MERCER CAPITAL

BUSINESS VALUATION & FINANCIAL ADVISORY SERVICES

VALUE FOCUS

Exploration & Production

First Quarter 2020 // Region Focus: Eagle Ford

EXECUTIVE SUMMARY

In the first quarter of 2020 oil benchmarks ended arguably their worst quarter in history with a thud. The concurrent overlapping impact of (i) discord created by the OPEC / Russian rift and resulting supply surge; and (ii) the drop in demand due to COVID-19 related issues was historic.

Brent crude prices began the quarter around $67 per barrel and dropped to $50 per barrel by early March before plummeting to $19 per barrel by the end of March. WTI pricing behaved similarly although it continues to trail Brent pricing by a narrowing margin (about $5 per barrel) at the end of the quarter. Natural gas has trended downward but has been more stable in the U.S. as its pricing has become increasingly more regionally tied and relatively less dependent on world oil price drivers.

The first quarter of 2020 provided a lack of positive news for investors in the Eagle Ford and, frankly, other basins as well. The coronavirus impact, along with the Saudi-Russian price war, hindered M&A activity while causing uncertainty in the energy markets. Aside from the global pandemic and OPEC+ conflict, the Eagle Ford is facing challenges relative to the other basins in the U.S. The beneficial infrastructure marketing position that the Eagle Ford has relied on historically has becomes less advantageous, as pipelines from the Permian to the Gulf Coast are ramping up.

If there is any good news to report, it is that no companies of significant size have filed for bankruptcy, but that may not last for much longer.

MERCER CAPITAL

Oil and Gas Industry Services

Mercer Capital provides business valuation and financial advisory services to companies throughout the U.S. in the oil & gas industry.

Services Provided

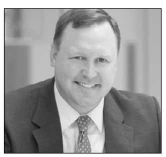
- Valuation of oil & gas companies
- Transaction advisory for acquisitions and divestitures
- Valuations for purchase accounting and impairment testing
- Fairness and solvency opinions
- Litigation support for economic damages and valuation and shareholder disputes

Industry Segments

Mercer Capital serves the following industry segments:

- Exploration & Production
- Oilfield Services
- Midstream
- Refining & Marketing

Contact Us



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In This Issue

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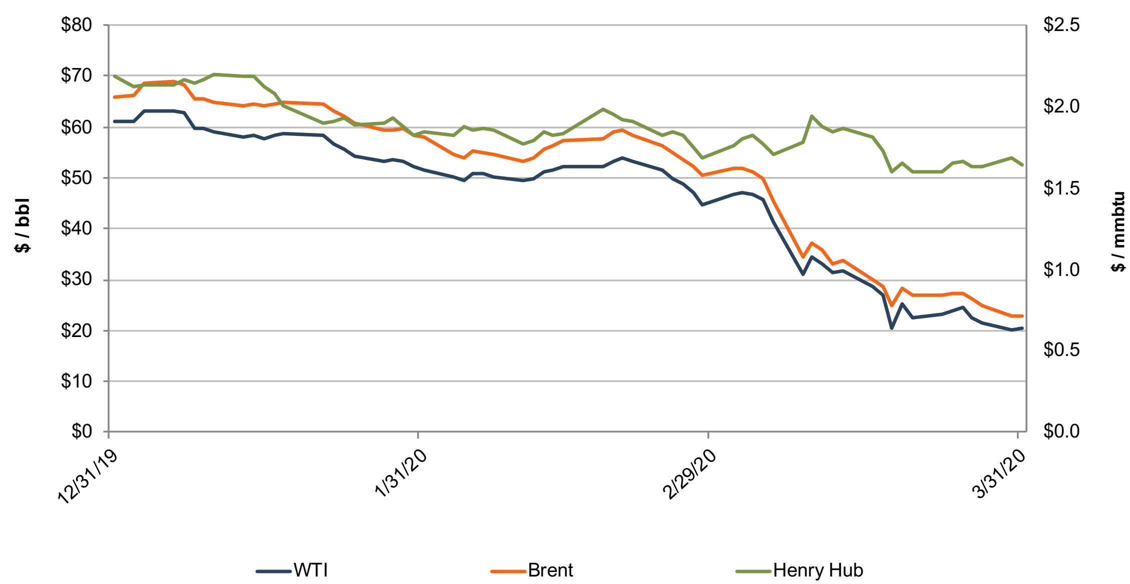
Oil and Gas Commodity Prices

Crude prices started the year above $60 per barrel before descending at a rapid rate, with WTI closing the first quarter slightly above $20 per barrel. Brent crude prices followed a similar path and fell just shy of the $23 per barrel mark at the end of the quarter. The spread between WTI and Brent averaged roughly $5 per barrel throughout the three-month period. Natural gas prices started the year a few cents above $2/mmbtu and experienced a steady decline to $1.64/mmbtu at the end of the quarter.

