

VTS Earnings Call Transcript

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Operator: Greetings. Welcome to the Vitesse Energy Third Quarter 2025 Earnings Call. [Operator Instructions] Please note, this conference is being recorded. I will now turn the conference over to the Director, Investor Relations and Business Development at Vitesse, Ben Messier. Thank you. You may begin.

Ben Messier: Good morning, everyone, and thanks for joining. Today, we will be discussing our financial and operating results for the third quarter of 2025 and increased production and capital expenditures guidance. Our 10-Q and earnings were released yesterday after market close and an updated investor presentation can be found on the Vitesse website. I'm joined this morning by our Chairman and CEO, Bob Gerrity; our President, Brian Cree; and our CFO, Jimmy Henderson. Before we begin, please be reminded that this call may contain estimates, projections and other forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are subject to several risks and uncertainties, many of which are beyond our control. These risks and uncertainties can cause actual results to differ materially from our current expectations. Please review our earnings release and risk factors discussed in our filings with the SEC for additional information. In addition, today's discussion may reference non-GAAP financial measures. For a reconciliation of historical non-GAAP financial measures to the most directly comparable GAAP measure, please reference our 10-Q and earnings release. Now I will turn the call over to Vitesse's Chairman and CEO, Bob Gerrity.

Robert Gerrity: Thank you, Ben, and good morning, everybody. Thanks for joining. In the third quarter, we stuck to our strategy of disciplined capital allocation. We participated in an increasing number of 3- and 4-mile laterals drilled by our operating partners. And significantly, we successfully completed 2 Vitesse operated wells, as Brian will discuss. As a result, we increased our production and capital expenditure guidance for 2025. Advancements in technology continue to enhance the value of our assets. Extended laterals are delivering strong economic results through lower drilling and completion cost per lateral foot. Drilling activity continues to progress further into the areas where Vitesse holds concentrated positions. Our original strategy of acquiring acreage outside the core of the Bakken is paying off as activity now moves into these areas, generating returns comparable to historically those seen in the core. We estimate that we have over 2 million net lateral feet of development remaining on our asset, which translates to more than 200 net 2-mile equivalent wells. The oil industry is highly cyclical. Our long-duration asset, low leverage and disciplined hedging positions us not only to withstand but to be opportunistic during market disruptions. We are your capital allocators and we'll continue to make the best decisions with our capital each quarter based on the opportunity set available. As a testament to our allocation decisions, last week, our Board declared our fourth quarter dividend at an annual rate of \$2.25 per share. I will now hand the call over to our President, Brian Cree, to provide more detail on our operations.

Brian Cree: Thanks, Bob. Good morning, everyone, and thanks for joining today's call. In late September, Vitesse's operating team turned to production 2 gross, 1.9 net drilled but uncompleted wells acquired through the Lucero acquisition earlier this year. The wells are exceeding our initial oil and natural gas production expectations and were completed approximately \$2 million or 15% under budget. We continue to contemplate the best time to advance a broader operated drilling plan, but we

will only implement a development plan at a cadence and return thresholds that strengthen our dividend. Production for the quarter averaged 18,163 barrels of oil equivalent per day. This brings our year-to-date production to 17,373 barrels of oil equivalent per day. As of September 30, 2025, we had 20.8 net wells in our development pipeline, including 5.6 net wells that were either drilling or completing and another 15.2 net locations that have been permitted for development. For 2025, we have approximately 60% of our remaining oil production hedged at nearly \$70 per barrel and just under half of remaining 2025 natural gas production hedged with attractively priced collars at a weighted average floor of \$3.73 and ceiling of \$5.85 per MMBtu, both percentages based on the midpoint of our revised guidance. Additionally, we have over 3,300 barrels per day and 12,700 MMBtu per day of our 2026 oil and natural gas production hedged at \$66.43 per barrel and through a costless collar of \$3.72 by \$4.99 per MMBtu. Thanks for your time. Now I'll turn the call over to our CFO, Jimmy Henderson.

