



PetroCap



Oil & Gas Investors Since 1992

What a difference a year makes!

Whitley Penn Fort Worth Energy Conference

September 22, 2022

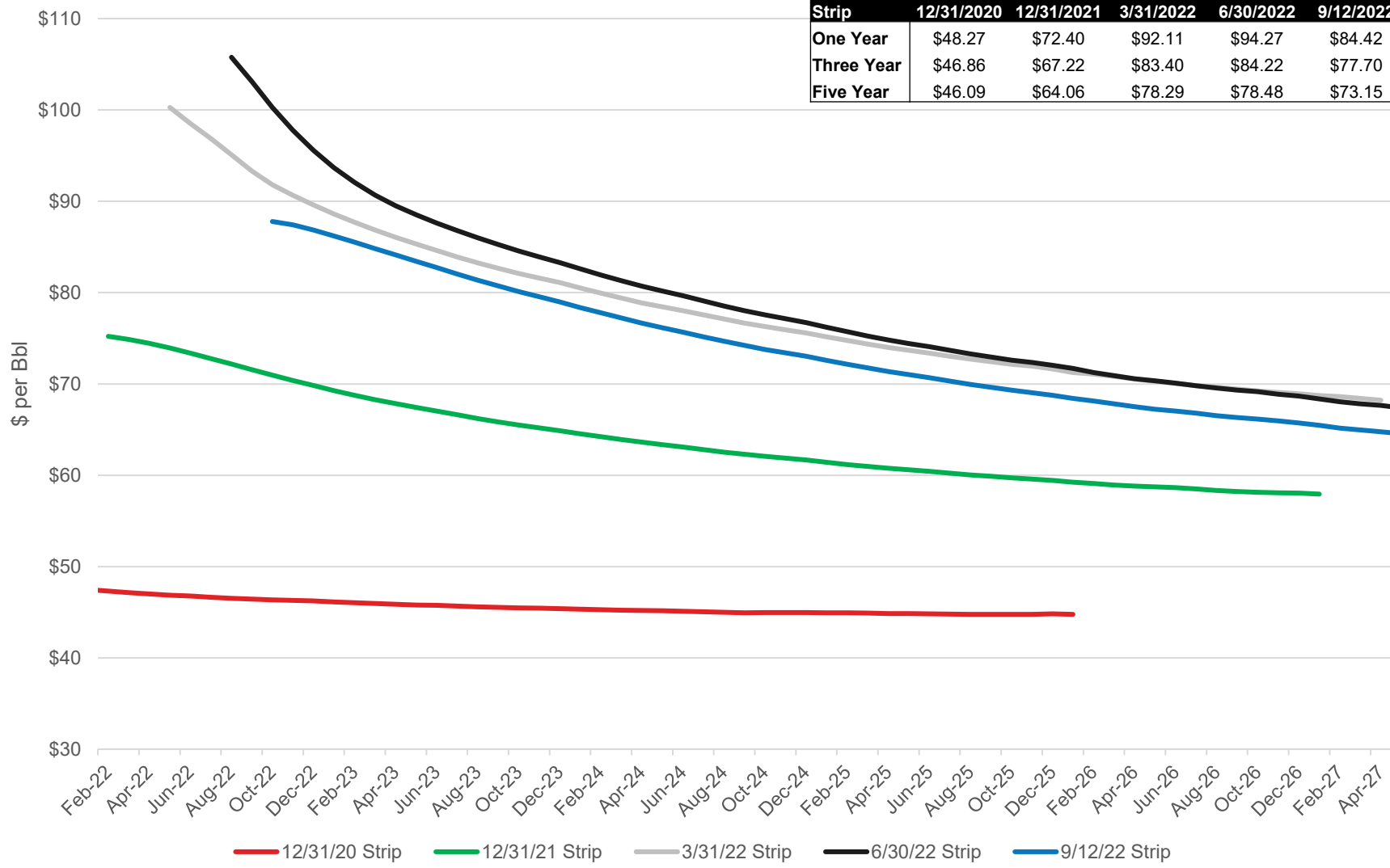
David Hopson

Change in Futures Contracts Since September 2021

	September 19, 2021	September 16, 2022	% Change
<i>WTI Crude Swaps</i>			
Bal 2022	\$67.11	\$84.02	25.2%
Cal 2023	\$61.75	\$77.96	26.3%
Cal 2024	\$57.75	\$72.04	24.7%
<i>NYMEX Natural Gas Swaps</i>			
Bal 2022	\$4.05	\$8.41	107.7%
Cal 2023	\$3.25	\$6.39	96.6%
Cal 2024	\$2.94	\$5.23	77.9%

