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Enerplus Corp. (ERF.CA)

Q3 2018 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to Enerplus Corporation Third Quarter 2018 Results Conference Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Friday, November 9, 2018.

I would now like to turn the call over to Mr. Drew Mair, Manager, Investor Relations. Please go ahead.

Drew Mair
Manager, Investor Relations, Enerplus Corp.

Thank you, operator, and good morning, everyone. Thanks for joining the call. Before we get started, please take note of the advisories located at the end of today's news release. These advisories describe the forward-looking information, non-GAAP information, and oil and gas terms referenced today, as well as the risk factors and assumptions relevant to this discussion. Our financials have been prepared in accordance with U.S. GAAP. All discussion of production volumes today are on a gross company working interest basis and all financial figures are in Canadian dollars unless otherwise specified.

I'm here this morning with Ian Dundas, our President and Chief Executive Officer; Jodi Jenson Labrie, Senior Vice President and Chief Financial Officer; Ray Daniels, Senior Vice President, Operations; Shaina Morihira, Vice President, Finance; and Garth Doll, Manager Marketing.

Following our discussion, we will open up the call for questions.

With that, I'll turn it over to Ian.

Ian C. Dundas

President, Chief Executive Officer & Director, Enerplus Corp.

Thanks, Drew. Good morning, everyone, and thanks for joining us today. I'll dive right into our third quarter results. Quarterly production was up 4% sequentially and 22% from the same period one year ago. However, the real story is our oil growth which is where 90% of our capital is allocated. Quarterly oil production was up 8% sequentially and almost 40% from one year ago. Our capital program in the fourth quarter is largely focused on drilling in North Dakota in preparation for the 2019 program and with only a modest completion activity. However, we still expect to see flat to modest growth from oil production as we close out the year. We've tightened up our production guidance to the high end of the range. We anticipate annual production of 92,500 to 93,000 BOE per day with liquids production of 49,500 to 50,000 barrels per day.

Importantly, our capital budget remains on track and unchanged at CAD 585 million. We have visibility to meaningful free cash flow in the fourth quarter and expect it to allocate a portion of this to continue repurchasing our shares. In September and October, we repurchased CAD 25 million in stock and we see a compelling capital allocation opportunity in continuing down this path.

Operationally, we continue to demonstrate strong well performance and capital efficiencies across our plays, particularly in the Bakken. We brought 18 wells on production in the Bakken during the quarter with average peak 30-day rates of over 1,500 BOE per day per well. In our press release this morning, we provided some encouraging results from our emerging asset in the DJ Basin. It's worth highlighting that we acquired our position in the DJ for a few hundred dollars per acre and therefore have only modest capital exposed to the play. In addition, our land position in Colorado is removed from urban areas which we believe exposes us to less regulatory uncertainty. With the positive well results we're seeing and with the defeat of Proposition 112, we're planning to continue delineating our position and have line of sight to competitive development economics. Given our modest entry costs in the play, we see strong value creation potential here.

And with that, I will now pass the call to Jodi to talk through some of the financial and marketing highlights.

Jodine Jenson Labrie

Chief Financial Officer & Senior Vice President, Enerplus Corp.

Great. Thanks, Ian. We generated adjusted funds flow of CAD 210 million in the third quarter compared to CAD 193 million in CapEx. And as Ian mentioned previously, we expect strong free cash flow generation in the fourth quarter given the lighter capital spending forecast. In terms of priorities for this free cash flow, we anticipate being active and continuing to buy back shares under our normal course issuer bid.

Moving on to realized pricing, Bakken differentials have been very topical of late. Our realized Bakken differential in the third quarter was very attractive at $2.54 per barrel below WTI. However, Bakken differentials began to widen in October, and we have seen substantial volatility. We believe this is largely transitory and primarily a function of significant seasonal refinery maintenance, the level of which is about double the norm for this time of year.

We also believe that as the refineries start to come back online, we will see differentials improve from current levels currently seen in the spot market. Given where we've seen December Bakken production trade to-date, we expect our fourth quarter Bakken differentials to come in around $6 per barrel below WTI. Our fixed physical differentials sales on approximately 20,000 barrels per day at around $2.50 per barrel below WTI have meaningfully reduced our exposure to the current weakness in spot prices.

