operator

Tourmaline Oil Corp.	17
Whitecap Resources Inc	9
Veren	9
Baytex Energy Corp.	8
Strathcona Resources Ltd	7
ARC Resources Ltd.	7
Obsidian Energy	5
Tamarack Valley Energy	5
Paramount Resources Ltd.	4
Spur Petroleum Ltd	4
Spartan Delta Corp.	3
Peyto	3
HWX Headwater Exploration Inc.	3
Birchcliff Energy	2
NuVista Energy Ltd	2
Kelt Exploration	2
Kiwetinohk Energy	2
Logan Energy Corp.	1
Advantage Energy Ltd.	1
Bonterra.	0

Producer Netback Gas Prices by Hub (CAD$/GJ)



Spot Edmonton/Hardisty Crude Pricing (CAD$/Bbl)

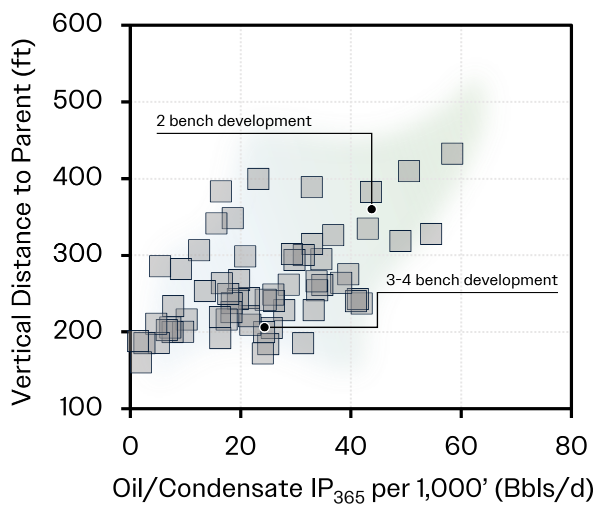


Note: Gas netbacks assume Gordondale plantgate, long-haul tolls assumed at minimum FT-R rates
Source: Bloomberg, NGI, HTM Data Suite

Weekly Headlines

- SOIL releases 2024 financial results
- HWX releases 2024 financial results
- CJ releases 2024 financial results
- KEL releases 2024 financial results
- JOY releases 2024 financial results
- BIR announces updated 2025 guidance, Elmworth test
- PEY releases 2024 financial results
- RBY releases 2024 financial results

3-14.1: Wapiti Montney Spacing Scatter

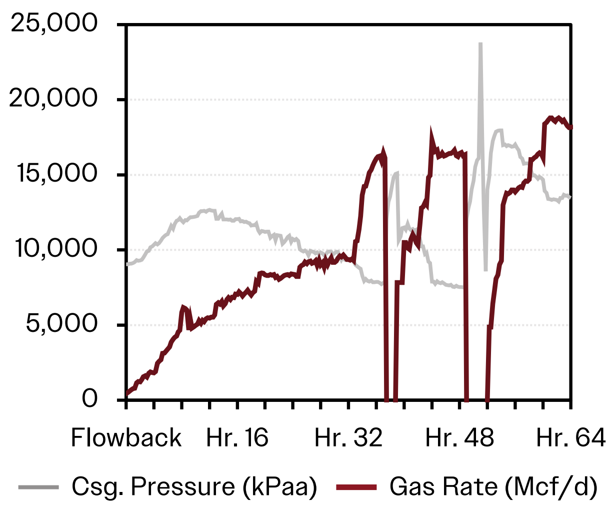


Wider Spacing is so in for 2025

With Canada's abundance of inventory, it often doesn't make sense to downspace. While there are some situations where tighter spacing can make sense; like companies that are more focused on the gas recovery than the liquids – our spacing framework generally favors wider spacing, especially in the liquids rich areas of the Montney and Duvernay. With some early 2025 development in the books, we've noted a handful of operators going with wider spacing, including; Baytex moving their Pembina Duvernay to ~4 WPS, down from ~6 WPS previously; Paramount moving their Kaybob Duvernay to 4 WPS, when it was closer to 5 WPS prior; and Parallax moving their Innisfail Duvernay to 4-5 WPS, down from 6-10 WPS previously.

But it's not just horizontal spacing that's getting wider; many operators are choosing to skip 3 bench development, and opt for 2 benches instead. ARC, has see success with this approach at Kakwa; as has Veren at Karr. To the left we show first-year production rates vs. vertical spacing. Wells that are >300' from their parent – by way of intentional drilling choice, or thick rock, have seen notably better first year single-well liquids results.