Crude Oil and Natural Gas Prices



Source: Bloomberg

Macro Update

Global Economics: OPEC+ and COVID-19

On March 5th OPEC and its allies (often referred to as OPEC+) held a meeting in Vienna. The result of that meeting was **no agreement** on additional production cuts beyond the end of March 2020. This was unexpected and immediately pushed prices downward about 10%. In the meantime, the **COVID-19 outbreak** continued to escalate. **Worldwide measures** have been put in place to combat the spread of the virus, such as quarantines, shut-ins, social distancing, and other actions. As a result, economic activity has slowed to a crawl in a matter of weeks. This has led to worldwide demand destruction for oil which led to the collapse of oil prices. Impacts and ripple effects abound, however, many of them are yet to be easily observed.

Nearly all prior market demand estimations from organizations such as the IEA, EIA, research institutions, and investment banks have been upended. As of the end of Q1, worldwide consumption **decline in 2020** is now very likely. New and revised estimations are still being developed as this has taken the **market by surprise.**

Logistical Consequences: Physical Markets and Force Majeure

One of the clear indicators that this situation is not simply a supply glut is that refinery margins and oil prices declined simultaneously. A dynamic such as this demonstrates demand decline. Another factor to consider is since COVID-19 originated in China, and China is a demand marker for oil and refined products, how was demand impacted there? In February, Chinese oil demand dropped by about **3 million barrels per day** out of about 13 million barrels per day – a 20% drop.

This turn of events leads to some potential temporary logistical issues such as tanker demand and ultimately shut-ins if the price doesn't move upwards soon. Storage capacity is very limited in most exporting nations, perhaps two to three months of storage ability at this pace, so there are not many places the excess supply can go. Therefore, producers may have to consider and analyze whether the cost to shut down is less than the cost to produce. Canadian oilsands may be one of the first to start this potential trend. However, even the lowest cost producer, Saudi Arabia, was **struggling to find buyers** for its excess supply by the end of March. This excess supply battle between Russia and Saudi Arabia will play out prominently in Europe, where Russia could possibly lose hundreds of thousands of barrels a day of production.

Macro Update

Logistical Consequences: Physical Markets and Force Majeure (cont.)

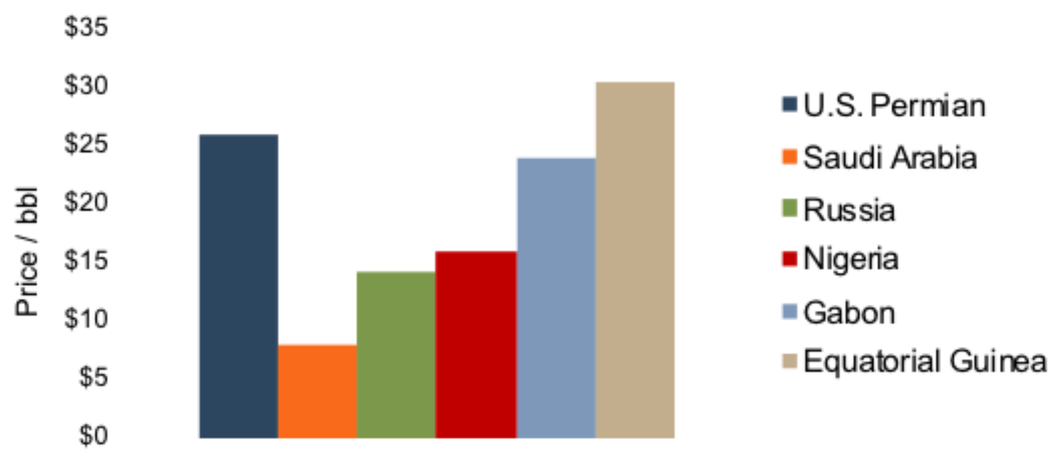
Additionally, back in January, the International Maritime Organization (IMO) began enacting the Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL Convention), which lowers the maximum sulfur content of marine fuel oil used in ocean-going vessels from 3.5% to 0.5%. The implementation of MARPOL will see the **marine fuels landscape** change significantly as over 95% of the current market will be displaced. This disruption was already happening beforehand, impacting tanker supply and market share for liquids.

On the gas front, LNG import deliveries have been suffering from oversupply and a warm winter. There is no "gas-OPEC" to proffer a supply agreement either. China's CNOOC has **declared force majeure** to turn away LNG shipments, even though China reached an accord with the U.S. to reduce tariffs on LNG imported from the U.S.

U.S. Production Headed Towards Decline

In September 2019, the U.S. became a net petroleum exporter, marking the **first net export month ever** since monthly records began in 1973. This may change soon. Capital expenditures for exploration and production companies immediately fell hard. Rystad expects this to drop by as much as **$100 billion worldwide,** the most in at least 13 years. With the steep decline curves of existing U.S. shale wells, production should drop in a matter of months.

