

SEAM Alert—Upstream

IHS Herold

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Comstock's nonoperated Bakken Shale assets

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SEAM Alert—Comstock Resources selling 6,408 boe/d from 436 nonoperated wells in the Bakken

Comstock Resources is looking to sell its nonoperated working interest in 436 wellbores in the Bakken Shale and has retained EnergyNet to assist in the sale process. Comstock owns approximately 15.5% working interest [WI] (12.6% net revenue interest [NRI]) in the 436 wells, which are primarily located across McKenzie, Williams, Dunn, and Mountrail counties in North Dakota. The assets include 427 actively producing wells, with a six-month average net production of approximately 6,408 boe/d (56% oil). They are expected to generate approximately \$47.4 million a year of cash flow and provide exposure to top operators in the Bakken including Continental Resources, Oasis Petroleum, RimRock, Whiting Petroleum, and XTO Energy.

Bids are due by 2 September 2021, with a potential transaction expected to be effective from 1 October 2021. The data room has been active since 9 August 2021 and will be opened on 1 September 2021. Interested parties should contact Denna Arias, Vice President of Corporate Development, EnergyNet at 281-949-8463 or Denna.Arias@energynet.com; or Zachary Muroff, Vice President of Business Development, EnergyNet at 214-556-2065 or Zachary.Muroff@energynet.com.

Key implications

Based on recent comparable transactions, Comstock Resources' nonoperated Bakken assets should be valued at approximately \$21,000–31,000/boe of daily production, or roughly \$133–200 million when applied to the six-month average production of approximately 6,408 boe/d.

Other than Comstock, ConocoPhillips is rumored to be selling some of its Williston Basin assets worth \$200 million, according to Bloomberg.¹ IHS Markit believes that these asset sales, along with others, will continue to drive M&A activity in the Bakken, which came to a near halt in 2020. The total upstream deal value in the Bakken fell from \$446 million in 2019 to \$14 million in 2020 (the lowest level since 2006) and is already recovering in 2021. With \$2.7 billion worth of upstream deals done in the Bakken so far in 2021 and assets worth \$1.2–1.7 billion still up for grabs, IHS Markit believes that the Bakken is set to see renewed M&A activity.

1. See the IHS Markit report [ConocoPhillips reportedly marketing Elm Coulee Williston Basin oil assets](#).

Renewed M&A activity in the Bakken

Upstream M&A activity in the Bakken had fallen from \$446 million in 2019 to a meager \$14 million in 2020. M&A activity has now recovered to \$2.7 billion so far in 2021, with more deals expected in the region. Other than Comstock, ConocoPhillips is also rumored to be selling some of its Williston Basin assets worth \$200 million, according to Bloomberg. IHS Markit understands that ConocoPhillips' Elm Coulee assets are up for sale. In total, assets worth \$1.2–1.7 billion are estimated to be up for sale in the Bakken, according to the IHS Markit SEAM database.

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Comparable transaction valuation of Comstock's nonoperated Bakken assets

We have analyzed five transactions greater than \$10 million in the Bakken during 2021. This deal set covers a diverse range of production comparables, ranging from \$65,000/boe of daily production to \$18,750/daily boe of production for assets that have a similar oil and gas split. In April 2021, Enerplus Corporation acquired Bakken Shale assets in North Dakota from Hess for \$312 million. The transaction included 4,800 boe/d of production, of which 86% was oil and NGLs, implying a value of \$65,000/daily boe of production. Meanwhile, Grayson Mill Energy acquired Bakken Shale assets in North Dakota from Equinor for \$900 million in February 2021. The transaction included 48,000 boe/d of production, of which nearly 80% was oil and NGLs, implying a value of \$18,750/daily boe of production. Below are the three select, recent Bakken Shale transactions.

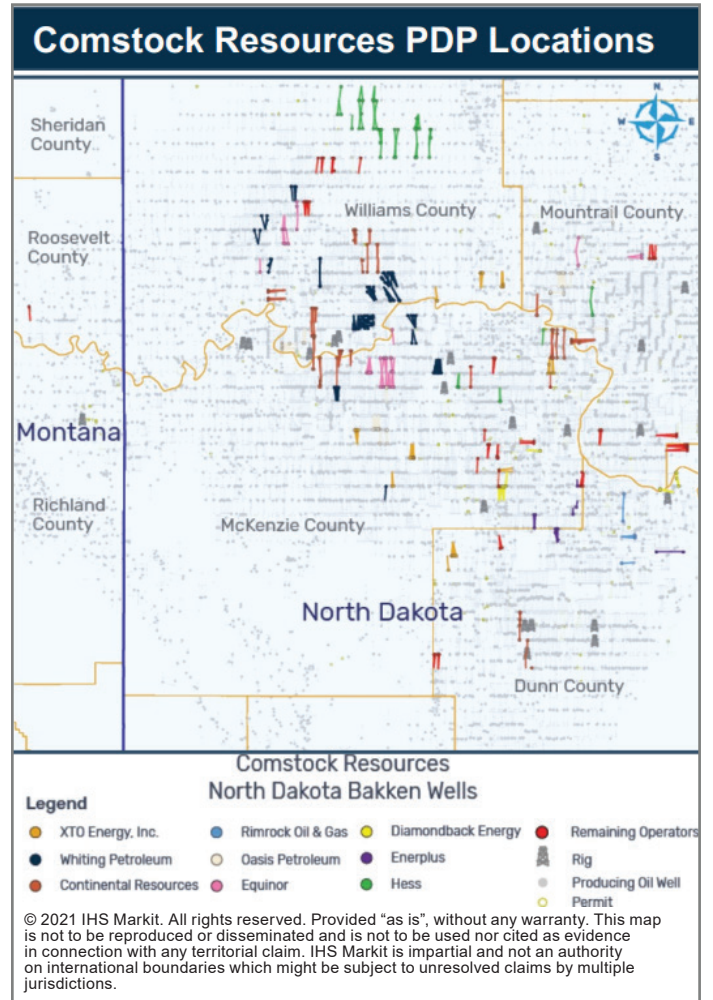
Whiting Petroleum to acquire Williston Basin Bakken Shale assets for \$271 million

