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NGI SPECIAL EDITION: NORTHERN EXPOSURE

Canadian Natural Gas Supply Glut Hampers Prices – Yet Production Cuts Uncertain

Canadian natural gas production and storage are both elevated heading toward shoulder season – much like in the United States – and bearish pressure on prices persists.

There are hints that exploration and production (E&P) companies may pull back, following the lead of their Lower 48 brethren and creating the potential for supply/demand balance this summer and stronger prices ahead. Unlike the United States, though, a pullback has yet to materialize.

Prices have a big hole from which to climb: Canadian prices traded at a steep discount to U.S. benchmark Henry Hub. NGI's NOVA/AECO C forward basis price for April delivery hovered at nearly minus 60.0 cents in the past week. NGI's March 2024 NOVA/AECO C Bidweek price averaged C$1.630/GJ, down from C$2.560 in March 2023.

[Want to visualize Henry Hub, Houston Ship Channel and Chicago Citygate prices? Check out NGI's daily natural gas price snapshot now.]

U.S. prices similarly have struggled to find momentum throughout a mild winter and amid an oversupplied market.

Henry Hub futures have withered below the $2 level for weeks, while NGI's March Bidweek National Avg. fell $1.710 month/month to $1.505/MMBtu. The average was far from the $2.870 level recorded a year earlier.

"No matter what your viewpoint is on prices, the one thing we know for sure is that we have plenty

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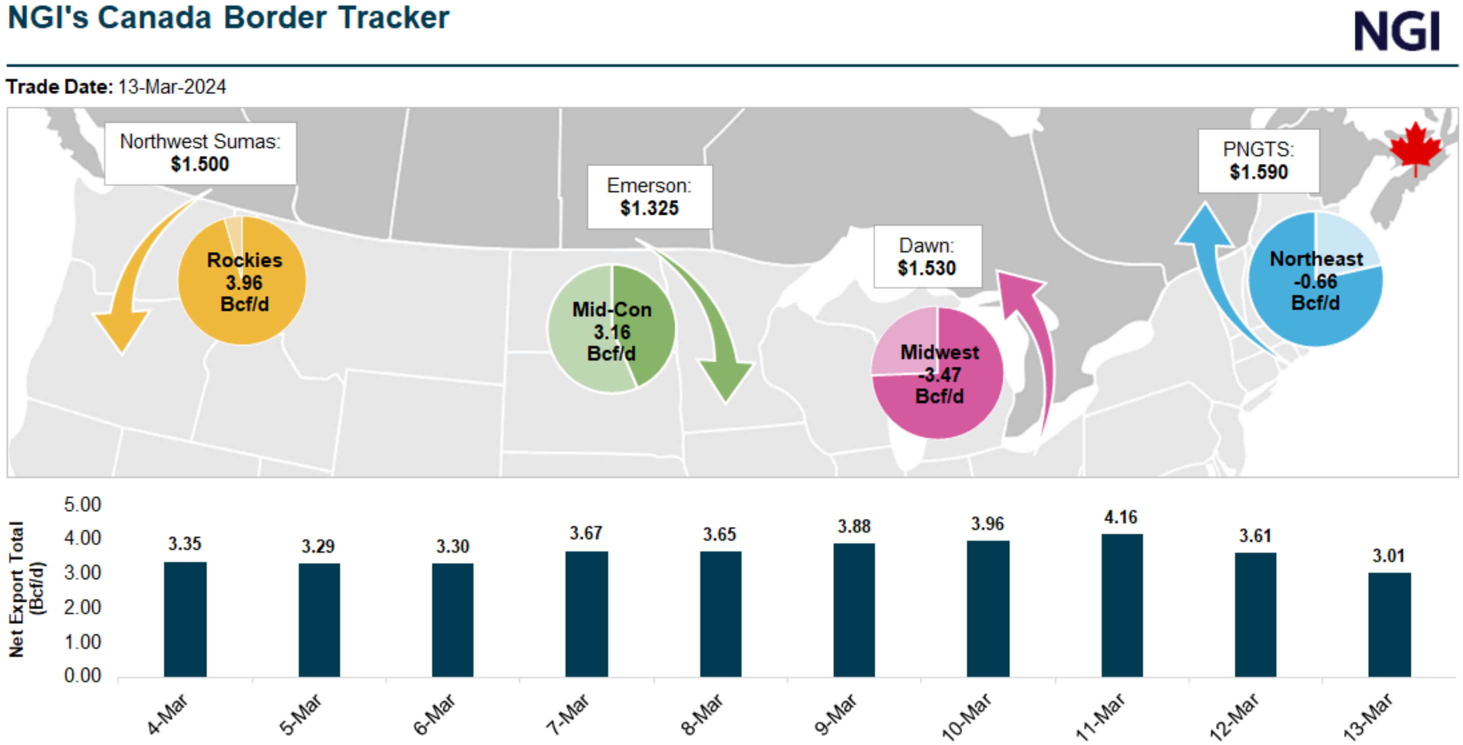
NGI's Canada Border Tracker



Note: Regional pie charts indicate daily net import/export capacity utilization for that region. Imports are positive figures and exports are negative figures.
Source: NGI's Daily Gas Price Index, Compiled by NGI from Wood Mackenzie Data, Various EBBs, NGI calculations

Tourmaline Cutting WCSB '24 Natural Gas Production Amid Low Prices, Remains 'Super Constructive' on '25

Tourmaline Oil Corp., the largest natural gas producer in Canada, is reducing 2024 natural gas production in the Western Canadian Sedimentary Basin (WCSB) by about 100 MMcf/d from previous guidance, or 4% essentially eliminating any gas growth in 2024, "and we definitely think that's the right thing to do," CEO Mike Rose said.

Tourmaline is anticipating 2024 average production of 580,000-590,000 boe/d, up from fourth quarter 2023 production of 557,000 boe/d that was 9% higher than 4Q2022, and the 2023 full year average production of about 520,000 boe/d, that was up 4% over the 2022 average.

Rose said given continuing weak natural gas prices, the Calgary-based producer plans to decrease capital expenditures in 2024 by about 7.4% year/year to C$2.13 billion ($1.58 billion) from C$2.3 billion ($1.71 billion). Management said it would reduce its rig count and defer select exploration drilling and some facility projects.

[Reading the Wall Street Tea Leaves: What is the outlook for North American natural gas? In this episode of the Hub & Flow podcast, we dive into what earnings calls and consensus estimates say about natural gas market dynamics in the lower 48. Tune into the podcast now.]

"We expect 1Q2024 average production of between 590,000 and 595,000 boe/d as the capital reductions did impact the first quarter," Rose said.

Rose announced the decision during a conference call to discuss the 4Q2023 and full-year earnings for Canada's largest natural gas producer. The company operates in three large resource plays within the WCSB: the Alberta Deep Basin, the Northeast British Columbia's Montney Shale, and the Peace River Triassic Oil Complex.

Spot natural gas prices for NOVA/AECO averaged C$1.987/MMBtu ($1.480) in the final quarter of 2023, according to NGI's Daily Historical Data. That was more than 60% lower than the year-ago period.