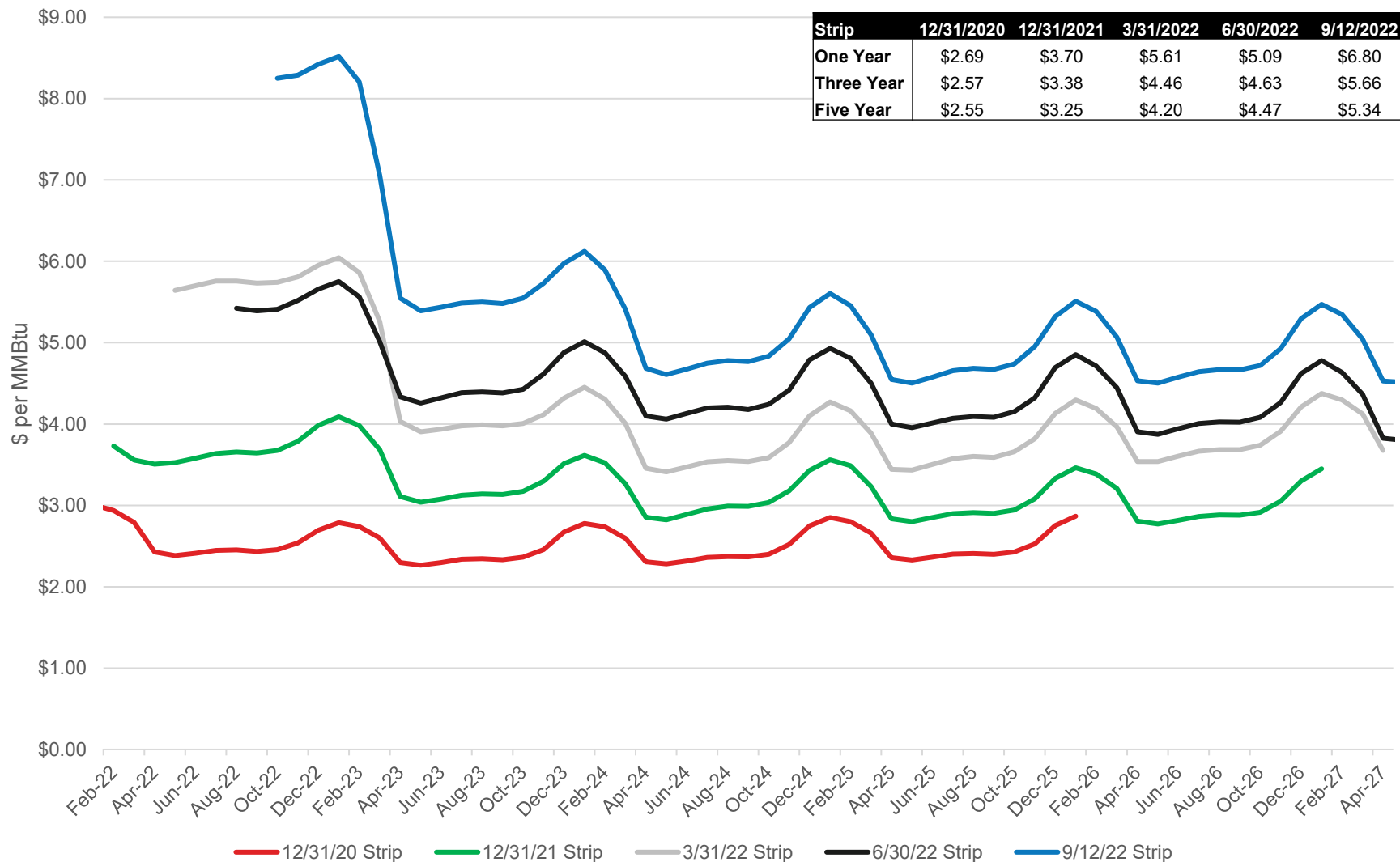
Oil Five Year Strip Up 14% YTD

Strip	12/31/2020	12/31/2021	3/31/2022	6/30/2022	9/12/2022
One Year	\$48.27	\$72.40	\$92.11	\$94.27	\$84.42
Three Year	\$46.86	\$67.22	\$83.40	\$84.22	\$77.70
Five Year	\$46.09	\$64.06	\$78.29	\$78.48	\$73.15



