

The Challenging Landscape of the Texas and US Oil and Gas Industry



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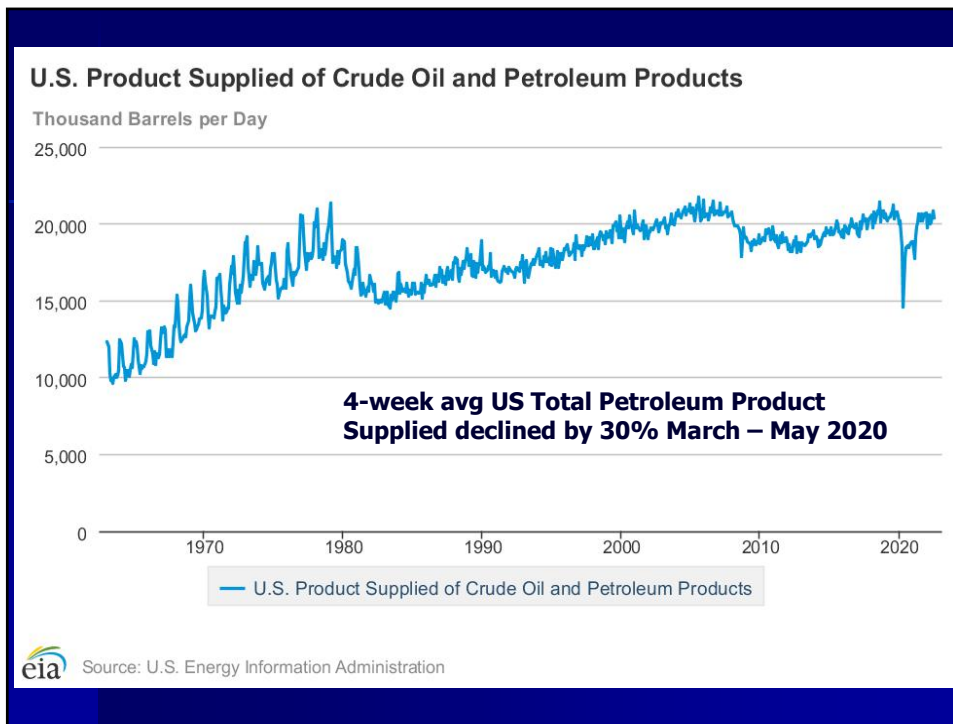


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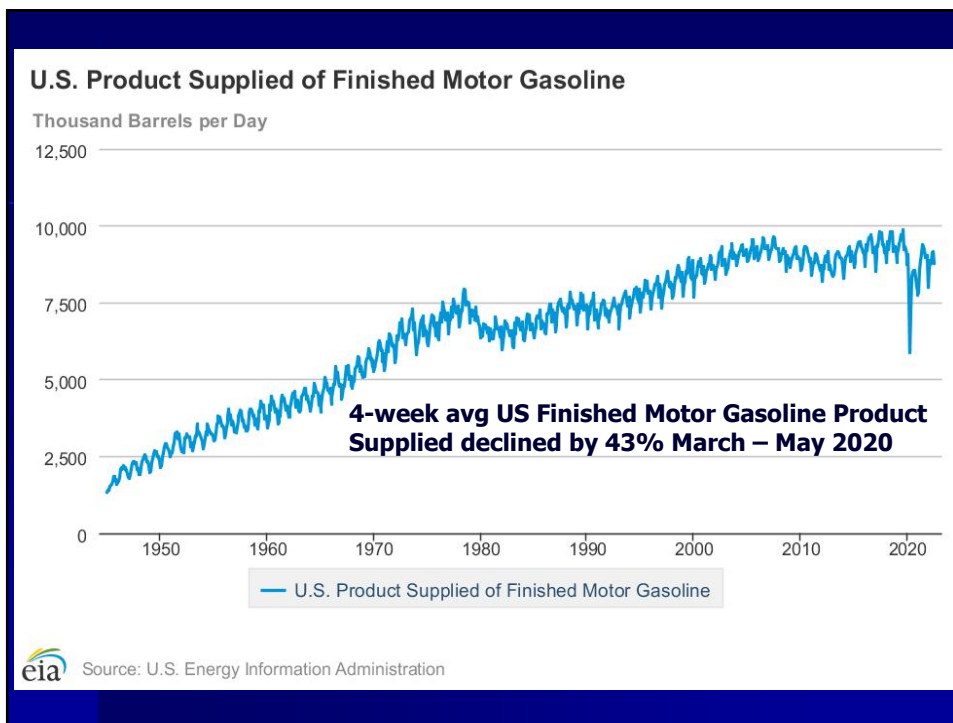
What happened as a result of COVID?

- Energy demand fell farther and faster than ever before
- Oil and gas production (supply) declined more deeply and rapidly than ever before in response
- Crude oil prices collapsed
- Some measures of drilling and production activity fell to record lows