Rose said, "We make money at that price," but "we do not believe that selling incremental gas volumes into the current very weak gas market is the best decision or return proposition for our shareholders."

Tourmaline has no plans to shut in production, Rose said. Conversely, should prices improve on a sustained basis, the company can pivot and "materially grow production" later this year or early in 2025.

On the LNG front, management said that some gas will be going through the Coastal GasLink (CGL) at some point in the second half of this year. The 670-kilometer pipeline would connect underground gas resources in BC to the liquefied natural gas export facility, Shell plc-led LNG Canada, in Kitimat.

"But we don't know the exact startup, and we don't know the exact volume," Rose said.

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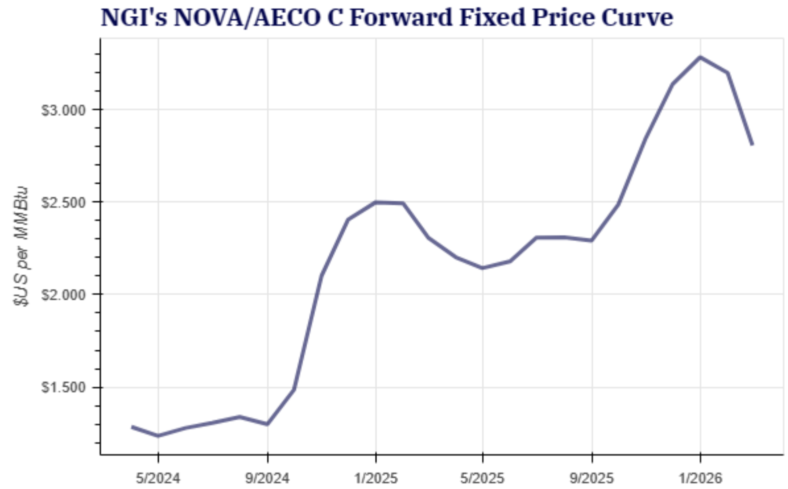

Calgary-based midstreamer TC Energy Corp. received a $200 million incentive payment in February for its completion of the 2.1 Bcf/d CGL pipeline in the Q42023. CGL would transport Western Canadian gas to the LNG Canada export terminal, set to begin start-up activities this year.

Tourmaline's Jamie Heard, vice president of Capital Markets, said, generally, "We expect commissioning to ramp up to the end of the year and the plan to be hopefully fully commissioned in 2025." That would pull 2 Bcf/d out of the WCSB, ramping demand by 13% to 14%.

"It's going to be significant for our market."

Looking ahead to 2025, Rose said management remains "quite bullish" on what would happen to the gas hubs AECO and Station 2. "We remain super constructive. But right now, in 2024, the price is not good, so we'll save those incremental growth methane molecules for that much better price we expect in 2025."

Tourmaline posted net earnings of C$1.74 billion (C$5.03/share) for 2023, equivalent to $1.29 billion ($3.74). This compares with profit of C$4.49 billion (C$13.10/share) in the same period last year. It earned C$700.2 million (C$2.00/share) in the last quarter of 2023, up from a loss of C$30.4 million (C9 cents/share) a year earlier.

Tourmaline completed the acquisition of Deep Basin natural gas producer Bonavista Energy Corp. during the fourth quarter for C$1.45 billion ($1.1 billion). Tourmaline agreed to pay a special dividend of C50 cents/share this month. "And we intend to pay special dividends in all four quarters of 2024," Rose said. ■

Jodi Shafto

Alberta's Peyto 'Still Making Money' Despite Low Natural Gas Prices; No Curtailments Planned

Alberta natural gas producer Peyto Exploration & Development Corp. has no plans to curtail production like some of its North American peers, despite current weak pricing at the Henry Hub and AECO locations.

Peyto would only shut in wells if AECO prices were to go negative, CEO Jean-Paul Lachance told analysts during the firm's fourth quarter earnings call.

However, "our operating costs are so low [that] we're still making money with prices [where] they are today, for sure," the CEO said.

NGI's NOVA/AECO C spot price averaged C$1.650/GJ on Friday (March 8).

Peyto is an Alberta Deep Basin pure play, and it sells gas at hubs including AECO, Ventura, Emerson 2, Malin, Dawn and Henry Hub.

"The company's disciplined hedging and diversification program in 2023 protected revenues from the sharp decline in benchmark natural gas prices," management said. "The 2023 average daily prices for AECO and Henry Hub decreased 50% and 60%, respectively, from 2022, while Peyto's realized natural gas price, including hedging gains, was only 13% lower.

"The company exited 2023 with a strong hedge position, which currently protects approximately

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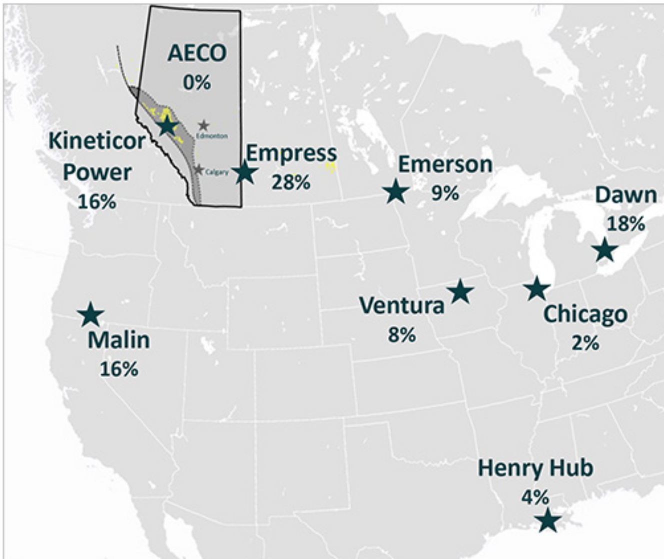
Where Peyto Plans to Market its Natural Gas in 2024



Source: Peyto Exploration & Development Corp.

70% and 56% of forecast gas production for 2024 and 2025, respectively."

Peyto, which reports in Canadian currency (C$1.00/US74 cents) plans for capital expenditures to range from $450 to $500 million in 2024, versus $413 million spent in 2023.

Peyto plans to exit 2024 producing 135,000 to 140,000 boe/d, up 14.6% at the midpoint from 4Q2023 output.

The 2024 capital budget is "specifically designed with flexibility in the back half of the year to adjust to changing commodity prices," the firm said. "In the meantime, Peyto will target the lower range of the capital guidance while the company's systematic hedging and market diversification programs help secure revenues for future dividends and continued strengthening of the balance sheet."

As for the current price slump, the company said, "Lower seasonal demand as a result of a warmer-than-normal North American winter, coupled with increased production has left gas storage levels above the five-year average across the continent. This imbalance continues to put downward pressure on prices for 2024, however, the increase in gas-fired power demand and the buildout of LNG egress projects over the next two years bodes well for the longer-term future of natural gas prices."