On 21 July 2021, Whiting Petroleum acquired Williston Basin Bakken Shale assets in North Dakota from an undisclosed private company for \$271 million in cash. The assets cover 8,752 net acres in Mountrail county, adjoining Whiting's existing operations in the Sanish field. The assets had net production of approximately 4,200 boe/d (80% oil). Reserves were not disclosed. The transaction implies a deal value of \$64,524/boe of daily production.

Enerplus acquired Bakken Shale assets from Hess for \$312 million

On 8 April 2021, Enerplus acquired Bakken Shale assets in North Dakota from Hess for \$312 million in cash. The transaction covers Hess' Little Knife and Murphy Creek areas. The assets include 78,700 largely contiguous net acres in Dunn county, adjacent to Enerplus' core Bakken position. As of 1 March 2021, net after royalties (after an applied 20% royalty) 2P reserves were 50.1 MMboe (91% oil and NGLs). Net after royalties (after an applied 20% royalty) production at closing is expected to be 4,800 boe/d (86% oil and NGLs). The transaction implies deal values of \$6.23/boe of 2P reserves and \$65,000/boe of daily production.

Figure 1



Grayson Mill Energy acquired Equinor's Bakken Shale assets for \$900 million

On 10 February 2021, EnCap Investments-backed Grayson Mill Energy acquired Equinor's interests in the Bakken Shale for \$900 million. The transaction covers 242,000 net acres and associated midstream assets in North Dakota and Montana. The assets had 94 MMboe of proved reserves at the end of 2021, according to Equinor's 2020 10-K filing. Meanwhile, according to Equinor's transaction press release, net production from the assets averaged 48,000 boe/d (estimated 80% oil based on prior disclosure) during fourth quarter 2020. The transaction implies deal values of \$9.57/boe of proved reserves and \$18,750/boe of daily production.

Valuation and potential buyers

We believe that Comstock's assets should be valued toward the lower end of the abovementioned data points at roughly \$21,000–31,000/boe of daily production as the assets are 56% oil-weighted. Applying this to the six-month average production of approximately 6,408 boe/d implies a value of roughly \$133–200 million.

We have seen six different buyers from eight upstream deals announced in the Bakken in 2021 so far. However, public companies have emerged

as active buyers, accounting for six of the eight transactions. Another common trend in some of the transactions is that the acquired acreage was contiguous or adjacent to buyers' existing assets.

For the reasons mentioned above, we expect some of the companies operating Comstock's nonoperated assets to be the likely potential buyers. The list includes Whiting Petroleum, Continental Resources, Oasis Petroleum, Enerplus, and Hess. We do not expect ExxonMobil's XTO or Equinor to be the likely bidders owing to the companies' ongoing portfolio rationalization driven by the energy transition.

Table 1

Oil-weighted deepwater US Gulf of Mexico transactions since 2018 with a transaction value greater than \$10 million

Transaction ID	Announced date	Buyers	Sellers	Key assets	Total transaction value US\$ million	% gas of reserves	Proved reserve value	Proved reserves total MMboe @6:1	Implied proved reserve value US\$/boe @6:1	Daily boe/d production @6:1	Implied value per daily boe produced @ 6:1	R/P ratio total @6:1	NYMEX oil 12-month strip day before deal announcement US\$
141909	2021-07-21	Whiting Petroleum Corporation	Undisclosed private company(ies)	Williston Basin Bakken Shale assets	\$271.00		\$271			4200	\$64,523.81		64.68
139437	2021-05-03	Oasis Petroleum Inc.	Diamondback Energy Inc.	Williston Basin Bakken Shale assets	\$745.00	18	\$745	80.2	\$9	27000	\$27,592.59	8.14	61.32
138857	2021-04-08	Enerplus Corporation	Hess Corporation	North Dakota Bakken Shale assets	\$312.00	9	\$312			4800	\$65,000.00	28.61	58.56
137356	2021-02-10	Grayson Mill Energy, LLC	Equinor ASA	Bakken Shale producing assets	\$900.00	20	\$900	94.0	\$10	48000	\$18,750.00	5.37	56.20
136405	2021-01-25	Enerplus Corporation	Bruin E&P Partners, LLC	Bakken Shale production	\$465.00	13	\$465			19200	\$24,218.75	9.61	51.02
				Maximum	\$900.00	20	\$900	94.0	9.57	48000	65000.00	12.1	74.16
				Minimum	\$271.00	9	\$271	80.2	9.29	4200	18750.00	3.2	38.92
				Median	\$465.00	15	\$465	87.1	9.43	19200	27592.59	4.9	58.72
				Average	\$538.60	15.1	\$539	87.1	9.43	20640	40017.03	6.3	59.05
				Weighted average							26094.96		

Source: IHS Markit

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