The wider fourth quarter Bakken differential has resulted in a slightly wider full year differential forecast of $3.80 per barrel below WTI. Production growth in the basin has been higher this year than we had initially forecast. And this is causing takeaway to get tighter, but the Bakken continues to be in an advantageous position in terms of pipeline optionality and rail infrastructure. In addition, we expect to see the expansion of existing pipeline capacity and potentially new pipelines in the basin. This should all help keep Bakken differentials in a competitive range longer term.

We also think some of the Bakken supply forecasts in the market are too aggressive. Our work points to Bakken production growing by approximately 125,000 barrels per day year-over-year in 2019 to average about 1.4 million barrels per day. So, while this growth will add to the tightness, directionally, we think our 2019 realized Bakken differential will be approximately $1 per barrel wider than what we expect to average in 2018. We have also recently added to our 2019 Bakken fixed physical sales and we now have around 16,000 barrels per day fixed at a differential of about $3 per barrel below WTI for 2019.

Moving on to the gas side, our Marcellus differential in the quarter was $0.48 per Mcf below NYMEX and we expect to see this tightened further in the fourth quarter as the Atlantic Sunrise pipeline began flowing in early October. The spot market in the Marcellus is very strong today, due largely to low storage balances in the region heading into the winter. [indiscernible] cash prices have averaged around $3 per Mcf so far this month and are now trading near $3.65 per Mcf with current spot prices in the Transco Z6 non-New York market trading near $4 per Mcf. We anticipate this strength to continue through the end of the year. As a result, we expect our realized Marcellus basis differentials for the fourth quarter will average $0.30 per Mcf below NYMEX or better, and are maintaining our 2018 Marcellus differential guidance of $0.40 per Mcf below NYMEX for the entire year.

I'll now turn the call over to Ray.

Raymond J. Daniels

Senior Vice President-Operations, People & Culture, Enerplus Corp.

Thanks, Jodi. North Dakota volumes were up 7% quarter-over-quarter and almost 60% year-on-year. The significant growth has been driven by consistently strong well performance across our concentrated position at Fort Berthold. In the third quarter, we had several wells with peak consecutive 30-day production rates of over 2000 barrels of oil equivalent per day.

We continue to focus on maximizing economics and improving capital efficiencies. And as a result, we are constantly tailoring elements of our completions design. This past quarter, we've had a proppant intensity from 600 to 1,600 pounds per foot, varied the number of clusters between 5 and 15 per compartment, and increased the compartment length to 300 feet on a number of wells.

On the production site, we've begun to test gas lift or ESPs on certain wells before moving to rod pump. ESPs offer their potential to significantly increase production rates in the first 12-plus months. Results to date have been positive and the acceleration of production volumes improves well economics. Although not a uniform solution, we plan to continue to utilize ESPs where appropriate.

Briefly on gas processing in the Bakken, it is getting tight, and we expect it to remain tight until Q2 next year. We continue to manage through the tightness by deploying portable NGL units as needed and don't foresee this impacting our plans in 2019.

Turning to our well results in the DJ Basin, we now have five wells in the DJ and the results are encouraging. The Maple well completed in the Codell formation has produced approximately 100,000 barrels of oil in the first 12 producing months.

This number excludes down days when the well was shut in for facility's modifications. The subsequent four wells, three Codell and one Niobrara, brought online in July are all meeting or tracking above the Maple well and compared favorably to recent wells across the basin.

The Niobrara well was completed in the Lower Niobrara B chalk and is among the strongest of our DJ wells to-date. The Niobrara potentially adds meaningfully to the scope of this asset. And there could be further upside given the additional Niobrara benches of significant oil saturations. Plan to continue delineation in 2019 along with advancing midstream plans. We will provide more granularity around the capital plans for the DJ with our 2019 budget.

And with that I'll pass the call back to Ian.

Ian C. Dundas

President, Chief Executive Officer & Director, Enerplus Corp.

Thanks, Ray. In summary, we remain on track this year to deliver the strong results that our shareholders have come to expect. Looking ahead to 2019, we are well-positioned to deliver another year of disciplined returns-focused growth while maintaining our strong financial capacity.

And so I will now turn to call to the operator and we're open for any questions you may have.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question is from Dennis Fong from Canaccord Genuity. Dennis, please go ahead.

Dennis Fong
Analyst, Canaccord Genuity Corp.