Peyto produced 623 MMMcf/d of natural gas in 4Q2023, up 13% year/year, with growth driven in part by its acquisition of Repsol SA's upstream Canada business. Peyto fetched an average realized price after hedging of $3.87/Mcf during the fourth quarter, compared to $4.62 a year earlier. "Peyto's natural gas hedging activity resulted in a realized gain of 83 cents/Mcf ($47 million) due to the sharp decline in AECO and Henry Hub natural gas prices," management said.

Peyto reported net income of $87.8 million (46 cents/share) in 4Q2023, versus earnings of $113.4 million (66 cents) in 4Q2022. Full-year net earnings were $292.6 million ($1.64/share) in 2023, down from $390.7 million ($2.29) a year earlier.

Andrew Baker

Calgary's Ensign Forecasting 'Relatively Stable' Activity as E&Ps Build DUCs, Prepare for LNG Takeaway

Geopolitical tensions are impacting global oil and natural gas prices, but the outlook for oilfield services "continues to be constructive," as operators prepare for infrastructure and LNG projects to begin commercial operations, according to Ensign Energy Services Inc.

The executive team of the Calgary-based operator, which works across North America and in overseas markets, discussed results and provided a moderately improved outlook during the quarterly conference call.

Widespread global turmoil, though, has added an element of "uncertainty" to commodity prices and activity following a volatile year, COO Robert Geddes told analysts. There's difficulty in forecasting because things change so quickly, he explained.

[Download Now: In our 2024 Natural Gas Outlook Report 'Future In Focus', Natural Gas Intelligence's experienced team of Thought Leaders delve into the myriad opportunities and questions the industry faces, with a focus on market dynamics, upstream outlooks and price forecast trends that will shape the future global natural gas landscape. Learn more.]

The oil and gas industry last year "started off strong but quickly fell off as commodities prices hampered drilling projects in North America," Geddes said. "Canada was affected with the early summer forest fires, which affected operations of seven rigs."

Ensign then "played catch-up in the back half of 2023 in a subdued market." And then came the fourth quarter, where the United States faced "similar challenges, manifesting not only from unstable commodity prices," but also record merger and acquisition (M&A) activity.

Macro Improving 'Ever So Slightly'

Still, the longer term is more constructive, with "relatively stable" activity forecast this year to help maintain or even expand production.

The reasons are simple, the COO explained. Exploration and production (E&P) customers are facing "well productivity declines," and there is a low inventory of drilled but uncompleted wells, aka DUCs, particularly in the Lower 48.

"We see the macro improving ever so slightly as economies improve and demand increases generally," Geddes told investors.

However, while oil pricing is being "managed well by OPEC, the reverse is true of natural gas. Various

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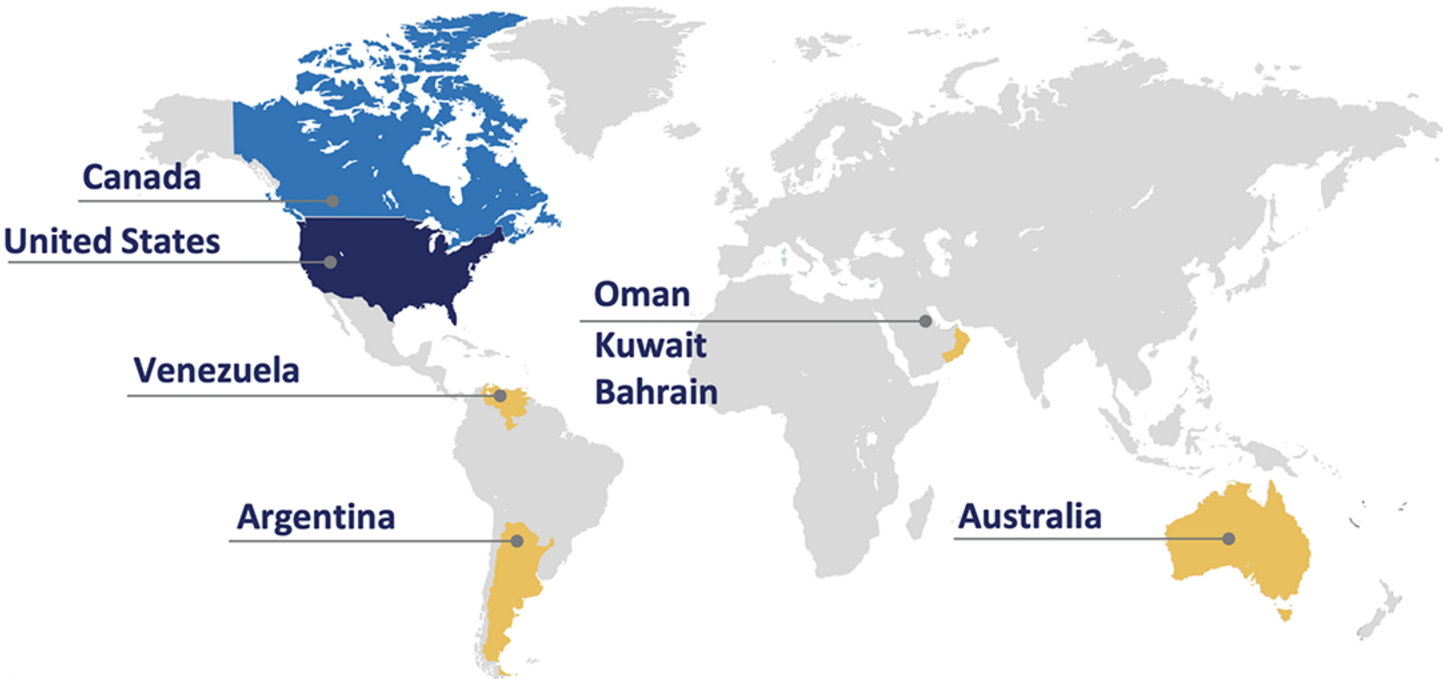
Ensign Energy's Global Reach



Source: Ensign Energy Services Inc.

factors, of course, such as associated gas and constrained takeaway capacity, keep pricing pressure on natural gas."

U.S. benchmark Henry Hub averaged only $1.535/MMBtu on Monday (March 11), down from $3.650 at the start of 2023, NGI daily historical data show. Western Canada's NOVA/AECO C has experienced a similar decline, averaging only C$1.615/GJ on Monday and off from C$3.820 at the start of last year.

In Canada, the outlook appears to be stronger toward the end of the year as E&P customers increase activity. Forward fixed prices reflect the supportive backdrop, with Henry Hub averaging $2.990/MMBtu for the fourth quarter and NOVA/AECO C averaging C$1.983/Gigajoule, according to *NGI's Forward Look*.

Several liquefied natural gas export projects are on the drawing board, and Shell plc-led LNG Canada is set to begin commercial operations in 2025. Coastal GasLink, which would transport supply to LNG Canada, also is "coming on soon," Geddes said.

However, "we're seeing a lot of gas-related projects getting reevaluated, impacting certain projects in Western Canada."

