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Northern Oil and Gas, Inc.

NYSE:NOG

Earnings Call

Friday, August 7, 2026 2:00 PM GMT

Call Participants

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Chief Financial Officer

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James B. Evans
Chief Technical Officer

Nicholas L. O'Grady
CEO & Director

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Presentation

Operator

Greetings, and welcome to NOG's Second Quarter 2026 Earnings Conference Call. [Operator Instructions] As a reminder, this conference is being recorded.

It's now my pleasure to introduce your host, Evelyn Infurna, Vice President, Investor Relations. Thank you. You may begin.

Evelyn Leon Infurna
Vice President of Investor Relations

Good morning. Welcome to NOG's Second Quarter 2026 Earnings Conference Call. Yesterday after the close, we released our financial results. You can access our earnings release and presentation in the Investor Relations section of our website at noginc.com. We will be filing our June 30, 2026 10-Q with the SEC within the next few days.

I'm joined this morning by our Chief Executive Officer, Nick O'Grady; our President, Adam Dirlam; and our Chief Financial Officer, Chad Allen; as well as our Chief Technical Officer, Jim Evans. Our agenda for today's call will be as follows: Chad will provide an overview of our financial performance, followed by Adam, who will share an overview of NOG's operations and business development activities. Nick will close with a remark about NOG's positioning and value proposition. After our prepared remarks, the team will be available to answer any questions.

Before we begin, let me remind you of our safe harbor language. Please be advised that our remarks today, including the answers to your questions, may include forward-looking statements within the meaning of the Private Securities Litigation Reform Act. These forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from the expectations contemplated by our forward-looking statements.

Those risks include, among others, matters that we've described in our earnings release as well as in our filings with the SEC, including our annual report on Form 10-K and our quarterly reports on Form 10-Q. We disclaim any obligation to update those forward-looking statements. During today's call, we may discuss certain non-GAAP financial measures, including adjusted EBITDA, adjusted net income and free cash flow. Reconciliations of these measures to the closest GAAP measures can be found in our earnings release.

With that, I will turn the call over to Chad.

Chad Allen
Chief Financial Officer

Thanks, Evelyn. Q2 was a clear demonstration of our diversified portfolio business model. When one region hits turbulence, other aspects of our platform pick up the slack. And this quarter, that showed up directly in the numbers. Adjusted EBITDA was up 17% sequentially and free cash flow is up over 400% from the first quarter. That's the model working as designed.

Total production was up 9% year-over-year with record natural gas volumes up 35% year-over-year and 5% sequentially. As previously disclosed, we saw significant curtailments in the second quarter as a result of challenging Waha economics. In a volatile environment, our operating partners in the Permian made prudent decisions to generate excess cash flows. And with improving economic conditions, we've seen volumes come back online including 3 net turn in lines that will contribute to the third quarter.

Outside of that Waha-driven curtailment, the underlying assets performed well. The Williston and Uinta both topped our internal expectations and our Appalachian volumes set another record with a full quarter of contribution of our Utica joint development, where early well results have been strong. On pricing, our

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unhedged net realized oil price improved 36% from the first quarter. Gas realizations were 90% of Henry Hub and with our hedges, Waha base included reached 123%. Strong NGL prices contributed as well.

Waha pressures has receded, and we're seeing that trend continue thus far into Q3. On costs, production expenses per BOE were down 4% year-over-year. Budgeted capital expenditures were $196 million, comprised of $151 million of organic D&C and $45 million of ground game activity. Normalized well costs were $761 per lateral foot, essentially in line with the first quarter. Spending this quarter skewed more towards oil weighted.

Permian at 37%, Williston at 33%. Appalachia and Uinta to each at 14% and our newly acquired Duvernay position beginning to contribute at 2%. We ended the quarter with over $1 billion of total liquidity. Our balance sheet remains well positioned to fund our development program and continue executing on inorganic opportunities as they arise.

Turning to capital allocation and shareholder returns. This is where the free cash flow generation translates directly into returns. We repurchased 2.95 million shares, roughly 3% of shares outstanding at an average price of $20.37 with about 81% of that activity completed before the dividend record date in late June. That repurchase largely offset the shares issued to the Duvernay seller, so we effectively funded a scaled acquisition, while holding share count roughly flat.