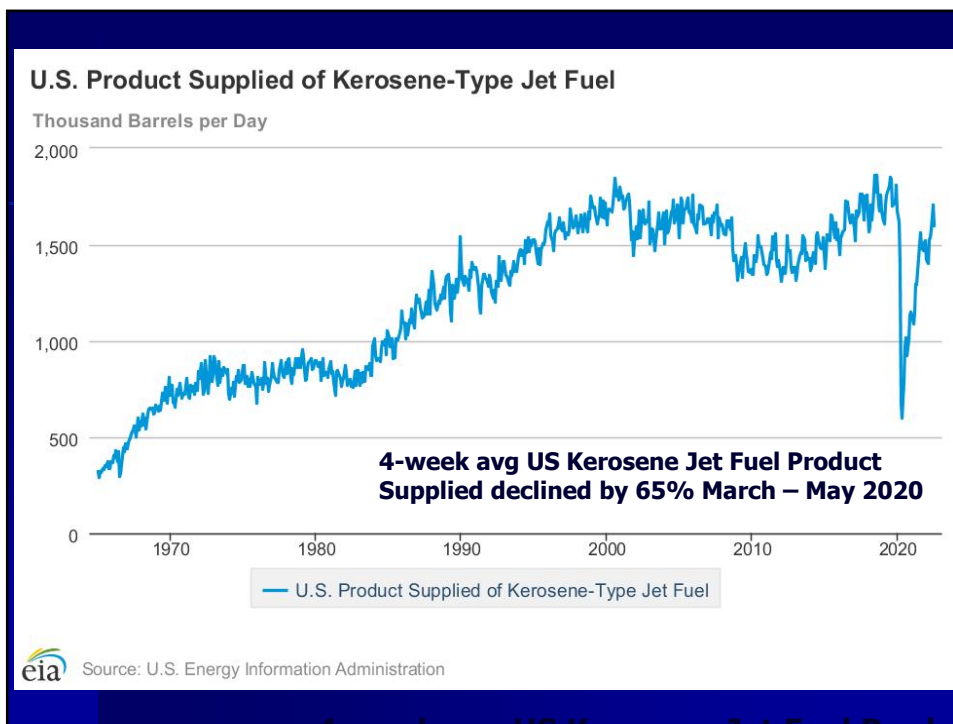
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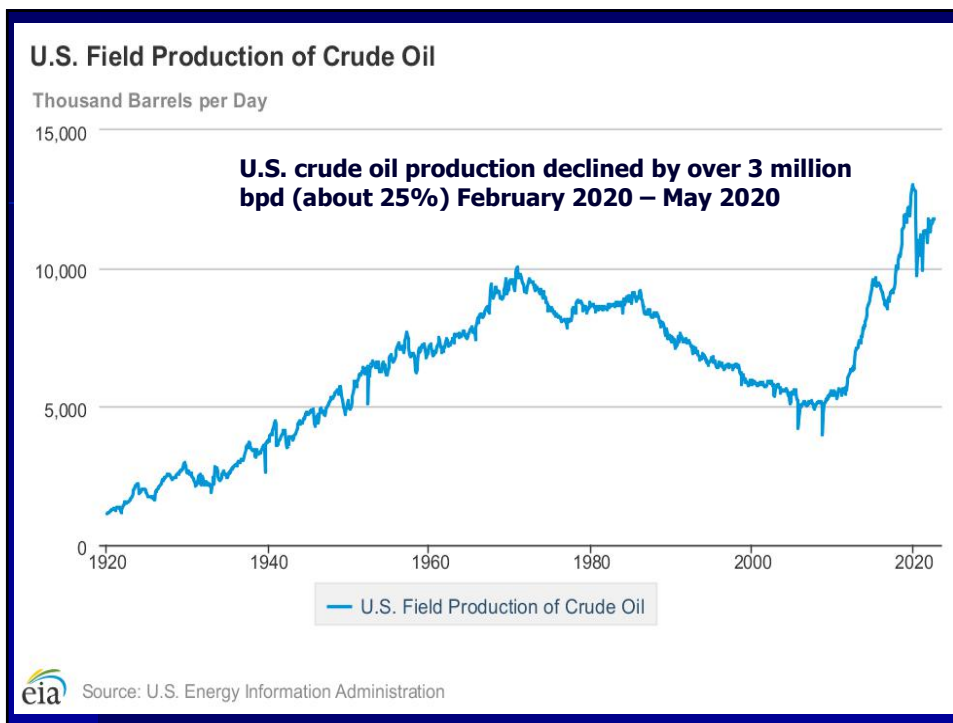
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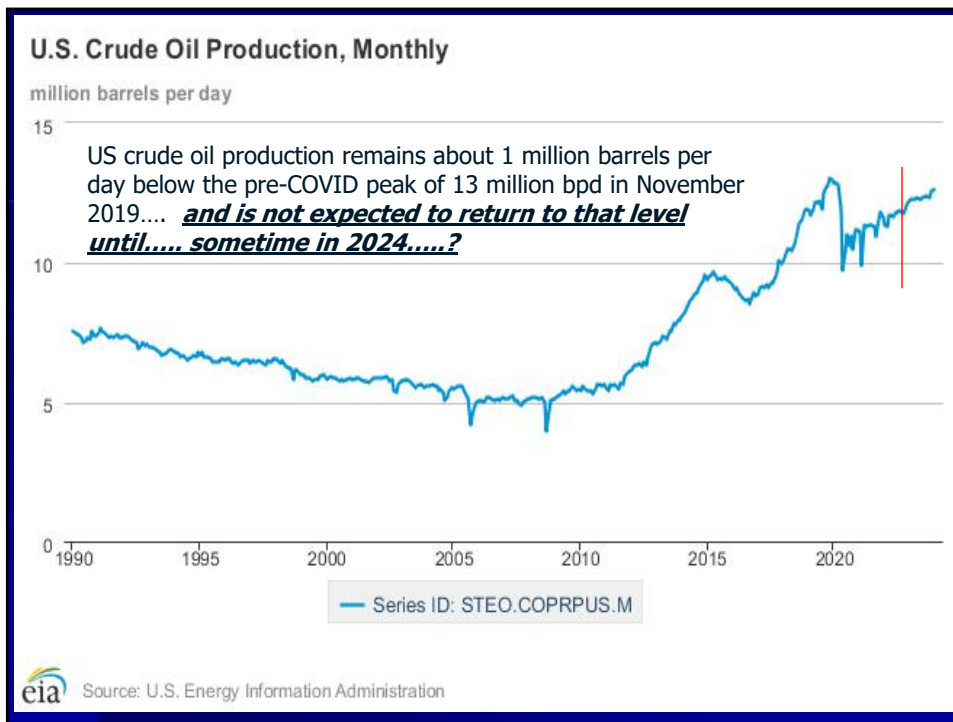
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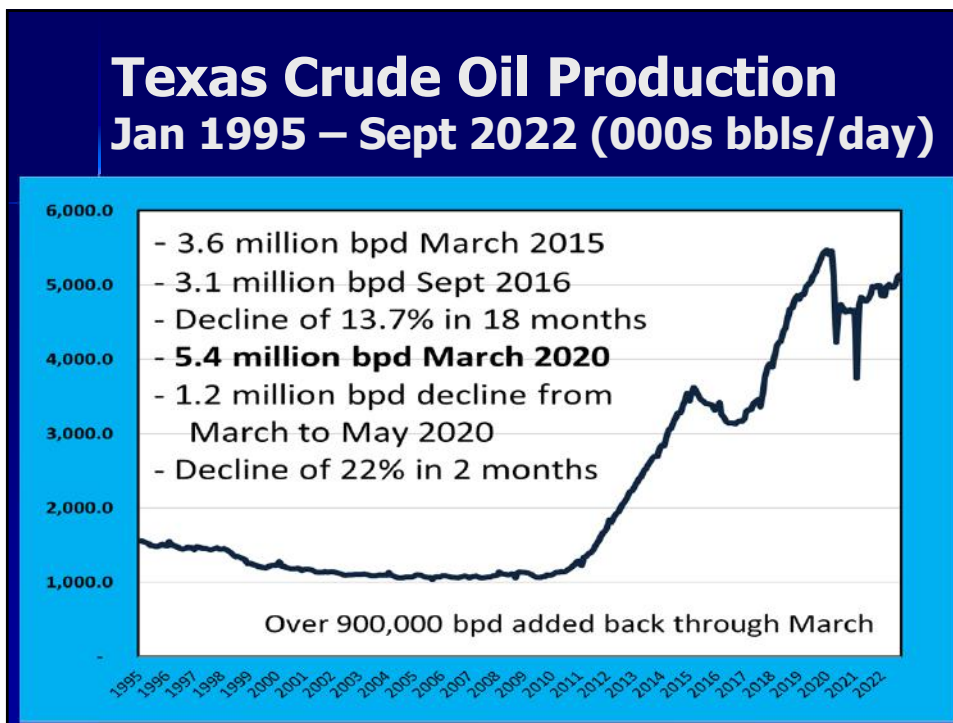
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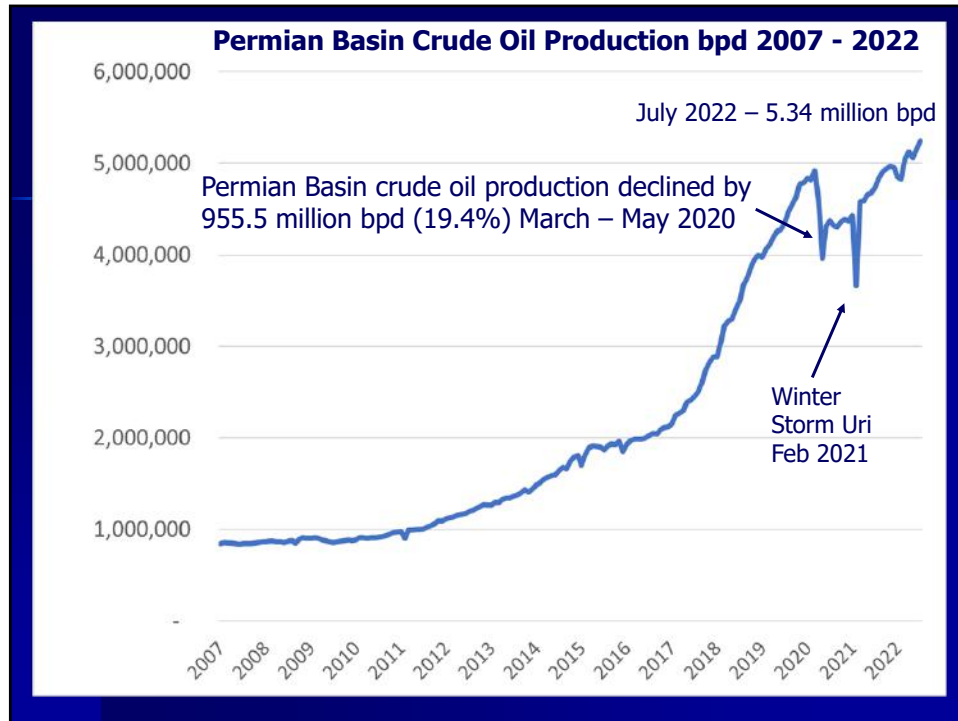
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Post-COVID Production