Ensign in late February was running 51 rigs in Western Canada. When the calendar turned to March, though, the company became "a slave to the weather." Colder weather would help to extend the Canadian winter drilling program, with "visibility to see 20-plus rigs running over the breakup…We expect to build back up to 50 rigs late summer and then build up into what we think is a much healthier environment in the back half of 2024."

In the Lower 48, Ensign in late February recently was running about 40 rigs, nearly all in the Permian Basin, with five in the Rockies and four in California.

"Both the Rockies and California continue to have permit delays," Geddes said. "So we expect a steady state of roughly nine to 10 rigs running between those two areas into the near future."

U.S. M&A Impacts

Lower 48 activity, representing 58% of total revenue last year, declined sequentially in the fourth quarter, "largely as a result of customer M&A activity and depressed activity in the company's California region.

"Operations in California continue to be challenged as producers are currently working through drilling permit challenges that have impacted drilling programs over the short term," Geddes said. "The remaining areas of the company's United States operations are expected to remain steady" through March.

The Permian rig count "has definitely bottomed out at just above 300 rigs operating," the COO said. "We will wait to see how all the M&A activity plays out. It certainly won't manifest itself into more activity anytime soon.

"We are still seeing a very competitive bidding market, but rates seem to have found some base, in

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most cases with depletion curves starting to accelerate production at its peak decks with a low inventory and oil pricing very compelling.

"One would expect more drilling has to take place at some point in time," Geddes said of the most active play in the United States.

Ensign was running up to 110 drilling rigs globally, as well as 54 well servicing rigs in North America. At the end of February, Ensign had 83 marketed U.S. drilling rigs, with 51% under term contract. Canadian activity, which accounted for one-quarter of total revenue in 2023, had 117 marketed rigs, 46% under term contract.

Ensign, which reports in Canadian dollars (C$1.00/US74 cents), reported net income of nearly $32 million (17 cents/share) in 4Q2023, versus about $12 million (7 cents) in the year-ago period. In 2023, profits improved to $42 million (22 cents/share) from 2022's $8 million (5 cents).

Carolyn Davis

Canadian Natural Delivers Record Natural Gas Output, with LNG Canada Ramp in Sight

Calgary-based Canadian Natural Resources Ltd. achieved record natural gas production during 2023, up 3% year/year and 5% higher during the final three months of the year.

Besides breaking gas production records, with an average 2.23 MMcf/d in 4Q2023 and 2.15 Bcf/d for the year, the explorer also topped previous oil output records.

During a conference call last Thursday to share the results, CFO Mark Stainthorpe said the strategy this year is to build reserves at a steady pace, in line with oil pipeline expansions and as the startup of the LNG Canada export project moves closer.

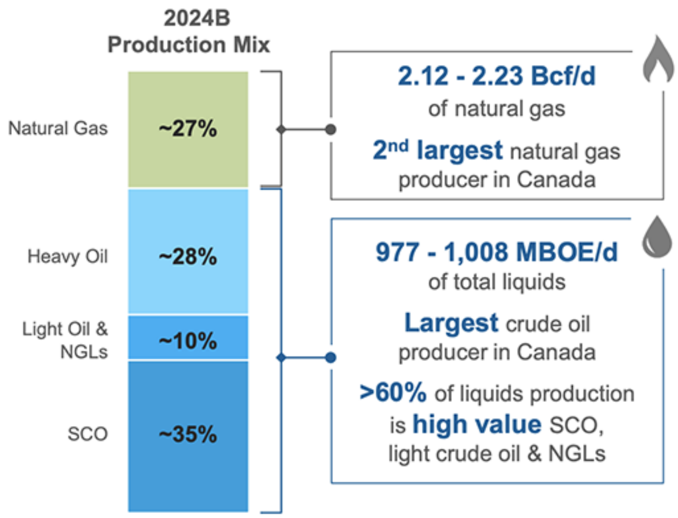
Executives are keeping an eye on the Shell plc-led liquefied natural gas export project in British Columbia, which is set to begin overseas deliveries in 2025. Once commercial operations begin, it "should bring some relief to the ecosystem, and that's what we're thinking of as well," Stainthorpe said.

Canadian Natural is the country's No. 1 oil and gas producer by capitalization, and it is the second largest natural gas producer.

The strategy this year, said the CFO, is to "allocate our capital to those areas that are going to provide us with the best return…I think that's the great part about the robust nature of our assets."

The record breaking gas and oil production in 2023 reflected gains in the "drill-to-fill" development strategy. Total production volumes hit a record 1.42 million boe/d in 4Q2023, an increase of 10% from year-earlier levels. Liquids volumes jumped 11%, with oilsands mining and upgrading up 17%.

Canadian Natural's Projected 2024 Production Mix



Note: SCO=Synthetic Crude oil.

Source: Canadian Natural Resources Ltd.

Annual production averaged 1.3 million boe/d, 7% higher than in 2022.

Strategy On 'Best Returns'

"As we move forward here throughout the year, we will continue to monitor the pricing, and of course, we will allocate our capital to those areas that are going to provide us with the best return," Stainthorpe told analysts. "We have our heavy oil properties. Yes, we have our gas properties…and we'll react accordingly" as to whether production in any area should be flexed up or down.

The independent, which reports in Canadian dollars (C$1.00/US 74 cents), noted that AECO prices averaged $2.77/GJ in 2023, compared with $5.28 in 2022. The decline reflected "lower New York Mercantile Exchange benchmark pricing, increased production in the Western Canadian Sedimentary Basin and lower storage draws because of the mild winter."

NGI's NOVA/AECO C forward basis price for April delivery stood at minus 52.1 cents as of Monday (March 4).

Because of the company's "diversified sale points," realized average natural gas pricing was $3.10 in 2023, 15% above the average AECO benchmark price.

"Approximately 26% of the company's natural gas production was sold at AECO/Station 2 pricing, and approximately 37% was exported to other North American and international markets, capturing higher natural gas prices."

In addition, Canadian Natural "used the equivalent of approximately 37% of its natural gas production in its operations in 2023."

This year, capital spending is set at $5.4 billion, "strategically weighted to longer-cycle thermal

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development in the first half of 2024 and shorter-cycle growth in the second half of the year, targeting strong exit production levels," Vice Chairman Tim McKay said.

"As well, it provides us with the flexibility to adjust to changing market egress and evolving market conditions, ensuring we are allocating capital effectively and maximizing value for our shareholders."

