

S&P Global

Market Intelligence

Granite Ridge Resources, Inc. NYSE:GRNT

Earnings Call

Friday, May 9, 2025 4:00 PM GMT

CALL PARTICIPANTS	2
PRESENTATION	3
QUESTION AND ANSWER	7

Call Participants

EXECUTIVES

James Masters

Luke C. Brandenburg

President & CEO

Tyler S. Farquharson

Chief Financial Officer

ANALYSTS

John Annis

John Phillips Little Johnston

*Capital One Securities, Inc.,
Research Division*

Michael Stephen Scialla

Stephens Inc., Research Division

Noah B. Hungness

BofA Securities, Research Division

Presentation

Operator

Good morning, and welcome to the Granite Ridge Resources First Quarter 2025 Earnings Conference Call. [Operator Instructions] I will now turn the call over to James Masters, Investor Relations Representative for Granite Ridge.

James Masters

Thank you, operator, and good morning, everyone. We appreciate your interest in Granite Ridge Resources. We will begin our call with comments from Luke Brandenburg, our President and Chief Executive Officer, who will review the quarter's results and company strategy. We will then turn the call over to Tyler Farquharson, our Chief Financial Officer, who will review our financial results in greater detail.

Luke will then return to provide some closing comments before we open the call up for questions. Today's conference call contains certain projections and other forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties that may cause actual results to differ from those expressed or implied in these statements.

We would ask that you also review the cautionary statement in our earnings release. Granite Ridge disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on forward-looking statements. These and other risks are described in yesterday's press release and our filings with the Securities and Exchange Commission.

This conference call also includes references to certain non-GAAP financial measures. Information reconciling non-GAAP financial measures discussed to the most directly comparable GAAP financial measures is available in our earnings release that is posted on our website. Finally, as a reminder, this conference call is being recorded. A replay and transcript will be made available on our website following today's call.

With that, I will now turn the call over to Luke.

Luke C. Brandenburg

President & CEO

Thank you, James, and thank you all for joining us today. This morning, I plan to cover the key highlights from the first quarter, discuss the recent market volatility and review our current 2025 budget, along with the flexibility we have within it. I will then share thoughts on the outlook for the rest of 2025 before passing it over to Tyler.

Kicking off with the quarter, I'm pleased to share that Granite Ridge had an outstanding first quarter in 2025. We achieved a production rate of over 29,000 barrels of oil equivalent per day, reflecting a 23% increase compared to the same period last year. Additionally, we generated \$91 million of adjusted EBITDAX, surpassing our internal projections.

These impressive results highlight the success of our strategic focus on geographic and hydrocarbon diversity, currently a balanced 50-50 split between oil and gas and our partnership with top-tier operators. Our outperformance in the first quarter was primarily driven by traditional non-op wells that came online earlier than anticipated or outperformed their expected type curves throughout the quarter.

A standout performer continues to be our Operated Partnership program, where we are excited to see substantial growth in volumes over the past year. Our partner in the Delaware Basin has increased gross daily operated oil production by 400% from 2,500 barrels of oil per day to approximately 10,000 barrels of oil per day with interest in over 50 producing wells. With every dollar we invest in this business, we are targeting full cycle returns of greater than 25%, and we are pleased that the results to-date align with those expectations.

For the quarter, we turned 13.7 net wells to sales, increased oil volumes by 39% and natural gas volumes by 10% with robust initial production from new wells, primarily in the Permian Basin. One area I am particularly proud of is our cost structure, which continues to improve on a per unit basis as we scale the business. As the denominator grows, our efficiency improves. In the first quarter, we reported LOE of \$6.17 per BOE, 13% lower than last year.

On an operating margin basis, we improved from 83% in the first quarter of last year to 87% this year. These are not onetime savings. They are repeatable cost structure improvements, thanks to increased scale that will continue to drive enhanced cash flow and shareholder returns. Turning to the macro environment; while volatility has been a prevailing theme lately, Granite Ridge remains well-positioned with a diversified asset base.

Our production is approximately 75% hedged through 2026, and we maintain a leverage ratio of just 0.7x net-debt-to-adjusted-EBITDAX. This combination preserves our expected cash flows and provides significant optionality as we look to capitalize on opportunities in this environment. Our diversification, in particular, proves incredibly valuable during times of volatility. After two years in the doldrums, it is great to see the macro picture improve for natural gas, and we are pleased with both the production and operating margin growth of our natural gas assets.