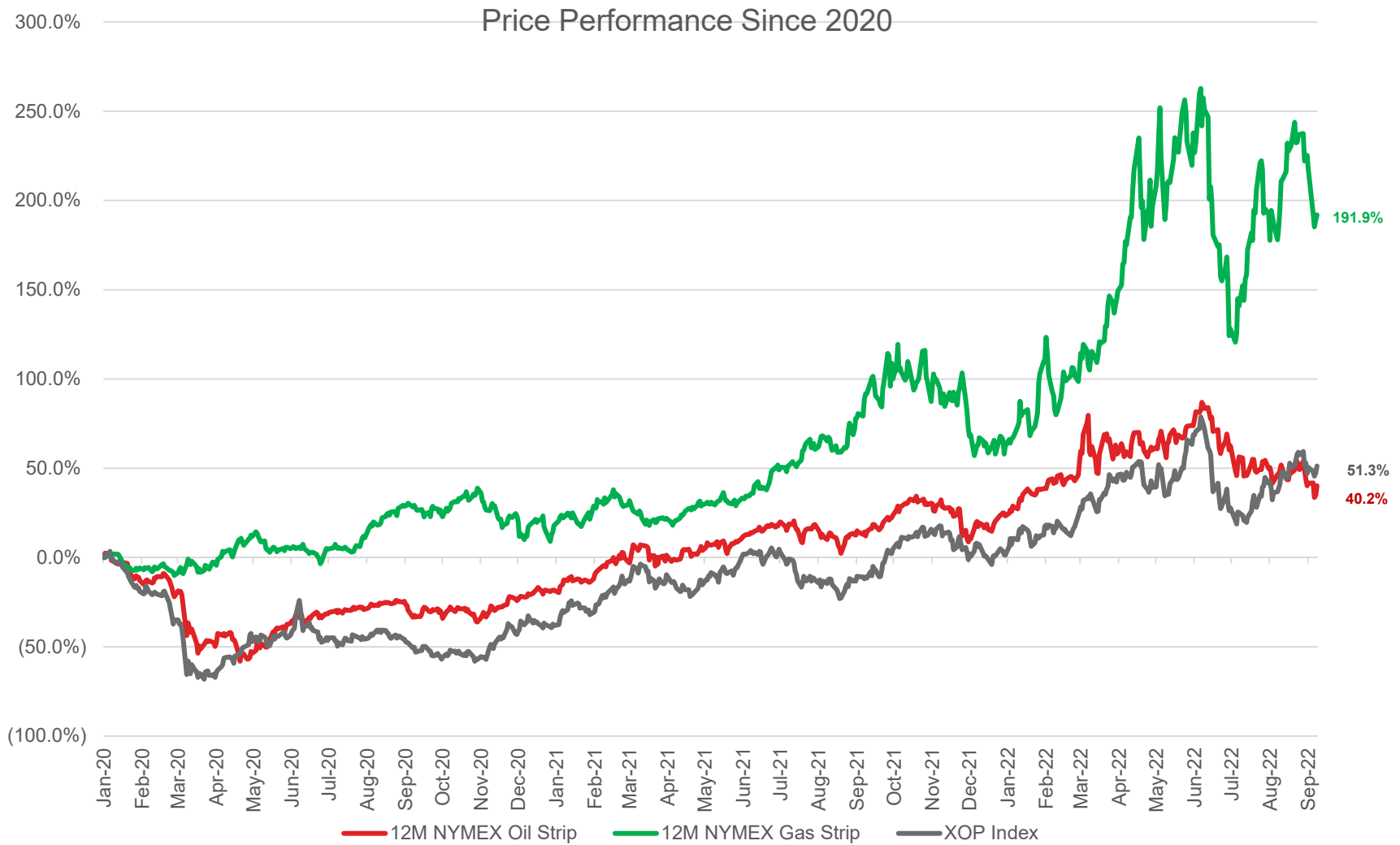
Source: Bloomberg as of 9/12/2022

Gas Five Year Strip Up 65% YTD



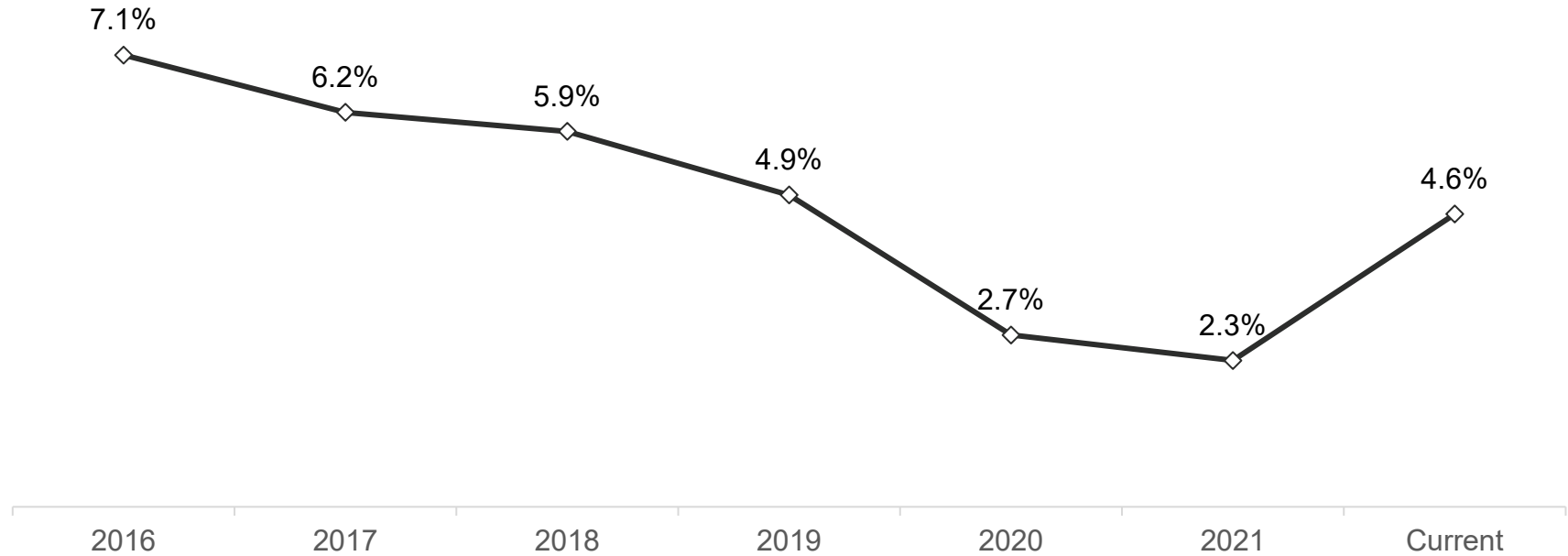
Source: Bloomberg as of 9/12/2022

E&P Equities Underperforming Commodities



Source: Bloomberg as of 9/12/2022

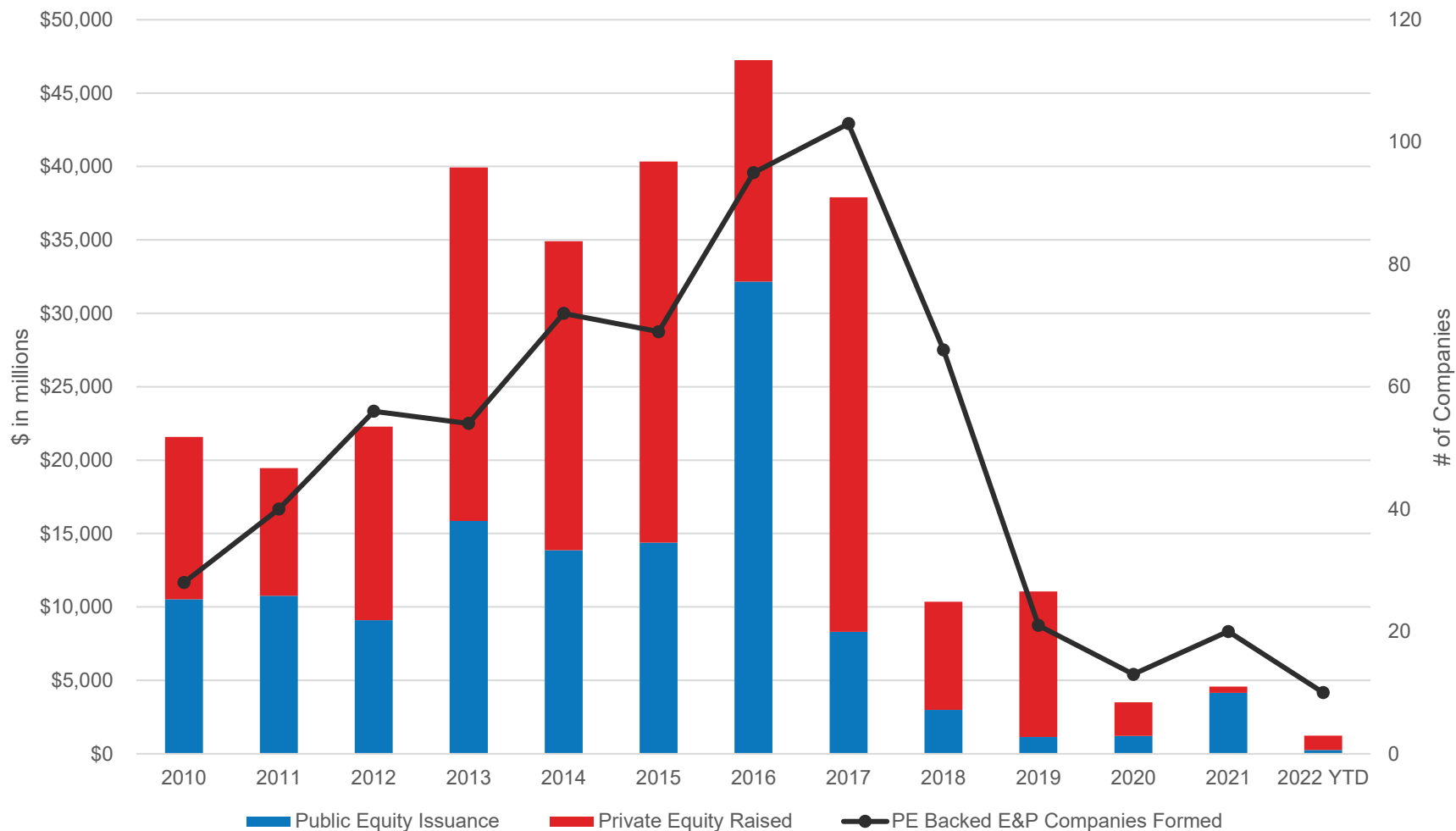
Energy Weighting in the S&P 500