Subsequent to quarter end, the Board increased our stock repurchase authorization, bringing total capacity to approximately $243 million, a clear signal of how we view the value in our stock at current levels. On the dividend, our Board declared $0.45 per share for the quarter or approximately $48 million paid on July 31. Against the $159 million of free cash flow this quarter alone, the dividend is covered several times over. We view the dividend as a floor, not a ceiling on the capital we return to shareholders.

With that, I'll turn the call over to Adam.

Adam Dirlam
President

Thank you, Chad. We remain as confident as ever in the strength of our assets confirmed through recent results and leading indicators. Looking ahead, we are seeing multiple positive catalysts as drilling activity materially outperformed internal expectations and the D&C list built to almost 52 net wells as operators modestly pull forward activity in the Permian and Williston. Additionally, we elected to do approximately 17 net wells, which is up almost 20% relative to the trailing 12-month run rate 90% of those elections were weighted towards our oily basins with normalized AFE costs down 5% from our 2025 average.

Moving to business development. Our M&A engine has been firing on all cylinders. We continue to build on our track record of finding premier assets, including our latest with the Duvernay joint development deal that we closed in early June. The Parallax acquisition is a self-funding asset with 20 years' worth of inventory at an average breakeven below $50 and with a price tag of less than $600,000 per location highly competitive with the basins in the Lower 48. With it, we have strategically and meaningfully expanded our addressable market into Canada, and we will continue to screen for other complementary assets.

Our ground game has maintained strong momentum and the barbell approach of sourcing near-term drilling opportunities as well as long-dated inventory continues to be underappreciated. Since we have made a concerted effort to build out our inventory in Appalachia, we've amassed roughly 80 locations through our leasing efforts excluding the acreage that has already converted to development. We believe that NOG is one of the few companies, if not the only that budgets for the acquisition of new locations on an annual basis, which allows us to build duration and optionality for the future with core locations that would compete in any portfolio.

This overstates the reinvestment rate that is needed and also means NOG is one of the few who is actively replacing its inventory year after year. That said, we can and will adjust how capital is deployed based on dislocations in the market. Capital can be shifted to buybacks or other near-term drilling opportunities or both, as you saw us do in Q2. In the second quarter, we pivoted to more drilling opportunities acquiring over 6 net wells weighted to the Permian and Bakken that are currently in process.

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To further put this into perspective, through the first half of '26, our ground game has already capitalized on the same number of drilling opportunities than we did in all of 2025. NOG's opportunity set continues to expand and will remain dynamic capital allocators. Directing capital to wherever it creates the most value as the market presents it. Nick?

Nicholas L. O'Grady
CEO & Director

Thanks, Adam. Thanks for joining us this morning and your continued interest in our company. I'll cover 3 pillars that reinforce the strength of our business and build on Chad and Adam's comments.

Number one, unrecognized value. We have created an incredible business, and this has fostered a fantastic industry reputation as a partner, acquirer and asset manager and owner. We've built state-of-the-art custom AI-powered management and evaluation tools that are light years ahead of the competition. Most importantly, we have built a high-quality platform with tremendous value that is not being recognized by the public market today.

By our conservative internal estimate, the assets we own are worth $7 billion plus, trapped in $4.6 billion enterprise value. Fortunately, we have multiple avenues for this value to be recognized. In the meantime, we'll continue to generate significant free cash flow, pay our dividend and allocate capital to strong forward returns. We will make decisions that allocate capital in a way that will maximize value for our investors long term, whether that's acquiring assets, selling assets or returning cash to shareholders in the form of dividends or share repurchases or a combination of these actions.

Number two, cash flow strength. Based on current strip pricing, our assets should generate $1.4 billion to over $1.5 billion of adjusted EBITDA this year. We believe $850 million to $900 million of D&C capital will sustain these production volumes, generating approximately $375 million to over $500 million of free cash flow. Across that range, our dividend remains multiple times covered, leaving free cash flow available to reduce debt, acquire inventory and assets or repurchase shares. A modest spending increase could also grow oil or total volumes, generating more cash flow while ultimately producing a similar free cash flow profile.