Net earnings totaled $2.6 billion ($2.43/share) in 4Q2023, compared with year-ago profits of $1.5 billion ($1.37). Annual profits declined to $8.2 billion ($7.54/share) from 2022's $11 billion ($9.64). ■

Carolyn Davis

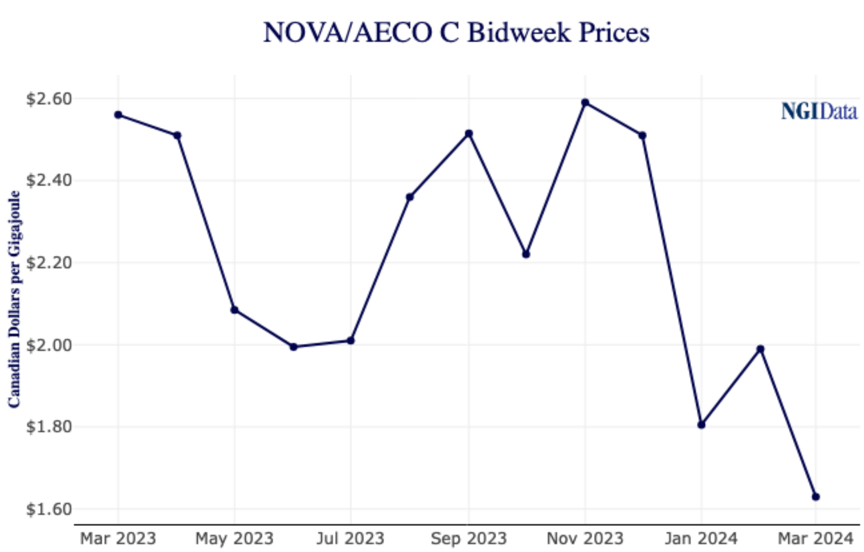
Alberta Royalty Owner Topaz Forecasting Slower Natural Gas Production Growth As AECO Prices Slump

Calgary-based Topaz Energy Corp. is targeting slightly higher natural gas-weighted royalty production in 2024 after posting double-digit growth in 2023.

The energy investment company does not operate, control or develop oil and gas assets. Rather, its royalty portfolio includes 60%-plus of undeveloped acreage, which attracts operator development with no capital. The revenue stream is primarily generated from assets operated by natural gas producers, including Canada's top natural gas explorer, Tourmaline Oil Corp.

Topaz owns gross overriding royalties, or GORRs, on 100% of Tourmaline's acreage in the Western Canadian Sedimentary Basin (WCSB).

Topaz is forecasting 2024 royalty production of 18,800-19,600 boe/d, which at the midpoint would be up 1.8% from 2023. The company, which reports in Canadian dollars (C$1.00/US 74 cents), set guidance for operator-funded capital development of between $2.2 billion and $2.8 billion.



Tourmaline, for its part, expects to produce 580,000-590,000 boe/d in 2024, down 2.4% year/year.

"For 2024, the royalty production guidance range purposefully remains flexible and allows for operators to adjust capital spending in response to near-term supply/demand and resulting commodity price factors in the WCSB," the management team said.

"Topaz's asset portfolio is diversified amongst oil and liquids-rich, natural gas-focused plays and is concentrated on the most commodity price-resilient activity areas due in part to strategic partners' infrastructure assets and low-cost structures, which further supports Topaz's guidance estimates."

Management expects to maintain a dividend even if natural gas prices at the AECO hub in Alberta fall as low as 50 cents/Mcf, "due to the company's high-margin, stable infrastructure income and hedging contracts in place."

NGI's NOVA/AECO C March 2024 Bidweek price averaged $1.630/GJ, down from $2.560 in March 2023.

"Based on Topaz's 2024 midpoint royalty production estimate, 18%

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of natural gas is hedged at a weighted average fixed price of $3.17/Mcf and 30% of oil and total liquids is hedged at a weighted average floor price of $103.25/bbl with collar structures in place to provide upside price participation," the firm said.

Overall, the Topaz royalty portfolio generates an operating margin above 95%, while the infrastructure assets generate an 85%-plus operating margin.

Topaz royalty production averaged 19,555 boe/d in 4Q2023, up 7% year/year. Full-year royalty production rose 11% to 18,853 boe/d. The growth occurred even as some output was curtailed because of Western Canada wildfires.

Topaz posted net income of $19.6 million (14 cents/share) for the fourth quarter of 2023, versus profits of $19.1 million (13 cents) in 4Q2022.

Full-year net income was $47.6 million (33 cents/share) in 2023, down from $99.4 million (70 cents) in 2022.

Andrew Baker

Enbridge Earmarking More Capital to Build Out Gulf Coast LNG, Oil Infrastructure

With a portfolio of North American projects from which to pick and choose, Enbridge Inc. is zeroing in on the Gulf Coast to advance a plethora of natural gas and oil projects to move more supply overseas.

The Enbridge executive team during the annual investor day conference on Wednesday laid out the near-term strategy in New York City. The Calgary-based midstream giant is planning a plethora of investments from Western Canada to the deepwater Gulf of Mexico (GOM) centered around LNG exports, oil infrastructure and natural gas utilities.

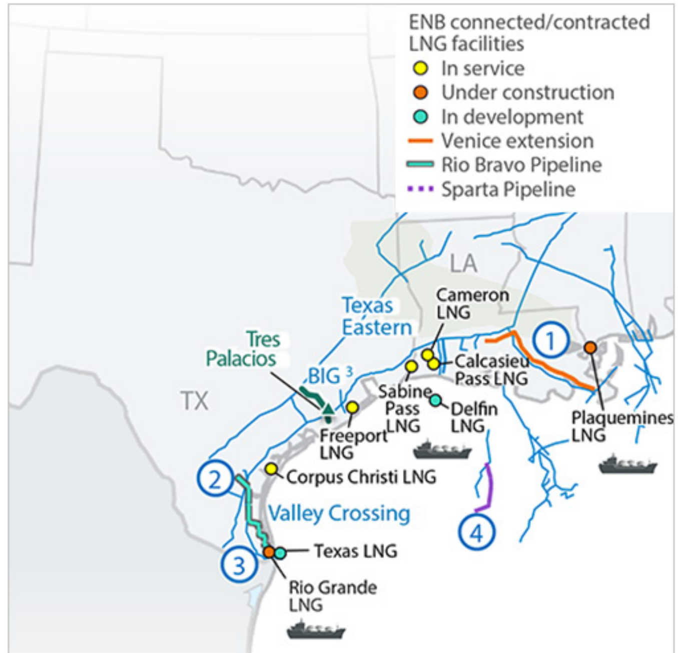
CEO Greg Ebel shared the stage with his executive team to discuss the broad gas and oil expansions across the continent.

"These accretive investments provide near-term growth in the U.S. Gulf Coast and set the stage for the future expansion through high-quality partnerships and embedded organic opportunities," Ebel said.

"Strong fundamentals continue to support our business model…I think there is a growing realization that all sources of energy will be needed to meet both the growing energy demand, as well as economic expansion, which is expected actually to rise for decades to come."

Natural gas is "going to continue to be essential in meeting this demand for building the middle class globally. And the importance of natural gas in itself cannot be overstated… And it's really hard to see a future from our perspective, at least one that's positive for humans where the foundational fuel going forward is not natural gas."

Enbridge's Gulf Coast Opportunities



Source: Enbridge Inc.

Oil also will continue to "play a really big role here, both in terms of fueling conventional commercial transportation and of course, as a feedstock for the petrochemical industry."

In addition, the natural gas utilities business unit is set to expand too. The company, which reports in Canadian dollars (C$1.00/US74 cents), last year spent $20 billion-plus to add Lower 48 natural gas utility operations.