Crude Oil and Natural Gas Prices



Source: Dallas Fed Energy Survey, Reuters, Seeking Alpha

Macro Update

U.S. Production Headed Towards Decline (cont.)

In addition to the investment decline, another historic thing happened in March. The Texas Railroad Commission **began engaging** with Russian Energy Minister, Alexander Novak about trimming oil output. This kind of thing hasn't happened in Texas or the U.S. since the 1970's. However, this is necessary for the U.S. Production costs for oil in the U.S., particularly shale oil, are higher than either Russia or Saudi Arabia. The upstream industry's existing well base in the U.S. are underwater at low 20's per barrel pricing. That was happening at the end of March.

However, even though Russia and Saudi Arabia can operate existing wells in this environment, it does not mean that this is sustainable for very long. No one knows how long this price war will last. That said, even a few months of this pricing environment could create chaos for the U.S. energy sector. It had already severely impacted stock prices and demonstrated even day-to-day volatility in public markets.

U.S. – Stimulus Bill: CARES Act

In March, the President indicated that the U.S. government may become a material buyer for about 30 million barrels of U.S. produced oil in order to fill the strategic petroleum reserve. However, the **funding was not authorized** by Congress in the CARES Act. Congressional Republicans pushed for it, but Democrats did not want to include a "bailout for big oil." This could hasten bankruptcy acceleration for leveraged energy companies. However, since this is a global event and potentially temporary, banks may table defaults and foreclosures and instead better collateralize their exposures and add more commodity price hedges according to an analyst call by UBS.

Interest Rates

The U.S. Federal Reserve cut interest rates twice in the month of March. **On March 3,** the Fed made an emergency decision to cut interest rates by 0.5% in response to the foreseeable economic slowdown due to the spread of the coronavirus. This cut was anticipated and largely shrugged off by the markets as interest rates continued their precipitous decline.

Benchmark rates were **again cut on March 15 by a full percent to near zero**. The central bank also stated that it would increase bond holdings by $700 billion on the same day. These rate cuts however failed to tame oil and gas markets as **Brent fell by 10% and U.S. crude fell below $30.** Lower interest rates and new bond repurchasing programs are ineffective in a weak demand environment, and prices continued to plummet through the remainder of the month.

Macro Update

Short Term Outlook

The EIA expressed the heightened level of uncertainty in their **latest release** due to the evolving impact of the coronavirus and the OPEC+ deal implications. The EIA forecasts that the U.S. will return to being a net importer of crude oil and petroleum products in the third quarter of 2020. On the petroleum product side, the EIA projects net exports being the lowest in the third quarter of 2020 because of U.S. refinery runs expecting to decline. The EIA expects that the largest impacts of decreased U.S. liquid fuels demand will occur in the second quarter of 2020 as a result of travel restrictions and significant disruptions to business and economic activity.

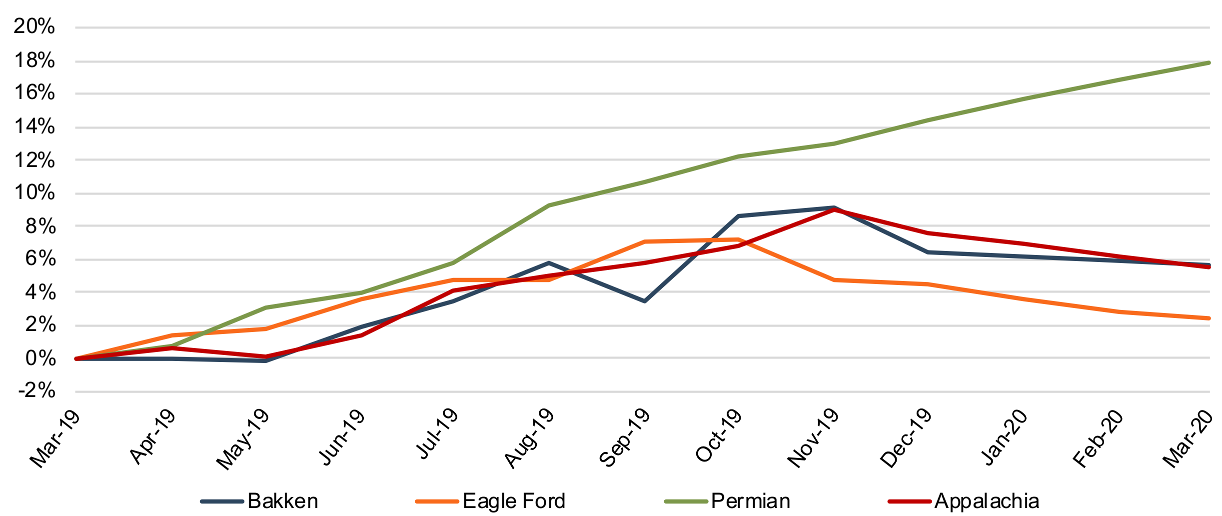
Eagle Ford

Production and Activity Levels

The economics of oil and gas production varies by region. Mercer Capital focuses on trends in the Eagle Ford, Permian, Bakken, and Marcellus and Utica plays. The cost of producing oil and gas depends on the geological makeup of the reserve, depth of reserve, and cost to transport the raw crude to market. We can observe different costs in different regions depending on these factors. This quarter we take a closer look at the Eagle Ford.