Q

Hey. Good morning and congrats on a good quarter. Just two questions here. The first is just on share repurchases. You kind of noted in Q4 obviously given that you have a breath of free cash flow at that point in time that you're interested in continuing pursuing that repurchase program. Looking into 2019, how should we think about that? I know you've stated in the past that you can have a number and a valuation metric in mind and given kind your free cash flow profile as well as your current leverage metrics, like how should we be thinking about this going forward?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

Good morning, Dennis.

Dennis Fong
Analyst, Canaccord Genuity Corp.

Q

Good morning.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

Yeah. So, when we look at the opportunity now, we really see buying our shares as a highly competitive compelling capital allocation choice that's pretty easy to think about in the context of free cash flow. As we've said for a long time, we think keeping our eye on share repurchase is a really important thing as you're thinking about delivering value to shareholders and we will continue to keep our eye on that. I think we'll frame all of that as we roll out our comprehensive budget likely towards the end of the year, but it's a tool we will continue to keep in our toolkit and give people a little more context then.

Dennis Fong
Analyst, Canaccord Genuity Corp.

Q

Perfect. And then the second question here is just on the differentials and so forth. It sounds like from your prepared remarks that you feel pretty comfortable about the Bakken diffs kind of narrowing from where they happened to be, call it, in December as refining capacity comes back available. Does that mean that the 16,000 barrels a day in 2019 is something that you're comfortable with, you're not interested in pursuing any more in terms of, call it, securing the differential with the WTI on that basis? How should I think about that? And then just secondarily on the hedging program, are you guys comfortable with the just shy of 25,000 barrels a today you have on your three way collars? Thanks.

Jodine Jenson Labrie
Chief Financial Officer & Senior Vice President, Enerplus Corp.

A

Sure. Hi, Dennis. It's Jodi. So, we do feel that the current market in the Bakken is overdone with the over 1 million barrels a day offline right now and demand. We do believe that once we see the refiners come back on later in November and into December, we're going to see that differential tighten in. As I mentioned, we have 16,000 barrels a day currently now, most recently added to that actually at attractive levels, WTI minus $3 netback in the Bakken. So, we would look if given the opportunity to add to that. That wouldn't be right now just given the current spot prices. So, but we'd look to add to that going forward.

I guess one of your other questions was about our three ways, we're actually feeling quite comfortable with our hedge position. We do have upside. We have protected the downside and we participate in 2019 up to about $65 WTI. So, we're comfortable with where we're at for that portion of our hedging program.

Dennis Fong
Analyst, Canaccord Genuity Corp.
Q

Okay. Perfect. And then just lastly if I can sneak one last one in, now that kind of Proposition 112 has been defeated and the kind of the state of your balance sheet, are you guys going to be looking to we'll call it increase your exposure or land position in the Niobrara, how do you feel about your current land position? And I'll leave it at that. Thanks.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

So, as we said, we gave people some color today on well results that are encouraging. They also looked consistent with Maple and that the Niobrara well is particularly important given it gives us another zone to be talking about and more resource. Yes, it's nice the 112 is done. I think that's taken a lot of noise out of the system. When we think about that play, I would expect or I guess we plan to allocate some capital now to that play next year to continue the delineation activity. It's early stage but we could anticipate putting some money into infrastructure next year as well, based on the results we've had to-date. In terms of expanding the opportunity set, how comfortable we are with our position? I think like a lot of these things, we're in a really good position financially that we can do whatever makes sense and we'll be opportunistic. We'll look for opportunities to expand it. But we've got a pretty good footprint right now that's going to have potential to drive some metrics for us.

Dennis Fong
Analyst, Canaccord Genuity Corp.
Q

Okay. Perfect. Thank you for the time.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

Thanks, Dennis.

Operator: Thank you. Your next question is from Neal Dingmann from SunTrust. Neal, please go ahead.

Jordan Levy
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Hi, guys. This is actually Jordan. Just wanted to ask about how you guys re thinking about completing in the Bakken and how you approach spacing kind of between the Three Forks and the Bakken. And if any changes have been made there or kind of if you're thinking about doing anything differently there, the results have obviously been really strong. Any color would be great. Thanks, guys.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

Good morning. So for those who don't know, we have Bakken across the acreage position and the first bench of the Three Forks everywhere. There's some deeper bench potential in places. But typically, if we think about the two zones, our base development now, the inventory that we talk about assumes spacing at six wells in the Bakken and three wells, four wells in the Three Forks. We sort of view those as a single unit on some levels, so 10 wells in a DSU. We've tested tighter. We've watched other people test tighter. We think that's a number that makes sense for us. We'll continue to watch. I guess there is the possibility of going tighter in the Three Forks. We don't see a lot of evidence that says that's the best economic choice right now. So it's not as much spacing optimization in our minds now. It's completion optimization. And as Ray talked about in his remarks, a lot of work's going on there relative to moving, playing with the amount of proppant, playing with perf clusters, playing with type of proppant. And I would say, oh, gosh, half of our wells we're testing and thinking about things looking to optimize the economic equation.

