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Montney, Deep Basin Plays to Boost Natural Gas Supply to Pacific Northwest, California, Says NGTL 2

REGULATORY

North Dakota Redirects Covid Funds to Cut DUCs, Stimulate Oilfield Work

North Dakota officials last Friday re-allocated $16 million from federal Covid-19 funds to reduce a growing number of drilled but uncompleted wells (DUC) while creating up to 1,000 temporary jobs in the oil and gas sector.

The action by the state Emergency Commission chaired by Gov. Doug Burgum was part of an effort to reassign slightly more than $221 million of unused funds from the state's $1.2 billion in coronavirus aid, relief and economic security (CARES) Act funding. The $16 million was part of a $66.4 million allocation for plugging and reclamation of 380 abandoned wells, which will be completed next year. *...cont' pg. 3*

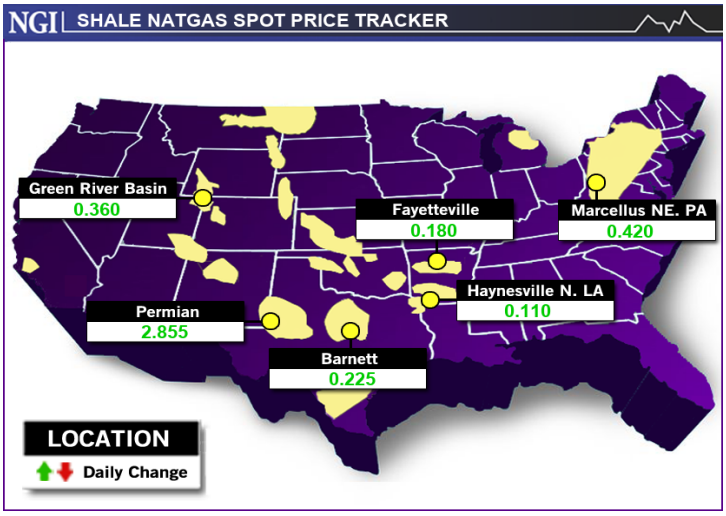
M&A NEWS

Canada's Cenovus, Husky to Swap Shares, Combine in C$23.6B Deal

Cenovus Energy Inc. announced Sunday it would take over Canadian oil and gas rival Husky Energy Inc., combining two of the country's top producers, in a share swap valued at C$3.8 billion ($2.85 billion). Total estimated value of the transaction, including debt, is C$23.6 billion ($17.7 billion).

The run rate synergies achieved by the corporate marriage of Cenovus and Husky are expected to annually save C$1.2 billion ($900 million) in combined costs of administration and operations in Canada, the United States and overseas, the independent producers predicted.

"We will be a leaner, stronger and more integrated company, exceptionally well suited to weather *...cont' pg. 5*



Trade Date: Oct 26; Flow Date(s): Oct 27

Basin/Region	Range	Avg	Chg	Vol	Deals
Gulf Coast					
Barnett	2.840-2.950	2.895	0.225	246	31
Eagle Ford	2.900-3.140	3.010	0.195	653	94
Haynesville - E. TX	2.850-2.990	2.940	0.125	1,412	223
Haynesville - N. LA	2.820-2.910	2.875	0.110	53	12
Permian1	0.900-3.000	2.115	2.855	774	153
Tuscaloosa Marine Shale	2.940-3.005	2.985	0.150	283	57
Midcontinent					
Arkoma - Woodford	2.900-3.000	2.950	0.165	187	38
Cana - Woodford	3.060-3.100	3.090	0.315	190	31
Fayetteville	2.900-2.945	2.915	0.180	120	22
Granite Wash*	2.750-3.220	3.075	0.220	799	169
Northeast					
Marcellus - NE PA2	1.395-1.900	1.540	0.420	553	134
Marcellus - NE PA: Other3	1.500-1.900	1.620	0.465	351	92
Marcellus - NE PA: Tenn4	1.395-1.450	1.410	0.400	202	42
Marcellus - SW PA/WV	1.400-2.300	1.780	0.705	1,329	253
Utica5	1.550-2.900	2.065	0.205	397	95
Rocky Mountains / West					
Bakken	2.400-2.600	2.560	--	92	5
Green River Basin*	3.300-3.540	3.450	0.360	912	183
Niobrara-DJ6	3.160-3.330	3.275	0.360	805	131
Piceance Basin*	3.220-3.300	3.270	0.410	317	55
Uinta Basin*	3.245-3.300	3.265	0.410	45	14
San Juan Basin*	3.200-3.500	3.335	0.545	332	44

