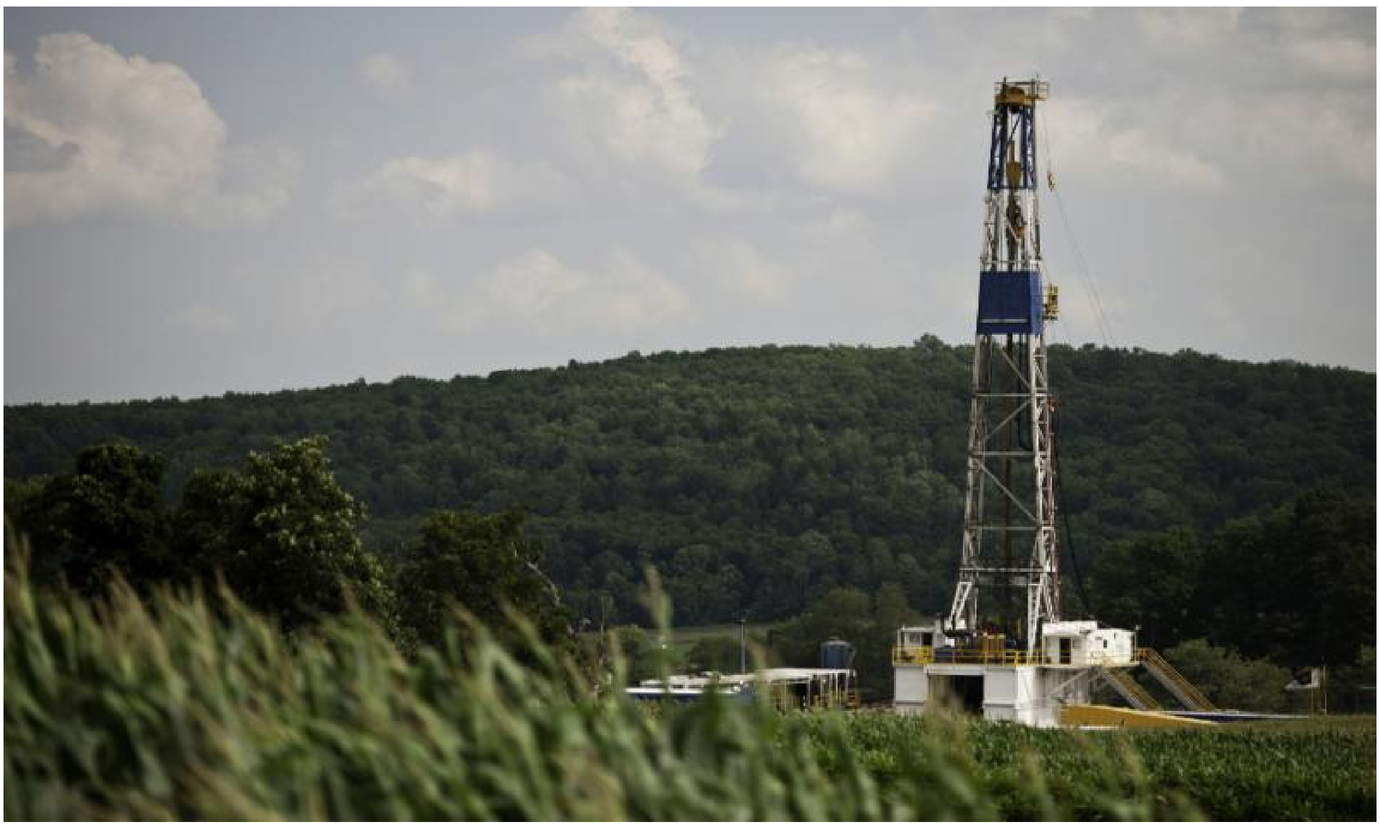
PennEnergy Enjoys 'Best Of The Best' In Appalachian Gas Play

Paul Hart, Hart Energy Thursday, June 29, 2017 - 1:45pm



PITTSBURGH—Many in the oil and gas business rate the Appalachian Basin the "most best" play in the world. If that's true, then PennEnergy Resources LLC enjoys its place in the "best of the best," its president and COO said during Hart Energy's DUG East Conference and Exhibition on June 22.