Year-over-year, while gas volumes grew by 10%, our revenue from gas more than doubled to \$31 million, thanks to realized prices of \$3.97 per M compared to just \$1.84 per M a year ago. We continue to evaluate opportunities to accelerate capital deployment in response to today's improved gas pricing, particularly in the Haynesville and dry gas Eagle Ford. Moving to our 2025 budget; during our last call, I mentioned the possibility of an accelerated CapEx scenario of approximately \$380 million.

However, due to recent market volatility, we've decided to proceed with our base case of \$310 million. This approach is projected to achieve a 16% production growth at the midpoint. Let's take a quick look at our sources and uses for 2025. Using round numbers, the uses include a \$300 million budget for CapEx, about \$60 million for dividends and \$25 million for interest and other costs, totaling \$395 million.

On the sources side, while production growth does not directly translate to cash flow, with gas prices up, oil prices down and hedges in place, it serves as a reasonable proxy. Starting with \$291 million of 2024 EBITDA and applying a 16% increase at the production guidance midpoint, we estimate about \$335 million. This leaves us with \$60 million in incremental debt. I'll walk through this for a couple of reasons. First, to assist those of you who model Granite Ridge, we appreciate you.

Second, to highlight that in the current hydrocarbon price environment, our plan puts us roughly cash flow neutral, excluding the dividend. I recognize that excluding the dividend is a lightning rod for some. In this environment where oil and gas stocks trade more like assets and businesses, people often take the negative and criticize us for borrowing to pay the dividend. I would like to offer a different perspective.

We believe we can fund our dividend and achieve mid- to high single-digit production growth out of cash flow. As we continue to find accretive opportunities even in this price environment, we are taking on conservative leverage to generate mid-teens production growth and accelerate cash flows. As we consider budget flexibility, our focus on full cycle returns and efficient operating cost management has enabled us to maintain a low leverage profile while achieving significant asset growth.

In the face of an uncertain market, these priorities remain crucial. We are confident in our assets and balance sheet's ability to withstand fluctuations in hydrocarbon prices, and our capital program is designed to adapt to various price scenarios. Like our peers in oil and gas industry, we are closely monitoring hydrocarbon prices and we'll continue to adjust our budget accordingly if oil remains below \$60 per barrel.

As recently as this week, we have non-consented well proposals that do not meet our return threshold and identified approximately \$30 million in CapEx within our Operated Partnerships that we can swiftly cut or defer with additional flexibility if market conditions require. Our guiding principle for capital allocation remains a focus on full cycle returns combined with conservative leverage. Production growth is merely a result of this strategy.

With estimated maintenance capital accounting for less than two-thirds of our 2025 budget, we have substantial flexibility to make decisions that enhance long-term shareholder value. To review, we've had an outstanding quarter with performance exceeding expectations across the board. Our balance sheet remains in great shape at just 0.7x leverage and our hedging program is solid, covering roughly 75% of current production through 2026.

We are growing responsibly with increased margins and lower capital reinvestment rate than ever before. Strategically, where are we? After a decade of building a significant non-op portfolio with diversified interest across 6 premier oil and gas basins in the United States, our current focus on Operated Partnerships brings balance to the portfolio. This focus adds control over the timing of CapEx and cash flows while partnering with some of the highest quality operating teams in the country.

We have built Granite Ridge on the principles of diversification and strict underwriting standards to generate steady returns for our shareholders. Our approach remains rooted in capital stewardship with disciplined allocation falling close behind. Over the past 2.5 years as a public company, we have ensured that our intent to grow and add scale has not come at the expense of financial prudence. I'm proud of our efforts.

The growth we have experienced is due to sound capital allocation strategies, always with good rocks and outstanding partners. Looking ahead to the rest of 2025, we are focused on three key priorities. First, developing our Operated Partnership program. We currently have two operating partners and have agreed to terms with a third, all targeting the Permian Basin. Earlier this year, we were running two rigs in the Delaware Basin, but have since scaled back to one rig.

We are pleased with the results we have achieved so far and maintain total control and flexibility to adjust the program according to the hydrocarbon price environment. This program will account for about 60% of our capital this year, up from 50% in 2024. Second, maintaining a careful balance between growth and returns. We continue to guide to a 16% production growth while maintaining our \$0.11 per share quarterly dividend, which at current prices offers almost a 9% dividend yield.