James Henderson: Good morning, everyone. Just wanted to highlight a few items from our financial results for the third quarter of 2025. Please refer to our earnings release and 10-Q, which were filed last night for any further details. Production for the quarter was 18,163 Boe per day with a 65% oil cut. For the quarter, adjusted EBITDA was \$41.6 million, and adjusted net income was \$3.8 million. GAAP net income was a loss of \$1.3 million, and you can see that reconciliation in our press release. Cash CapEx, including acquisition costs for the quarter were \$31.8 million. These costs were funded within our operating cash flows. At the end of the third quarter, we had total debt of \$114 million and net debt of \$108 million, giving us net debt to adjusted annualized EBITDA of 0.65x. We increased our annual guidance for 2025 due to the completion of our 2 DUCs, as Brian discussed, and incremental organic well proposals primarily focused on 3- and 4-mile development. We now anticipate production in the range of 17,000 to 17,500 Boe per day for the full year of 2025 with an anticipated oil cut of 65% to 67%. Cash CapEx for the year is now anticipated to be between \$110 million and \$125 million. With that, let me turn the call over to the operator and open for Q&A.;

Operator: [Operator Instructions] Our first question comes from the line of Jeff Grampp with Northland Capital Markets.

Jeffrey Grampp: I was curious to start off on these longer laterals. I know that's something that you guys have kind of talked is directionally happening a bit more for a bit, but it seems like maybe a bit of a step change in terms of the proportion there. So I was just hoping to dive into that a bit more. Do you guys have any numbers on, I don't know, what percent of the program are these 3 and 4-mile laterals now? And can you remind us how that maybe compares to, I don't know, earlier this year or this time last year?

Ben Messier: Jeff, it's Ben. I would say approximately over the course of the year, about half of our AFEs that we have received have been extended laterals. We don't see 1-mile laterals anymore, at least we haven't this year. So the remaining half has been 2-mile laterals.

Jeffrey Grampp: Got it. Perfect. On the acquisition side, it looked like you guys were a bit more active there. It looked like perhaps maybe even the most active quarter since maybe a year or so ago. Is that -- can you guys just refresh us what are you seeing on the acquisition market? Was this expected? Was this surprising? And what's kind of the outlook on the acquisition side? Is this a sign of more things to come?

Brian Cree: Yes, Jeff, this is Brian. Obviously, as you know, we are always looking at near-term development opportunities, buying AFEs from those that they're looking to divest. And over the course of about the last year, it's just been a very competitive market. We've continued to be very disciplined with our rate of return approach on how we look at those. And you just keep banging away, and we've looked at hundreds and hundreds of opportunities. We continue to bid them as we have in the past, and we are fortunate to be able to close a couple of deals in the third quarter. And we'll continue to look at deals. The market is very strong. We're seeing lots of AFE opportunities. But again, we're being very disciplined with our approach in terms of how we're looking at making those acquisitions.

Jeffrey Grampp: Just to clarify, I guess, there's nothing, I guess, dramatically different that you guys saw either from a competitiveness standpoint or your underwriting practices. It's just a function of some days you win the lottery, some days you don't kind of thing?

Brian Cree: Yes. I think there's -- I think we are seeing more activity out there in terms of -- at least on our acreage, which is helpful because as we look at -- as we analyze those AFEs that are coming into

our acreage position, it gives us an opportunity to be a little more, I don't want to use the word aggressive, but it gives us a little bit of a leg up when we're looking at buying in AFE opportunities on our existing acreage from others that are looking to sell them because we've done a ton of work on that, and it just gives us a little bit of a leg up.

Operator: Our next question comes from the line of Poe Fratt with Alliance Global Partners.

Charles Fratt: Yes. Just a follow-up on CapEx. Can you just highlight what acquisitions might be built into the fourth quarter CapEx range?

Ben Messier: Poe, it's Ben here. We tend to budget conservatively on acquisitions. We don't know exactly when -- as Jeff said, we're going to hit the lottery and win acquisitions in any given quarter. Currently, we have a few hundred grand budgeted for acquisitions in the fourth. We hope that we come across economic opportunities that allow us to deploy more capital there, which is part of the reason you see a \$15 million range for the fourth quarter, which is a pretty wide range, but we leave some wiggle room to make attractive acquisitions if they present themselves.

Charles Fratt: Sounds good. And then on the operated inventory, you've finished the 2 DUCs that were -- that you talked about previously. What's sort of the line of sight on any of the operated inventory opportunities that you have looking out into 2026?