Jordan Levy
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Great. Thdank you so much, guys. And then just kind of – again, over to the DJ. You guys have been happy with the results there. Just a kind of question how you would approach kind of Codell versus Niobrara. I know in the press release you guys discussed that you liked what you were seeing out of the Niobrara. Just kind of thinking about how you're approaching that as you continue the delineation in the play. Thanks.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

So when we got into the play, I mean you knew the resource was there in both zones, Codell and Niobrara. Niobrara being the bigger prize. In our view, the Codell was probably the lower risk choice initially and that's why we initially dedicated our capital to the Codell. We've now gone to the Niobrara and have been really pretty pleased with what we've seen there, a little bit because of how we were thinking about risk initially. And then, obviously, for those who know, it's a pretty big prize there in terms of resource. So as we move into next year, I think it'll be fair to assume we'll be advancing both zones. We see pad development that can facilitate testing both at the same time effectively or off the same pad. And so, we'll move forward with some more drilling next year to advance our understanding of both of the zones. And I think we've transitioned past science project now to something where we see line of sight to development economics albeit it is still early stage.

Jordan Levy
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Great. Thanks for the color, guys. Great results.

Operator: Thank you. Your next question is from Patrick O'Rourke from AltaCorp. Please go ahead, Patrick.

Patrick O'Rourke
Analyst, AltaCorp Capital, Inc.
Q

Hey. Good morning, guys. Just a couple of quick questions here. First, you mentioned the 16,000 barrel a day of the Bakken differential that you've locked in for 2019. There's obviously a little bit of slope to that clear brook dip right now when you look out to the futures curve. Just wondering if you can give us a little bit of color, is that 16,000, is that flat throughout the year or is there any slope, are you more heavily hedged or locked in for the first half, in the second half, or maybe some color on that structure there?

Garth Doll
Manager, Oil and Gas Marketing, Enerplus Corp.
A

Hi, Patrick. It's Garth. We have a little bit of shape to it, but it's not significant. We've got we've got hedge volumes in place on that, pretty much monthly, January through the year, maybe a little bit less in parts of Q1 than we see the rest of the year, but 16,000, it's a pretty good average for the entire year. That's the right way to think of it.

Patrick O'Rourke
Analyst, AltaCorp Capital, Inc.
Q

Okay. And then second question, in terms of the Marcellus volumes, I know you're non-operated there, but in the past, there's been some, call it, volume behind piper's (ability to capture as differentials improve there. I'm just wondering as we head into winter here, storage is low. If we get some cold weather and we see some really strong Northeast gas pricing, do you have the ability or in combination with Chief to increase some of the volumes there and capture that?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

No. I don't think you should think about it that way any longer. I mean, there were times where there was a lot behind pipe. Today, we've run through a fair amount of that. If you think about the profile capital in the last year, so it's been pretty modest. And we work through DUCs, we work through capacity. And so, yeah, don't view that as being something that would ramp up dramatically based on a near-term spike.

I do think longer term if you start to see some real strength in the forward market and maybe more than just a year, it would be very easy to allocate capital there to start to grow that at a higher rate. I wouldn't anticipate – certainly, it wouldn't be what we would want to do and hasn't been the practice of our partner at all to react to really near-term changes in the market.

Patrick O'Rourke
Analyst, AltaCorp Capital, Inc.
Q

Okay. Thanks a lot, guys.

Operator: Thank you. Your next question is from Travis Wood from National Bank Financial. Travis, please go ahead.

Travis Wood
Analyst, National Bank Financial, Inc.
Q

Yeah. Good morning. Three questions here. The first just round out some of the marketing conversation. As you look to get the product to some of the higher netback regions, are you using rail for any of that at the moment?

Jodine Jenson Labrie
Chief Financial Officer & Senior Vice President, Enerplus Corp.
A

No, we don't move any of our own crude on rail in our name, but we would consider selling to buyers who have rail capacity. About 70% of our production is sold into the DAPL system and either fixed depths or index pricing.