And finally, preserving our financial flexibility. With the support of our banking partners, we successfully increased our borrowing base in April by \$50 million to \$375 million, providing enhanced pro forma liquidity of \$141 million as of March 31. Leverage stands at just 0.7x net-debt-to-EBITDAX. This conservative approach has served us well through multiple cycles.

With that, let me turn it over to Tyler to walk through the numbers in more detail. Tyler?

Tyler S. Farquharson
Chief Financial Officer

Thanks, Luke, and good morning, everyone. I'll begin with an overview of our income statement. We generated \$122.9 million in total revenue this quarter. That's up nearly \$34 million from the same period last year, with realized prices of \$69.18 per barrel and \$3.97 per Mcf. Our adjusted net income was \$28.9 million, \$0.22 per share, an 89% increase year-over-year. That strong performance translated into \$86.7 million of operating cash flow before working capital changes.

On costs, I want to highlight two items. First, as Luke mentioned, we reduced LOE to \$6.17 per BOE. Second, G&A came in at \$2.84 per BOE, down 5% from last year as we continue to benefit from scale. Turning to capital allocation; we invested \$71 million in drilling and completions capital with the majority directed toward our Permian Operated Partnerships. In addition, we deployed \$34 million on acquisitions, securing 12 net high-quality locations at an average cost of \$2.1 million each.

Total capital for the quarter was \$101 million compared to consensus expectations of \$87 million. The difference primarily reflects the timing of a \$14 million opportunistic acquisition completed during the quarter, reflecting our ability to remain flexible and capitalize on attractive assets when they arise. Our balance sheet remains a real strength. We ended the quarter with \$250 million of debt outstanding, just 0.7x net-debt-to-EBITDAX.

And with our recent borrowing base increase, we now have \$140.8 million in total liquidity, which positions us well to capitalize on future opportunities. Our hedge book also provides significant protection. For oil in 2025, we have 2.4 million barrels hedged with floors at \$61.86 and ceilings at \$77.89. On the gas side, we protected 7.3 Bcf at floors of \$3.43 and ceilings of \$4.23 and have swapped an additional 8 Bcf at \$3.67. These hedges lock in substantial cash flow through 2025. Based on this strong start to the year, we're reaffirming all aspects of our 2025 guidance.

We continue to expect production between 28,000 BOE and 30,000 BOE per day with oil making up 52% of volumes. On costs, we're now tracking toward the low end of our LOE guidance range of \$6.25 to \$7.25 per BOE. Looking ahead, we anticipate Q2 production will remain consistent with Q1 levels, followed by a modest increase in the second half of the year. Capital spending in Q2 is expected to be broadly in line with Q1 levels with a more measured pace of investment planned for the second half as we maintain our focus on capital efficiency.

Back to you, Luke.

Luke C. Brandenburg
President & CEO

Thank you, Tyler. I have the privilege of working daily with some of the most talented, driven and creative professionals in the industry. My partners built this business from the ground up. And over the past dozen years, we have established a remarkable track record of consistently achieving the goals that great oil and gas companies strive for.

We have prudently allocated capital to grow asset value while maintaining conservative leverage, continuously reduced our cost structure and replaced an increased inventory with an intense focus on quality. Our commitment to delivering value for shareholders is evident through both cash returns and asset appreciation. Our journey has not been without challenges as we have navigated several significant downturns.

However, through discipline, teamwork and an unwavering focus on our investors, we have continually demonstrated our ability to adapt and drive value across cycles. While macroeconomic conditions may fluctuate, our commitment remains steadfast. We focus on what we can control, building a resilient business capable of adapting to any environment and maintaining a laser focus on delivering returns for our investors. Over the long term, the market will ultimately reward consistent earnings, [e], with price, key. We invite you to join us on this journey. With that, operator, please open the line for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Phillips Johnston with Capital One.

John Phillips Little Johnston

Capital One Securities, Inc., Research Division

Can you maybe give us some color as to how much production came in the door from the 10 acquisitions that you closed in Q1? And maybe what the split is in terms of Delaware versus Utica and what the oil and gas mix kind of looks like?