Notes: *Table represents fixed-price delivered-to pipeline transactions in USD/MMBtu. These data are comprised of deals that NGI believe represent trading activity in the respective resource plays and may contain gas that was produced from conventional formations. * Denotes a tight sands formation. Volumes may not total due to rounding. For more information, please see NGI's Shale Price Methodology.*

M&A NEWS

Lower 48 E&P Consolidation Continues as Contango, Mid-Con Agree to Merge

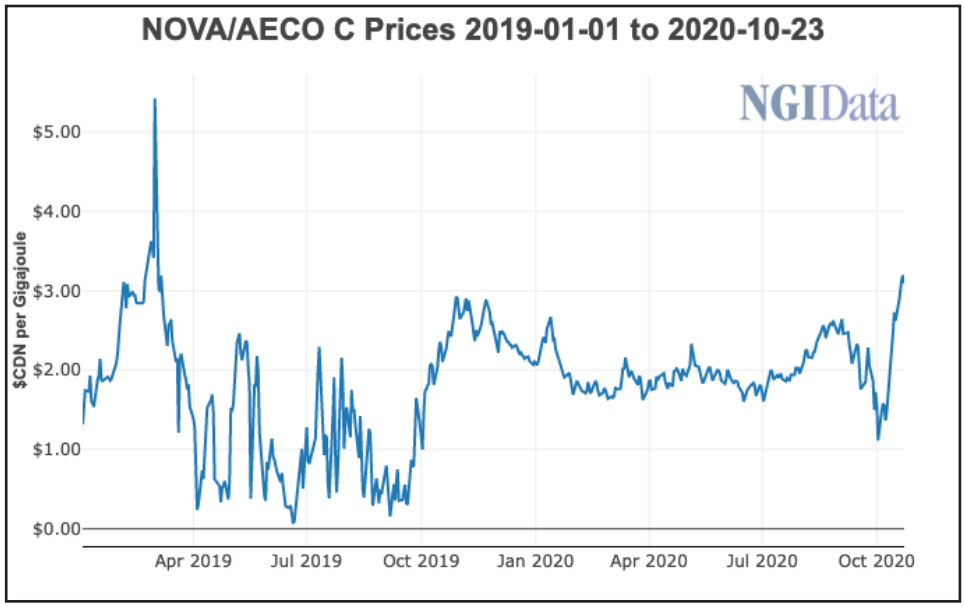
One day after two giant Canadian producers announced a tie-up and less than a week after other mega mergers were announced, Houston-based Contango Oil & Gas Co. agreed to expand its holdings in the Lower 48 in an all-stock merger with Mid-Con Energy Partners LP.

Contango works the shallow waters of the Gulf of Mexico (GOM) and across the Lower 48, mostly in Louisiana, Oklahoma, Texas and Wyoming. Mid-Con, formed in 2011 and which has Contango ties, focuses on enhanced oil recovery primarily in Oklahoma and Wyoming.

For each common unit, Mid-Con unitholders would receive 1.75 shares of Contango common stock, *...cont' pg. 6*

PIPELINES

Montney, Deep Basin Plays to Boost Natural Gas Supply to Pacific Northwest, California, Says NGTL



Canadian natural gas exports are set to increase to the U.S. Pacific Northwest and California in the next 10 years, according to the developer of a proposed C$355.5 million ($267 million) pipeline expansion project.

The proposed West Path 2023 expansion of TC Energy Corp.'s pipeline grid in Alberta and British Columbia, Nova Gas Transmission Ltd. (NGTL), is supported by shipper service bookings of 166 MMcf/d, NGTL said in a filing to the Canada Energy Regulator (CER).

Driven primarily by production from the Western Canada Sedimentary Basin, operators are "seeking increased access to export markets and the ability to compete for downstream market share," said the NGTL filing. "Many plays in the WCSB, such as the Montney and Deep Basin, can compete economically."

In addition to low-cost supplies, demand patterns create cross-border gas trade growth opportunities, NGTL management said.

"The Pacific Northwest and California markets have peak gas requirements in the spring and summer months, which complement NGTL intra-basin demand that peaks in the winter, making these markets key for WCSB production," management added.

The CER filing predicted that NGTL flows to the Pacific Northwest and California would grow by 25% to 3 Bcf/d by 2030, from the current 2.4 Bcf/d.

The forecast accounts for climate change policies aimed at reducing reliance on fossil fuels to cut carbon emissions blamed for global warming. Combined California and Pacific Northwest gas demand is projected to fall by about 7% to 6.9 Bcf/d over the next 10 years, from the current 7.4 Bcf/d.

Only marginal change is expected in U.S. West Coast residential and commercial consumption. The dominant gas demand drivers — industry and power generation — are forecast to total 4.3 Bcf/d in 2030, which would be down 8.5% from the current 4.7 Bcf/d.