Eagle Ford production grew approximately 2% year-over-year through March, lagging behind the Permian (18%), Bakken (6%) and Appalachia (5%). This is driven, in part, by the maturity of the Eagle Ford play relative to other areas, as well as the Eagle Ford's relatively high proportion of gas production.

1-Year Change in Production



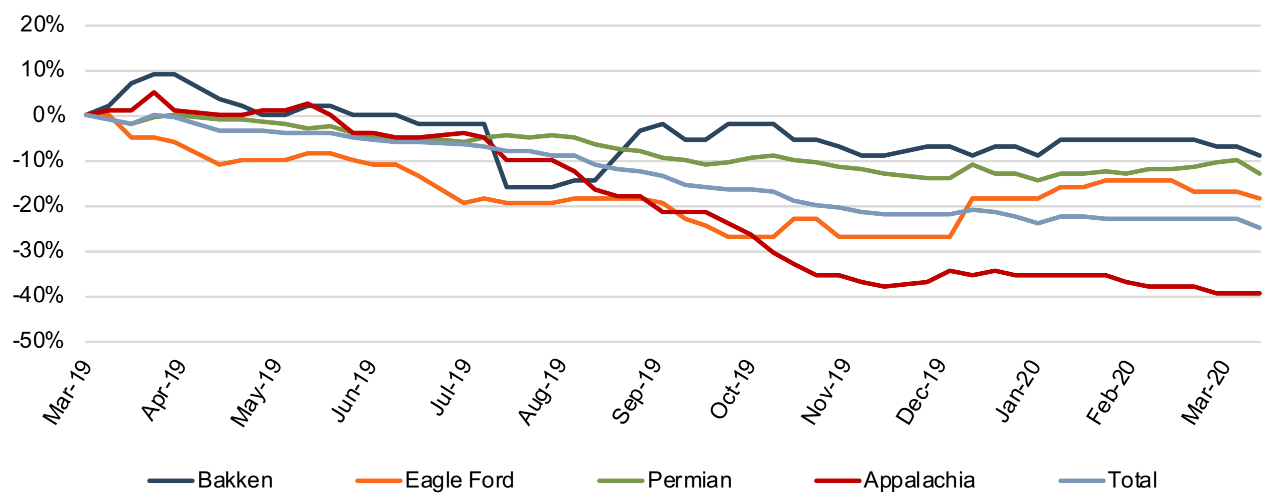
Source: Energy Information Administration

Eagle Ford

Production and Activity Levels (cont.)

The rig count in the Eagle Ford at March 20th stood at 67, down 18% from the prior year. This decline is more severe than reductions seen in the Bakken and Permian, though better than Appalachia and the overall US rig count. The Eagle Ford's rig count has also seen a strong bounce back from November's lows. However, rig counts are a lagging indicator, so the count might fall further in light of recent commodity price declines.

1-Year Change in Rig Count



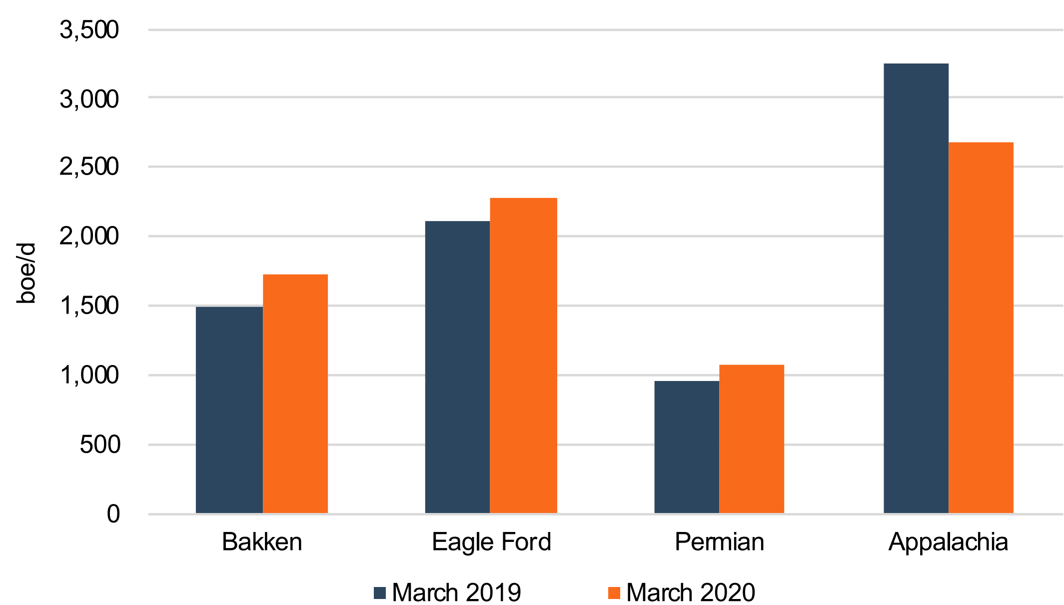
Source: Baker Hughes

Eagle Ford

Production and Activity Levels (cont.)