Number three, acquisition track record. We are a proven disciplined acquirer. Using our advanced tracking systems, we consistently analyze successful acquisitions, opportunities we passed on and bids we did not win. Our acquisitions have performed exceptionally well with our systematic approach generating north of 20% annualized returns on a standard 1x levered basis net of hedging.

Monetizing selected assets could accelerate these returns further by bringing value forward. As we remind investors quarter after quarter, our value creation is grounded in long-term strategic thinking. That will never change but a long-term focus does not prevent us from adapting or capitalizing on short-term opportunities, including the fundamental disconnect in our equity today.

Our largest quarterly open market repurchase ever demonstrates that approach. Our dividend is solidly covered. Our assets are materially undervalued, and we are capital allocators. When the market presents opportunities, we will act. Over the past 7 years, we identified irreplaceable assets at compelling values and the returns have validated that strategy, whether the market recognizes it today or not. Our job is to ensure those successes are recognized and we will work around the clock and analyze every avenue to do so. That's what a company run by investors for investors does.
With that, we can turn it over to questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from Neal Dingmann from William Blair.

Neal David Dingmann
William Blair & Company L.L.C., Research Division

Nick, my first question is on your capital efficiency. Specifically, it seems like most E&Ps now that we're towards the end of the second quarter reporting. The trend I seem to see out there is most -- many E&Ps, I should say, talked about higher expected '26 CapEx yet you all were able to reiterate your capital spend and your production, which we view should ramp up nicely going forward.

So my question is could you discuss a bit your confidence in to be able to reiterate the CapEx and remind us what some of the primary drivers are there?

Nicholas L. O'Grady
CEO & Director

Yes. Thanks, Neal. I'll talk about a couple of things. One, recall that our guidance all along has sort of made the assumption that we would see a steady pickup in activity throughout the year. Obviously, it's probably happening a little bit faster, but the total quantum isn't changing.

The second thing I'd point out is that if you look when we revised guidance when we announced the Duvernay acquisition, we implicitly cut our capital by about $50 million. That's a combination of production efficiency and just the fact that, we talked about this in the past, but when costs came down last year, you noticed that we said, look, we're an accrual shop, which means we accrue for the cost of those wells, and it takes 180 to 365 days for those reduction in costs to be realized.

So if a well cost $10 million, we accrue the full amount at the AFE. If the actual comes in at $9 million, it can take 6 to 12 months before that money is credited back to us. We are seeing the benefits of that really starting this past quarter. And even if costs do increase some, you'll probably see the tailwinds from that for us for some time.

Neal David Dingmann
William Blair & Company L.L.C., Research Division

Great point. And Nick, one more, I don't think I've ever asked you this on the call, but I want to ask, I'd just love to hear your thoughts on what I would call your value disconnect? I mean, it's certainly evident that, again, I think we all see Northern stock being relatively flat year-to-date versus some of the others have followed oil and now are up 40% to 50%. I'd just love to hear you or any of the team's thoughts on what do you think the cost behind this?

Nicholas L. O'Grady
CEO & Director

Yes. Now, you're going to get me monologuing I mean I think, look, at the end of the day, our cash flows and profits are up several hundred million dollars since the beginning of the year, and the stock obviously is not. But I'll be candid about the perception challenge we face we are a non-op, which means at the end of the day, we buy and invest in oil and gas properties. In the public markets, we are rightfully or wrongfully compared against E&P operators. Their job is to manage production and spending and are judged accordingly.

We ultimately should be managed by the investments we make and their value over time. That's tough admittedly when we typically buy and hold assets to life, but managing guidance is not the same thing as creating value. And I think there's a fundamental disconnect in the analyst community today. As many of you know, I spent 15 years on the buy side, and most of that time, the idea was to look at the company's asset value as a driver for ultimate equity value.

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This did get out of control during the pre-2014 kind of oil armageddon period when companies were valued for acreage without regard to the capital required to keep it, not to mention the fact that much of it wasn't worth what was assumed at the time. And look, I have a ton of respect for the analyst community and the market is at any moment what it is.

