

# Chaparral Energy Provides Strategic and Operational Update

10.08.2021 | [GlobeNewswire](#)

OKLAHOMA CITY, Aug. 10, 2021 - [Chaparral Energy Inc.](#) (the "Company" or "Chaparral"), a privately held company, announced its updated strategic vision, the disposition of non-core southern Oklahoma assets and the acquisition of complementary assets within Chaparral's focus area. In addition, the Company provided an operational update, including recent development drilling results.

## Strategic Highlights

- Developed and adopted a refreshed strategic vision emphasizing:
  - Production excellence with basin leading cost structure, sustainable free cash flow generation, flexible and disciplined development plan, maintaining low leverage and paying down debt;
- Divested non-core southern Oklahoma assets with net production of approximately 900 boe/d (~50% oil) on July 30, 2021;
- Executed agreement to acquire assets within our focus area with net production of ~1,900 boe/d (~33% oil) and ~39,000 net acres;
- Reported June 30, 2021 first lien net leverage of 0.50x (total net leverage of 0.77x);
- Paid down \$62 million of debt year-to-date (\$47 million as of June 30, 2021);
- Second quarter 2021 proved reserves (pro forma for the acquisition and divestiture) utilizing NYMEX strip pricing as of July 30, 2021 with a PV-10 value of \$670 million.

"Management has attained a high degree of alignment with our board, which represents over 80% of our equity, and together we completed a thorough review of the Company's strategy," said Chief Executive Officer Chuck Duginski. "We are focused on operational excellence to lower costs and maximize cash flow from our production operations, while maintaining production and creating value by prudently investing through the drill bit. This is proving to be a sustainable business model for long-term value creation. In 2021, we have created significant free cash flow allowing us to internally fund our capex program while generating liquidity to pursue growth opportunities. Additionally, we have used that cash flow to reduce our debt by \$62 million in 2021 and we remain committed to a targeted leverage ratio of 1.0x or lower. Our deep experience and operational expertise provide competitive advantages in an increasingly active basin. Despite its complexities, the Mid-Con remains one of the most prolific oil and gas regions in the U.S.

"On July 30, 2021, we completed the sale of late-life non-core assets that were producing approximately 900 net boe/d. This allows us to lower our operational costs per barrel, decreases future plugging and abandonment liability and provides incremental liquidity to help fund accretive acquisitions.

"On July 23, 2021, we signed an agreement to acquire 39,000 net acres within our focus area and existing wells producing approximately 1,900 net boe/d. Primarily located in Major and Woods counties, an area we refer to as Glass Mountain, we have existing operations nearby and are eager to apply our expertise to enhance cash flows from the producing assets. We are also pleased with the additional operated drilling units acquired and how they compare to our current development areas.

"In summary, we are executing on our strategic vision while prudently re-investing in our assets through drilling operations and opportunistically evaluating the many opportunities around us. We have low debt and significant operational and financial flexibility to execute our vision - being the low-cost operator in the Mid-Con, creating sustainable free cash flow through field operations that are unmatched in quality and efficiency and a continued reduction in corporate costs, while identifying and achieving the most value-accretive deployment of capital. Our equity and management are aligned on our strategy and we are demonstrating our ability to deliver results. Pro forma for the acquisition and divestiture, with our modest development plans we have the ability to maintain production and pay down the entire balance of our credit facility by the second half of 2022 in the current pricing environment," concluded Mr. Duginski.

## Operational and Financial Highlights

- Completed three highly successful extended lateral DUCs in December 2020 and resumed operated drilling operations in May 2021;
- Achieved 1st half 2021 production of 23.2 Mboe/d (57% liquids);
- Continued reduction of LOE and G&A costs with a focus on maximizing margins.

In the fourth quarter of 2020, Chaparral completed three 1.5-mile extended lateral Merge Miss Hubbard wells. Those wells began flowback in mid-December and are providing substantial production uplift in a strong pricing environment. These development wells are some of the most profitable in the Company's history and have paid out in less than six months.

In May of 2021 the Company commenced drilling operations in Canadian County focused on prudently reinvesting the strong operational cash flow in high returning wells. We currently plan to spud three separate developments in 2021 comprised of eight wells, two of which will carry over into early 2022. One of the developments is the four well, 1.5-mile extended lateral Blackburn development offsetting our Hubbard development. We expect those wells to come online early in the fourth quarter. The capital program will be funded with operational cash flow.

Chaparral is focused on reducing already low costs to maximize margins and cash flow. The Company has implemented sustainable reductions in LOE associated with changes in lifting methods, compression optimization, chemical program, power enhancements and other efficiency improvements in the field operations. LOE per Boe for the first half of 2021 in total and for our focus area was \$3.44 and \$2.02, which are 33% and 48% reductions, respectively, as compared to full year 2019.

To better align our G&A expenses with operational activity, the Company reduced its corporate workforce in 2020 and implemented cost reduction initiatives across all non-payroll G&A expenses. In early January 2021, Chaparral moved its headquarters, which will result in annual savings of approximately \$1 million. The Company estimates annualized savings associated with personnel reductions of approximately \$5 million as well as another \$3 to \$4 million in non-payroll G&A savings. Cash G&A per Boe, adjusted for restructuring and other non-recurring expenses, for the first half of 2021 was \$1.84 which is a 31% reduction as compared to full year 2019.

#### Divestiture of Assets outside of Focus Area

The assets divested are in southern Oklahoma and primarily consist of low volume, higher cost waterfloods. The divested assets consist of over 400 wells with net production of approximately 900 boe/d (50% oil) and LOE of over \$14 per barrel. The transaction has an effective date of May 1, 2021 and closed July 30, 2021. The divestiture will reduce Chaparral's operating cost and reduce future plugging and abandonment liability for assets that have no horizontal development potential. This divestiture accelerates our de-levering and provides incremental liquidity being utilized towards funding the announced acquisition.

#### Acquisition of Assets in Focus Area

The assets being acquired are primarily located in Major and Woods counties, an area the Company refers to as Glass Mountain, and consist of ~39,000 net acres (94% HBP) and current net production of ~1,900 boe/d (33% oil, 57% liquids) of which over 90% is from ~35 operated newer-vintage horizontal wells, and LOE of under \$6 per barrel. The transaction has an effective date of June 1, 2021 and is expected to close in September. The Company has identified over 20 operated sections with development economics that will compete for capital with its current development areas in Canadian and Kingfisher Counties. The acquisition overlaps the current focus area and the Company is excited to take control of the assets and sees opportunity to further enhance cash flows from the new assets by applying the same level of scrutiny it applies to its own assets and operations.

#### Second Quarter Pro Forma Proved Reserves

The Company's second quarter 2021 total proved reserves, pro forma for both the divestiture and the acquisition, utilizing NYMEX strip pricing as of July 30, 2021, generate 83.0 million barrels of oil equivalent and a PV-10 value of \$670 million. Total proved reserve volumes consist of 21% oil and 55% liquids. Proved developed producing reserves comprise 81% of the total proved reserves and generate \$569 million of PV-10 value.

#### About Chaparral

[Chaparral Energy Inc.](#) is a private and independent oil and natural gas exploration and production company

headquartered in Oklahoma City. Chaparral is focused in the oil window of the Anadarko Basin in the heart of Oklahoma. For more information, visit the Company's website at [www.chaparralenergy.com](http://www.chaparralenergy.com).

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<https://www.rohstoff-welt.de/news/391145--Chaparral-Energy-Provides-Strategic-and-Operational-Update.html>

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