The Eagle Ford is also seeing gains in new-well production per rig. While this metric doesn't cover the full life cycle of a well, it is a signal of the increasing efficiency of operators in the area. New-well production per rig in the Eagle Ford increased 8% on a year-over-year basis through March, compared to increases of 15%, 13%, and -18% in the Bakken, Permian, and Appalachia, respectively.

New-Well Production per Rig



Source: Energy Information Administration

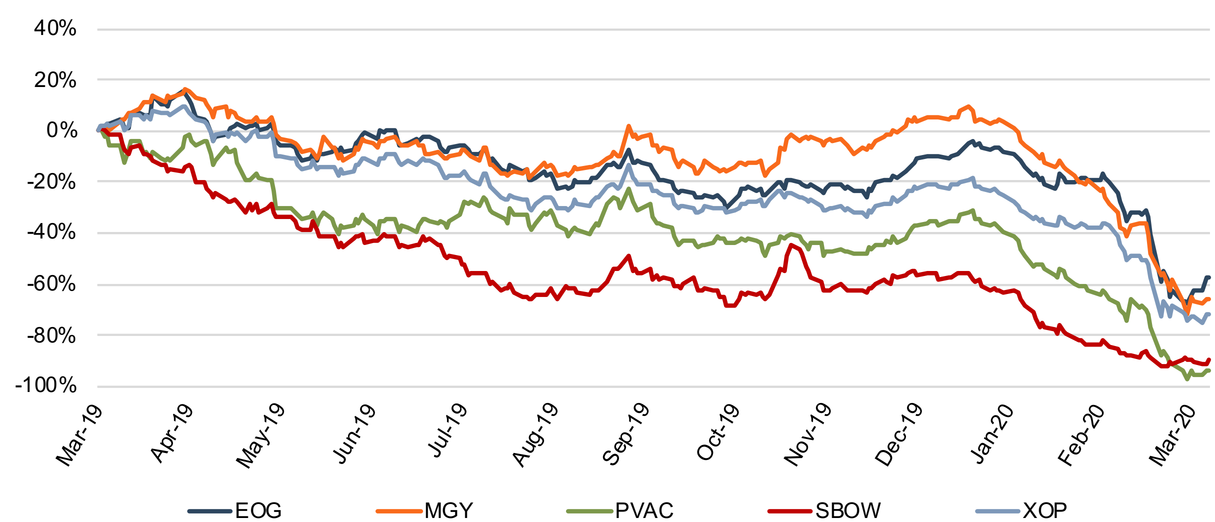
Eagle Ford

Financial Performance

All Eagle Ford E&P operators analyzed have had year-over-year stock price declines. EOG and Magnolia outperformed the broader E&P universe (XOP), though Penn Virginia and Silverbow are both down more than 90%.

Despite this financial performance, no Eagle Ford operators have filed for bankruptcy in the immediate wake of the price downturn. However, the commodity price environment has impacted the restructuring processes for Eagle Ford operators that entered bankruptcy in 2019. According to bankruptcy proceedings, Sanchez Energy **may not be able to repay** its debtor-in-possession (DIP) loan, which would result in no recovery for any legacy creditors. EP Energy **announced in early March** that its restructuring plan had been approved by the bankruptcy court. However, the **deal was called off** later in the month as lenders for the company's exit financing pulled their support.

1-Year Change in Stock Price



Source: Capital IQ

Eagle Ford

Infrastructure

One of the Eagle Ford's key advantages is its proximity to Gulf Coast refineries and export infrastructure. However, that benefit is eroding as demand for refined products is tanking (though **storage costs are surging**) and some importers are seeking to invoke **force majeure clauses** to reject LNG shipments.

This also comes at a time when new pipelines are coming into service to carry Permian production to the Gulf Coast. The EPIC crude pipeline **entered service in February,** carrying oil volumes from Orla, Texas, to Corpus Christi. In September 2019, Kinder Morgan's **Gulf Coast Express was placed** in service, transporting natural gas from the Permian to Agua Dulce (just southwest of Corpus Christi). Early next year, Kinder Morgan's **Permian Highway natural gas pipeline is expected to come online**, carrying volumes from the Permian's Waha hub to the Gulf Coast. While this infrastructure build-out is helping make energy markets more efficient, it is diminishing the Eagle Ford's previous marketing advantages.