# of Constituents in the Energy Index						
36	32	30	28	25	25	21

E&P Sector Remains Starved For Capital

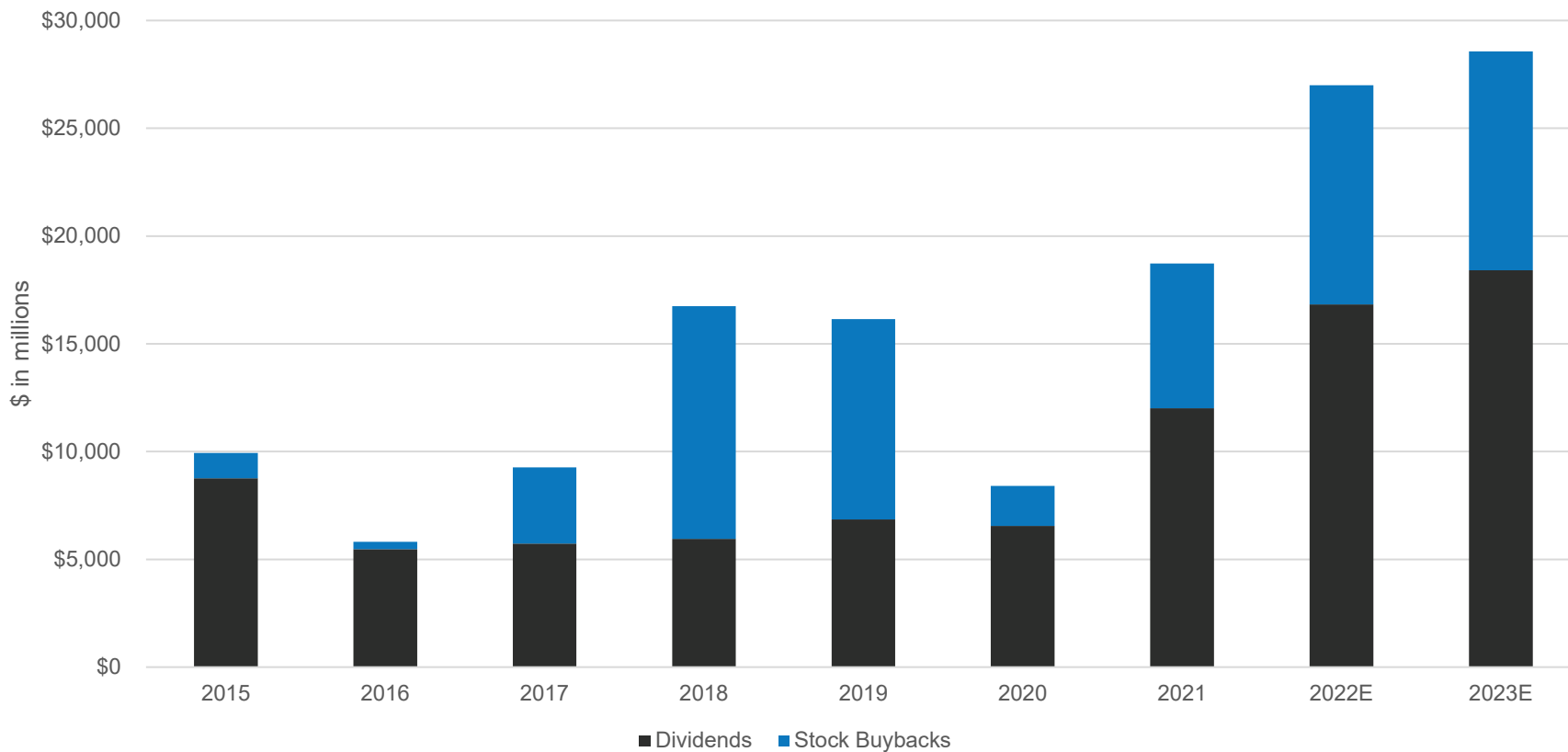
E&P Investment History



Source: Bloomberg and Preqin as of 9/12/2022. Private Equity amounts only include portion of diversified energy funds targeted for the Upstream sector. Funds shown in vintage year