Luke C. Brandenburg

President & CEO

Yeah, you got it. Good one, Philips. That acquisition, so we closed that earlier this year. We think it's about 450 barrels for the year '25. I don't know, \$9 million, if I put a number to it, but about 450 barrels is how I look at it. That's all Delaware production. In fact, that asset acquisition that Tyler mentioned, that was the only thing we bought that had any production associated with it.

John Phillips Little Johnston

Capital One Securities, Inc., Research Division

Okay. And was there any material contribution to Q1 volumes or was the close kind of late in the quarter and it's kind of a Q2 through Q4 impact?

Luke C. Brandenburg

President & CEO

Yeah, I call it the latter. It was later in the quarter. And so I think you'll see that show up later, not necessarily much of an impact in Q1.

John Phillips Little Johnston

Capital One Securities, Inc., Research Division

Okay. Perfect. Tyler, you touched on LOE in your prepared comments. Nice to see Q1 was below the low end of the range. It sounded like we should be steering towards the low end of the range for the year. Is that what I heard?

Tyler S. Farquharson

Chief Financial Officer

Yeah, correct. Yeah, as we're -- production is starting to scale on those operating partnerships we're starting to see those LOE per unit move down towards the lower end of our guidance. So that's our current expectation is to be at that low end.

Operator

Our next question comes from the line of John Annis with Texas Capital.

John Annis

For my first one, maybe following up on your prepared remarks on the strong well performance from your non-op wells. Can you elaborate on which specific basins are outperforming? And are there any specific factors that you would attribute this outperformance to?

Luke C. Brandenburg

President & CEO

John, great question. I appreciate that. I probably should have given some more color on that in the prepared remarks. So if I think about really our beat compared to internal, I'd group it into two buckets. So one is from acceleration, so wells that came on sooner than we thought and then existing wells that outperformed. And so I'll hit each of those separate. Acceleration was probably a third of the beat. That's just one of those games where on the traditional non-op space we don't know exactly when those are going to come online.

And so we're generally a bit conservative on it, and we like to be pleasantly surprised. So the wells that I'd say really had an impact was one pad in particular, in the Delaware Basin that came online sooner than we thought, and that made a big impact. We had a couple of pads in the Utica, [indiscernible] operated pads that came online earlier, and we've been real pleased with what those guys are doing up there.

And then cats and dogs here and there, just small working interest in the DJ and Midland Basin that were a bit sooner than we thought. So that's call it a third of it. The other two-thirds was really existing wells. And so this is one as well where I love how we underwrite. We've got a great team over here on the underwriting side, and they take a very practical approach to these. And so one thing that we saw on some existing wells are some wells that were shut in for offset frac.

And so again, we don't really benefit by being aggressive on when they come back online. We like to be a bit conservative. And so we had some wells come online sooner than we thought. That had a pretty significant contribution. The biggest point that I'll mention that I'm encouraged about; now we'll see how this changes in the current market environment, but we had a pretty big pad for us in the Delaware Basin that had been constricted, primarily because of gas prices late last year.

And as gas prices ramp, it's again, a Delaware pad, but has a strong gas contribution. They started to open the chokes a little bit as prices improved, not just at Hub, but also at Waha. And so we had some increased production as they increased the chokes and bump production a bit. I'm curious to see if that continues now that the oil prices have been a little bit tougher over the past month or so. But I think that was certainly exciting to see at the time. And again, we'll see if that trend continues.

John Annis

For my follow-up, maybe leaning into your comments on natural gas, how do you evaluate the relative attractiveness of each basin just given the softening in oil and strengthen in gas? And does this dynamic change your appetite for increasing or decreasing exposure in certain basins, either from a non-op or Operated Partnership basis?

Luke C. Brandenburg *President & CEO*

Yeah. That's a great question too, because look, you're talking capital allocation at the end of the day, and that's our primary role is capital allocation. What we always say is that every opportunity has to compete for capital. And so we're in 6 basins. Deals in each of the 6 basins have to compete. It's as we know, oil -- wells aren't just oil or just gas in a lot of places. They certainly are in, say, the Haynesville or South Texas Eagle Ford.

But take the Delaware Basin, that's been such an interesting one where oil prices have come down, but gas has come up. And so we have to look at just a full cycle basis across both hydrocarbons. So what really has led us to do right now on our traditional non-op side, we have some inventory in some gas-weighted basins, primarily the Haynesville and dry gas Eagle Ford.

