



TENNYSON Morning news – i3 Energy – Q2 update

Tennyson Securities, Energy Research

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i3 Energy (i3E LN) published its regular quarterly update this morning, covering activities during the second quarter of the year. The highlights include an 8% production increase QoQ, taking average rates to 19,502 boepd – up from 18,095 boepd in Q1. Based on the projected production in H2 and using prevailing forward strip pricing, the company now expects full year 2022 net operating income of around US\$200m, which is slightly under the projection forecast during the Q1 update of US\$241m. This reduction is predominantly due to the volatility in near term strip pricing, having fallen over the past quarter (projected revenues have reduced by c.9.5%), with a smaller impact due to inflationary pressures on costs, which are up by 3% on the previous forecast.

The continuing solid production growth was driven by strong underlying production (i.e. observed decline rates bettering the forecast 11.5%) and the impact of drilling in Q1. Impressively, production would be higher were it not for production curtailments at a third-party midstream facility, and for development activities at Simonette, which required well shut-ins to enable new drilling and completions. Full production has now been restored, reaching the 20,000 boepd milestone at the end of July, and currently around the 20,500 boepd mark. As announced in May, i3 has expanded its capex budget for the year, accelerating drilling across its portfolio and reinvesting an anticipated US\$97m. Seasonal wet weather has caused a few delays to the planned deployment, however the programme is now progressing well and the company expects to publish a production update in due course, which will include a number of wells which are currently in the process of being tied in. These include three long lateral, liquids-rich wells at Glauconite, which are currently in the clean-up phase and demonstrating “encouraging initial results”. With this in mind, i3 has reiterated its expectation to deliver peak 2022 production of over 24,000 boepd during the second half of the year. Finally, today’s update included an update on its hedging positions. The company has approximately 36% of H2 production covered at CAD3.85/GJ (US\$3.13/mcf) (gas), C\$92-94/bbl (US\$71-73/bbl) (oil) and US\$47/bbl (propane). Some 22.5% of H1 production is hedged with collars between C\$100-126/bbl (US\$77-97/bbl) and C\$5.8-10.1/GJ (US\$4.7-8.2/mcf).

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