3-14.2: Glacier South Tier 1 Well Test



Birchcliff Flows a Big One at Elmworth

On Wednesday, Birchcliff released results from an Elmworth test well which targeted the Middle Montney and saw 30 stages placed. This well stabilized at a raw gas rate of ~17MMcf/d, with a casing pressure of 12,000kPaa, and a condy yield of 4-5Bbls/MMcf. Recall, per regulator filings, Birchcliff expected a stabilized flow rate of ~13MMcf/d with 2.7% H_2S content. This test is almost perfectly in-line with Advantage's South Glacier asset, where we see Tier 1 EURs in the 15-20Bcfe range from the Lower Montney. The similar tests confirm our work that suggests the maturity trend bends sharply south around the Chinook Ridge heat anomaly, thus derisking a large part of North Elmworth.

For Paramount and Birchcliff; these future gas developments add massive upside with little value at risk; which is the ideal structure for a call option. Both can choose to walk away from their respective assets with <$100MM in lifetime risked capital; though if the market calls on the gas, or they feel that prevailing gas balances can support full-cycle development economics, they have a potentially massive, high return inventory set that further enhances already strong portfolios with good long-term optionality.

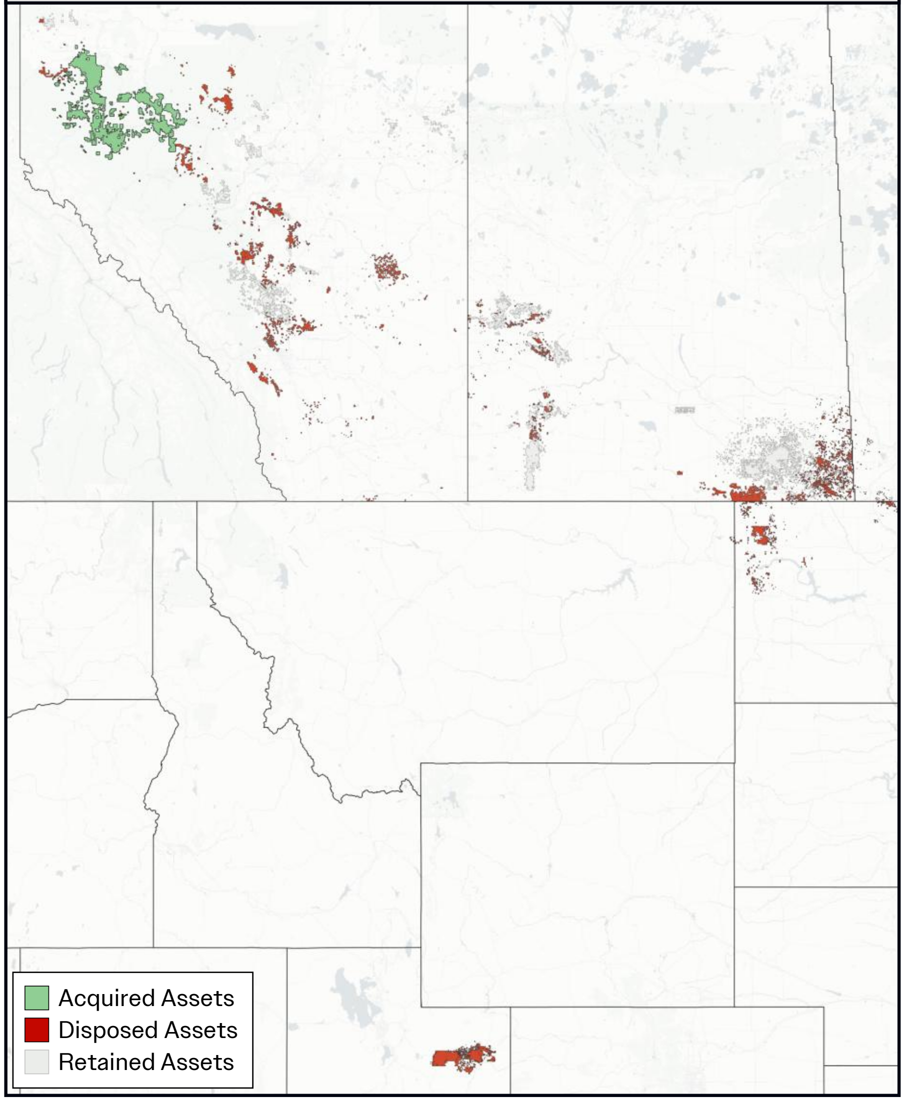
A Leading Canadian E&P Emerges in a Foundational WCSB Transaction

Monday's transaction, that saw Whitecap and Veren combine, creates one of the best non-oil-sands E&Ps in Canada. The combined company has more core liquids inventory than any of their Canadian peers, including ARC. This merger eliminates weaknesses from both individual portfolios, while subliminally shifting Whitecap's mandate from proving inventory quality, which is what the street focused on with respect to Veren/Whitecap individually, to proving Whitecap's ability to execute at a large scale. In our eyes, Whitecap has already proven their ability to execute. Their conventional wells are consistently the best when compared to local operators; and their development philosophy in their unconventional portfolio has been near flawless; consistently executing optimized spacing designs with better drawdown strategies. We are certain that Whitecap will only continue to improve as an unconventional operator in the years to come, after already having proven their capability in 2024 at Lator, Kaybob, and Kakwa.