- U.S. crude oil production still down by a million bpd compared to November 2019 peak
- Texas crude oil production still down by over 300,000 bpd compared to March 2020 peak of 5.45 million bpd – surpassed 5 million bpd in June 2022

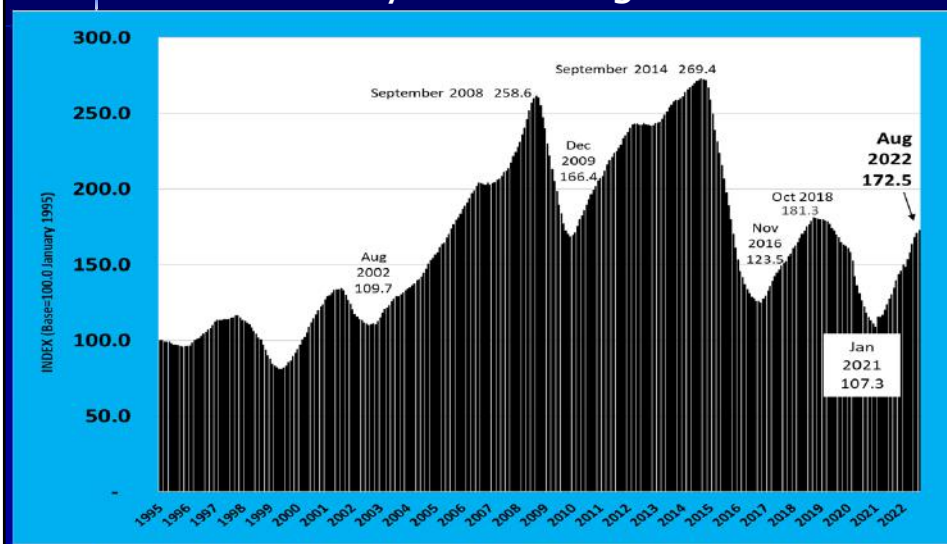
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Post-COVID Production

