Parsley boss says shale drillers will finally deliver returns in 2020



Enter text here This is the year when shale drillers are finally going to deliver solid returns to investors that have grown weary of the industry's decade-long cash burn, the head of explorer Parsley Energy Inc said. Why? Because for the first time the producers behind the US shale boom are collectively showing restraint in capital spending at a time when crude prices are rising and struggling oil-service providers are lowering their rates, Parsley chief executive officer Matt Gallagher said in an interview. In the past, explorers would instead have taken advantage of that to drill at full throttle again. "It's the proof-in-the-pudding year," Gallagher said. "We've been telling generalists in the

financial community that you're going to get a payday for investing in this great renaissance." Whether investors will be easily convinced is yet to be seen. After Wall Street poured more than \$200bn in a growth-focused, debt-driven shale patch in past years, most drillers have yet to produce free cash fl ow that would ensure healthy returns.

The S&P index of exploration and production companies fell 11% last year, even as oil jumped 34% in New York. But Parsley might have more reasons to be optimistic than others. The Austin, Texas-based company on Thursday won shareholder approval to acquire rival Jagged Peak Energy Inc for \$1.8bn. Its shares fell 1% to \$18.27 at 10.34am in New York as an easing of fears of disruption to Middle Eastern supplies pushed West Texas Intermediate, the US bench- mark, toward its biggest weekly loss since July. It's a deal that Gallagher had to hit the road and man the phones for in order to convince investors of its potential. After an initial negative reaction that sent the stock plunging 11% the day the deal was announced, the shares have rebounded 20% since. That's about double the gain for S&P's E&P index over the same span, at a time when the market has mostly punished buyers.

Even as he works to integrate Jagged Peak into Parsley, Gallagher re- iterated that the newly merged company is a good takeover target. "It'd be very attractive to a lot of companies," Gallagher said, declining to name possible suitors. "I don't think that anything done in this deal would negate that." Gallagher, who took over as CEO from Parsley founder and chairman Bryan Sheffield last year, expects a continued throttling back of US oil growth, to an expansion of about 500,000 barrels a day in 2020, with even slower growth through 2025. That's roughly half the annual growth expected by the US Energy Information Administration. American output ended 2019 at a record level of nearly 13mn barrels a day, more than any other nation and up from less than 12mn at the start of last year, according to weekly EIA data. This will

finally be the year that investor skepticism is eased, Gallagher predicts.