But today, people rightfully or wrongfully are focused almost solely on quarterly guidance and free cash flow yields as they see them. 8 years ago, on my first call as the CFO, I literally discussed as one of the first people in the space openly to move the company to a self-generating cash position and to pay shareholders a fair and reasonable return. Don't get me wrong, free cash flow is really important. But the definition of it is very tricky and often misrepresented in a depleting business.

I'll add that even those that do still attempt at NAV may not understand the differences between how we book reserves and inventory as a non-op compared to an operator, which are inherently different in the sense that we can't simply book inventory that we don't control the timing of, and we can't count locations before operators ultimately decide where they're spacing it. As Adam mentioned, we're one of the only E&P companies that actually budget for acquisitions in our regular budget every year. Most public E&Ps are not replacing their inventory. So what you call free cash flow is actually in reality of depleting annuity. And I don't think that's a fair comparison, which is why NAV should be an important part of the equation, what is in the end, effectively a depleting real estate business.

So if you look at our reinvestment rate, of course, it's less immediately productive by design, but we continue to stack on assets. That's not capital efficiency as the market views it for the record. Over the last year, we spent over $100 million acquiring potentially north of 80 locations in the Utica. This does nothing but make us screen worse in the "capital efficiency" and "free cash flow metric", yet definitively adding asset value to the enterprise, albeit nonproductive at the moment.

You can tell the -- and I can tell you the bonuses paid for that land are up, in some cases, 50-plus percent since we began that campaign. So no cash flow, just CapEx, but did we add value likely the answer is a resounding yes. As I stated in my prepared comments, screening leverage is another example. If we borrow money and buy an asset, the market has focused on the leverage as a negative when comping, but they don't recognize that now we have an asset that's worth a heck of a lot of money.

And I can say with a lot of certainty that the current future values of our Uinta and Utica assets, which were funded with leverage are greater today than when we purchased them and likely grow further over time as the operators improve and delineate. Again, this is a business model viewpoint, we struggle to reconcile at times. We could be unlevered and screen better. We could only spend money on D&C capital and look better by these metrics. But at the end of the day, now we have these assets. And in virtually all the cases scarcity and quality has proven that the assets that we purchased are now appreciably more valuable.

If we need to monetize them to prove to the market as a mechanism that the value since only cash yields are being used, we're fine with that. At the end of the day, our job is to maximize value. But it's a shame they're not analyzed for what they would be in virtually any private setting. Put it to you this way, if our assets were at the lowest end of our expectations, and we sold half, we'd take in roughly half our float and have 0 debt.

That implies a stock value more than triple the current levels. So if the market wants to be singularly focused on production volume cadence versus expectations, a leverage multiple and a free cash flow yield, where 75% of the competing stocks are not replacing any inventory, but just depleting away. That's incredibly shortsighted when in reality, we're about owning and harvesting assets at good values.

At the same time, we need to ensure the market understands how valuable all the assets we purchased have become. You have an insane dichotomy going on at the moment where people are paying north of $330,000 per acre and assets have never been so sought after at significant premiums to even a few years ago, and yet a public market that wants to give it away. But to be fair, when that happens, the [onus] is on us to prove it and make no mistake, we will. Back to you.

Neal David Dingmann

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William Blair & Company L.L.C., Research Division

Thanks for the quick comment.

Nicholas L. O'Grady
CEO & Director

I told you. You got me monologuing.

Operator

Our next question comes from Charles Meade from Johnson Rice.

Charles Arthur Meade
Johnson Rice & Company, L.L.C., Research Division

Nick that was a wonderful monologue. In all candor, I appreciate you sharing that point of view. And it's I like the -- it's a fashion in the market right now to be lower leverage and maybe you guys aren't there. But the question I want to ask actually touches on this leverage point. And when you talk about -- you and Adam also talked about allocating capital and putting it in the best -- at the best places, whether it's the ground game or D&C or things like that, it's easy for me to imagine how you stack up, say, a ground game acquisition versus buying back your own shares.

It's a little harder for me to imagine how you consider paying down debt kind of there seem to be more intangibles, benefits or maybe cost related to paying down debt versus looking at an acquisition or buying your own shares. So can you talk about how you view the desirability or the framework for debt reduction or debt additions?