Power generation is expected to evolve slowly and initially favor gas-fired plants, while U.S. state and national environmental policies are expected to nurture renewable wind and solar electricity sources into large-scale supplies, NGTL management said.

"An estimated 900 MW of new gas additions to replace aging gas-fired units in the region and the retirement of the 2,300 MW Diablo Canyon nuclear plant by the middle of the decade are expected to support gas-fired power generation in the short to intermediate term," management said. "In the long-term, legislation to increase renewable portfolio standard regulations set by state governments will lessen the gas demand in the region gradually over time."

NGTL's proposed project would add 48-inch diameter pipe to a mainline southwest of Calgary to increase gas flows destined for the Pacific Northwest and California. Deliveries are scheduled to start in November 2023.

The new addition would follow a C$2.3 billion ($1.7 billion) NGTL project that received regulatory approval last week for completion in 2021 and 2022, and a C$193 million ($145 million) 100 MMcf/d expansion awaiting CER approval. ■

North Dakota Redirects Covid Funds to Cut DUCs, Stimulate Oilfield Work

Continued from Page 1

Department of Mineral Resources Director Lynn Helms said the excess funds would support the cost of the water and processing, along with supporting five to 10 hydraulic fracturing (fracking) crews to complete up to 80 DUCs. That would support 500-1,000 completion jobs and 150-200 permanent jobs to operate the completed wells.

Without the reallocation of the $16 million, North Dakota is "going to lack approximately 40 wells/month, or 80 well completions by the end of the year that are needed to hold state production stable and stabilize state revenues," said Helms, who previewed the repurposing earlier this month.

"We have polled independents and already have 67 DUC wells signed up that were not going to be fracked until the third or fourth quarter next year. The companies are willing to accelerate the completions in November and December if we offer an incentive because current oil prices are about $5/bbl too low to support completions."

The new program will offer operators up to $200,000/well to cover the costs of water acquisition and disposal, leading to more jobs and 160 completions by the end of the year that would not have happened otherwise, Helms told the governor and several state lawmakers on the emergency panel.