Brian Cree: Well, as we've said previously, we've got somewhere around 15 net undeveloped locations that we picked up through the acquisition of Lucero. We continue to look at those, look at the best ways to drill those, look at the ability to make trades with other partners to improve the economics in those. And that's -- as Bob stated, and we've said we're definitely looking at 2026 plan. But a lot of that's going to depend on where oil prices are and what else we're seeing in terms of CapEx from our partners. So it's something that we're continuing to evaluate. We're kind of planning out a 2026 and 2027 operated program, but a lot of that will depend as we finalize our models and budgets for 2026.

Charles Fratt: That's helpful. And then when I look at the cost structure for the third quarter, the second quarter had a lot of noise, just positive noise because of the settlement. Can you look at the third quarter cost structure run rate? And is that normal? Is that more normalized compared to the second quarter?

James Henderson: Yes, definitely. Ben, this is Jimmy. Definitely, exactly as you constructed that third quarter is a much better indicator of run rate for G&A, particularly LOE, slightly higher than we expected, but we're -- we've had some workovers as we've talked before, and I think that's kind of coming to an end. So it should be slightly lower there. And on, say, gas prices, we're probably in the range that we expect. Hopefully, we'll see a little bit better results going forward as oil prices and our NGL prices have some a little bit of life in the future. So hopefully, that helps you in your modeling.

Brian Cree: Yes. Let me just add, this is Brian. Let me add to that. I mean, the LOE in the third quarter, look, I mean, we continue to look at all of the new wells that we acquired from Lucero, and I think we're making the right decisions in terms of when to spend money on those wells. And as Jimmy said, I think we've seen a lot less activity in the fourth quarter than we did in the third quarter. So I agree with Jimmy's comment there. And then obviously, with the gas price differential, when you've got oil at \$60 and NGLs where they are, that third quarter looks pretty tough from a gas price standpoint, but we typically see that improve quite a bit in the fourth quarter and first quarters as we're in those winter months.

Operator: Our next question comes from the line of Noel Parks with Tuohy Brothers.

Noel Parks: Just a couple. One thing I was thinking about is we're still seeing a fair amount of uncertainty in the credit environment just as far as sort of yield curve and so forth. I just wonder, do you sort of see any signs of that being on producers minds as they look at their, say, 2026 budgets as far as just how inclined they are to be sort of either aggressive or hold back kind of, again, because of the funding environment?

James Henderson: Noel, this is Jimmy. There are a lot of factors play into what operators' plans are. Most notably, of course, is oil prices and consolidation is a big part of that as many of our operators have continued to consolidate the basin and they're working on their plans to how they're going to allocate capital and move rigs in or out. We're still -- we feel like things are going our way. As Bob mentioned before, we're starting to see much more of our acreage get developed. We have a more concentrated position. So that probably plays more into the plans for next year than the interest rate

environment that we're in. But it certainly helps that that's a positive move. But we're still hopeful to see operators put their budgets together for next year, and then we can have a better idea, better more line of sight to what our plans are going to be.

Noel Parks: Great. And just wondering if you had any updated thoughts as far as you look at different opportunities and potentially different basins about the gas opportunities out there these days.

Robert Gerrity: Yes, Noel, this is Bob. We're looking a lot. So I can't speak to any specific asset that we're looking for other than our lens is pretty wide at this point, and we would love to buy gas assets at the right price. Look, the M&A; market now is pretty frenetic. But if you take a look at the Bakken, it's pretty quiet. So we're going to be looking at the Bakken first. And the fun part about the operators in the Bakken, they are very well funded. They're not stressed. And other than the Hess Chevron transaction, which we think is certainly a net positive. And the Chord Enerplus, which is also a net positive. There's -- we're looking at the Bakken first. Of the \$1 billion of deals that we have in our deal shop right now, probably 1/3 of them are gas-oriented. But it's a very frenetic market, Noel, and I can't handicap what's going to be the next deal we do.

Operator: We have reached the end of the question-and-answer session. I would like to turn the floor back to Bob Gerrity for closing remarks.

Robert Gerrity: Thanks, and thanks for everybody for joining in. If you've got any follow-up questions, Ben Messier does a great job in answering those. So thanks, everybody. See you in a couple of months. Bye-bye.

Operator: Thank you. And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.