20-Plus 'Executable Projects'

With the projects now on the table, the "secured growth backlog sits at $25 billion and is made up of more than 20 highly executable projects," Ebel said. "An increased amount of organic growth is going into the gas business." The company now has "some $18 billion of growth" planned across North America for natural gas projects alone.

Enbridge's Cynthia Hansen, president of Gas Transmission & Midstream (GTM), expounded on the various gas expansions across the diversified portfolio.

The GTM unit has identified about "$5 billion of pipeline opportunities" from British Columbia (BC) to the Gulf Coast. Last year the company added 112 Bcf net storage through the purchase of Aitken Creek in BC. The company now provides egress for Gulf Coast liquefied natural gas exports, and "soon, we're going to be connected to LNG exports off the BC coast," she said.

"So we have about 10% of storage across North America, and that really allows us to do these low-cost *...cont'd pg. 9*

expansions, where and when it makes sense to do so," Hansen told investors.

Abundant Western Canada gas "has really helped that build-out of the LNG on the west coast." In BC, the export projects on the drawing board are "supported by the continual development of new supply. It's estimated there will be another 4.5 Bcf/d of supply by 2050," as the Canadian facilities come online.

One project, the Shell plc-led LNG Canada facility in Kitimat, BC, is scheduled to begin commercial operations in 2025. And Enbridge has equity in the Woodfibre LNG facility, another gas export project on the drawing board.

"It's really starting to come together in BC, at least for a couple of projects," Ebel said of the LNG ventures. And the "opportunity on the Gulf Coast…is at least as good, if not better."

Gulf Coast Support

The CEO estimated that Enbridge now supports "about 25%" of the Gulf Coast LNG export projects. In addition, there is the "commercial leveraging opportunity here."

Hansen agreed. "They're super competitive," she said of the LNG projects. "Our incumbent position is strategically connected to the growing LNG market. That footprint allows us to do very capital-efficient expansions and connections. And we're also tied to that baseload energy industrial demand. We see about $9 billion of opportunities in this space in the U.S. Gulf Coast."

Between existing LNG capacity and projects already sanctioned, "that will be 7 Bcf/d" tied to Enbridge assets. "And we're in discussions for another 4 Bcf/d."

Another area of growth is in the GOM, where Enbridge provides egress to move supply onshore. The company unveiled a joint venture on Wednesday with Shell Pipeline to create Oceanus Pipeline Co. LLC.

Oceanus would develop a natural gas pipeline to serve the Sparta development offshore Louisiana in the Garden Banks blocks. U.S. capital costs were estimated at around $200 million. Scheduled to ramp up in 2028, the semi-submersible production host is expected to reach peak production of 90,000 boe/d.

Shell is majority owner-operator of Sparta, while partner Equinor Gulf of Mexico LLC has a 49% stake.

The company during the investor day also disclosed that it acquired from Flint Hill Resources two marine docks and a parcel of land adjacent to the Enbridge Ingleside Energy Center (EIEC) near Corpus Christi in South Texas. EIEC is the largest crude oil storage and export terminal by volume in the United States.

Enbridge said it also has sanctioned 2.5 million bbl of additional storage at EIEC to bring overall capacity to about 20 million bbl by 2025.

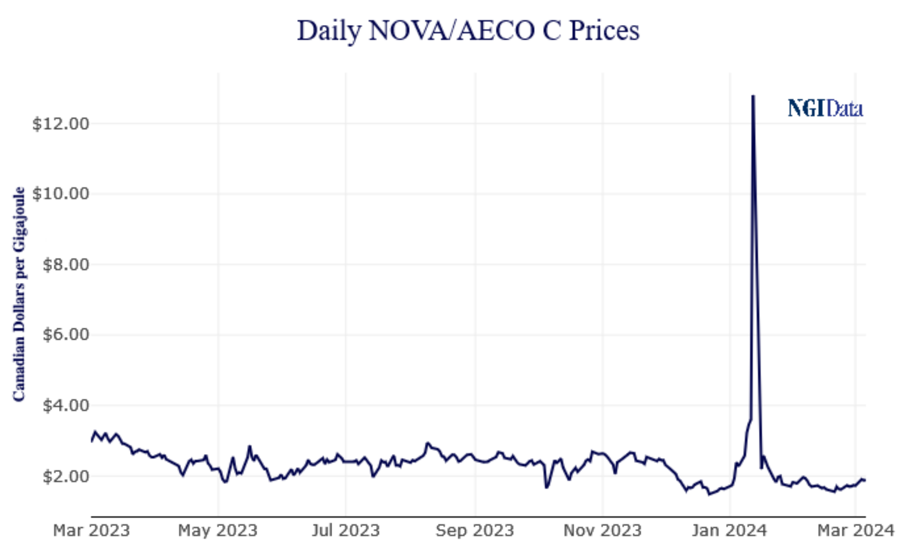
In addition, Enbridge may invest another $100 million to expand the Gray Oak Pipeline LLC, a conduit to move oil to the Corpus and Houston regions Pending a successful open season, Gray Oak capacity may increase by about 120,000 b/d. ■

Carolyn Davis

Paramount Resources Shuttering Some Montney Dry Natural Gas, Reducing '24 Forecast

Western Canada independent Paramount Resources Ltd. has curtailed some of its natural gas production in Western Canada amid the low price environment.

The independent, whose development is focused in the Montney Shale region, has shut in dry *...cont'd pg. 10*



gas production and reduced its forecast 2024 average sales volumes by about 2,250 boe/d. The "company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant," management said in its recent quarterly results.

Paramount cut its 2024 forecast to a range of 100,000 boe/d to 106,000 boe/d (47% liquids), which is 9,000 boe/d lower at the midpoint than prior guidance.

Canadian pricing point AECO has been trading at a discount to Henry Hub. NGI's NOVA/AECO C forward basis price for April delivery stood at minus 57.6 cents as of Wednesday (March 6). NGI's Henry Hub Bidweek price averaged $2.738/MMBtu in 2023, down from $6.648 in 2022. The bidweek price for March 2024 was $1.610, the lowest since July 2020 during the height of Covid-19, NGI's bidweek historical data show.

The Calgary-based explorer holds about 109,000 net acres of Montney rights at Karr and Wapiti. Planned 2024 activities include drilling 40 wells and bringing 36 online. Paramount also plans to begin a well optimization program aimed at increasing production from mature wells.

In 2023, the company saw annual sales volumes of 96,393 boe/d (46% liquids), an increase of 9% from 2022 and a company record. This was despite the impact of the Alberta wildfires, which reduced production by 3,300 boe/d in early 2023.

Natural gas sales amounted to 326 MMcf/d in the fourth quarter, compared with 321 MMcf/d in the year-before period. Natural gas volumes were 315 MMcf/d in 2023 versus 294 MMcf/d in 2022.

Last year, the company increased Grande Prairie Montney region annual sales volumes by 21% to an average of 70,943 boe/d (51% liquids), representing 74% of total sales volumes.