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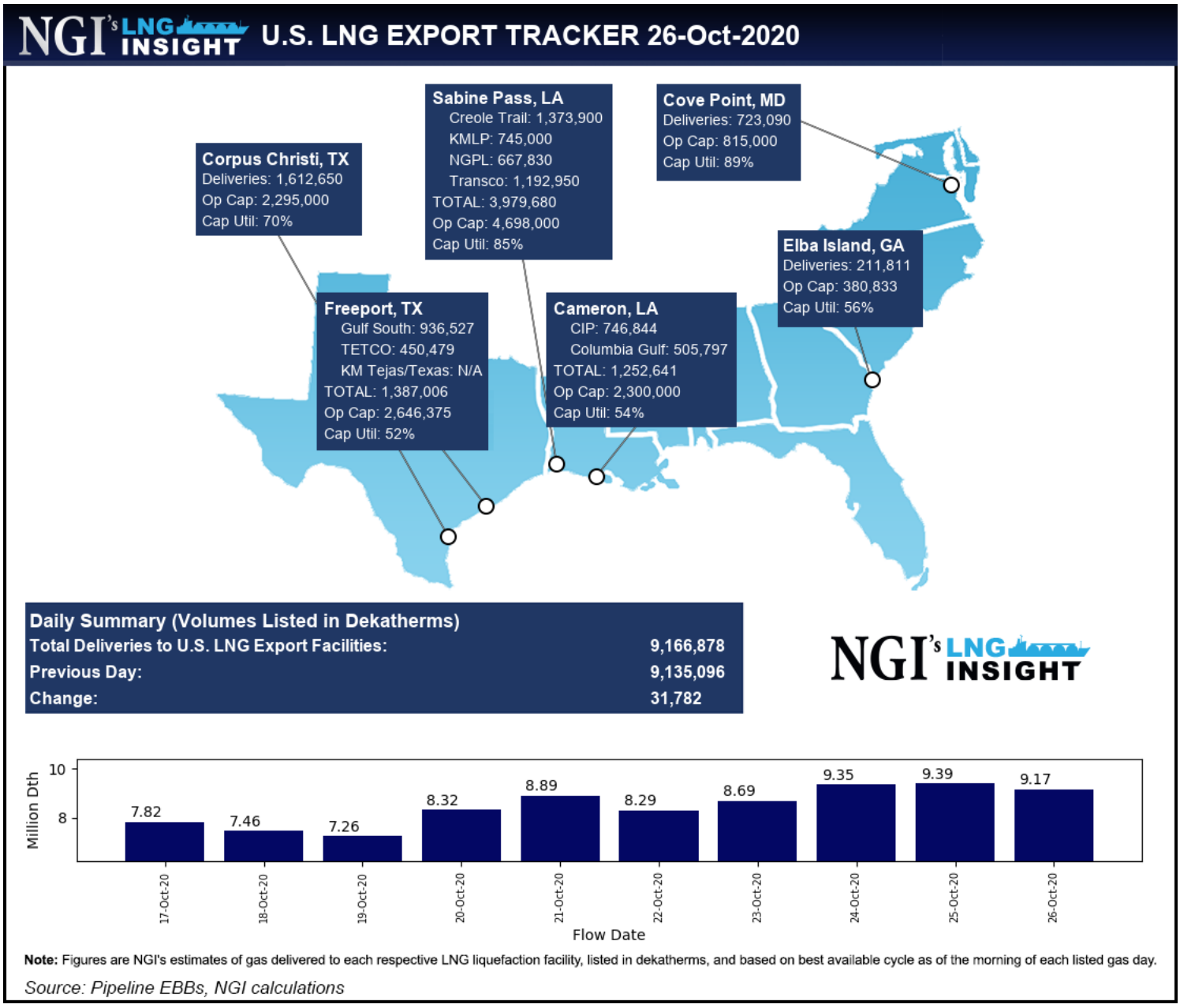
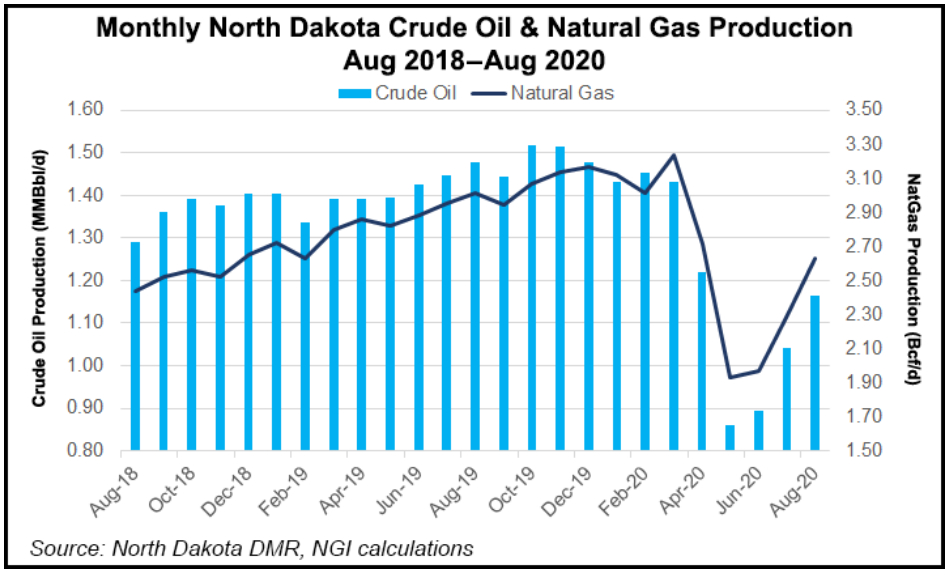


"It's an enormous job-creation engine, and everything involved in the completions will be taxable for state and local jurisdictions. It will create a little more than $11 million in sales tax revenues, so the return on investment is enormous and it's supporting the oil/gas sector that received no previous CARES Act direct support," Helms said.