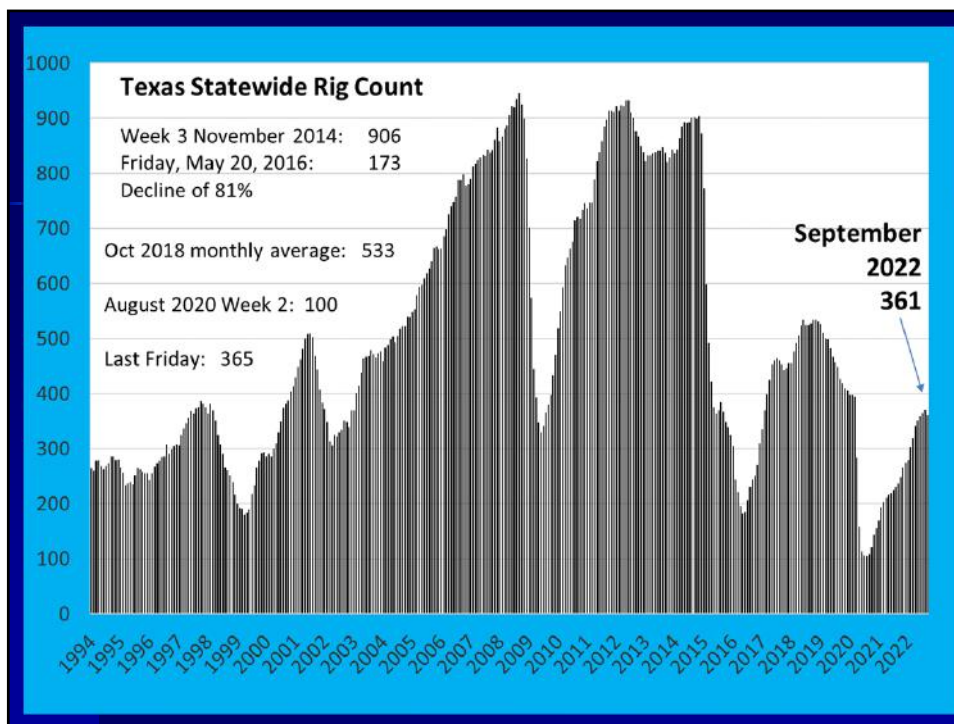
- Permian Basin crude oil production surpassed its March 2020 (pre-COVID) peak in March 2022 and is now producing at record levels
- The Permian is the only major U.S. production region to regain its lost COVID production

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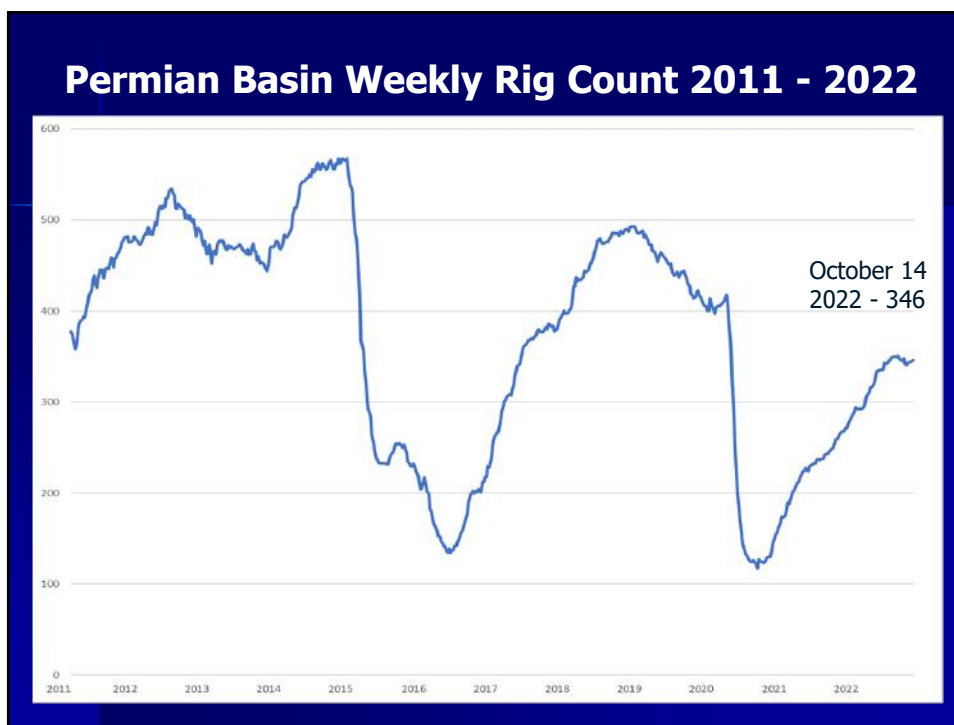
The Texas Alliance of Energy Producers Texas Petro Index January 1995 – August 2022



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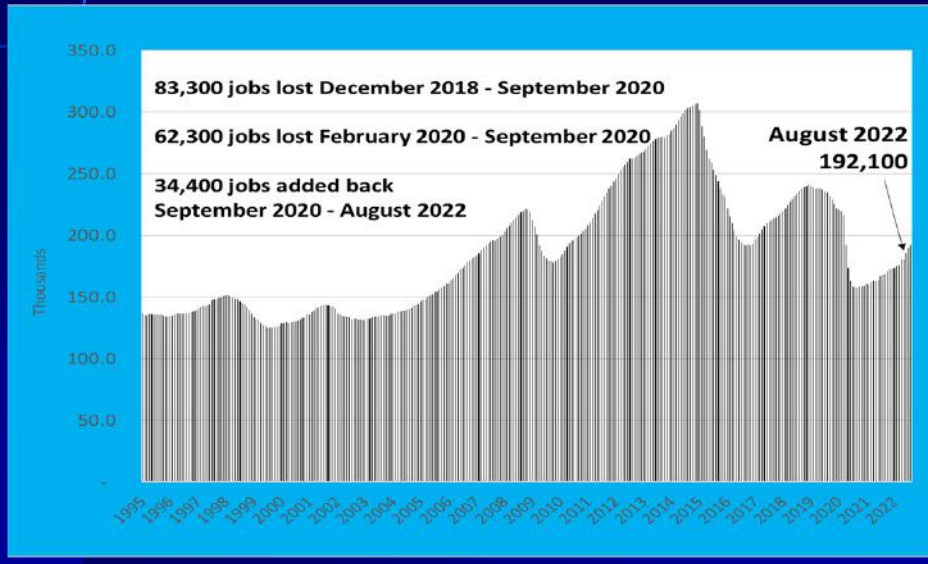