More Capital Leaving the E&P Industry

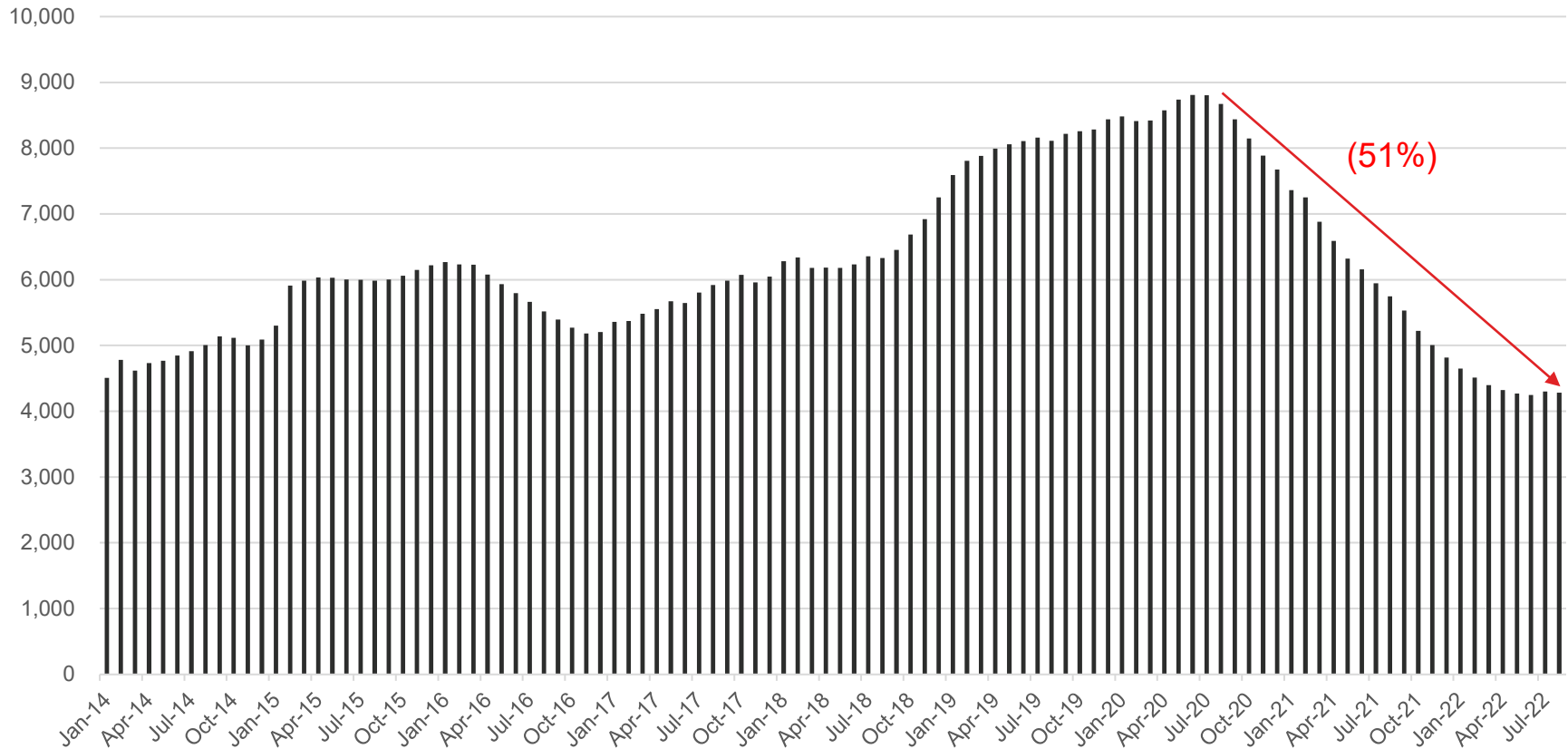
Historical U.S. E&P Dividend and Buybacks



Unlike previous cycles, U.S E&P companies are planning to use higher cash flow to increase dividends and stock buyback programs rather than ramping up drilling or making acquisitions

U.S. DUC Inventory Continues To Decline

DUC Inventory in US

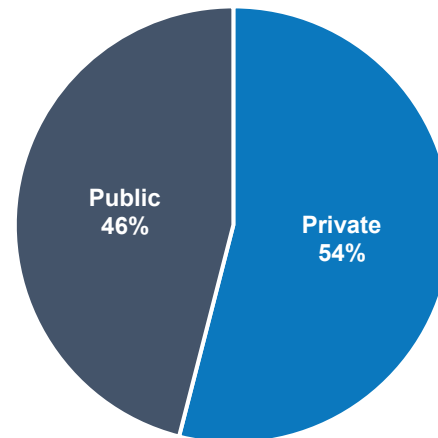
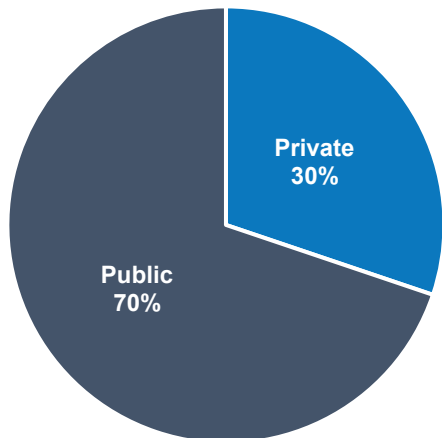


Inventory of drilled uncompleted wells down 51% from its 2020 peak. Rebuilding inventory will take time and significant capital, both of which are in short supply.

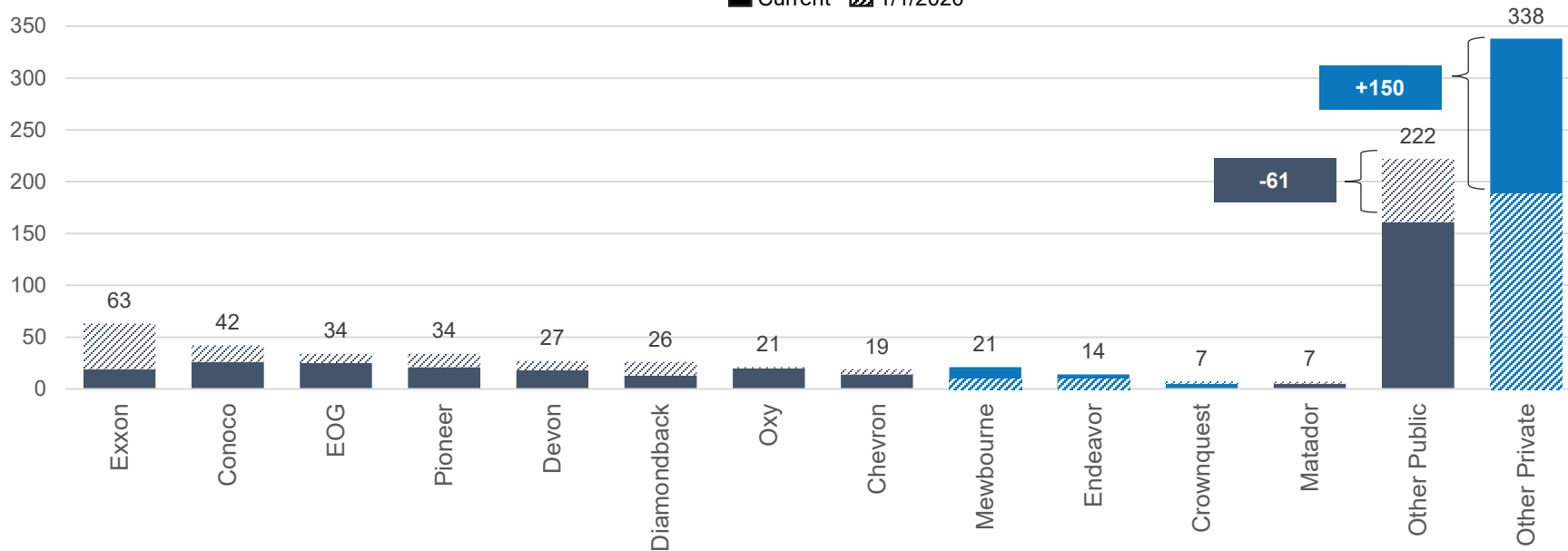
Private Operators with Limited Inventory Driving Rig Count PetroCap