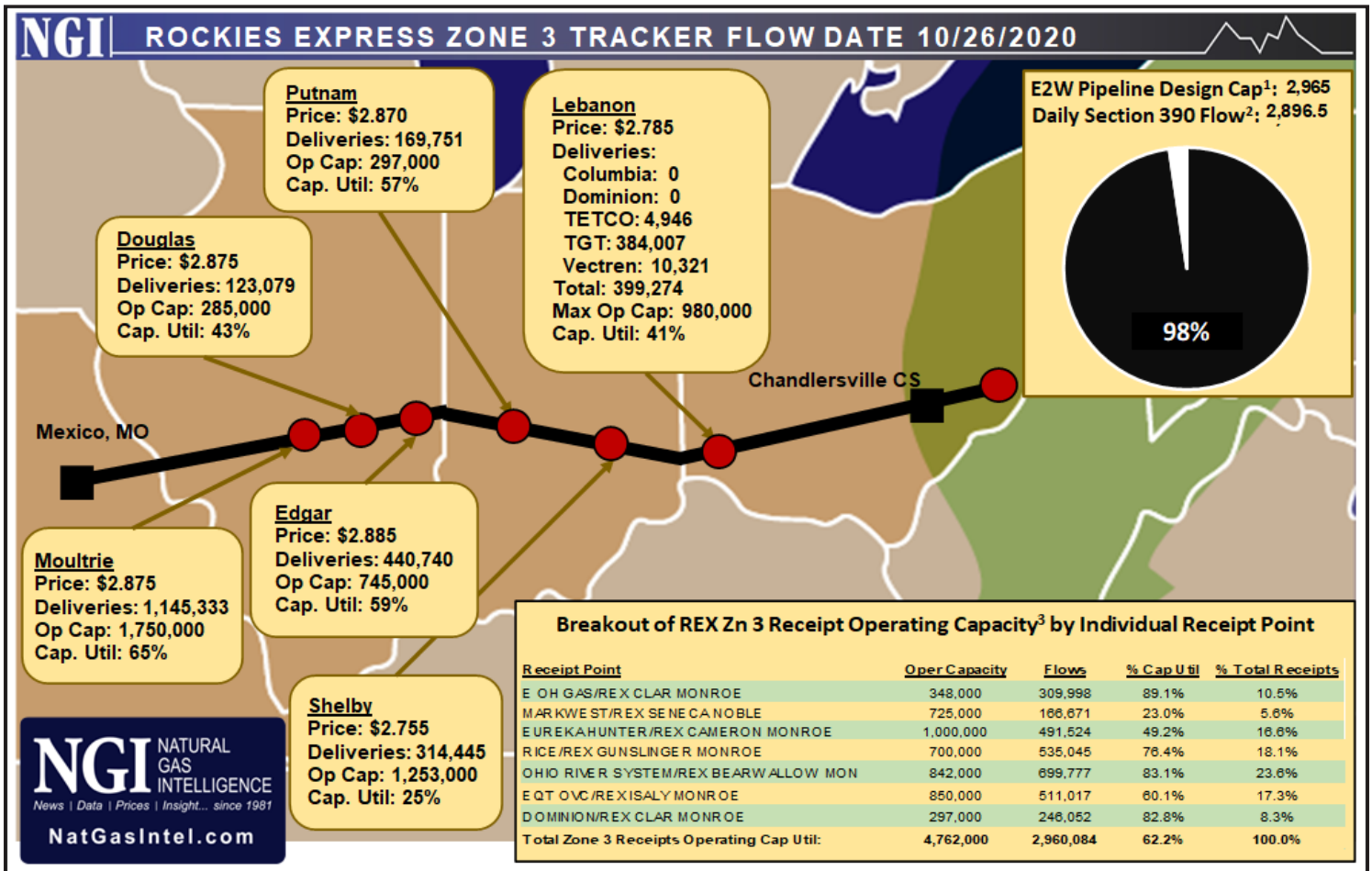
In responding to questions from state lawmakers, Helms said operators have to qualify wells as DUCs, so wells already scheduled to be fracked before the end of this year are not given the incentives. In addition, he said industry representatives have assured the state they will not seek legislation next year to make the incentives permanent.



Source: North Dakota DMR, NGI calculations

"We should see production begin to decline in November without these incentives," Helms said. "With them, we should be able to hold [Bakken] production stable through mid-2021, and at that time we think WTI prices could reasonably reach the $45/bbl range to make this self-sustainable without incentives."

Burgum said "it is probably safe to say" that this has the "highest return on investment of any of the dollars we have spent because this is money we get back and a lot more as we try to balance budgets over the next two years." ■



Breakout of REX Zn 3 Receipt Operating Capacity³ by Individual Receipt Point

Receipt Point	Oper Capacity	Flows	% Cap Util	% Total Receipts
E OH GAS/REX CLAR MONROE	348,000	309,998	89.1%	10.5%
MARKWEST/REX SENECA NOBLE	725,000	166,671	23.0%	5.6%
EUREKAHUNTER/REX CAMERON MONROE	1,000,000	491,524	49.2%	16.6%
RICE/REX GUNSLINGER MONROE	700,000	535,045	76.4%	18.1%
OHIO RIVER SYSTEM/REX BEARWALLOW MON	842,000	699,777	83.1%	23.6%
EQT OVC/REX ISALY MONROE	850,000	511,017	60.1%	17.3%
DOMINION/REX CLAR MONROE	297,000	246,052	82.8%	8.3%
Total Zone 3 Receipts Operating Cap Util:	4,762,000	2,960,084	62.2%	100.0%

Source: Tallgrass Energy LP, NGI calculations. For more info and daily 10am ET updates of this chart, go to natgasintel.com/rextracker.

Canada's Cenovus, Husky to Swap Shares, Combine in C$23.6B Deal

Continued from Page 1

the current environment and be a strong Canadian energy leader in the years ahead," said Cenovus President Alex Pourbaix.

Husky President Rob Peabody said integrating the in situ oilsands assets of Cenovus "with Husky's extensive North American upgrading, refining and transportation network and high netback offshore natural gas production, will create a low-cost competitor and support long-term value creation."