Commodity prices are putting immense strain on E&P companies, and there is little relief in sight. The Eagle Ford's maturity means that many of the lowest-cost, highest-return locations have already been drilled. The basin's marketing advantages are eroding as new pipeline infrastructure transports surging Permian volumes to the Gulf Coast. With two Eagle Ford operators already in bankruptcy (Sanchez and EP Energy) and unable to exit, we'll see if anyone joins them over the next twelve months.

Market Valuations & Transaction History

Steady Transaction Activity Restrained by Unforeseeable Circumstances

Over the last year, deal activity in the Eagle Ford Shale was relatively steady, picking up towards the end of 2019 and carrying into early 2020. The recent uncertainty caused by the coronavirus pandemic and the Saudi-Russian oil production level conflict has, however, hindered M&A activity in the region, and frankly everywhere else. WTI closed below **$23/bbl** on March 18 with futures prices indicating a depressed price environment persisting for the near term. Although deal count has decreased as of late, the M&A landscape has the potential to ramp up as some companies will need to sell assets in order to bolster their balance sheets amid the challenging commodity price environment, though wide "bid/ask" spreads between buyers and sellers may be difficult to overcome. A table detailing E&P transaction activity in the Eagle Ford over the last twelve months is shown below. **Relative to 2018**, deal count decreased by six and average deal size declined by roughly $650 million.

Transactions in the Eagle Ford

Announced Date	Buyer	Seller	Deal Value ($MM)	$ / Acre	$ / Boepd
2/26/20	Undisclosed Buyer	Lonestar Resources Ltd.	na	nm	nm
1/9/20	Kimbell Royalty Partners LP	Springbok Energy	175	nm	69,088
11/12/19	Ironwood Midstream Energy Partners II, LLC	Twin Eagle	na	nm	nm
11/12/19	Kimbell Royalty Partners LP	Buckhorn Resources	36	422	134,444
11/8/19	Starwood Energy Group Global LLC	Third Coast Midstream	na	nm	nm
11/7/19	Repsol S.A.	Equinor	325	7,476	18,103
11/7/19	Marathon Oil Corp.	Rocky Creek Resources, LLC	185	10,278	26,429
10/3/19	Undisclosed Buyer	Abraxas Petroleum Corp.	8	nm	25,484
8/1/19	CP Energy Services	Spartan Energy Services	na	nm	nm
7/22/19	Bayshore Energy TX LLC	Sundance Energy Inc.	30	4,836	28,069
7/15/19	Callon Petroleum Co.	Carrizo Oil & Gas Inc.	3,200	26,122	nm
5/7/19	Ensign Natural Resources LLC	Pioneer Natural Resources	475	8,051	32,986
Median			**$180**	**$7,764**	**$28,069**
Average			**$554**	**$9,531**	**$47,800**

Source: Shale Experts

Market Valuations & Transaction History
(cont.)

Ensign Natural Resources Entering, Pioneer Natural Resources Existing

Ensign Natural Resources made its **first acquisition** as a company in May of 2019, acquiring Eagle Ford acreage from Pioneer Natural Resources. Brett Pennington, President and CEO of Ensign, explained that the assets included meaningful production and attractive drilling inventory. Pioneer on the other hand, was ready to become a **pure-play** Permian operator. In total, Pioneer has sold approximately **$1 billion** of assets located outside the Permian Basin. Pioneer seemed to make it clear that they are throwing all of their eggs in one basket.

Callon Petroleum Expanding their Footprint

The biggest deal, in terms of dollars, was Callon Petroleum's acquisition of Carrizo Oil & Gas. Callon, a Permian Basin focused company, expanded its position in the Permian and entered the Eagle Ford with the acquired acreage. The deal terms had to be revised after significant investor pushback. The **amended agreement** stated that Callon shareholders would own approximately 58% (up from 54% initially) of the combined company and Carrizo shareholders will own approximately 42% (down from 46% initially).

It should be noted that this deal is not pure Eagle Ford shale. Carrizo's **asset details** included 76,500 acres in the Eagle Ford with roughly 600 undrilled locations and 46,000 acres in the Delaware Basin with about 1,400 undrilled locations. The **combined assets** will include 120,000 net acres in the Permian and 80,000 net acres in the Eagle Ford. The core positions in the Permian and Eagle Ford plan to produce over 100,000 boe/d of pro forma production.

Joe Gatto, president and CEO of Callon, explained his vision of the larger company, which is to employ a more efficient scaled development model that aims to drive a **lower cost of supply.** The multibillion-dollar merger officially closed in December of 2019, and now seems like unfortunate timing due to the current price environment.

Market Valuations & Transaction History
(cont.)

Repsol S.A. Picking Up Where Equinor Left Off

Equinor, a Norway based petroleum refining company, agreed to sell its Eagle Ford assets to Repsol for $325 million at the end of 2019. The agreement gives Repsol, a Spain headquartered oil & gas company, 100% control of the asset while making them the operator.