1/1/2020: 709 Hz. Rigs Running

Current: 700 Hz. Rigs Running



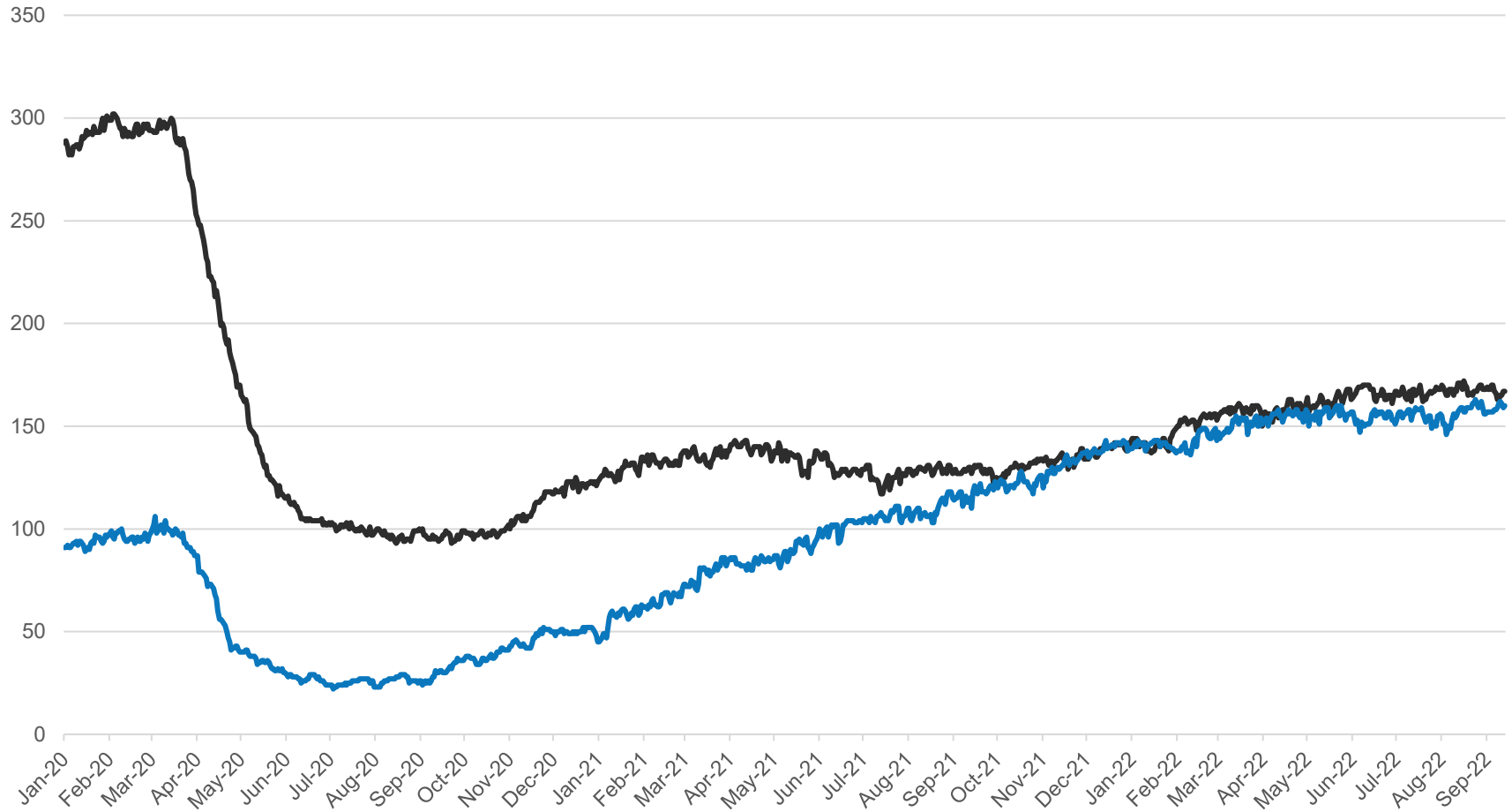
■ Current ▨ 1/1/2020



Permian Public vs. Private Rig Count Trends