Nicholas L. O'Grady
CEO & Director

Sure. I mean, I think -- look, I would say that, number one, there are a couple of ways to delever, right? So obviously, highly efficient capital, which grows your cash flow can lower your leverage metrics, and that's important. And that's a big part of the capital allocation. But to be candid, what I'd tell you about our shares, as an example, is that that's a clear and present opportunity, right, that may or may not be there tomorrow, and we're extremely focused on that as you see. Leverage is the easy part because ultimately,

I'd tell you that, as I mentioned just before, in my long-winded monologue, which is that we have incredibly desirable assets. So if we want to solve for leverage, we can do that almost immediately, right?

I don't know, Chad, do you want to add to that?

Chad Allen
Chief Financial Officer

No, I think you're right. I mean, obviously, our stock right now where it's trading at close yesterday, it's up 9% yield. So I mean it's certainly massively accretive for us to continue to attack that. And we'll kind of be -- we'll be prudent about it, and it's a fluid and dynamic situation for us.

Nicholas L. O'Grady
CEO & Director

Yes. But I mean I think you have to weigh in the fact that your asset value, your leverage is a function of the fact that we've acquired all these assets, right? So we didn't have to do it the way we did it, but we did it because we knew that they would be more valuable. They are today. And so to the extent that the market wants to discount the value because the leverage you used to acquire them, that's an easy answer.

Charles Arthur Meade
Johnson Rice & Company, L.L.C., Research Division

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Okay. Okay. And then, Adam, I want to go back to something you said in your prepared comments. I believe I heard you say that you've -- you have a lot of recent wells that are outperforming your internal expectations, your type curves. And I wonder if you could just give a little bit more detail on where that's happening across your asset base?

Adam Dirlam
President

Yes, absolutely. I mean I think we look to Appalachia, we just finished up our West Virginia joint development agreement. We've seen significant outperformance relative to internal expectations there. That was a driver in the gas volumes that you saw this quarter.

And we're also seeing it in the Uinta notably both on kind of the legacy production from the XCL assets as well as the 2026 campaign. Jim, I don't know if there's anything else that is notable that...

James B. Evans
Chief Technical Officer

Yes, I think you kind of -- we're really seeing it across all of our basins, right? Even in the Williston, we continue to see outperformance across operators, as they drill longer laterals getting more efficient. We're not seeing the decline rates that you might expect as you go from a 2- to a 3- to 4-mile lateral. So really, it's across all of our basins that we're kind of outperforming internal expectations.

Nicholas L. O'Grady
CEO & Director

Yes. And I'd say it's early, but even on our new Ohio program where we really started to just put on our first pads, we've seen really, really strong performance. So kudos to the Infinity guys.

Operator

Our next question comes from Phillips Johnston from Capital One.

John Phillips Little Johnston
Capital One Securities, Inc., Research Division

I have to say that I'm also a fan of the monologue. And I'm actually going to be the guy that asked about the short-term production trends. So my apologies in advance.

Your implied oil production guidance for the second half of the year is around $74,000 a day on average, I guess. If we adjust your second quarter volumes upward to account for the shut-ins. It sort of implies your second half production is going to grow by a couple of thousand barrels a day relative to Q2.

Obviously, there's a lot of positive momentum given your strong wells in process figure at the end of June, and you talked about the accelerated AFE and election activity. I realize it's still a pretty uncertain operating environment, but it seems like the guidance could be a little conservative with some upside potential. So I just wanted to get your take on that.

Nicholas L. O'Grady
CEO & Director

Yes, it's definitely possible. I mean, I think, look, to your point, it's very fluid. Oil prices are all over the place. And so it's too early to declare victory, but obviously, you have really just the base assets returning to trend. You also have the addition of the Duvernay assets on top of that.

And I'd say, as we stand today, one of the things that has been difficult for both you and investors in general, which is that you -- we got a lot of questions when oil prices spiked, why weren't you seeing the reaction? And the answer was really that one of our biggest growth engines is the Permian, and it's really been hampered by the logistical problems. And we tried to be really forthright about that, that it was going to take a little bit of time.