The combined company owns a perfectly balanced portfolio. Whitecap's inventory was decidedly gas-weighted, while Veren's Gold Creek assets were inherently less consistent due to their locale on the updip side of the Montney. Together, Whitecap has a vast opportunity of liquids, and rich gas opportunities, in varying geologies, that when all dispatched together; can deliver smoothed production growth, with the ability to respond to commodity-specific price signals.

Getting here wasn't easy. We're positive that the Veren and Whitecap portfolio transformations since 2019 will go down as the greatest series of deals in modern Canadian upstream history. Both groups have successfully unloaded sub-scale, inventory challenged assets that were concentrated in legacy conventional plays; and subsequently focused their production base in the core of Canada's best unconventional plays. Veren did this while only increasing their share count by 20% over 2019 levels. The combined Veren and Whitecap entity has direct line-of-sight to >500,000BOE/d of liquids rich production, with further growth projects that would see the company reach >600,000BOE/d with the dispatch of Deep South Resthaven lean gas.

3-14.3: Veren and Whitecap A&D History Map



Whitecap's Pro Forma Size and Scale is Completely Unmatched Amongst Peers

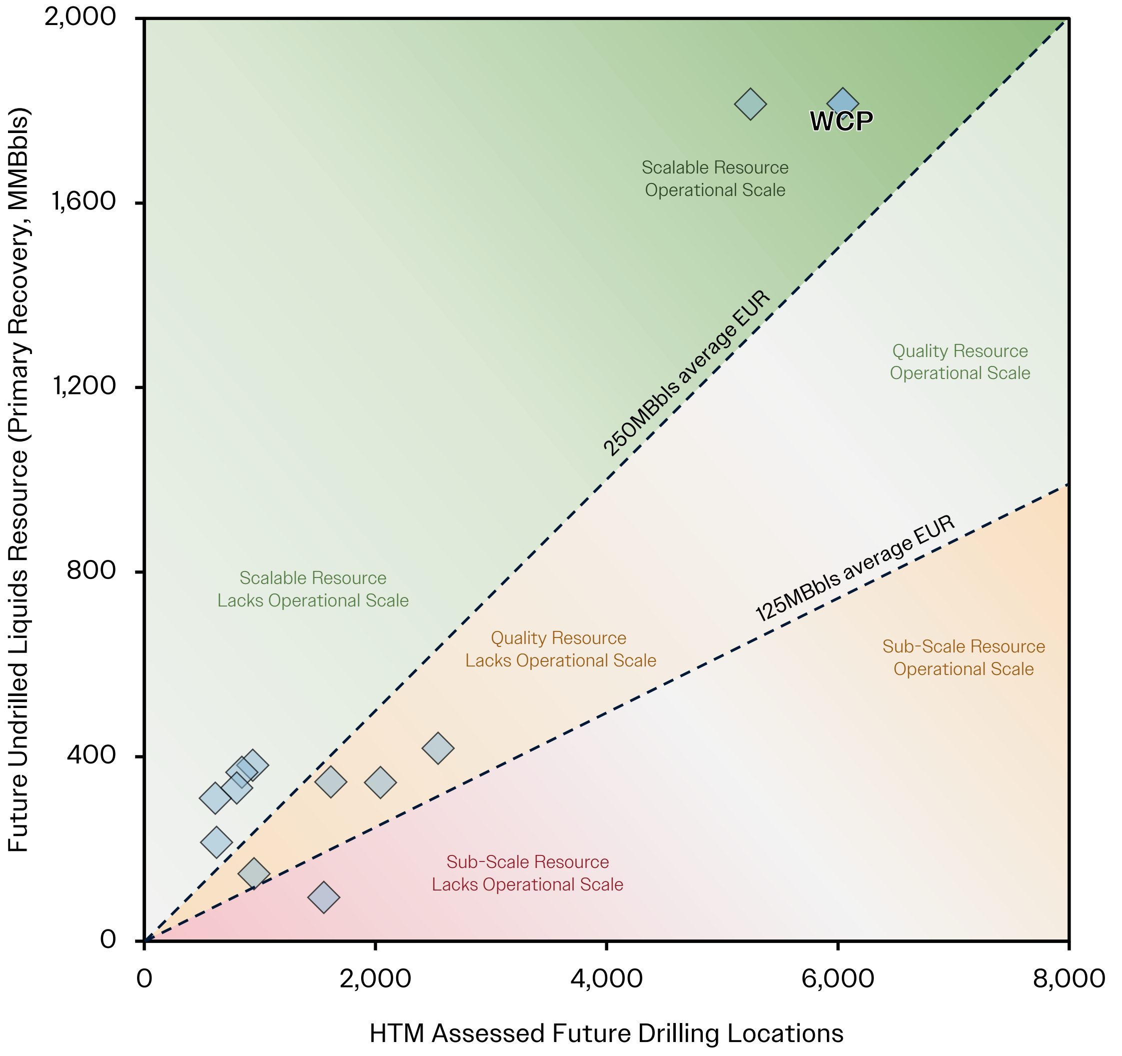
The pro forma company moves two E&Ps, each on the cusp of operational scale; into decidedly large-cap territory. And it's lonely up there, with ARC the only liquids-rich peer outside of the oil sands having both operating scale, and resource of scale.

