

**RIVIERA RESOURCES**  
**FOURTH QUARTER AND YEAR END 2019 EARNINGS CALL SCRIPT**  
**February 27<sup>th</sup>, 2020 – 10 a.m. Central Time**

**Management Participants:**

- David Rottino – President and Chief Executive Officer of Riviera Resources
- Jim Frew – Executive Vice President and Chief Financial Officer of Riviera Resources
- Dan Furbee – Executive Vice President and Chief Operating Officer of Riviera Resources
- Greg Harper – President and Chief Executive Officer of Blue Mountain Midstream

**MANAGEMENT DISCUSSION**

**Paula Melancon:**

Good morning and welcome to Riviera Resources' fourth quarter and year end 2019 earnings conference call. Today's call is being recorded. This is Paula Melancon, Director of Investor Relations, and in a moment I will introduce David Rottino, our President and Chief Executive Officer, but first I need to provide you with disclosure regarding forward-looking statements that will be made during this call. The statements describing our beliefs, goals, plans, strategies, expectations, projections, forecasts, and assumptions are forward-looking statements. Please note that the Company's actual results may differ from those anticipated by such forward-looking statements for a variety of reasons, many of which are beyond our control. Additional information concerning risk factors relating to our business, prospects, and results are available in the Company's filings with the Securities and Exchange Commission, including the Company's Form 10-K for the year ended December 31, 2019 which we plan to file later today, and any other public filings and press releases.

Additionally, to the extent we discuss non-GAAP measures such as adjusted EBITDAX and adjusted EBITDA, please see our earnings press release for the calculation of these measures and the GAAP reconciliations.

Additional information can be found on Riviera Resources' website at [www.RivieraResourcesInc.com](http://www.RivieraResourcesInc.com) in the Investor section. I will now turn the call over to David Rottino, Riviera's President and CEO.

## **David Rottino**

### *Introduction*

Thanks Paula, and good morning everyone. We appreciate you taking time today to join us for the review of Riviera's fourth quarter and year end 2019 results and our 2020 outlook. Joining us today are Dan Furbee, Executive Vice President and Chief Operating Officer, Greg Harper, CEO of Blue Mountain Midstream, and Jim Frew, Riviera's Executive Vice President and Chief Financial Officer. On our call today I will provide an overview of Riviera's strategic initiatives, fourth quarter results, Blue Mountain Midstream business, as well as our 2020 outlook. I will then turn the call over to Jim to discuss financial results.

### *Strategic*

Riviera continues to deliver on our commitment to drive shareholder value through efficiently managing our assets, remaining focused on capital discipline and returning capital to shareholders. Since our last quarterly call, we have opportunistically monetized assets to generate approximately \$331 million. Furthermore, we have returned approximately \$250 million of capital to investors through a \$4.25 per share cash distribution and open market share repurchases. Overall, since our formation in August 2018, we have closed ten transactions monetizing approximately \$548 million of assets and we have returned over \$550 million of capital to investors. We have done all of this in what has been a very tough energy market.

Since August 2018, we have repurchased more than \$300 million of Riviera's shares, reducing the Company's outstanding share count by approximately 24%. In 2019 alone, we repurchased over 11.1 million shares for approximately \$148 million, including a tender offer that closed in July. The Company expects to continue buying back shares and as of January 31, 2020 approximately \$23 million was available for repurchase under our \$150 million share repurchase authorization.

Riviera will continue to opportunistically monetize assets. To that point, the Company expects to close on our sale of the Oklahoma City building later this quarter for a contract price of \$21.4 million. The Company will add the proceeds from that transaction to our balance sheet.

As of January 31, 2020, the Company had a consolidated ending cash balance of approximately \$125 million. Blue Mountain had approximately \$73 million drawn on their credit facility for a net consolidated cash balance of \$52 million. Including the cash proceeds from the East Texas Personville sale that closed earlier this month, and the Oklahoma City office building expected to close later in the first quarter, the consolidated pro-forma net cash balance would be approximately \$100 million.