Permian Rig Count Since 2020

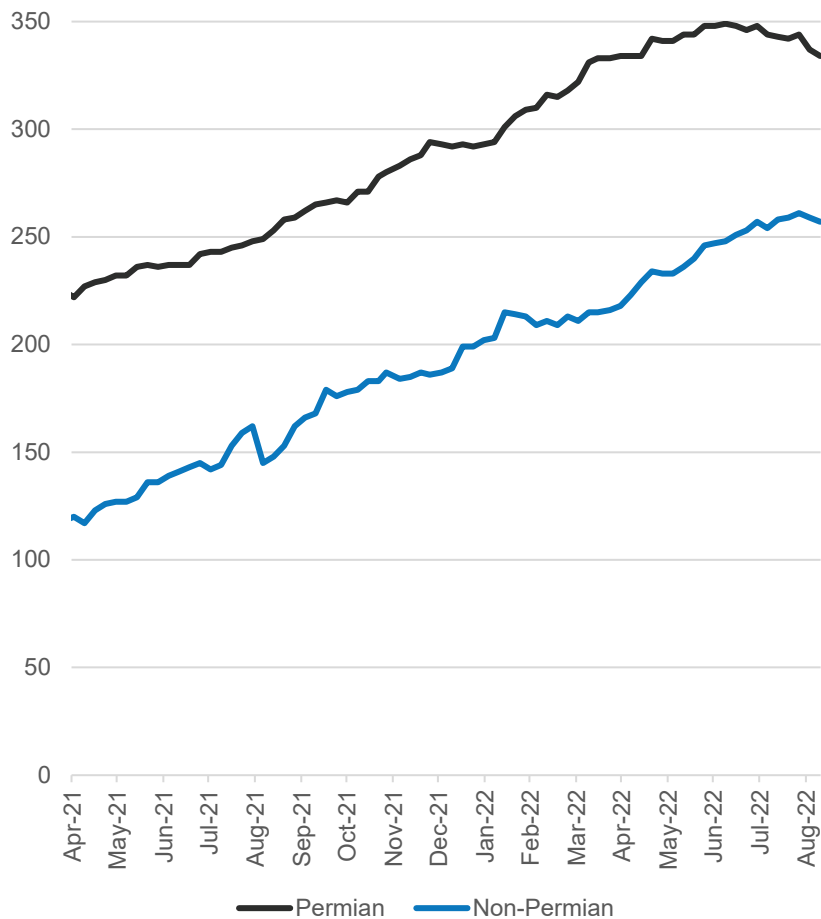
— Public — Private



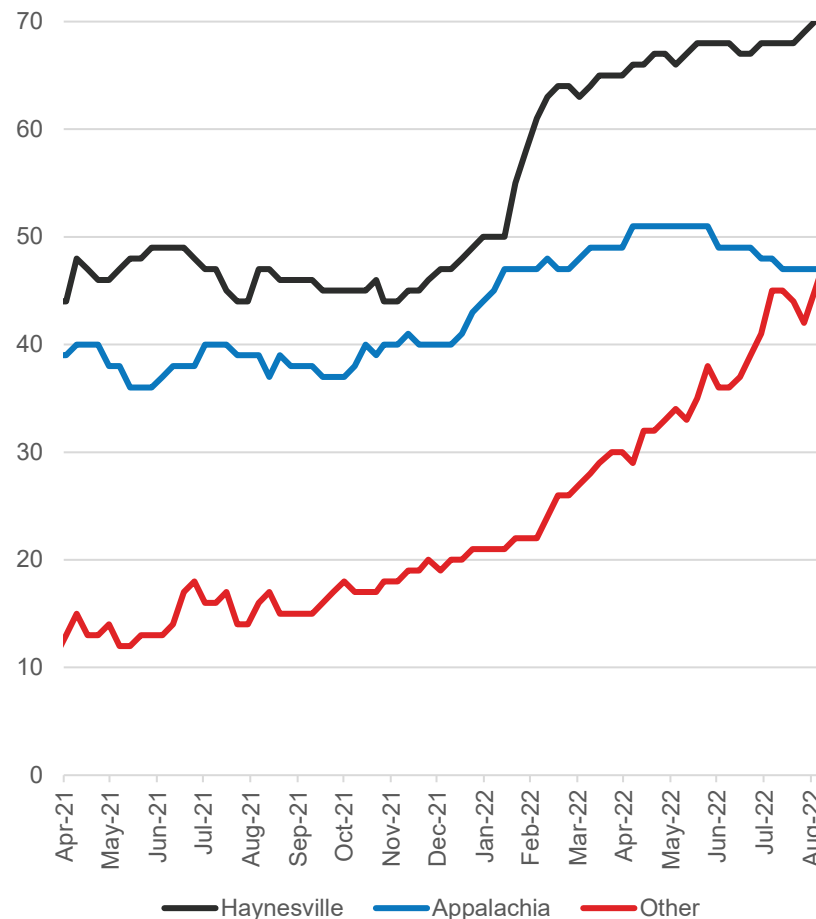
Source: Enverus Rig Analytics as of 9/12/2022