A lot of the operators we're talking to there are either looking at wells that have been DUCed, some cases for a year or more that they're looking to turn online. Some have at least hinted that they may accelerate development on some of those. In that case, it's less of us making a decision. It's more of the well proposal comes in, and we determine if we're going to participate, but we continue to make that compete for capital. I really like the diversification we have in these environments. I just think that's a big one.

And with 50% gas production, we really are seeing the benefit of that right now in spite of challenges on the oil side. So I'm not really hitting your question head on, John, and it's not intentional. I'm not trying to evade it. It's more of everything competes for capital. We see what comes in the door. And as I mentioned, we had wells just this week that we were non-consenting because they didn't hit the return hurdles.

So we're going to stay disciplined, and we'll see where it goes. Our Operated Partnerships are all currently in the Permian. And so they're that blend of oil and gas. We don't have any in the pure gas basin that we can really push right now. But again, we've got some great non-op partners, and we're excited to see what they do this year.

Operator

Our next question comes from Noah Hungness with Bank of America.

Luke C. Brandenburg

President & CEO

You may be muted. I can't hear you if you're talking.

Noah B. Hungness

BofA Securities, Research Division

Can you hear me now?

Luke C. Brandenburg

President & CEO

I can hear you now.

Noah B. Hungness

BofA Securities, Research Division

Okay. Sorry about that. Could you give us an idea of how we should think about oil cut kind of trending through the rest of the year, just kind of noting maybe 1Q was a little lower than what we were expecting?

Luke C. Brandenburg

President & CEO

Yeah, it's a good question. I'd say that we were actually just talking about that this morning. It's a dynamic where we're basically in line with what we thought on oil production, but gas production was higher than we thought. And so you end up in a scenario where oil cut is a bit lower, but again oil production was [darnier] spot on and gas was just higher.

So gas outperformed. That's -- this is one we battle a lot, Noah, and I'm glad you hit on it because as these wells get older, right, they get gassier. GOR is increasing, but it's challenging to make a curve on an increasing GOR, what you really want to assume. And so generally speaking, I found that we've been pretty darn consistent on oil and slightly outperform on the gas side just due to that rise in GOR. So right now, we're leaving guidance intact at the 51 to 53.

I think that if we were to miss, I would say that it's a miss because gas production was better than we thought. So in a weird way, it's a positive miss. But that's one that we -- a lot of these wells, especially these higher working interest wells and some of these wells in deeper zones, right?

We're drilling some Wolfcamp Bs and Cs that have had a higher gas content as they continue to outperform, makes it a bit tougher to model the gas side. But we view that oddly as a positive given that oil production was pretty darn close and gas production was just a beat.

Noah B. Hungness

BofA Securities, Research Division

Yeah. No, that's very helpful color. And then for my second question, how can we think about the -- or maybe you could add a little bit of color around the non-op versus partnership capital split. I think you guys are allocating more capital to the partnership. Could you maybe talk about some of the moving parts there and your decision behind that?

Luke C. Brandenburg

President & CEO

Yeah, you got it. So right now, I think our Operated Partnership capital will be roughly 60% of our total CapEx for the year. And the neat thing is we have full control over that. And so we have the ability to defer some of that if the price environment doesn't make sense. A really neat thing about that model is we have some great partners that we are just absolutely thrilled to have. They mean a lot to us.

And we've created structures that we really are aligned there. And so this isn't us dictating [indiscernible] from an ivory tower, we got to cut back. It's a conversation, and we've created real financial alignment there. So while it's 60% of the capital, that's an easy one to move, and we can do that. And fortunately, we are aligned with our partners in that case.

The traditional non-op side is we have a well-by-well election, right? We can always elect not to participate in a well, but we have less control over driving activity there. But again, we non-consented some wells this year that just didn't hit the return hurdle. So the 60-40 is, I'd say, more of an output than an input in the sense that we didn't start the year saying I want to allocate 60% of capital to Operated Partnerships. We just let the deals compete for capital.

And we've really been pleased with what we've been able to capture on the Operated Partnership side. Again, we've got some just great groups that are -- continue to surprise us and what they're able to capture. And even in this environment, we are continuing to find accretive opportunities. Now that may not be as easy to find, but we've been in Midland for over a decade with capital, right? There are deals that we see that I'm confident that the whole world doesn't see.