In addition to opportunistically monetizing upstream assets, we announced today the expanded scope of our engagement with Tudor, Pickering, Holt & Co. to explore a potential sale or merger of Riviera Resources.

#### *Fourth Quarter and Full Year Update*

Turning now to our fourth quarter performance, Riviera delivered strong operational results. The upstream business outperformed adjusted EBITDAX guidance due to lower operating costs and timing of the Hugoton transaction closing. The stronger results were also achieved with production and capital in-line with guidance.

With respect to our upstream assets, we have met or exceeded production and adjusted EBITDAX guidance every quarter since our formation in 2018. We have focused on lowering operating expenses and we have significantly reduced G&A. We have judiciously invested capital and in 2019 we drilled two wells in North Louisiana with expected IRRs in excess of 100%, and 6 NW STACK wells with good results.

During the fourth quarter of 2019 we did not drill any wells, and do not plan to drill any wells in the first quarter of 2020. However, we remain encouraged by the reliability and results of development locations in the Ruston field and may drill up to four additional wells later in 2020 depending on commodity prices.

## *Blue Mountain*

On the midstream side, we successfully added two new lines of business in 2019. In addition to our gas gathering and processing business, we have initiated a water gathering and disposal business and a crude gathering business. In December 2019, Citizen Energy purchased Roan Resources and we believe this change in ownership will bring an increased commitment to developing the extensive asset inventory.

With respect to Blue Mountain, the company saw increased throughput in the fourth quarter gathering and processing volumes compared to the third quarter. In the fourth quarter, natural gas throughput averaged 119 MMcf/d and NGLs averaged 7,650 bpd. For the year, natural gas throughput was up 24% over 2018 at 117 MMcf/d. During the fourth quarter, Blue Mountain turned 11 wells to sales on the system and added natural gas throughput of approximately 5 MMcf/d at the cryo plant from the newly integrated Lumen assets.

Turning to Blue Mountain's water business, volumes were down from the third quarter as Roan had suspended their completion activities until the merger with Citizen Energy closed in mid-December. With that said, pipeline gathered water averaged 11,515 bpd during the fourth quarter and water gathered via third-party trucking services, averaged 29,135 bpd. In addition, we began our new water services agreement with a large independent producer in November that entails a minimum volume commitment of 5,000 bpd over a three-year term.

Blue Mountain ended 2019 with two 100 percent owned and operated disposal wells in service. Additionally, the company has acquired incremental disposal capacity through a non-operated interest in a well that went into service in October 2019.

Blue Mountain continued construction on the initial crude oil facilities with the South mainline system being placed in to initial service on February 1 of this year. The North system is expected to be in-service by the end of this quarter.

Recently, Citizen Energy has resumed completion activities on their considerable inventory of DUCs and is currently developing their drilling plan for the balance of the year.

In 2020, Blue Mountain expects to be cash flow positive. While we expect our capital to exceed cash flow from operations in the first quarter as we finish the buildout on our systems this trend will reverse beginning in the second quarter. We are excited about the Blue Mountain business and its ability to generate free cash flow now that the majority of the costs to buildout these systems is behind us.

With that, I will now turn the call over to Jim to discuss the financials in more detail.

### **Jim Frew**

Thanks, Dave. Before opening the call up for Q&A, I'd like to discuss the following items: 1) fourth quarter performance, 2) balance sheet and liquidity, 3) share repurchases, and 4) 2020 guidance.

#### *Fourth Quarter Performance*

We had another solid quarter with production averaging 178 MMcfe/d. This was at the high end of our guidance range. Operating costs came in below guidance, while adjusted EBITDAX came in above guidance. Capital expenditures were in-line with guidance. As Dave mentioned, favorability to guidance was primarily due to lower operating costs, lower than expected taxes, and timing of the Hugoton transaction closing.