In 2017, Equinor took a **$850 million impairment** on the asset due to lower than expected output. In 2018, Equinor also released that part of their acreage lies on areas with **high water stress variables.** Repsol expressed that the acquisition will give their producing assets portfolio a boost while taking advantage of operating synergies and efficiencies. The acquisition is also aligned with Repsol's intentions to **expand in North America**. The deal plans to increase total production for Repsol in the Eagle Ford to approximately **54,000 boe/d.**

M&A transaction activity in Eagle Ford was fairly consistent throughout 2019, as companies focused on acquiring valuable acreage with production potential. However, no one can ignore the tough current conditions in the energy industry. Acquisitions that closed at the end of last year seem like the least of worries, as companies are simply trying to avoid **bankruptcy**. If conditions allow only the strongest to survive, it could lead to an increase in transaction activity ahead.

Appendix A

Selected Public Company Information

Mercer Capital tracks the performance of Exploration and Production companies across different mineral reserves in order to understand how the current pricing environment affects operators in each region. We created an index of seven groups to better understand performance trends across reserves and the industry. The current pricing multiples of each company in the index are summarized below.

					as of March 31, 2020		
Company Name	Ticker	3/31/2020 Enterprise Value	YoY % Change in Stock Price	EBITDAX Margin	EV/ EBITDAX	Daily Production (mboe/d)	Price per Flowing Barrel*
Global Integrated							
Exxon Mobil Corp	XOM	$217,508	-50.60%	13.0%	6.5x	3,909	$55,638
Royal Dutch Shell PLC	RDS/A	$215,190	-40.50%	15.7%	4.0x	3,708	$58,040
Chevron Corp	CVX	$162,280	-38.69%	23.3%	5.0x	3,083	$52,644
BP PLC	BP	$139,124	-40.53%	9.7%	5.1x	3,596	$38,691
Equinor ASA	EQNR	$55,143	-41.34%	33.0%	2.7x	2,188	$25,198
Group Median			**-40.53%**	**15.7%**	**5.0x**	**3,596**	**$52,644**
Global E&P							
Marathon Oil Corp	MRO	$7,469	-79.99%	62.0%	2.3x	410	$18,229
Hess Corp	HES	$17,525	-43.60%	51.7%	5.2x	335	$52,320
ConocoPhillips	COP	$40,947	-52.70%	48.5%	2.6x	1,249	$32,788
Occidental Petroleum Corp	OXY	$57,846	-80.98%	34.4%	8.2x	1,332	$43,442
Noble Energy Inc	NBL	$11,272	-75.02%	27.2%	9.3x	388	$29,017
Apache Corp	APA	$12,038	-87.49%	17.9%	10.5x	454	$26,543
Murphy Oil Corp	MUR	$4,386	-78.13%	86.3%	1.9x	194	$22,581
Group Median			**-78.13%**	**48.5%**	**5.2x**	**410**	**$29,017**

Source: Bloomberg L.P.

- Price per Flowing Barrel is EV/daily production ($/boe/d)
- We review 10-K's and annual reports from guideline companies to ensure companies continue to operate in the regions and groups we have identified.

Appendix A

Selected Public Company Information

Company Name	Ticker	3/31/2020 Enterprise Value	YoY % Change in Stock Price	EBITDAX Margin	EV/ EBITDAX	Daily Production (mboe/d)	Price per Flowing Barrel*
					as of March 31, 2020		
North American E&P							
Devon Energy Corp	DVN	$5,855	-77.62%	27.6%	2.8x	332	$17,647
QEP Resources Inc	QEP	$1,993	-95.62%	59.2%	2.9x	87	$22,964
WPX Energy Inc	WPX	$3,956	-76.74%	50.9%	3.2x	237	$16,686
Chesapeake Energy Corp	CHK	$11,501	-94.43%	26.8%	5.0x	449	$25,592
Group Median			**-86.03%**	**39.2%**	**3.0x**	**284**	**$20,306**
Bakken							
Continental Resources Inc/OK	CLR	$8,452	-82.88%	71.4%	2.6x	338	$24,983
Whiting Petroleum Corp	WLL	$2,913	-97.44%	60.4%	3.0x	112	$25,913
Oasis Petroleum Inc	OAS	$3,032	-94.21%	47.2%	3.1x	83	$36,737
Group Median			**-94.21%**	**60.4%**	**3.0x**	**112**	**$25,913**

Source: Bloomberg L.P.