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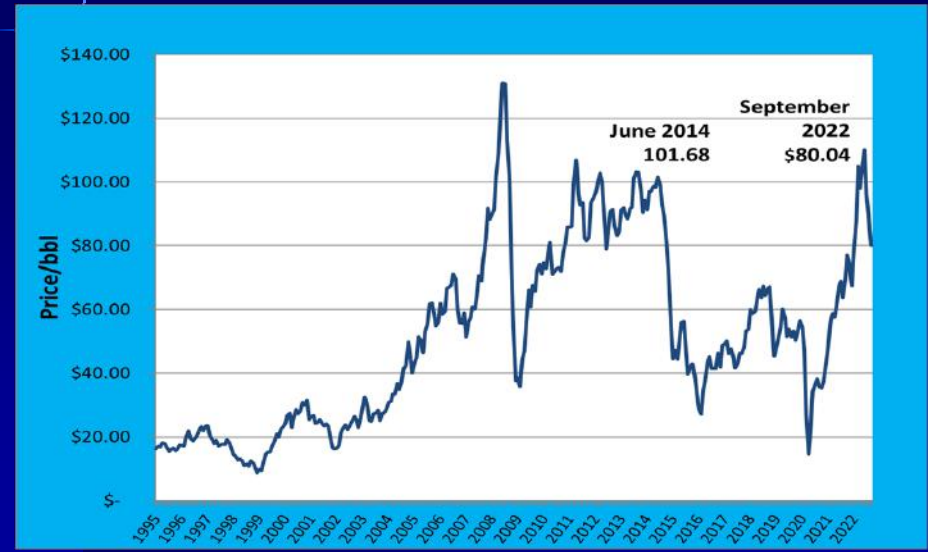
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Texas Upstream O&G Employment 1995-2022 (Dallas Fed and TAEP)

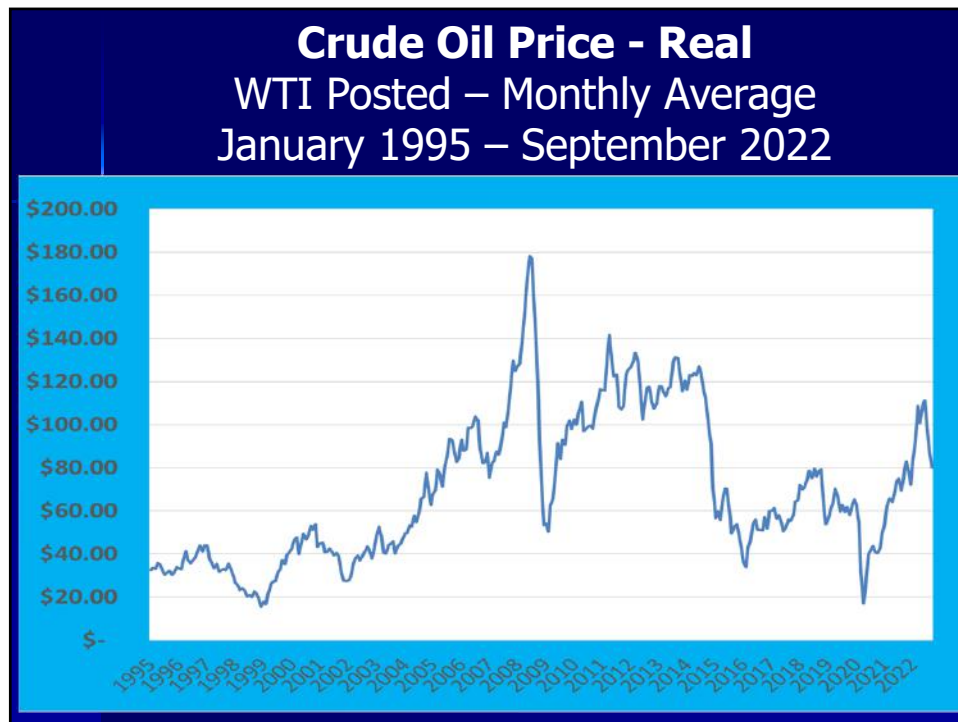


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Crude Oil Price - Nominal WTI Posted – Monthly Average January 1995 – September 2022



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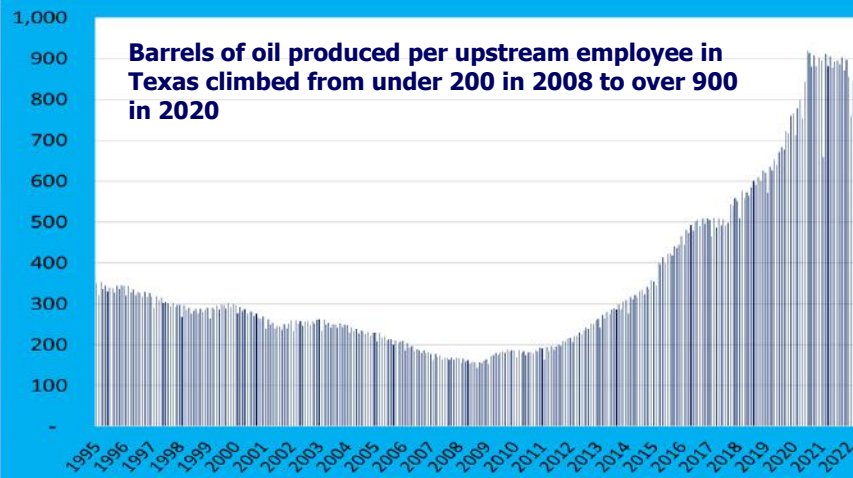
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What's Going On Here?