While there are plenty of E&Ps with good, high quality unconventional inventory – there are few that have operational scale like the pro forma Whitecap does. While "scale" is a term that can get thrown around loosely – and something that many companies claim to have, Whitecap now truly has "scale", with the key ability to compartmentalize operations to maximize efficiency, while sporting a newfound buying power.

A good example of this, is the fact that combined Whitecap/Veren are running 10 rigs in the Montney and Duvernay right now. Just level-loading their rig pace would reduce their rig demand down from 8-12 intermittently, to 7-9 year-round. We think this can amount to ~$20-25MM in CAPEX savings annually.

In comparison to US peers, the combined company now has a 'core' inventory footprint better than leading Permian operators on both an absolute, and relative basis. For example, Permian Resources only has 1,000-1,200 core locations, we see Whitecap with over 2,000. This inventory footprint, and operational scale will be hard to ignore. We will look forward to clarity on growth intentions, and how the combined company will dispatch inventory from different parts of the asset base; though expect that the short term will see delineation efforts at Lator continue, with development focused in the updip volatile oil window, and the slightly overpressured oil window at Karr.

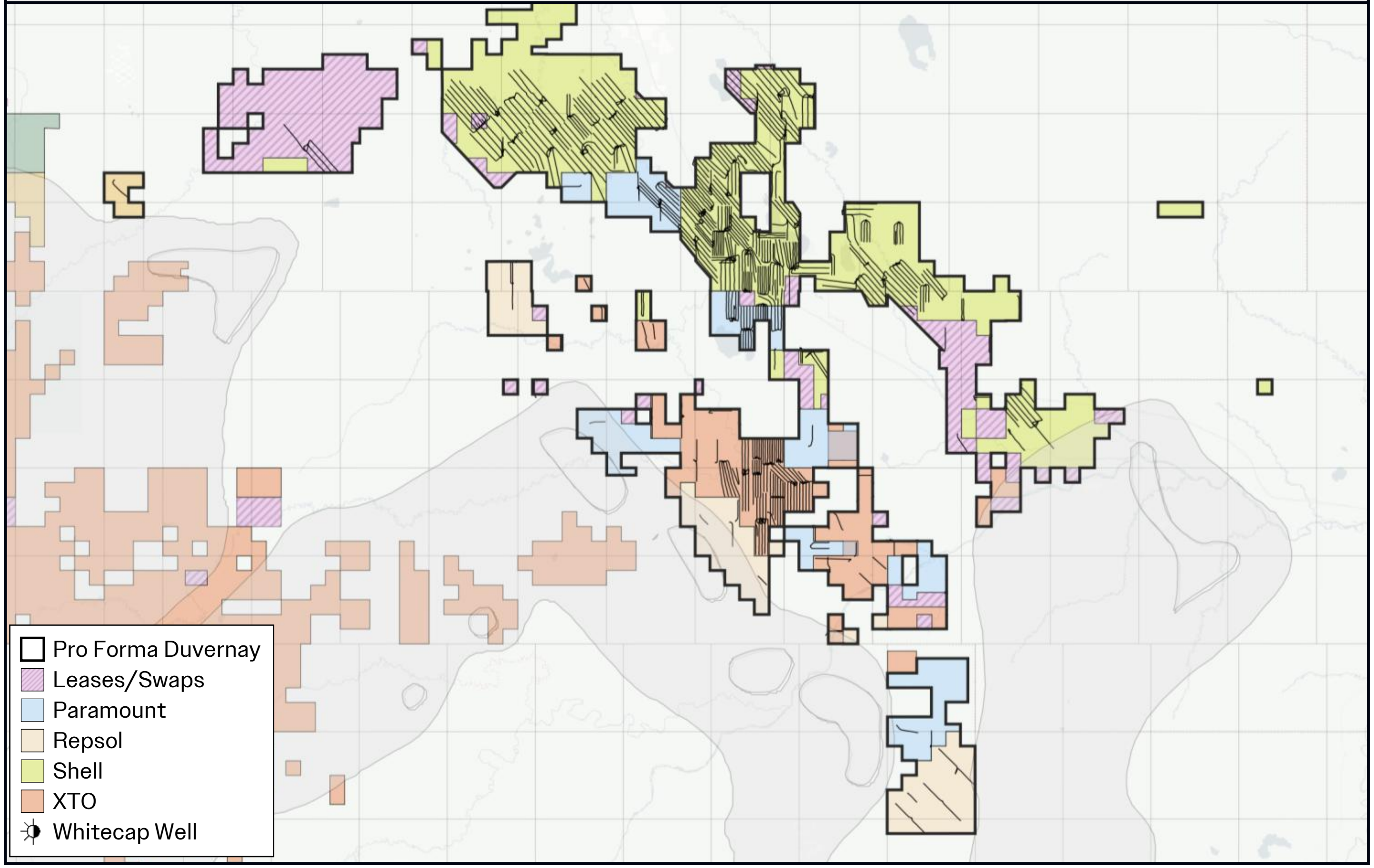
3-14.4: Corporate Scale vs. Resource Scale Scatter Plot