Capital expenditures (capex) in 2023 were largely directed to the Grande Prairie Montney developments and Kaybob North and Willesden Green Duvernay. The company, which reports in Canadian dollars (C$1.00/US74 cents), spent $732 million in capex last year.

Capital expenditures (capex) in 2024 are expected to be $830-$890 million. Planned capex in 2024 is to be focused on the Montney in the Grande Prairie and its Duvernay developments at Kaybob North and Willesden Green.

Net income was $111.9 million (78 cents/share) in the fourth quarter, compared with $260 million ($1.83) in the fourth quarter of 2022. Net income in 2023 was $470 million ($3.29/share) versus $680 million ($4.83) in 2022. ■

Christopher Lenton

Crescent Point Limiting AECO Exposure, Hedging Natural Gas Volumes Amid Portfolio Retool

Canadian independent Crescent Point Energy Corp. is moving its natural gas exposure away from the AECO price point.

The company has reduced its AECO exposure to about 20% of production, management said in its fourth quarter earnings call. AECO often trades at a discount to more lucrative markets such as the U.S. Midwest and Gulf Coast.

"We do have 30% of our fixed gas price hedged out over two years," CEO Craig Bryska said. "So 2024 and 2025," this is a "very strong hedge book on the gas side. So, not only from a fixed price perspective we removed some risk on gas, but also from a basis perspective, we've done that as well."

NGI's NOVA/AECO C forward basis price for April delivery stood at minus 57.6 cents as of Tuesday (March 5).

The company, which reports in Canadian dollars (C$1.00/US74 cents), has also been working to retool its portfolio. Last year, it paid about $1.3 billion for some Montney Shale properties. The purchase from Spartan Delta Corp. added 235,000 net acres, including 38,000 boe/d of natural gas-weighed production and 11 wells.

The company also divested from the Bakken Shale with a $500 million private sale, casting off its North

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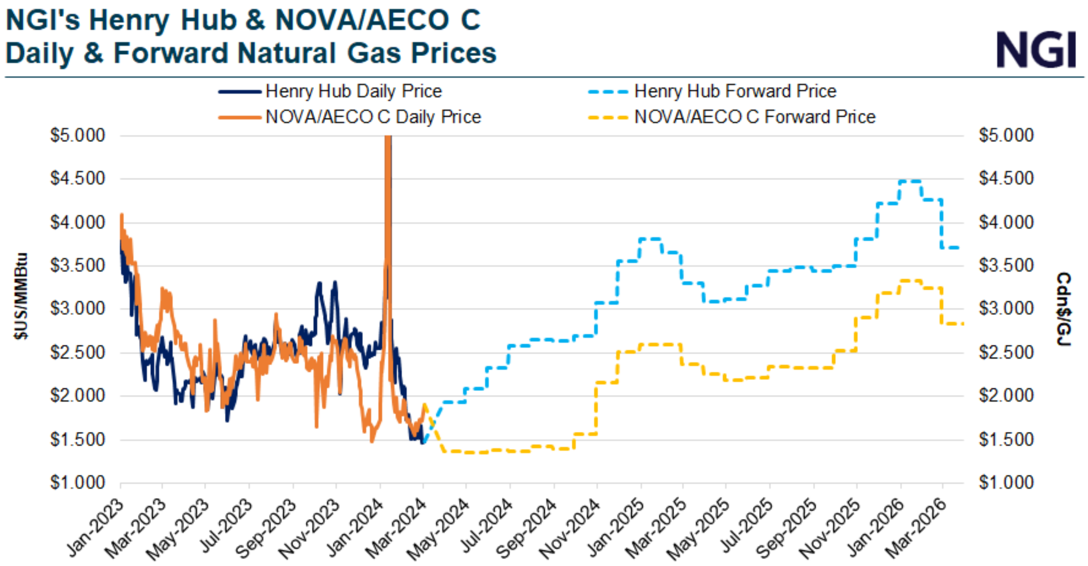
Dakota assets to concentrate on unconventional natural gas in Western Canada.

The Calgary-based independent also snapped up Montney-focused Hammerhead Energy Inc. in a $1.9 billion cash-and-stock takeover late last year.

“Our 2023 reserves highlight the benefits of our strategic portfolio transformation and our technical team’s strong ongoing operational execution,” said Bryksa. “We organically replaced 150% of our 2023 annual production on a proved plus probable basis, primarily driven by drilling and development activity in the Kaybob Duvernay. In 2024, we see opportunities to further enhance shareholder value by realizing potential cost efficiencies and productivity enhancements.”



Note: Henry Hub prices surged to $13.080/MMBtu & NOVA/AECO C prices spiked to $12.810 on 12-Jan-2024.

Source: NGI's Daily Gas Price Index, NGI's Forward Look

Total production in the fourth quarter was 162,000 boe/d, compared with 134,000 boe/d in the same quarter in 2022. For full-year 2023, production was 159,000 boe/d,versus 132,000 boe/d in 2022.

Annual production was within guidance, despite the downtime associated with the Western Canada wildfires of last year, management said.

Natural gas production in the fourth quarter was 254 MMcf/d, up from 153 MMcf/d in the year-ago period. Full-year natural gas production was 224 MMcf/d in 2023, compared with 141 MMcf/d in 2022.

For 2024, the company expects to spend $1.4-1.5 billion in development capital for production of 198,000-206,000 boe/d.

About 45% of Crescent Point’s 2024 budget is allocated to the Montney, 35% to Kaybob Duvernay and 20% to Saskatchewan.

Net income was $951 million in the fourth quarter ($1.70/share) compared with a loss of $498 million (minus 90 cents) in the fourth quarter of 2022. Net income in 2023 was $570 million ($1.04/share), compared with $1.5 billion ($2.60) in 2022. ■

Christopher Lenton

. . . from Canadian Natural Gas Supply Glut Hampers Prices, pg. 1

of supply and plenty of resources to crank out even more,” U.S. Global Investors’ Mike Matousek, head trader, told NGI.

Still, he added that U.S. E&Ps in late February and early March curtailed output to around 101-102 Bcf/d. That was down about 5-6 Bcf/d from record highs reached early this year, according to Wood Mackenze estimates. Among others, major producers Chesapeake Energy Corp. and EQT Corp. have recently slowed output in an effort to balance the market and prop up prices.