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Obviously, I think what I would tell you is, as it stands today, some of those challenges have resolved themselves faster than I would have thought. And we had really pushed and we had frankly had those conversations with the operators so there was a good reason for it. We had really pushed a lot of that development that had been delayed, really starting in the end of the fourth quarter of last year. And even in the third quarter, we started seeing things being moved towards the end of this year. We're actually seeing that trend invert, and we're seeing a lot of that stuff being brought forward. So it really bodes well for the remainder of this year. Again, I think it's too early to declare total victory and we want to make sure we see it before we really come out and brag about it, but I'd say your thoughts in general are correct.

Adam Dirlam
President

Yes. I mean I think, Phillips, we've seen some operators jockeying kind of figuring out kind of 2027 plans as well, maybe picking up a rig sooner than otherwise kind of expected, seeing some drilling efficiencies there. And so depending on how that all kind of shakes out next to Northern that would be another thing to kind of keep an eye on.

John Phillips Little Johnston
Capital One Securities, Inc., Research Division

Okay. Sounds good. On the LOE guidance, you did reduce the full year guidance a little bit. As we look at Slide 4, which is really great disclosure, by the way, there's a pretty wide range of operating costs across your basins. So my question is how you're evolving production mix and the addition of the Duvernay volumes, which obviously have the lowest LOE on the slide, influence, I guess, your LOE trajectory over the next 4 to 6 quarters or so?

Nicholas L. O'Grady
CEO & Director

Yes, yes. So number one, like I want to -- I'm not trying to be pithy or make a pithy comment, but our LOE is not LOE, as you would say. It includes LOE, but it also -- we don't have a separate GP&T line. So it carries a bunch of gathering transportation costs, some other portion of the GP&T is in our differential, which we really look at as from wellhead to sales. So we report a little bit different than other people.

But what I would tell you is that if your production remains flat and this is not this is for any company, your LOE will rise over time, right? And so to your point, our goal in general is as we add growth areas such as the Duvernay and I think potentially the Uinta over time those areas should offset the fact that LOE, I mean, if you look at our Williston total production costs, those -- and our Williston volumes have stayed relatively flat for the last 4 or 5 years. Those used to be $10, right? Now some of that is just inflation of -- and workover costs have increased over time. but some of it is just the aging of the wells, right, which is that you've got, call it, in your LOE, I think about 60% of the costs generally are fixed.

And so as the wells decline over time, that LOE naturally goes up. But obviously, the maintenance capital associated with it goes down as well. So your cash flow stay here. While you're operating cost go up, your capital costs go down. So a long-winded way of saying, I think our goal is to try to keep LOE flat to down. Obviously, as our gas volumes grow, that also helps lower that because they're advantaged. And I'd say our joint development program, which was extremely liquids which as that declines, and you see an increase in and you see an increase in our Ohio volumes over time, that should actually offset that trend a little bit and get LOE to go down some over time.

And so in general, I think we feel very good that we can kind of maintain the current levels for some time. I do think you have to keep in mind fuel prices and other things that can flow through LOE right, and workover expenses, which we really saw a huge increase on as the wells have aged in both the Permian and the Williston over the last few years, but that's generally stabilized at this point.

Operator

Our next question comes from Noel Parks from Tuohy Brothers.

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Noel Augustus Parks
Tuohy Brothers Investment Research, Inc.

I was wondering, I did appreciate your comments on valuation and in particular, I sort of keyed on your mention that what -- I think it's what others call free cash flow is actually on -- is actually a depleting annuity.

And so it sort of got me thinking as you've expanded into different basins and with sort of the realities of valuation what you do and don't get credit for. I'm just wondering, I think of the story as being one largely a basin arbitrage, you're recognizing opportunities and from that perspective, being able to get them at a good price that other people would overlook.

So I mean doesn't basin arbitrage alone, if you continue on that path, doesn't that sort of naturally kind of help you build value more or less regardless of kind of what the public markets are saying?

Nicholas L. O'Grady
CEO & Director

Yes. I mean I think there's a public and a private view, but I think we recognize our job is to make sure that, that value is recognized, right? So that is part of our job, [indiscernible] and that's one of the hardest things to do to be candid, Noel, Slide 4 in our earnings deck, we really one of the comments we got was people wanted more visibility and we're happy to provide it.