Travis Wood
Analyst, National Bank Financial, Inc.
Q

Okay. Thank you. And then from a theoretical 2019 capital budget, what – and especially considering DJ success here, what types of outputs or other more maybe qualitative items are you guys considering right now as you contemplate that capital program and try to decide between – or more the allocation between North Dakota and Colorado?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

A hypothetical budget? Qualitatively, Travis, it'll be similar principles that we've applied for quite a few years. I guess balance sheet strength is now one that gives us a lot of flexibility as we think about transitioning into a little more Colorado spend. I mean don't think Colorado is going to dominate our budget next year. That's just not the nature of it. So there will be spend there to advance the resource, to build for the future, to bring deliverables on. You'll start to see it more towards the end of the year than the beginning of the year. We're always focused on having an operational plan that makes a lot of sense. We're interested in managing our growth and managing economics. So on a lot of levers, you could anticipate that it could look similar year-on-year, spend a bit more, allocate some to Colorado, just continue to grow. We'll put a fine point on all of that stuff specifically as we move through the end of the year and see where oil stabilizes and all those sorts of things. But as Jodi highlighted, we're really in a good place from a resiliency perspective to make what we think are the right choices here.

Travis Wood
Analyst, National Bank Financial, Inc.

Q

Okay. And then from an infrastructure perspective, any issues or constraints kind of through the 2019 period that you could anticipate whether it's, maybe it's both processing or egress from that type of perspective in the DJ?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

In the DJ specifically, so for those who don't know, one of the reasons that we were able to acquire this opportunity at such attractive terms and one, we did it in a low point in 2014 and 2015, but it's also an area where it's an oil development and you need gas infrastructure and gas infrastructure wasn't in place. I mean the main trunk lines, the interstates were there, but you didn't have gathering and you didn't have processing. And so, now that there's been some interesting well results in the area, there are a series of choices available to producers in terms of dealing with the gas. And I say dealing with the gas, it's actually something where there's an economic value to it as well. Those choices range from Enerplus putting its own capital into a gathering system in a plant to a portion of that. There are some third party choices available. So, those things have to be advanced and that will impact the timing of the spend next year and there is only a sort of a stencil paste that you could go on the drilling side, but we'll put some perspective around all of that as we put our whole plan together.

Travis Wood
Analyst, National Bank Financial, Inc.

Q

Okay. That's very helpful. Thanks, guys.

Operator: Thank you. Your next question is from Brian Kristjansen from Macquarie. Brian, please go ahead.

Brian E. Kristjansen
Analyst, Macquarie Capital Markets Canada Ltd.

Q

Good morning, guys. Thanks. Just looking for a bit more granularity on the DJ, either A or E and how much better was the Niobrara well producing versus the Codell, what can you say?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

Yeah, comparable. Yeah, it was comparable.

Brian E. Kristjansen
Analyst, Macquarie Capital Markets Canada Ltd.

Q

Can you give us a sense of what the Niobrara inventory is at this point?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

I think it's premature for that. I guess the only thing I would add is everywhere we see the Codell sort of in our sort of core area, we see the Niobrara. And I suppose there's a couple of places we see the Niobrara, I think it might be a little more perspective than the Codell. For the geologists on the call, there is a far thicker package in the Niobrara and so you have, I guess, the potential for multiple bench but it sets up the potential for sort of a double of where we were on the Codell and we'll see as we get more information, but that's sort of what the logs would tell you.

Brian E. Kristjansen
Analyst, Macquarie Capital Markets Canada Ltd.

Q

Great. And then, what do you see as your target well costs, and when do you think you'd get there by the end of 2019?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

A

Target well costs, if you look at best-in-class today, people would be talking in the CAD 5 million range. I mean EOG talks tighter than that, or lower than that, but that sort of feels like best-in-class today, people are running full development. We're not talking about a full development scenario next year, that wouldn't make any sense at all given where the infrastructure is.

So if today we'd raise an AFE at CAD 7 million, it would be pretty easy to, say, see a CAD 6 million kind of number in a full development scenario. So nothing changes but we go to full development, we'd be expecting something like CAD 6 million and you'd have economics that you'd be proud to talk about and the goal for sure would be to drive past there as we move forward.

Brian E. Kristjansen
Analyst, Macquarie Capital Markets Canada Ltd.

Q

Great. Thanks, Ian.