- Record crude oil and natural gas production
- NOT record rig count
- NOT record drilling permits
- NOT record completions
- NOT record industry employment

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Extraordinary Increases in Productivity, That's What



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Market Conditions in 2022

- Post-COVID demand growth was outpacing supply growth to meet that demand – prices recovering in 2020 and increasing throughout 2021
- Russian invasion of the Ukraine jeopardizes output from the world's second largest producing country
- Prices spike upward in response

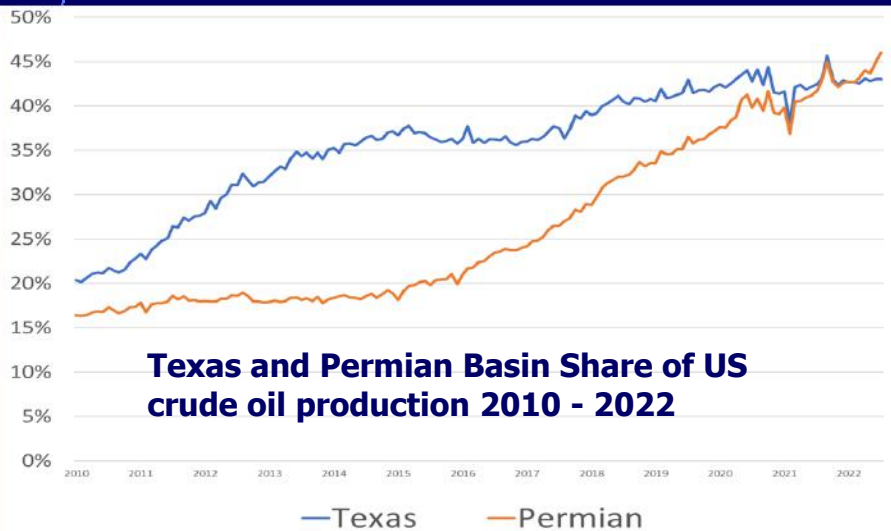
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Near-Term Production Response to 2022 Market Conditions

- Ramp up in the Permian..... -ish
- May extend to other regions in Texas (Eagle Ford)?
- Rest of U.S. slower to respond
- Despite strong market signals, supply chain and U.S. politics remain constraints to oil and gas development

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Our Growing Importance to US Energy Production

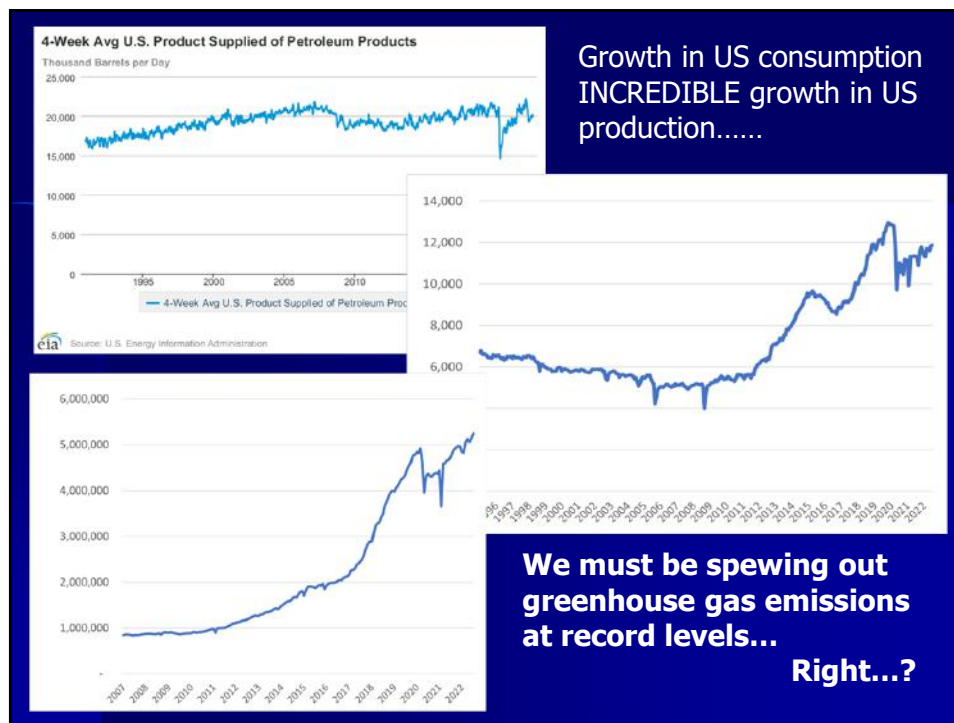


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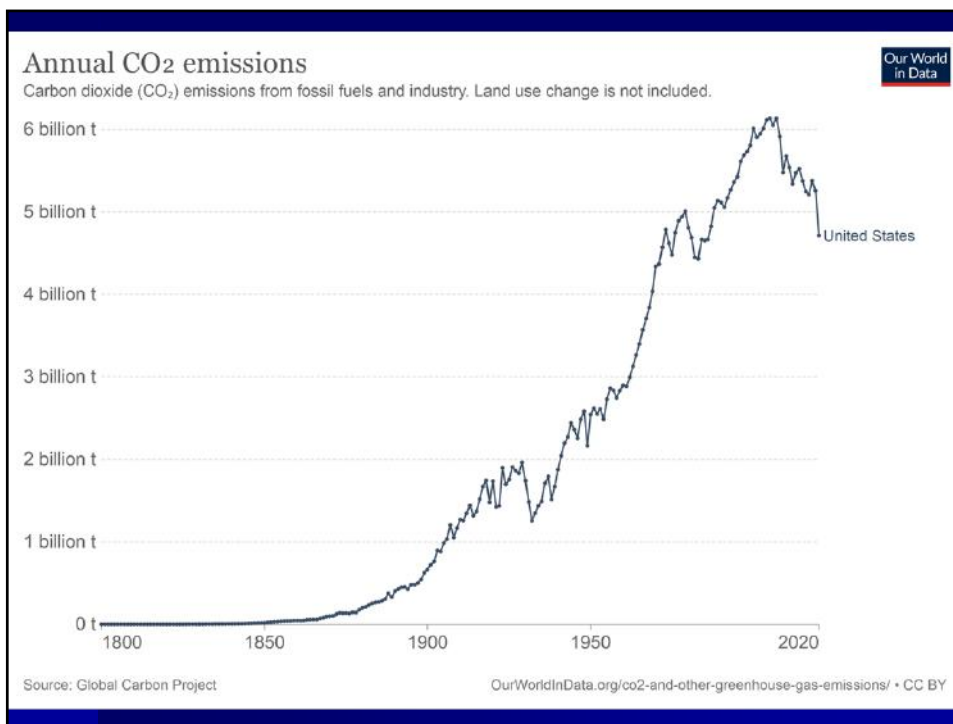
Climate Change Before and After Russian Invasion of Ukraine