And we really show a basin-by-basin look at the company. And what I'd tell you about that is when we acquired the Uinta assets, we had spent a significant sum of time, a year plus prior evaluating and reviewing the Uinta, and we understood that this was a basin that had economics that could compete or even exceed the Permian. When we evaluated Canada, which we've been doing for several years, and we found the light oil part of the Duvernay, we were incredibly encouraged by both the length of inventory on it. I mean you're talking about a 20-plus year asset as well as the incredible margins it generates.

And Slide 4 really underscores that you can, when I say those things, I sometimes get blank stares, but when your margin in Uinta is $20 higher than in the Permian and people ask you about differentials, you can sit there and say, I don't care like the proof is in the pudding. In the case of the Duvernay, similar, which is that we talked about it when we acquired it, which is it had very unique properties and we really found.

So we are -- we are truly seeking the best assets, and we'll allocate our capital accordingly. We're not someone who just does 1 thing and does it well. And I think sometimes that does have value in a public market that wants surety and clarity, but I think we're trying to provide that here and people should recognize it.

I don't know, Adam or Chad if you don't want to add to that.

Noel Augustus Parks
Tuohy Brothers Investment Research, Inc.

Okay. Great. And I was just wondering, thinking about the gas side of the equation, the move towards some of the larger players towards sort of an integrated gas model, bringing back in-house infrastructure or acquiring infrastructure that they had at one time spun out. I'm just wondering what your thoughts are? Does it have an effect on your model?

Or is it compatible that trend sort of with your own model? And I guess it just makes you think about those sorts of players as opposed to for gas exposure in the Permian, for example, there's a ton of associated gas. So you have plenty there. So I just wondered what that sort of change in the landscape is telling you.

Nicholas L. O'Grady
CEO & Director

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Yes. So we own significant infrastructure in the Uinta in the Permian and in the -- both the Duvernay and the Uinta -- sorry, the Utica, excuse me. And what I would say about that is that, obviously, the most notable thing is that when we acquired the Utica, it implies a higher upfront multiple. But you're talking about something that with the fully integrated model drops your breakeven costs $1.20 versus the prior operator.

And so you make a more resilient asset, importantly as well, you also have control. And control is really important, which is look no further than the Permian, where the bulk of it is through third-party gathering and processing systems. And you run through periods of time in which quite frankly, you just can't get your gas out, right? And some of that stuff is not stuff that E&Ps would own like long-haul pipes. But at the end of the day, controlling the infrastructure is really critical.

It also builds a moat in which once that system is built, you will ultimately become -- the acreage and the surrounding acreage becomes by de facto, really only valuable to you. That being said, and we would never -- we would consider anything. People are knocking on our door every day trying to buy that infrastructure at significant value. And so it's always an option, but I would tell you that there's extreme value to having that infrastructure and being integrated.

I think you've seen one of our top operators is EQT. You've seen them do that in Appalachia. It's a great success. And I think at first when people saw it, they might not have fully understood it, but a couple of years later, it proves its value.

Operator

Our last question comes from Paul Diamond from Citi.

Paul Michael Diamond
Citigroup Inc., Research Division

Just a quick one for you. So last quarter, we obviously saw some Appalachia curtailments some reactivity to invasive pricing. U.S. diversification. I guess, as you see the winter approaching or any other operational efficiencies, do you see that occurring anywhere else across your basins? Or is it any warning lights for you?

Nicholas L. O'Grady
CEO & Director

Not at the moment. I mean, I think one of the interesting things about the gas market right now is there's been a lot of discussion and research around potential super El Nino and the strip really reflects that. My experience over time has been most people are wrong about the weather all the time. And so I think that the fact that, that sort of baked into the gas market today is pretty interesting to me, right? So usually, they bake in a normal winter. They think it's going to be a cold winter, and then things wind up disappointing. I think frankly, the situation today is probably the opposite.

Several years ago, as you remember, we had some significant storms in both the South and around the country, and it caused huge disruptions in areas because of extreme weather. Over that time, you've seen a lot of investment in infrastructure to make it more resilient. So I expect operational disruptions. Similar to what you saw in the Gulf of Mexico years ago where there were huge disruptions from Katrina and Rita and then people built the system stronger as it came back. And so I see the same scenario here. Quite frankly, as it pertains to winter and gas, we generally become a huge beneficiary should something happen.