A Foothold in the Core of the Duvernay Gets Even Better When Combined

In the Duvernay, the pro forma group has amassed a solid land base, with processing partly through their own plants, along with a new long-term volume agreement with PGI at K3. The South Kaybob area will be a huge source of rich gas growth (and inventory), with both Veren and Whitecap having respective delineation success in the condensate/NGL window. We think Whitecap will downspace in the north over Veren's plan, which provides a quantifiable inventory upside of ~60 locations. Historically, buying dispositions from large multinational companies has been a strategy that has net the acquirer high quality, and often overlooked assets. No different here!

3-14.5: Pro Forma Whitecap Duvernay Acreage by Original Source

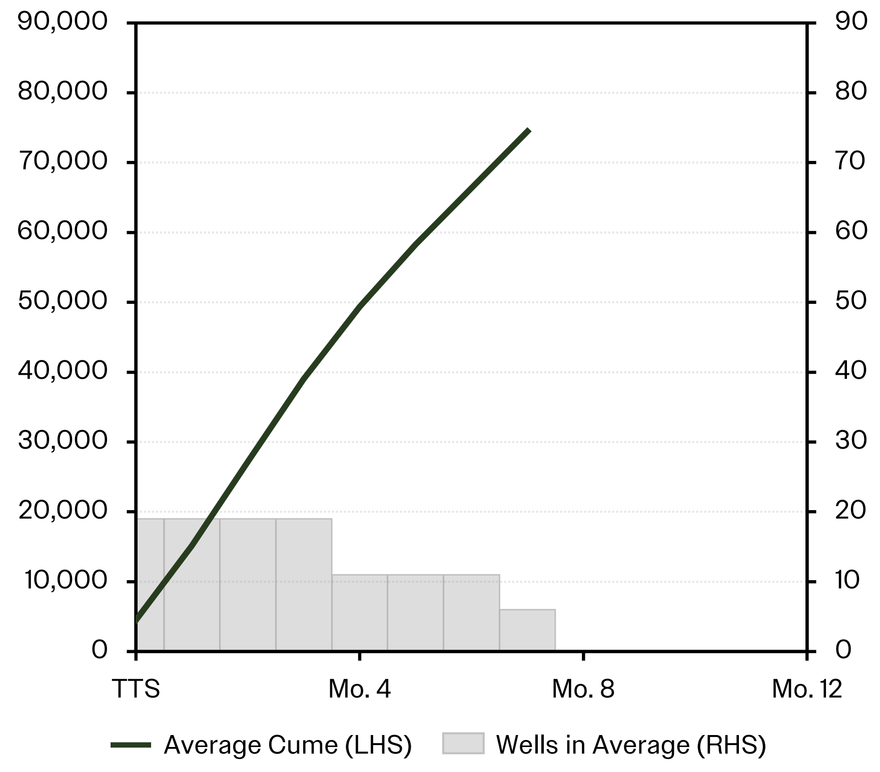


Extremely Strong Montney Liquids Results Become a Cornerstone of Pro Forma Portfolio

