



Hedging Screen

Hedges are short term in nature and most important for 2015 cash flow. To the extent hedges preserve liquidity and operating momentum over the next year for E&Ps, they remain an important tool and differentiator. In particular, should the commodity cycle snap back more quickly than expected, those with hedges that afford more growth-driven capital programs in 2015 can carry that momentum into 2016. However, those E&Ps, which have made more drastic capital cuts, will have more ground to cover in terms of ramping production back up to reach optimal efficiency. Looking at the top quartile, one can see higher cost E&Ps protecting against down side (DNR, HK, MPO) while other E&Ps hedged oil price risk out of recent acquisitions (HILCRP in Alaska). The top quartile is significantly more oily (average: 65% of production) and seems to have been more defensive about protecting against oil downside. On the other hand, the bottom quartile averages ~55% gas production and given the performance of gas recently, there was less to protect in the way of cash flows there.