So I think in general, even if it lasts as much as 1.5 months or whatever. And using last winter as an example, that incredible strength happened right after we acquired our Ohio assets, and we were able to actually take really advantage hedges, which are on the book today and take advantage of that scenario. And so I would hope we see similar volatility can be bad, but it can also be very good.

Paul Michael Diamond
Citigroup Inc., Research Division

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Got it. Makes perfect sense. And then one more, last larger strategic one quickly. You guys have worked pretty strongly to diversify across basins about 30, 30, 30 across Williston, Permian, Appalachia and the [Nada] and Uinta and Duvernay. I guess how do you see that on a long-term basis?

Is the idea to be like split evenly amongst those 5? Or do you see, I guess, more opportunity sets in one versus the other? I guess how should we think about those knobs turning over time?

Nicholas L. O'Grady
CEO & Director

Yes. I think it's hard to say in some cases and easier in others. I mean I think the Williston is very mature and I think episodically, we may see opportunities to come up in the Williston. But in general, it is a very, very mature basin. The Permian comes and goes. So obviously several years ago that were enormous numbers of assets coming to market.

We took advantage of that. The last year or so, it's probably been less exciting to us, but that can invert on itself over time. I think -- what I would tell you is we are a management company at the end of the day, and we're really focused on economics. So the diversity is certainly part of the business model, but it's also going where the opportunities are, and those can change and are very dynamic over time.

I don't think there's a desire to be more diversified or less diversified but similarly, when assets are sought after, it could be a scenario in which we take advantage of that and monetize a portion of it over time. I think we're we -- everything is for sale every day, everything is both for us to buy and for us to sell. And I think we'll do whatever makes the most economic sense. I don't know if you want to add to that.

Adam Dirlam
President

Yes. I think that's the competitive advantage of the business model, right? We can expand in basins in a relatively cost-efficient way. You saw that with the entry into Canada. We've been looking at Canada for the last 2 years, both in the Montney as well as the Duvernay. And this quarter, we're fortunate to find an asset that checks the box.

And so even looking at our ground game, we had activity in every single basin and the competition ebbs and flows depending on what you're looking at in what period of time and our ability to move quickly and leverage the proprietary information that we have with the evergreen models that we have enables us to make those decisions on a real-time basis. And so we'll continue to look at the opportunities that are within the basins in our own backyard in Sandbox now. But that's not to say that we're not looking at a number of other different basins at any given moment in time. I think we've got 15 different large asset transactions that we're looking at right now. A lot of the stuff that was in market was formal auctions, but a lot of the stuff that we're having conversations around in the third quarter has really been bilateral conversations. So we'll continue to stay dynamic in terms of how we're sourcing and looking at opportunities.

Nicholas L. O'Grady
CEO & Director

Yes. I mean I use the example, obviously, we've grown our Utica position probably in excess of what we would have thought the opportunity was when we entered the basin. We've made a significant investment in acreage and our phone is ringing off the hook now of things to do with it, right? And so from operators all over the map. But I do think it's a really important distinction about our business model versus, say, an operator, right?

And I think the market spoke long ago, which is that too much diversity as an operator can be challenging. And there are some specific reasons for that, which is, one, do one thing, do it well. Can you be really good at lots of different things? Secondly, allocation of capital for operators in which they have to maintain a team and rig activity and all these things can get a little bit squirrely. For nonoperator, it's very, very different, right, which is that for us, it's truly just capital allocation, so it's just dollars in and dollars out.

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And so the diversity, while it might be a little bit harder to model and annoying for you at times, at the end of the day, it doesn't have the same inherent challenges that it can be when you're trying to maintain multiple business lines for an operated business.

Operator

And we have no further questions. I would like to turn the call back to Nick O'Grady for closing remarks.

Nicholas L. O'Grady
CEO & Director

Thanks, everyone, for joining the call today. We'd like to remind investors to view our new earnings presentation slide supplement, which contains new enhanced disclosures, which highlights our asset value. and the incredible investment opportunity. As always, reach out to Investor Relations with questions, and we look forward to continuing the mission. Thanks again.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect.

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