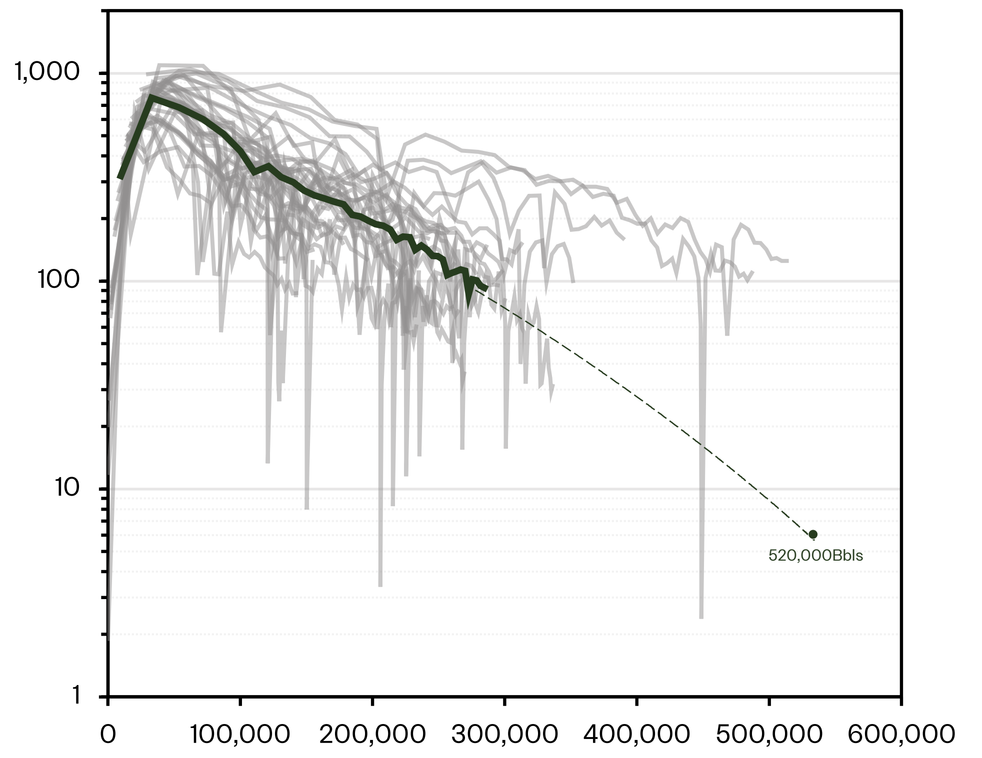
Despite virulent disdain towards Veren's Montney acreage, it is a great asset that Veren did a superb job of assembling. While initial production rates from their plug-n'-perf wells were underwhelming; they are on-pace to produce >100MBbls of oil in the first year (as shown below); with the average modern NCS well on pace to produce >500MBbls of liquids (including NGLs) over its lifetime.

Even with a plug-n'-perf completion, this is highly economic inventory. For context, wells at Kelt's core Wembley asset, also only see ~115MBbls of oil in the first year, though the lower intensity fracs and lower cost drive higher IRRs on Kelt's land. Ultimately, well results from the PnP trials, when considered independent of their potential, have still been strong, with ~US$50/Bbl WTI breakevens, and payouts in ~1.2 years. While we think that Whitecap continue to experiment on this acreage; with various benching, stage spacing, proppant loading, and frac designs – we think Veren's Montney acreage is unrivaled, and will be a massive growth driver for Whitecap.

3-14.6: Veren Plug-n'-Perf Oil Cumes (Bbls)



3-14.7: Veren Montney NCS Liquids Results (Bbls/d & Bbls)