"We're in the top tier, the core," Greg Muse told conference attendees. The producer holds more than 83,500 gross acres, 77,000 net acres, centered in two blocks in southwestern Pennsylvania's Beaver, Butler and Armstrong counties north of Pittsburgh. More than 80% of the acreage is held by production with no near-term expirations, Muse said, adding "we continue to aggressively grow this position every day."

Also, PennEnergy "enjoys very favorable lease terms in development-friendly areas of operation," Muse said. Year-end 2016 net proved reserves were 1.4 Tcfe "with over 13 Tcfe of net resource potential."

Ratings of PennEnergy's holdings "are not based on speculation but actual well results from more than 50 wells across our acreage position," Greg Muse, the company's president and COO, told DUG East conference attendees in Pittsburgh on June 22. *(Source: Hart Energy)*

Ratings of PennEnergy's holdings "are not based on speculation but actual well results from more than 50 wells across our acreage position," he said. The company's wells produce from both the wet- and dry-gas areas of the Marcellus and Upper Devonian formations. The Beaver and Butler county acreage is in the wet-gas window while, to the east, the Armstrong County block produces from the dry-gas window.

The acreage also offers a Utica upside for future development, he said.

"Our land position is very consolidated and we have the opportunity to develop nearly 900 additional laterals, 75% of which can be drilled to 10,000 feet or longer. And that's on our acreage; it would not require partner participation," Muse said. The company's existing wells have an average lateral length of 7,200 feet.

The average gross EUR from 47 wells drilled to date is 2.7 Bcfe per 1,000 feet of lateral, "ranking among the highest EURs in Southwest Pennsylvania," he said. Current production from 43 wells is 120 MMcfe/d, and the firm projects a 2017 exit rate of 240 MMcfe/d.

Adding to those positive reserve and production numbers, Muse said PennEnergy is a low-cost operator with finding and development costs below 40 cents/Mcfe.

"And finally, we have the midstream infrastructure and market infrastructure in place to develop our gas, NGL and condensate to carry it to market with optionality," he added.

The Pittsburgh-based producer uses an integrated development approach that studies the geology of its leases, followed by reservoir characterization and production performance tracking that yields consistent economic returns. It recorded a 42% current strip IRR in May, Muse said.

To benchmark its well results against the region's production, PennEnergy "performed a very comprehensive EUR review of over 2,400 wells in the Marcellus and Upper Devonian intervals in both the wet-gas and dry-gas windows," he added. The study confirmed how well PennEnergy wells have done and that their results are comparable to wells to the south of Pittsburgh in Pennsylvania's very active Greene and Washington counties, "clearly indicating the core of the Marcellus and Upper Devonian plays extend through and north of Pittsburgh."

The company has plenty of running room. That 1.4 Tcfe in net proved reserves at the end 2016 included 1.053 Tcf of proved undeveloped reserves, and PennEnergy has identified 870 locations for future development.

Muse said the firm will continue to ramp-up its development program through 2019 and plans to accelerate drilling of more than 570 laterals. "Drilling and completion performance continues to improve," he added.

"And it's not just about getting results but how we get results," Muse emphasized.

The company has mandated total compliance with government regulations by its personnel and contractors, "no exceptions." The company has received only five minor citations by the Pennsylvania Department of Environmental Protections, none with associated fines, out of 870 inspections since it began operations in 2013, he said.

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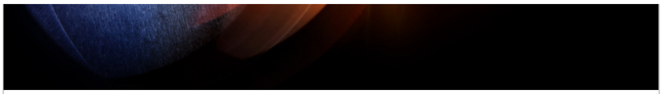

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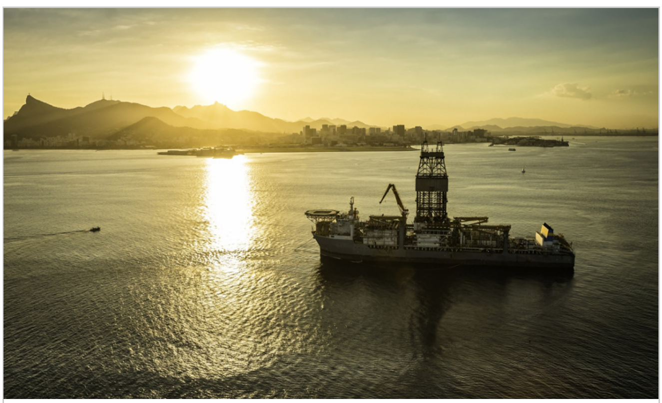

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