Data to date do not show Canadian E&Ps following suit, however, RBN Energy LLC analyst Martin King said. Following interruptions caused by Western Canada

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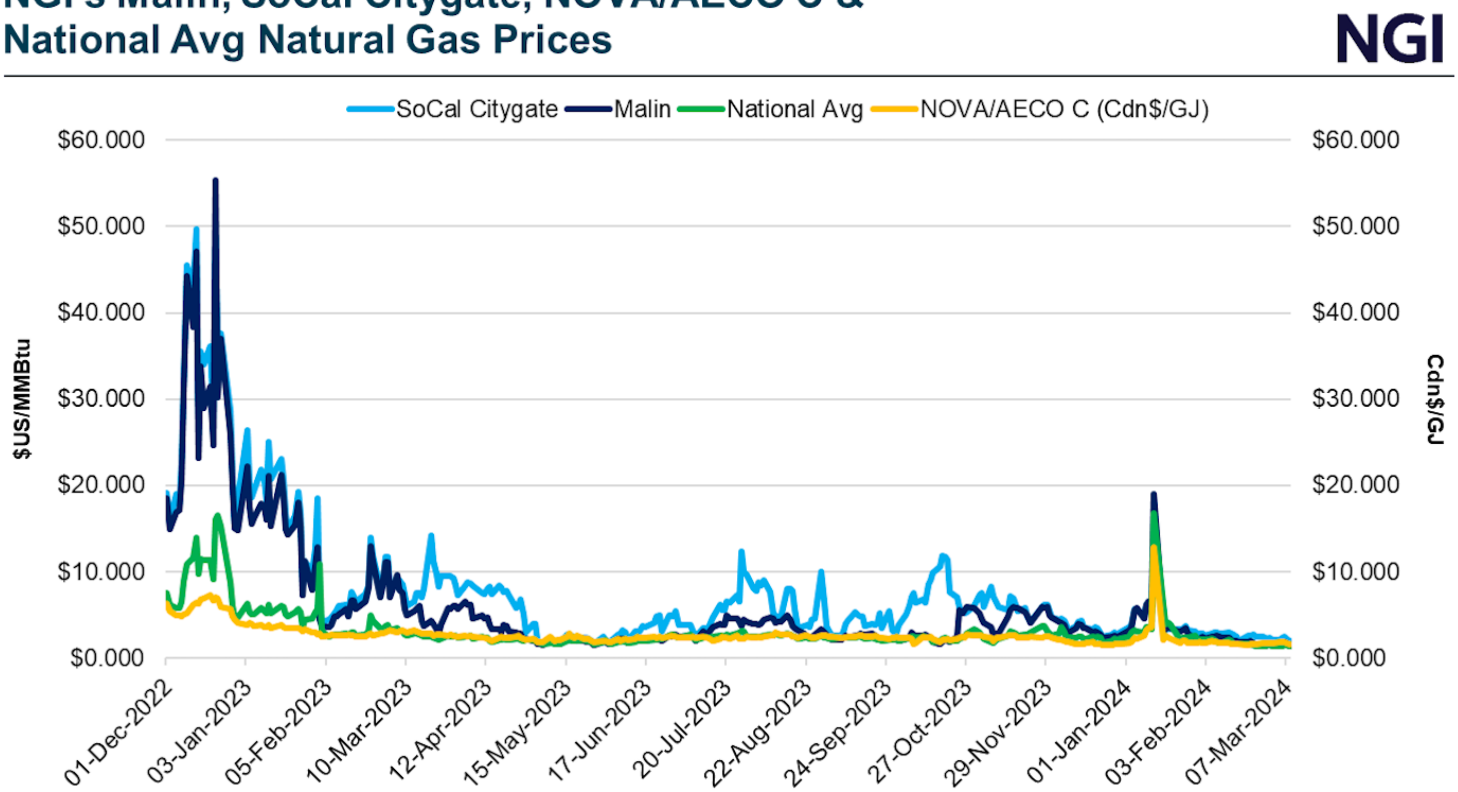
NGI's Malin, SoCal Citygate, NOVA/AECO C & National Avg Natural Gas Prices



Source: NGI's Daily Gas Price Index

wildfires last year, production soared north of the U.S. border and remained elevated through the first two months of this year.

"Daily output levels consistently held above 18.5 Bcf/d, almost on par with several daily record values that were recorded in December 2023," King said, citing his firm's Canadian data. "February production averaged 18.75 Bcf/d and is the second highest monthly average on record, barely surpassed by the December 2023 average of 18.79 Bcf/d.

"With gas focused drilling and wellhead tie-in activity that remained at or above historical ranges for all of February, it comes as no surprise that the month has come close to setting a new high for gas production," King added.

However, during some quarterly earnings conference calls this month, a few Canadian E&Ps have vowed to level off on the production front.

'As Conditions Warrant'

Western Canada independent Paramount Resources Ltd., for one, said it had begun to ease its natural gas output. It shut in some dry gas production and reduced its forecast 2024 average sales volumes by about 2,250 boe/d. The "company continues to closely monitor market conditions and may restore or further reduce production as conditions warrant," management said in its recent earnings report.

Canada's top natural gas explorer Tourmaline Oil Corp. is scaling back capital spending and flattening production this year, "given continuing weak natural gas prices," CEO Mike Rose said during the recent earnings call.

For the near term, though, supplies in storage remain lofty. In the United States, inventories are more than 30% above the five-year average – a surplus that totaled 551 Bcf as of March 1, according to the U.S. Energy Information Administration (EIA).

In Canada, as of late February, the storage surplus approached 200 Bcf. Surpluses to the five-year average were expected to swell further on both sides of the border amid "very mild weather," said EBW Analytics Group's Eli Rubin, senior analyst.

"The North American gas storage surplus could reach 900 Bcf above five-year normal later this month," Rubin said.

Barring an exceptionally hot summer, Canadian bulls – like their American counterparts – may have to wait for coming LNG expansions. A slew of new Gulf Coast liquefied natural gas facilities are in the works and slated to open over the next few years. They could double export demand. LNG Canada, meanwhile, is slated to ramp up as soon as later this year.

Ahead of that, Gelber & Associates analyst Ryan Parsons on the online energy platform Enelyst recently noted that Canadian gas storage levels are near record highs. "The market remains in a state of oversupply, with storage withdrawal rates significantly lower than the previous year," he said.

In Canada, forecasts "suggest above-average temperatures for the remainder of the heating season,

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likely leading to continued oversupply and high injection rates into storage," Parsons said. "This should also bump up imports to the U.S. as we approach summer," potentially creating excess supply for Northwest markets such as Oregon and Washington.

Import Activity

Canadian imports to the Lower 48 over the past week averaged about 3.8 Bcf/d, according to Wood Mackenzie. That was down from 2024 highs around 5 Bcf/d. If supplies were to remain stout, though, Canadian E&Ps could again sell more gas at heavy discounts to American markets in order to relieve surfeits.

"While this is only a small puzzle piece in our supply side, these changes can hold large pricing implications," Parsons said.

Analyst Ryan Smith of East Daley Analytics agreed. Over the last several months, he said, producers in Western Canada were "expanding output ahead of the country's first major LNG project, pushing more natural gas into the U.S. and adding to a market glut."

RBN's King said 2023 Canadian natural gas production averaged 17.96 Bcf/d, up 0.7 Bcf/d year/year. "RBN is still confident in strong production growth in 2024 of 0.8 Bcf/d to 18.8 Bcf/d," he said.

The firm "remains cognizant of the potential for a lower outcome depending on the extent to which producers may reduce gas directed drilling activity later this year in response to low natural gas prices," King said. However, as of early March, overall, Canadian E&Ps "have remained resilient and have not shown any serious signs of reductions."

Kevin Dobbs

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