About half of the forecast cost savings are forecast to be generated by shaving more than C$600 million ($450 million) off combined annual capital spending on natural gas and oilfield supply operations and refineries, executives said.

With oil and natural gas output equivalent to 750,000 boe/d, Cenovus would become the third-biggest producer of Canadian fossil fuel resources after Canadian Natural Resources Ltd. and Suncor Energy Inc. Counting Husky interests in China and Indonesia, the new pairing ranks No. 2 in total Canadian-owned flows.

Natural gas liquids dominate the combination. Cenovus has capacity for about 417,000 b/d and Husky has about 208,000. The pair's natural gas production capacity adds up to 674 MMcf/d.

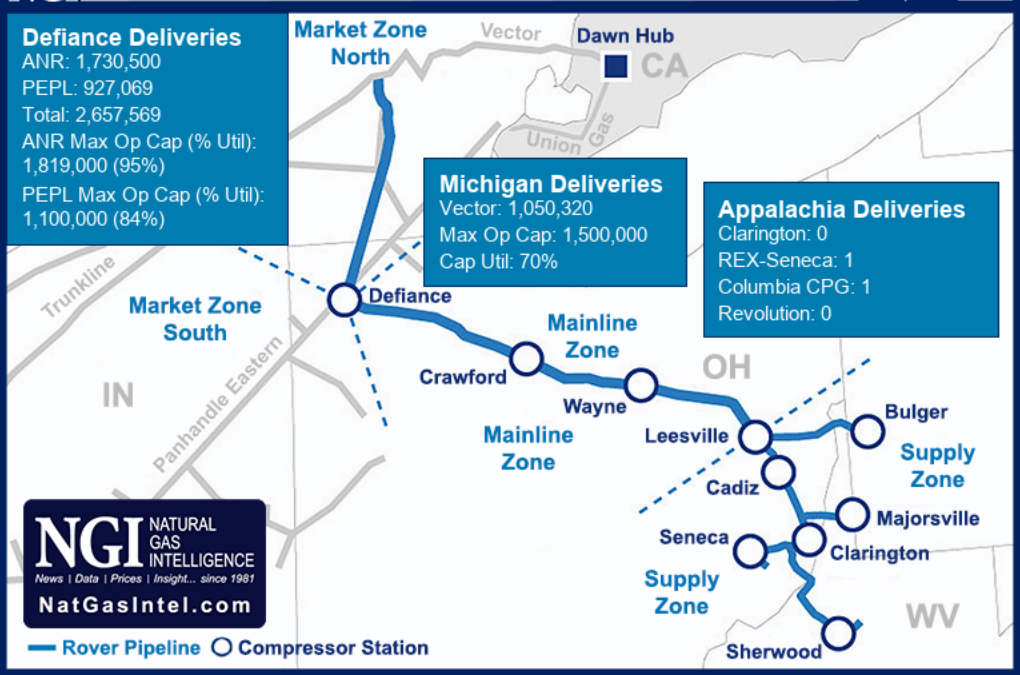
The combination would have interests in six refineries, with Wood River in Illinois, Borger in Texas, Superior in Wisconsin, Toledo and Lima in Ohio, and Lloydminster on the border between Alberta and Saskatchewan.

The takeover is scheduled to close in early 2021. The deal commits Cenovus to trade 0.7845 of each share for each Husky stock, a 21% premium over current trading.

The boards of each company have unanimously approved the takeover. Husky's Chinese 70% owner, a trust belonging to the Li Ka-shing business family in Hong Kong, has agreed to the transaction.

Several big mergers have been announced recently by U.S.-based producers.

On Monday, Houston-based Contango Oil & Gas Co. announced an all-stock merger with Mid-Con Energy Partners LP. Contango works the shallow waters of the Gulf of Mexico and across the Lower 48, mostly in ...cont' pg. 6



Rover Receipt Points	Op Cap	Receipt Vol	% Util
BERNE	350,000	345,155	99%
CADIZ-MW	300,000	80,935	27%
CADIZ-ORS	1,070,000	842,189	79%
CLARINGTON-EUREKA	350,000	303,246	87%
CLARINGTON-OVC	300,000	300,000	100%
CRAWFORD-UGS	350,000	0	0%
HARMON CREEK	400,000	186,000	46%
MADISON	400,000	87,000	22%
MAJORSVILLE	400,000	398,789	100%
REVOLUTION	525,000	0	0%
SENECA	800,000	31,000	4%
SHERWOOD	800,000	738,406	92%
SUNDANCE	406,000	406,000	100%
	System Cap*	TSQ	% Util
Total Rover Receipts	3,250,000	3,718,720	114%
Total Rover Deliveries	3,250,000	3,707,891	114%