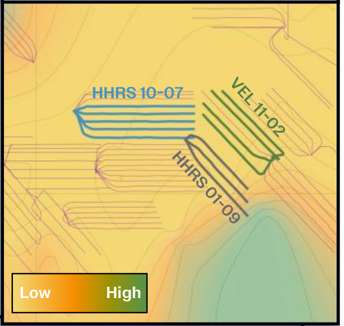


Geological (and Frac) Variability Less Impactful to Pro Forma Company

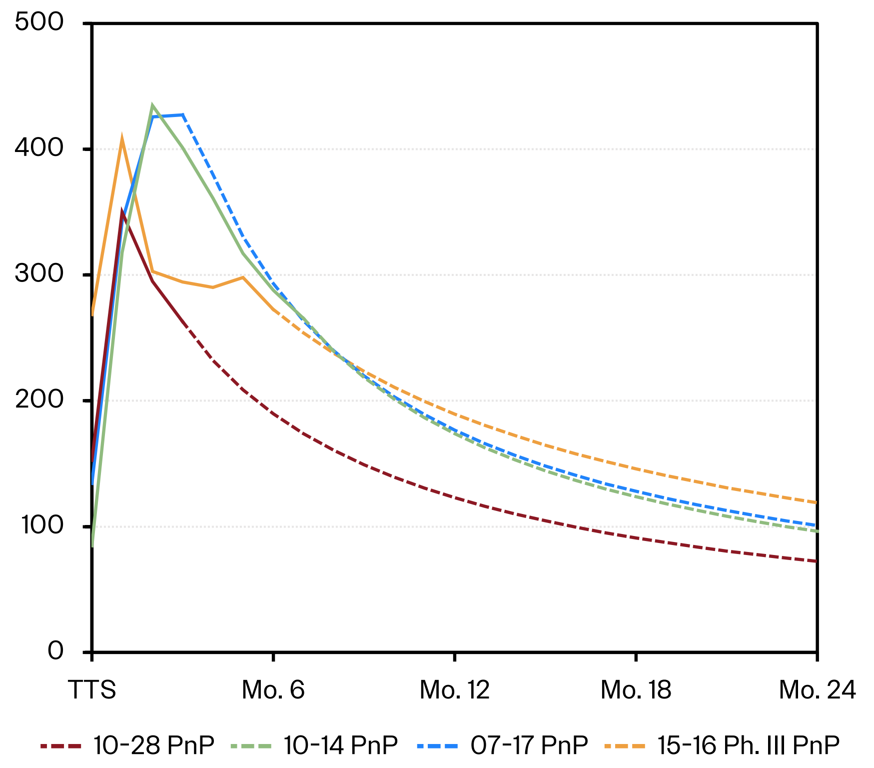
Despite underwhelming plug-n'-perf well results that hammered the stock, we continue to find evidence that suggests NCS fracs are a contributing factor to well productivity. Shown below is the cumulative production from 3 pads offsetting one another at Gold Creek, in the same phase window. The wells with a plug-n'-perf completion are ~40% worse, on average, than the wells completed with an NCS sleeve, through 4 years on production. This reaffirms the quality of Veren's acreage, and the fact that 2024 softness was driven by choices at the surface, not by subsurface conditions. Many operators continue to report a preference for NCS in the updip oil window.

Meanwhile, we'd note that the combined company has good exposure to secondary resource plays (Charlie Lake, Glauconite), that will allow them to make up lost ground if they are ever lagging behind quarterly targets.

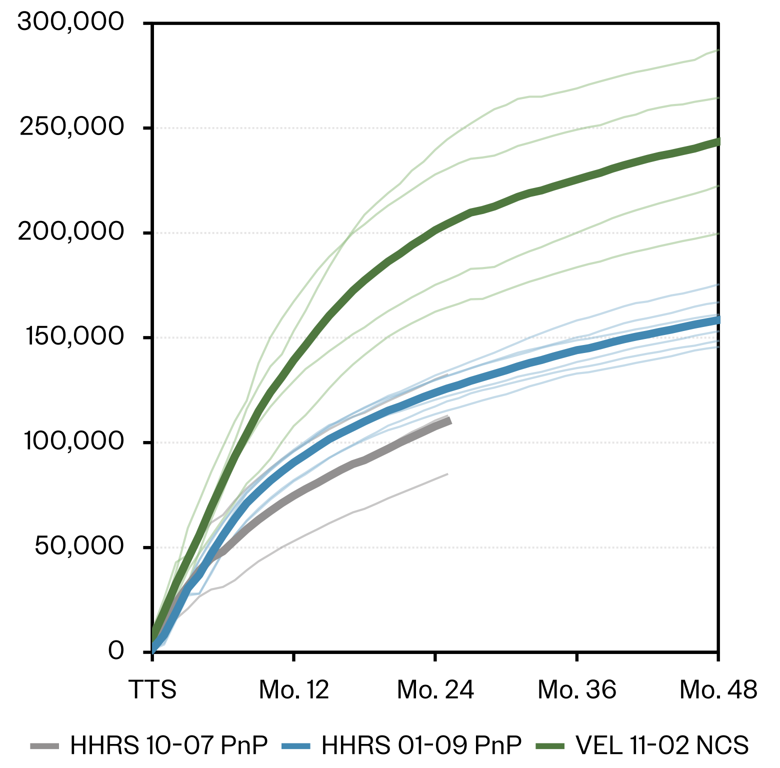
3-14.8: Initial CGR



3-14.9: Veren Plug-n'-Perf Oil Forecasts (Bbls/d)



3-14.10: Oil Cumes by Pad & Frac Type (Bbls)