Operator: Thank you. Your next question is from Aaron Swanson from Tudor, Pickering, Holt & Company. Aaron, please go ahead.

Aaron Swanson
Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.

Q

Yeah. Thanks. Just a quick question for me. I'm curious with all the changes in the Bakken completions, what is a good well cost to use for the Three Forks and the Bakken? And if they changed, it'd be interesting to know.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

We're still thinking CAD 8 million is a good number. D&C plus infrastructure on top of that, so D&C around CAD 7 million. And that gives you some latitude for a pretty big completion, probably more than 1,000 pounds per foot. I'd say as we think about last year – or I guess this year versus next year, we're seeing some stability in prices on some levels or costs on some levels although we do see fracs getting cheaper, sand's getting cheaper, drilling maybe a little more expensive on a day rate, a little bit of pressure on trucking here and there. So you put it all together and stability is a pretty good way to think about it right now.

Aaron Swanson
Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.
Q

Good. And then just on the Canada side, you guys have some heavy oil production. Are we looking at economics or do you look at shutting that in or has that covered off by hedges or how should we look at that?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

We've got a great hedge position. We're actually, so we've got a great hedge position [indiscernible] our heavies and where we're positioned on our oil. And again, this is 10,000 barrels out of the 50,000, so it's relatively modest. But where we're positioned, we're generally getting better pricing as well. So we wouldn't have some of the acute issues that other producers would be facing and we have talked about shut-ins and those kind of things, we're certainly not doing it right now. And some of that's operational logistics just based on the nature of our asset under flood and then under tertiary. But we're a ways off the bottom relative to specifics of our plays and our hedges and our realizations.

Aaron Swanson
Analyst, Tudor, Pickering, Holt & Co. Securities, Inc.
Q

Perfect. Thanks.

Operator: Thank you. [Operator Instructions] . Your next question is from Brian from Capital One Securities. Brian, please go ahead

Brian Taylor Velie
Analyst, Capital One Securities, Inc.
Q

Good morning, everyone. Thanks for taking my question. I've just got one and it's kind of an add-on to the DJ commentary. Thanks for the color on the well cost there and what to think about looking forward. I wondered if – now that you've got a few more wells under your belt, if you were willing to provide maybe some guideposts for what you were thinking about in terms of IRRs that those wells might provide as we kind of go from zero to $60 here, or maybe not quite $60. I know that's not the plan for next year, Ian. But in these early days, what kind of rates of return you might be looking for?

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

Are we talking kilometers an hour or miles per hour. I think it's a little premature. We'll frame that out a bit as we roll the program forward. I'd say, if you want to take a look at our well results and you plot those well results up against core DJ drilling, we're right in the middle of it. And so I think you can extrapolate a fair amount of that from what others are talking about. That Maple well produced 100,000 barrels of oil in its first 12 producing months.

You can fit some kind of curve on that. And with a $50 netback out there, it looks pretty robust, but we'll frame that up a little bit more as we move through the end of the year.

Brian Taylor Velie
Analyst, Capital One Securities, Inc.
Q

Okay fair enough. Thank you very much. That's all I've got.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

Thank you.

Operator: Thank you. Your next question is from Mike Dunn from GMP FirstEnergy. Mike, please go ahead.

Michael P. Dunn
Analyst, GMP FirstEnergy
Q

Thanks. So just a follow-up question folks on the new DJ Basin wells. Were the Codell formation wells, was the completions and engineering, etcetera, fairly consistent with the Maple well, horizontal lengths, etcetera? And whether or not you're doing anything materially different with the Niobrara well. Thanks.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

The short answer is there's consistency amongst all the wells. The longer answer though is even though with delineation, we use the opportunity to advance certain – understanding of certain variables. So we don't move seven things around from one completion to the next at this stage of development, but we are learning things as we move forward. They are all bigger kind of fracs, high rate. They're all two-mile wells, laterals as well, but there is a consistency to them.

Michael P. Dunn
Analyst, GMP FirstEnergy
Q

Thanks, Ian. That's all from me.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.
A

Thanks, Mike.

Operator: Thank you. There are no further questions at this time. Please proceed.

Ian C. Dundas
President, Chief Executive Officer & Director, Enerplus Corp.

All right. We'll appreciate everyone's time, busy morning for many of you. Appreciate your attention today. Have a good weekend. Cheers.

Operator: Ladies and gentlemen, this concludes your conference call today. We thank you for participating and ask that you please disconnect your lines.