- BEFORE -Administration and Congress fully on board with restricting U.S. production of crude oil and natural gas
 - “Build Back Better”, etc.
- AFTER – Don’t believe it – they still are.
 - Despite recent rhetoric appearing to favor additional drilling and production

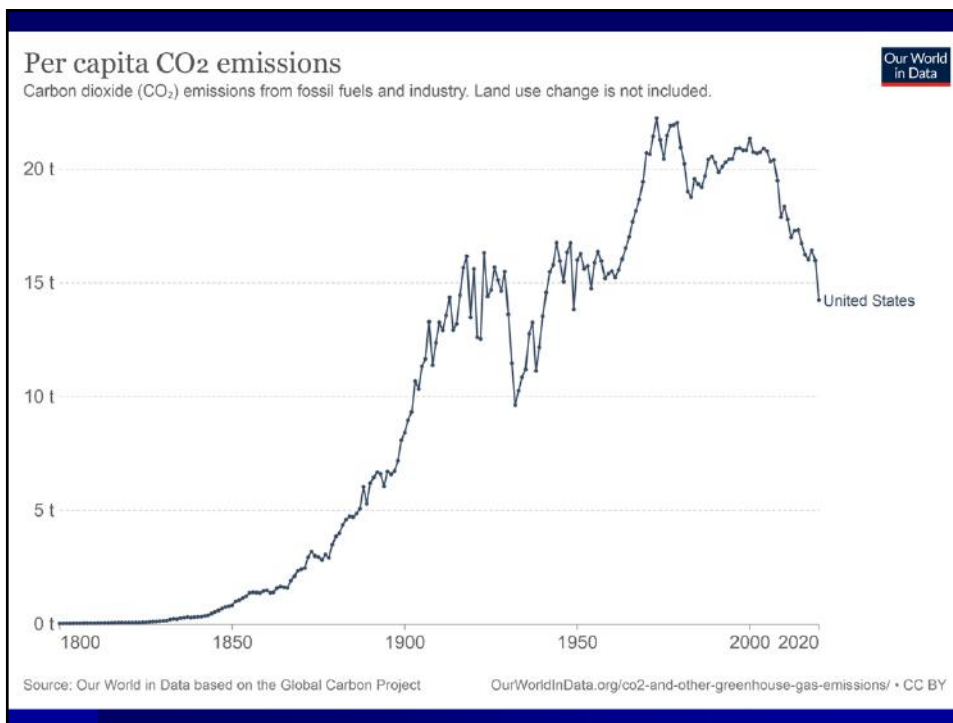
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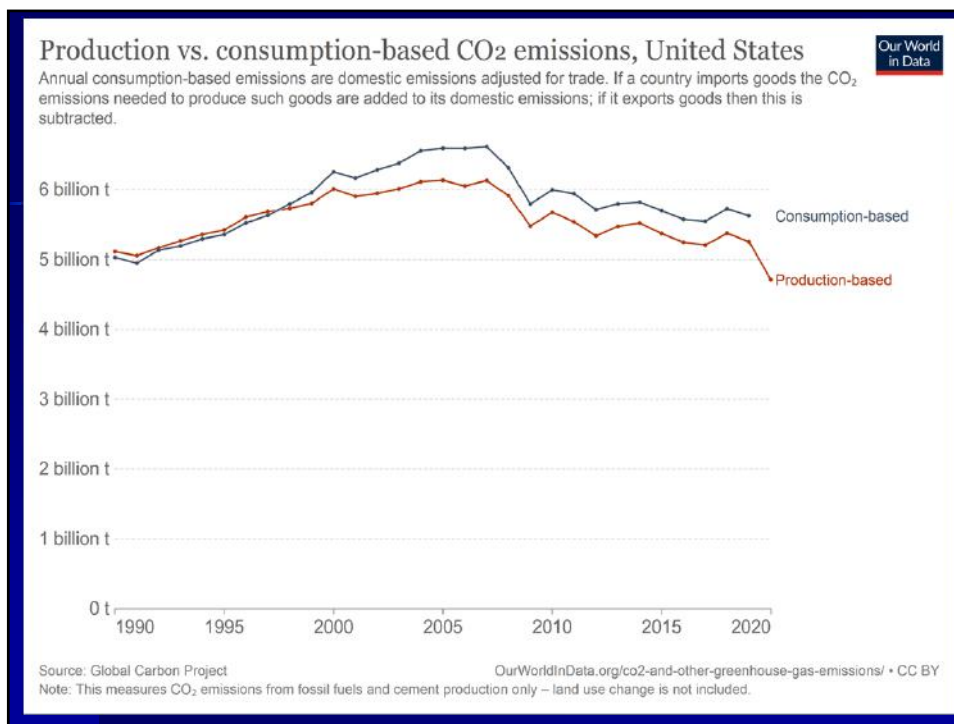
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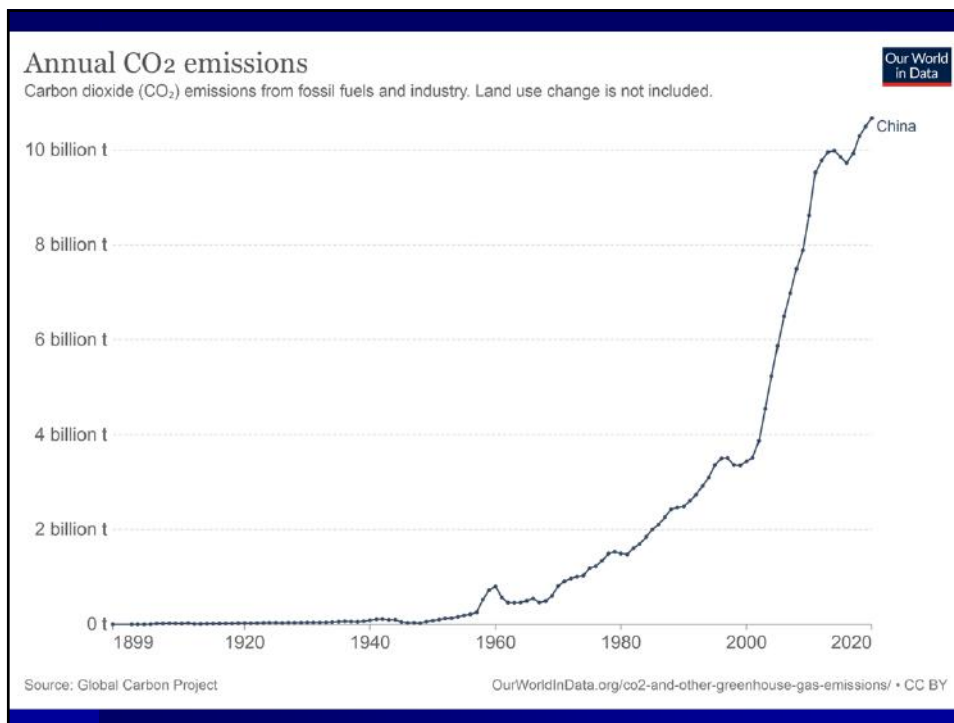
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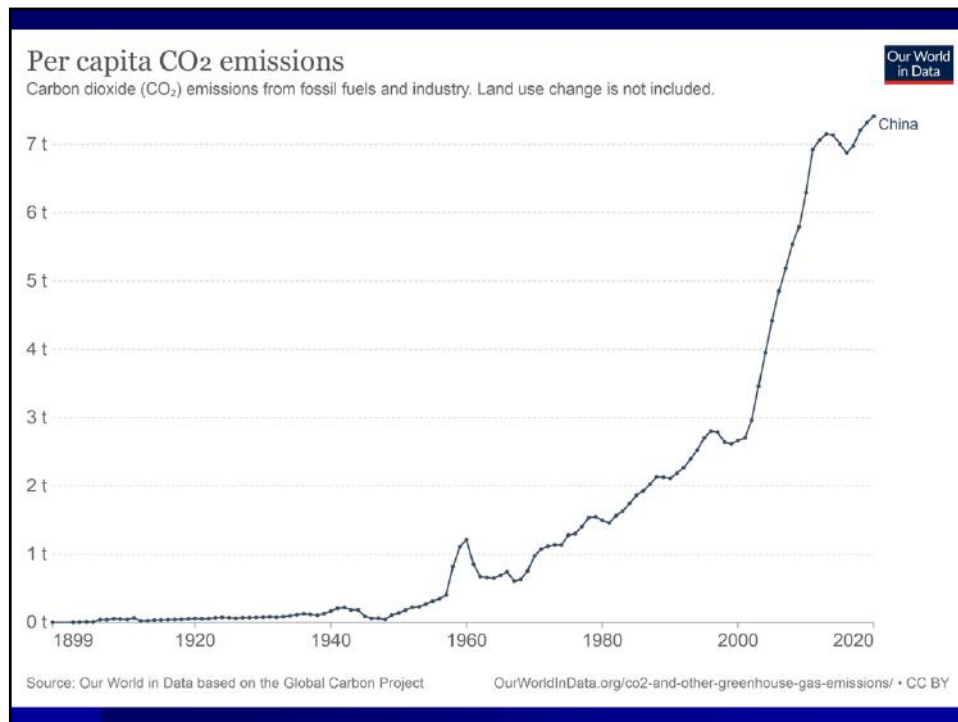
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Best of Both Worlds – YES!