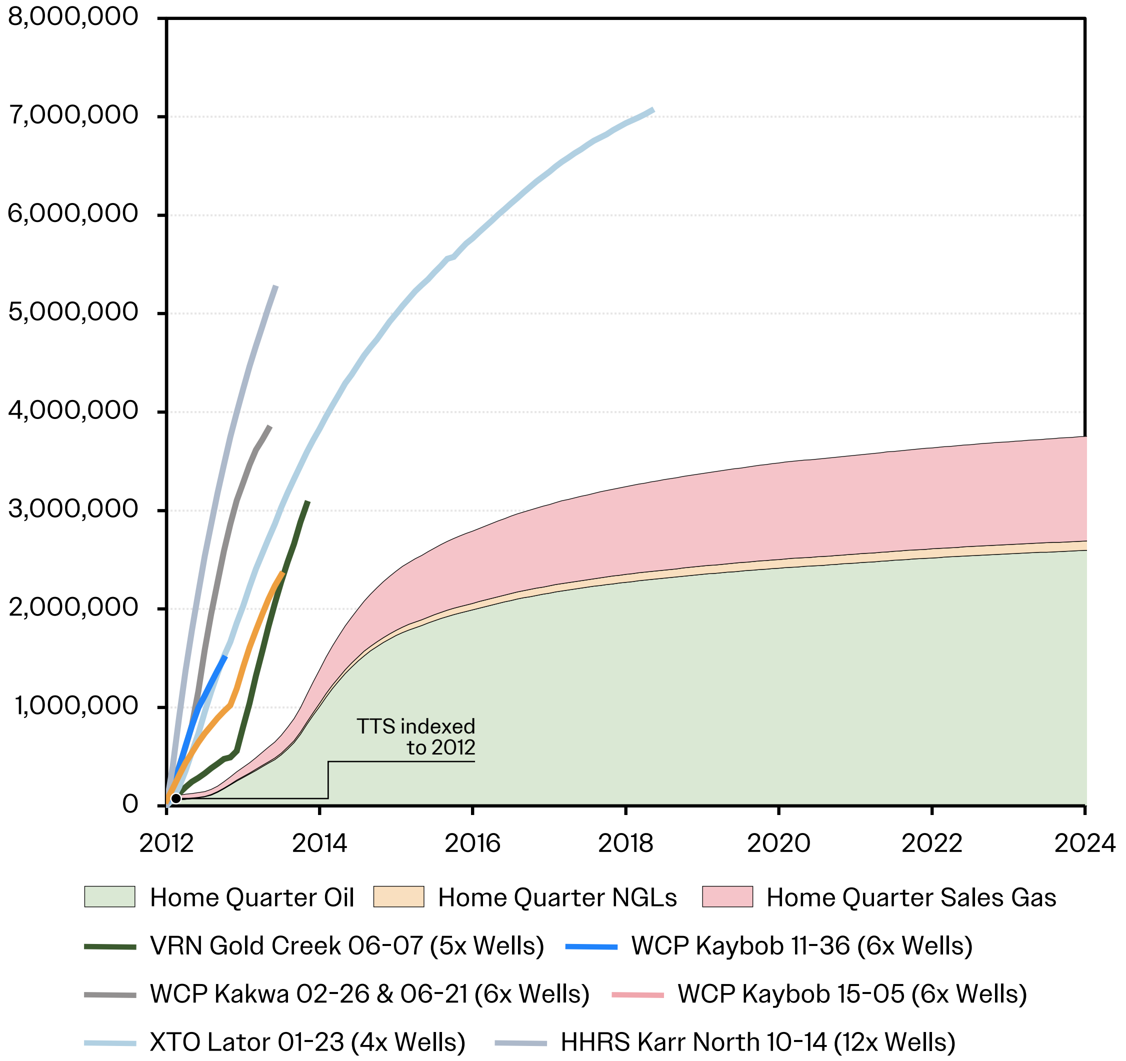
A Case Study in Scale – Whitecap's Late 2013 Acquisition of Home Quarter Resources

In 2014, Whitecap closed the $325MM acquisition of Home Quarter Resources, a Viking-focused E&P with ~4,000BOE/d of production. With the deal, Whitecap got 202 horizontal drilling locations, and ~9.2MMBOE of proved reserves. To the right, we show cumulative production from all the wells Home Quarter drilled prior to being acquired by Whitecap. Those 90 wells will go on to produce ~4MMBOE throughout their lives, for an average single-well EUR of ~45MBOE. We compare this PDP cumulative production plot (area), to the cumulative production from select Montney and Duvernay pads that Whitecap now owns (lines).

The 202 locations that Whitecap acquired in 2013, **are equivalent to ~10 Gold Creek locations**. Or, put another way, the ~5,000 unconventional locations the pro forma Whitecap has, are equivalent to ~175,000 Viking drilling locations on an EUR basis. For context, there are only ~16,000 horizontal Viking wells drilled to date in the oil fairway. The scale in mind blowing. What is even crazier, is that using Novus Energy's implied location valuation at the time ($325K), on a Viking-equivalent basis, Whitecap's unconventional inventory would be worth >$50Bn.

Today, a single pad of Montney or Duvernay wells, can produce ~4MMBOE within months. While the key critics of the unconventional WCSB plays will note that they aren't as liquids-weighted; that fact is well offset by the OPEX savings, royalty advantage, and better capital efficiencies. We think it's impossible to have any sort of true scale while drilling in the legacy fairways; and Whitecap has done an excellent job of per-share growth while adding the unconventional acreage required to be a competitive modern E&P.

3-14.11 : Cumulative Production by Company/Pad (BOE)



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