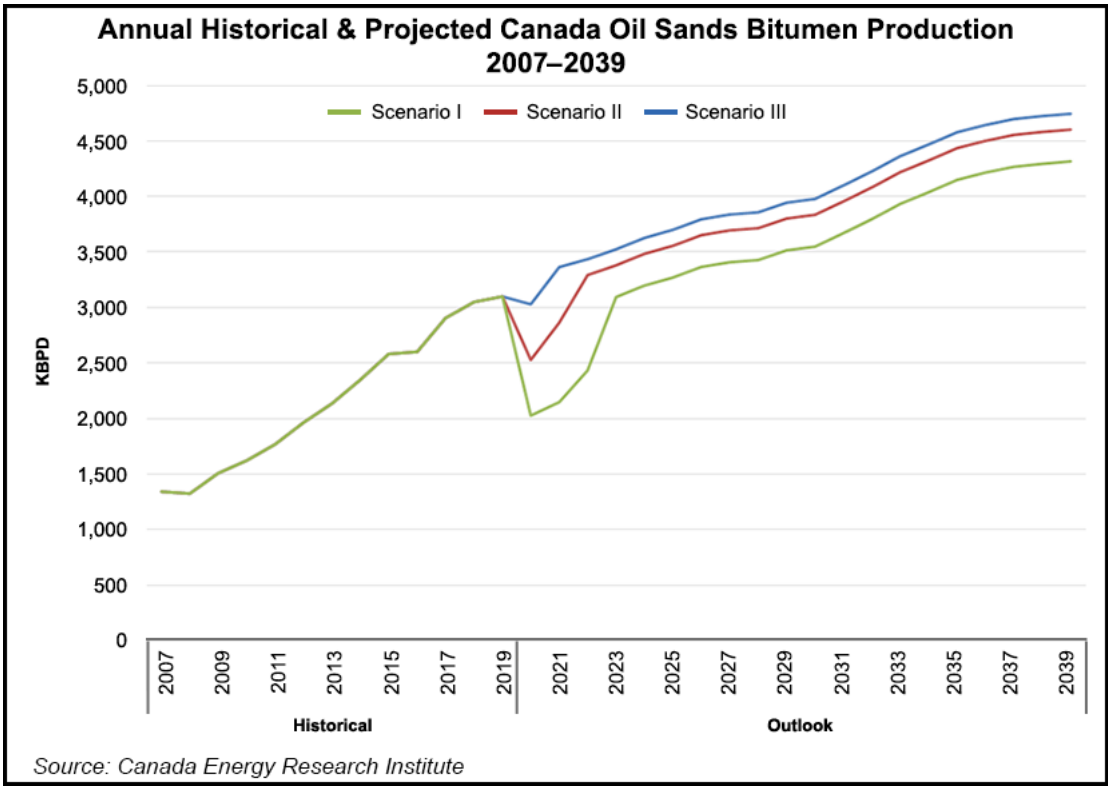
*Represents stated full system capacity. All units in dekatherms.

Source: Rover EBB, NGI calculations & estimates

Louisiana, Oklahoma, Texas and Wyoming. Mid-Con focuses on enhanced oil recovery primarily in Oklahoma and Wyoming.

Last week ConocoPhillips said it planned to take over Concho Resources Inc. for $9.7 billion in stock, forming a giant in the Permian Basin. Also last week Dallas-based Permian pure-play Pioneer Natural Resources Co. agreed last week to join forces with competitor Parsley Energy Inc. in an all-stock deal valued at $7.6 billion including debt.

Chevron Corp. also is planning to purchase Noble Energy Inc., while Devon Energy Inc. is taking over WPX Energy Inc. ■



Lower 48 E&P Consolidation Continues as Contango, Mid-Con Agree to Merge

Continued from Page 1

representing a 5% premium based on a 15-day volume weighted average price. The exchange ratio implies an enterprise value for the combined entity of more than $400 million based on Friday's closing price.

"This merger is exactly the type of transaction we look for to enhance value for our shareholders in the current market," Contango CEO Wilkie Colyer said. "We were able to substantially increase our reserve base and cash flow in an accretive transaction while meeting the needs of Mid-Con unitholders by further rationalizing their cost structure and mitigating their refinancing risk by combining our respective credit facilities. In that sense, this is truly a win for both parties involved in the merger."

Contango has had a management service agreement with Mid-Con and previously brought on some of its employees, "which has meaningfully enhanced Contango's expertise," Colyer said. "This transaction is simply the next step, and certainly not our last, in our stated goal of consolidating a sector that is in dire need of it."