Oil and Gas Rig Count Basin Trends

Oil Rigs

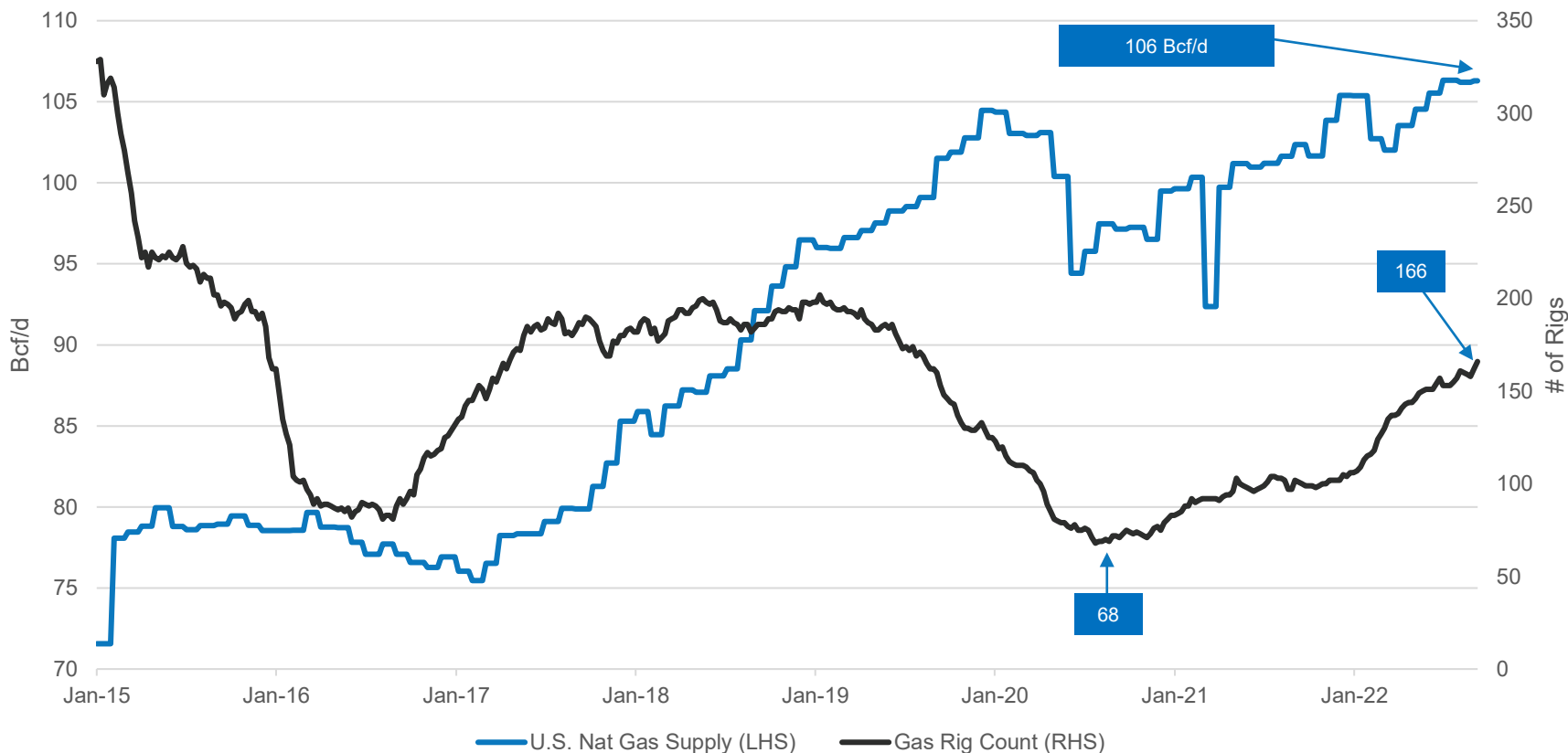


Gas Rigs



Gas Rig Count Responding to Higher Prices

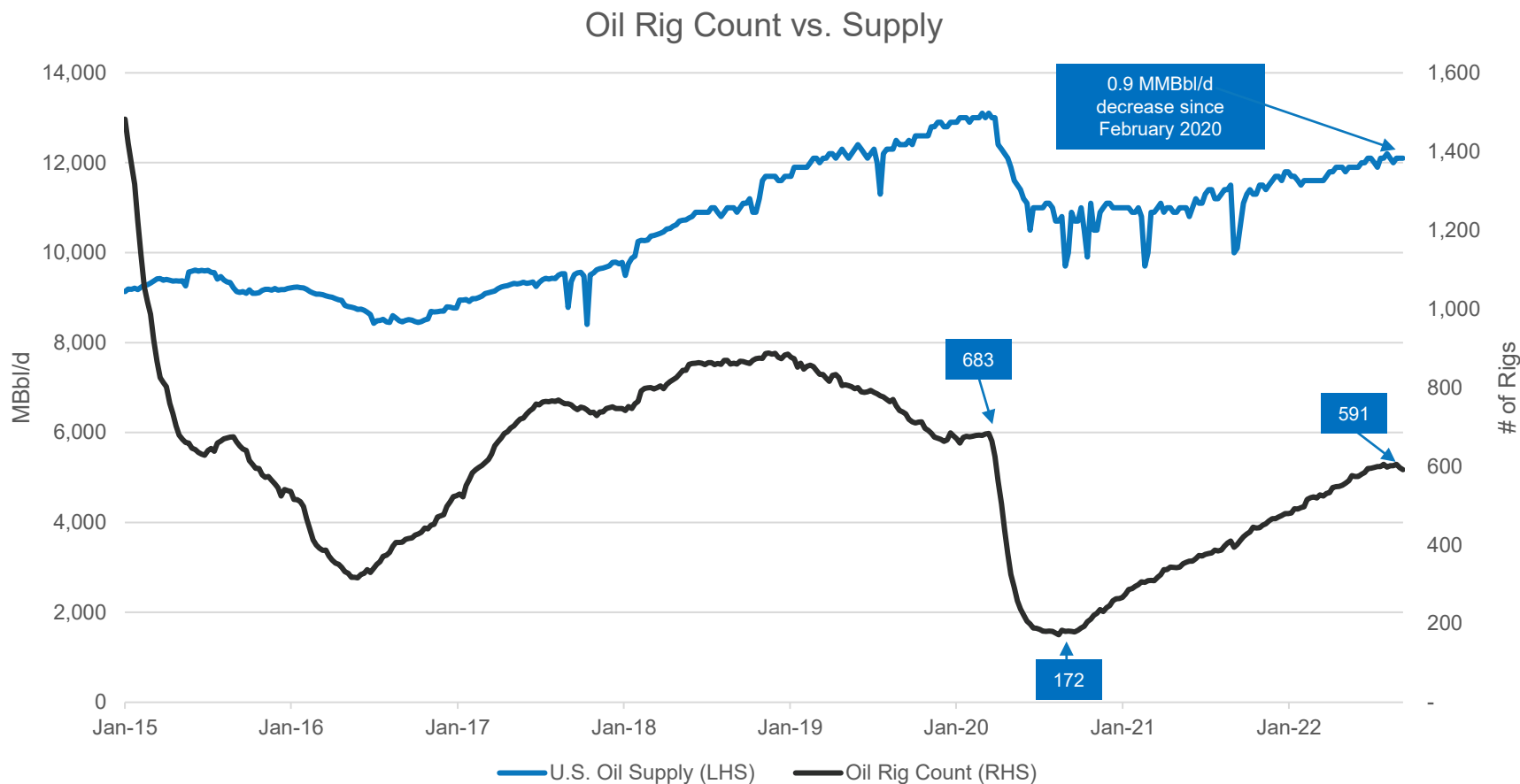
Gas Rig Count vs. Supply



Gas Rig Count up 144% since 2020 low and U.S. gas production is up 12 Bcf/d. Current rates near all time highs, but future growth limited by Marcellus and Permian pipeline capacity

Source: Bloomberg as of 9/12/2022

U.S. Oil Production Struggling to Grow



Oil Rig Count up 244% since 2020 low, but production is only up 25%. Coupled with dramatic DUC drawdown, U.S. production growth unlikely to achieve historical levels

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- Upon the failure of a Limited Partner to contribute any portion of its commitment when that portion is called by the General Partner in accordance with the Limited Partnership Agreement, the General Partner may, in its sole discretion, declare the Limited Partner to be in default, and the General Partner may undertake various remedies with respect to the defaulting Limited Partner, including but not limited to requiring the forfeiture of all or a portion of the defaulting Limited Partner’s interest in the fund.
- Private funds may be subject to significant tax risks. In addition, Limited Partners may be subject to special tax and tax filing obligations due to an investment in the fund. It is possible that a Limited Partner may incur income tax liabilities in excess of actual cash distributions made prior to the date the relevant liability arises or the relevant tax is due. For tax-exempt and non-U.S. investors, an investment in a fund may give rise to unrelated business taxable income (for tax-exempt investors) and/or income effectively connected with a U.S. trade or business (for non-U.S. investors).
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