In the fourth quarter of 2019, total oil, natural gas and NGL revenues were approximately \$42 million. Of that approximately 64% of the revenue was from natural gas sales, 21% was from the oil sales, and the remaining 15% was from the sales of NGLs.

With respect to costs, operating expenses for the fourth quarter were approximately \$24 million, which was below guidance. General and administrative costs, excluding share-based compensation and severance costs, were approximately \$11 million in the fourth quarter. Of that approximately \$9 million was incurred by the Upstream business, and the remaining \$2 million was incurred by Blue Mountain.

In the fourth quarter, Riviera's capital investment was approximately \$31 million. Riviera Upstream capital was approximately \$4 million while Blue Mountain invested approximately \$27 million. Blue Mountain's capital was below expectations due to the timing of projects.

### *Balance Sheet and Liquidity*

With respect to the balance sheet and liquidity, Riviera and Blue Mountain have established separate credit facilities. As of December 31, 2019, there were no borrowings outstanding on Riviera's revolving credit facility. In the fourth quarter, we were able to reduce our outstanding letters of credit and finished the quarter with approximately \$89 million of available borrowing capacity.

Blue Mountain has established a separate credit facility with total borrowing commitments of up to \$200 million. As of December 31, 2019, Blue Mountain had approximately \$70 million drawn on its credit facility, and approximately \$117 million of available borrowing capacity, inclusive of outstanding letters of credit, subject to covenant restrictions in the Blue Mountain Credit Facility.

As of December 31, 2019, Riviera's ending consolidated cash balance was approximately \$116 million. Of that, approximately \$101 million was attributable to the Upstream business, and approximately \$15 million was held by Blue Mountain.

As of January 31, 2020, Riviera's consolidated cash balance was approximately \$125 million. Of that, approximately \$117 million was attributable to the Upstream business, and approximately \$8 million was held by Blue Mountain. There were no borrowings outstanding on Riviera's revolving credit facility and approximately \$73 million drawn on Blue Mountain's revolving credit facility. As a result, the Company had approximately \$52 million in net cash as of January 31, 2020.

### *Share Repurchases*

The Company has returned over \$550 million of capital to shareholders since our inception in August 2018 including a cash distribution in December 2019 totaling approximately \$250 million. In 2019 the Company's Board of Directors authorized an increase to the repurchase program up to a total of \$150 million. Since inception through January 31, 2020, Riviera has repurchased approximately 9.5 million shares for a total cost of \$127 million. As a result, the company has \$23 million remaining on its share

repurchase authorization. As of January 31, 2020, Riviera had approximately 58 million shares outstanding.

### *Guidance*

In our supplemental presentation posted to our website today, we highlight the full year upstream 2020 guidance taking into consideration the sale of assets located in the Uinta basin as well as certain properties located in Overton and Personville fields in East Texas.

In 2020, the upstream business expects production will average 46 to 56 MMcfe/d. Based on the plan, the business will generate \$5 million of adjusted EBITDA, including expected severance costs of \$5 to \$6 million. Of note, first quarter adjusted EBITDA is expected to be approximately break-even. This reflects higher G&A due to costs associated with managing assets that we are transitioning to buyers and anticipated severance costs. In the second half of the year, we expect the upstream business to generate positive adjusted EBITDA as we continue to focus on reducing costs to better fit the remaining upstream assets owned.

With respect to capital, the combined upstream and midstream businesses expect to invest \$53 million in 2020. Approximately \$25 million will be applied to upstream activity while Blue Mountain expects to invest \$28 million throughout the year. Approximately 37.5% of the Blue Mountain capital will be invested in the first quarter. Beginning in the second quarter of 2020, we expect Blue Mountain will live within cash flow, generating adjusted EBITDA in excess of capital investment.

In closing, our assets performed well in the fourth quarter and our balance sheet allows us great flexibility. Moving forward, we continue to look for opportunities to maximize shareholder value, and we are committed to finding ways to return capital to shareholders. With that, I will hand it over to the operator to open this call up for questions.