

# Deutsche Rohstoff AG: Strong operating performance and CAPEX reductions

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## Strong operating performance and CAPEX reductions

- Significant drilling cost reductions achieved in the current program at 1876
- Expansion of the drilling program at 1876 from 10 to 12 wells in 2024
- Production of around 14,700 BOEPD in Q3
- Niobrara wells with costs of around USD 10 million (-10% vs. previous year), Teapot wells under USD 7 million (-35% compared to the first well drilled in this formation in the previous year)
- 3 wells in the Teapot formation have started production
- Investment budget 2024 increases from EUR 145 to 165 million to EUR 175 to 180 million
- Acreage position increased by around 5,000 acres in key locations since the end of 2023
- Expected revenues (EUR 210 to 230 million) and EBITDA (EUR 160 to 180 million) in 2024 remain in line with guidance

"We are nearing the end of our 2024 drilling program and are very pleased with the development of our US oil & gas business. After successfully shifting our focus from Colorado to Wyoming last year, we are also setting new standards in terms of execution and costs. The current drilling costs of 1876 are among the lowest in the Powder River Basin. At the same time, we have used the momentum to expand our drilling program once again. In the first half of the year, we were also able to demonstrate the high prospectivity of the acreage and the Mowry Formation in particular with the drilling program at Bright Rock. We are very pleased with our performance this year and look forward to bringing a total of 9 wells into production in Q4," said Jan-Philipp Weitz, CEO.

## Operational development

In addition to the 10 wells as part of the joint venture with Oxy and the 3 wells drilled at Bright Rock in the first half of the year, the drilling program in 2024 now comprises 12 wells from 1876 instead of the previously planned 10 wells.

The wells are spread over the Wilma pad, which has been producing since July, with 3 Niobrara wells, the Cottonwood pad with 7 wells, 3 in the Teapot formation and 4 in the Niobrara formation, and the Lost Springs pad with 2 wells in the Niobrara formation.

Over the past few months, 1876 has been able to implement its drilling program very cost-effectively and at high speed. The wells were drilled in an average of just 12.5 days and, depending on the formation, will cost significantly less than the previous year for an average 2-mile well. The Niobrara wells are expected to cost around USD 10 million, while the wells in the Teapot formation are already at a very low level of less than USD 7 million. The first well drilled into the Teapot formation in 2023 cost USD 11.1 million. This extremely positive development is an important driver for the profitability of the further development of the acreage in Wyoming.

The main driver of the low costs is the continuity of the drilling program and constant adjustments to the well design based on ongoing experience.

Due to the high momentum of the drilling program and the current good availability of service providers, the management has decided to complete the Lost Springs pad already in 2024. The Cottonwood pad was already expanded from 5 to 7 wells during the course of the year due to the good operational performance. As some non-operated partners did not consent to the wells, 1876's working interest rose by around 10% to 80%. Overall, the increase in the working interest of the drilling program added around 1.2 net wells.

The investment budget in 2024 will therefore increase from EUR 145 to 165 million to EUR 175 to 180 million. Revenues and EBITDA are still expected to be in the range of EUR 210 to 230 million and EUR 160 to 180 million respectively. The remaining 6 wells are expected to start production until end of December. The 3 wells in the Teapot formation have recently started production. Due to the high level of activity surrounding 1876 acreage, the company has the right to participate in several "non-operated" wells. In total, these interests will amount to a further net well, which will go into production towards the end of the year.

"By expanding the drilling program and the earlier payment of for the completion of the last wells, we are securing additional cost advantages that will bring us well below the 2024 planned CAPEX for a Niobrara well. This significantly improves our capital efficiency," said Henning Döring, CFO.

Overall, production continues to develop positively and amounted to around 14,700 BOEPD in the third quarter. The total of 37 Niobrara wells from the JV with Oxy and the Group's own development programs continue to exceed initial expectations.

On average, the Niobrara wells produced around 140,000 barrels of oil in the first twelve months, which is around 10% above expectations. The newer wells from the 2024 drilling program produced an average of approx. 43,000 barrels of oil in the first three months, which was in line with expectations.

The first well in the Mowry formation already produced around 100,000 barrels of oil in the first four months and thus produced at an extremely high level.

Drilling in the Teapot formation marks the first comprehensive development of this formation by 1876. The formation is highly prospective and has delivered very good results since the beginning of 2024. Up to 10 additional Teapot locations are currently being evaluated on the current acreage.

In general, however, the team is working to continuously expand the acreage position in the Niobrara, Teapot and Mowry formations. In the past 12 months, almost 5,000 acres (approx. 2,000 ha) of acreage add-ons have been leased or acquired in various individual transactions.

In addition to the drilling programs, extensive investments in infrastructure will be completed as planned in 2024. 1876 is investing around USD 11 million in a gas compressor station and a further EUR 4 million to integrate the new pads into the existing midstream and water infrastructure.

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