- Inconceivable to most that we can have growing production and consumption of petroleum energy products in the United States with falling greenhouse emissions at the same time.
- And yet, that is exactly what we have enjoyed, even with exploding domestic production in last 12 years

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Let Markets Work - PERIOD

- Patterns of energy production and consumption in the United States **SHOULD NOT** be artificially altered through incentives, restrictions, or any other governmental policy means
- The US energy mix is characterized by artificially high renewables capacity, which will ultimately be to our peril
- US Climate Policy – **DO NOTHING**

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Dangerous Concepts for the US Economy and its Energy Mix

- Forced “energy transition” resulting in artificial energy mix
- Anything goes in the name of climate change
- Severely disrupting the role of innovation in solving problems (climate change included)
- “Duty to produce”

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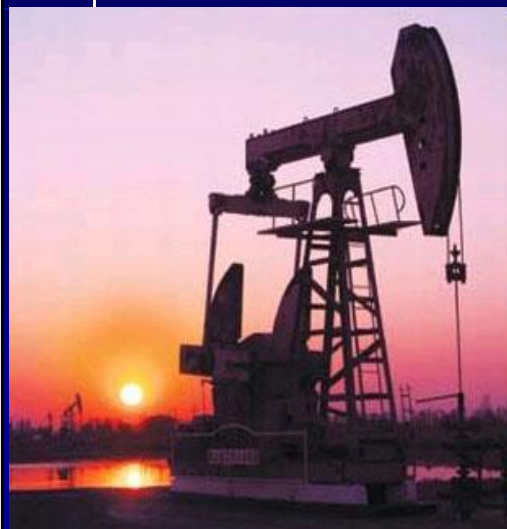
Hallmarks of a strong economy

- Abundant, affordable, reliable energy
- Personal freedom and economic liberty
- Unrestricted consumer choice (climate change, trade, tax policy, etc.)

- By the way, I'm an Austrian....

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