We may not be the only one, but one of the small few as we've demonstrated that we're a trustworthy counterparty. And so that that adds value on both the operator partnership side and the traditional non-op side. So again, similar to John's question, I'm not sure that I hit it dead on because it is more of an output than an input.

But we do have full control over both. I mentioned in the prepared remarks that we're watching hydrocarbon prices like a hawk. And we are quick to say, hey, we need to slow down CapEx or quick to say, hey, we're not going to participate in that. It may be a burden in the hand, but it's not returning -- meeting our return thresholds, and we're going to lay off on that for now.

Operator

And our final question comes from the line of Michael Scialla with Stephens.

Michael Stephen Scialla

Stephens Inc., Research Division

Tyler, I want to see if you could talk a little bit more on the partnership wells, how those are performing? And you said you scale back to 1 rig. Is that the plan for the remainder of the year? And maybe just in terms of production, you talked about the 10,000 BOE a day of gross production from the partnership. Where do you see that going for the remainder of the year?

Tyler S. Farquharson

Chief Financial Officer

Yeah. Good question, Mike. That's the biggest piece of what we're doing. So I'm glad you asked about it. I'll hit those in maybe varying orders. On the production side, the 10,000 BOE is a gross number. I'd say we expect our Operated Partnerships to be roughly a quarter of our production this year. Right now, it's probably a bit less than that as they're continuing to grow. But I'd think about a quarter for the year of our production will be from our operated partners.

As I think about well performance, we continue to be really pleased with what we're seeing. I'll tell you one of the most impressive things is just the D&C side of things that continue to do an incredible job of executing. I think that's something that is often misunderstood. And I'm glad you asked because it gives me a chance to hit it.

The D&C side of things and the drilling days that we're seeing, I mean, if they're competitive with the best operators in the basin, I think there's a view out there potentially that smaller operator, smaller scale is just going to cost a lot more. And that's just not necessarily true. We've continued to hang with some of the best operators in the basin in terms of performance. In an inflationary environment, sure, you're going to pay more for pipe and that sort of thing.

You don't have a yard full of it. But fortunately, in the relatively stable price environment we've seen over the past 6, 12 months, we've really done a great job on the D&C side, continuing to beat expectations. On the performance side, prices are always a play, but productivity has been good. While oil prices have been less than where we drilled these wells we made the decision to drill, the gas prices have really helped.

So that's keeping the return intact. We talked on the last call, I think we looked at our first 5 projects with these guys, and we're targeting 25% rate of return. We were right about that 24% rate of return as of the last call. They continue to execute, and we continue to want to deploy capital. Now as I did mention, we are watching the markets like a hawk, and we will be quick to react.

That was a part of the going from two rigs to one. It's just a conversation of, hey, should we be thoughtful? Should we maybe defer some of this inventory? We're having conversations about where we should DUC wells waiting for a better price environment. What did I miss? You had a couple of good pieces in there. I want to make sure I hit them all.

Michael Stephen Scialla

Stephens Inc., Research Division

I think you got them all. I appreciate that. I wanted to follow up on the other part of the Midland Basin partnership. I think you had been kind of back and forth on whether to start drilling that around midyear. I guess where does that stand now? And maybe some of the industry results up in that part of the Midland Basin, how those are impacting maybe your plans there? And is that impacting the ability to add acreage in that area as well?

Tyler S. Farquharson

Chief Financial Officer

Yeah, I'm laughing because you hit the nail on the head with that one. The price of poker is going up as the results in the Northern Midland Basin. It seems like every month, oil and gas investor has another article about strong results up there, which is great. We love to see it. It doesn't necessarily help on the ability to capture additional inventory side. But I think all in, we'd be -- we're happy to see that. From our operating perspective, we're still looking at probably this summer starting.

Now I'd say that's a real-time conversation based on what we've seen over the past month. But the plan has been this summer to start development. We're looking at potentially a 4-well pad up there. It's a smaller working interest initially based on our deal that we structured. But that's the plan that we're looking at now, but that is one of the easiest to defer. And so in a scenario where we decide, hey, if it makes sense, it'd be more prudent to hold off on this. That's an easy one to look at is Northern Midland Basin project.

Operator

This concludes today's conference call. Thank you all for joining. You may now disconnect.

Copyright © 2025 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

© 2025 S&P Global Market Intelligence.