Contango shareholders would own 87% of the combined company and Mid-Con unitholders would own 13%. Contango's senior management team would run the combined company and its board would remain intact, but the headquarters would be moved to Fort Worth, TX.

Contango's asset base is broad and deep. Long a GOM explorer, it works Eugene Island Block 10 where it produces from the Dutch and Mary Rose wells in Louisiana waters. A joint development agreement completed last December with Juneau Oil & Gas LLC also gives it the right to acquire stakes in up to six exploratory prospects.

In Oklahoma Contango has more than 147,000 net acres, targeting zones in the Cherokee platform and the STACK, aka the Sooner Trend of the Anadarko Basin, mostly in Canadian and Kingfisher counties. In the Western Anadarko Basin, Contango operates 76% of the wells in its nearly 302,000 net acreage holdings.

Within the Permian Basin's Delaware sub-basin in West Texas, Contango partners on about 8,000 net acres with estimated proved reserves totaling 43.3 Bcfe. In addition, it has Lower 48 acreage in Kansas, Mississippi, Wyoming and on the Gulf Coast.

The merger, unanimously approved by the Contango board and the Mid-Con board conflicts committee, is set to be completed by early 2021.

...cont' pg. 7

Contango noted that it ended the third quarter with $66 million debt outstanding on its $75 million borrowing base credit facility and $8 million of liquidity. Sales volumes were estimated at 16,500-17,000 boe/d, at the high end of the original guidance. Realized pricing excluding hedges was $18.85-19.15/boe.

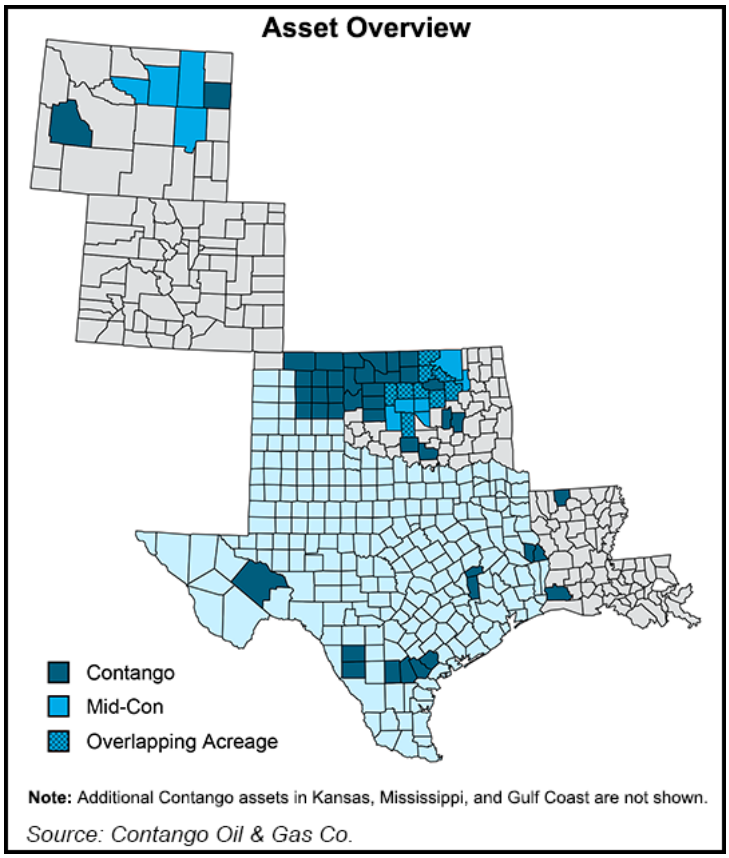
Contango's financial adviser is Intrepid Partners LLC and legal adviser is Gibson, Dunn & Crutcher LLP. For Mid-Con, Petrie Partners LLC is serving as financial adviser and Pillsbury Winthrop Shaw Pittman LLP is legal adviser.

North America has seen a spate of merger activity in the past few weeks.

On Sunday, Cenovus Energy Inc. announced it would take over Canadian oil and gas rival Husky Energy Inc., combining two of the country's top exploration and production (E&P) companies, in a share swap valued at C$3.8 billion ($2.85 billion). Total estimated value of the transaction, including debt, is C$23.6 billion ($17.7 billion).

Last week ConocoPhillips said it planned to take over Permian-focused E&P Concho Resources Inc. for $9.7 billion in stock. Also last week Dallas-based Permian pure-play Pioneer Natural Resources Co. agreed to join forces with competitor Parsley Energy Inc. in an all-stock deal valued at $7.6 billion including debt.

Meanwhile, Chevron Corp. also is planning to purchase Noble Energy Inc., while Devon Energy Inc. is taking over WPX Energy Inc. ■



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