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				as of March 31, 2020			
Appalachia							
Range Resources Corp	RRC	$3,822	-79.47%	-11.7%	nm	381	$10,021
EQT Corp	EQT	$7,153	-65.49%	11.5%	15.3x	672	$10,650
Cabot Oil & Gas Corp	COG	$7,907	-32.77%	67.4%	5.7x	400	$19,771
Antero Resources Corp	AR	$6,852	-91.93%	18.7%	8.6x	578	$11,860
Gulfport Energy Corp	GPOR	$2,058	-94.46%	-29.2%	nm	192	$10,726
Southwestern Energy Co	SWN	$3,304	-63.97%	28.5%	3.7x	383	$8,626
Group Median			**-72.48%**	**15.1%**	**7.1x**	**391**	**$10,688**
Permian Basin							
Concho Resources Inc	CXO	$12,348	-61.09%	44.1%	6.2x	329	$37,479
Parsley Energy Inc	PE	$4,661	-70.07%	77.2%	3.2x	195	$23,902
Diamondback Energy Inc	FANG	$11,067	-73.88%	55.7%	4.9x	299	$37,020
Centennial Resource Development Inc/DE	CDEV	$1,154	-97.01%	69.6%	1.8x	72	$16,123
Callon Petroleum Co	CPE	$3,544	-92.74%	67.8%	7.8x	110	$32,365
Laredo Petroleum Inc	LPI	$1,252	-87.71%	0.9%	171.1x	82	$15,274
Pioneer Natural Resources Co	PXD	$14,161	-53.27%	28.6%	5.1x	364	$38,892
Cimarex Energy Co	XEC	$3,948	-75.51%	30.5%	5.5x	272	$14,521
Group Median			**-74.69%**	**49.9%**	**5.3x**	**233**	**$28,133**

Source: Bloomberg L.P.

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Eagle Ford							
EOG Resources Inc	EOG	$24,854	-61.77%	48.8%	3.0x	859	$28,936
Magnolia Oil & Gas Corp	MGY	$1,228	-66.67%	72.8%	1.8x	67	$18,364
SilverBow Resources Inc	SBOW	$510	-89.26%	70.8%	2.5x	35	$14,645
Penn Virginia Corp	PVAC	$597	-92.99%	74.3%	1.7x	25	$23,617
Group Median			**-77.96%**	**71.8%**	**2.2x**	**51**	**$20,990**
OVERALL MEDIAN			**-76.74%**	**44.1%**	**4.0x**	**338**	**$24,983**

Source: Bloomberg L.P.

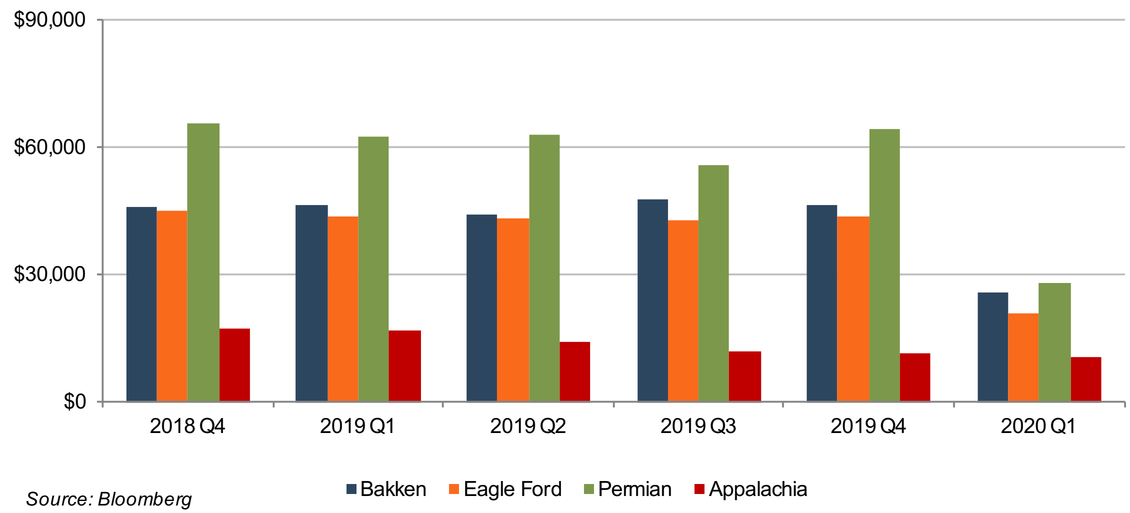
- Price per Flowing Barrel is EV/daily production ($/boe/d)
- We review 10-K's and annual reports from guideline companies to ensure companies continue to operate in the regions and groups we have identified.

Appendix A

Selected Public Company Information

The following graph depicts the median of EV/production multiples, also known as price per flowing barrel, at the end of the past six quarters. As has been the case for some time now, operators in the Permian continue to lead the other regions in terms of valuation, although this margin is decreasing. The Permian saw a decrease (56%) in its price per flowing barrel in the fourth quarter. The Eagle Ford, Appalachia, and Bakken saw decreases of 52%, 9%, and 44%, respectively. Low commodity prices have negatively impacted operators regardless of region, as all four basins have seen a decline in price per flowing barrel in the range of 39% to 57% since Q4 2018.

Price per Flowing Barrel



Source: Bloomberg

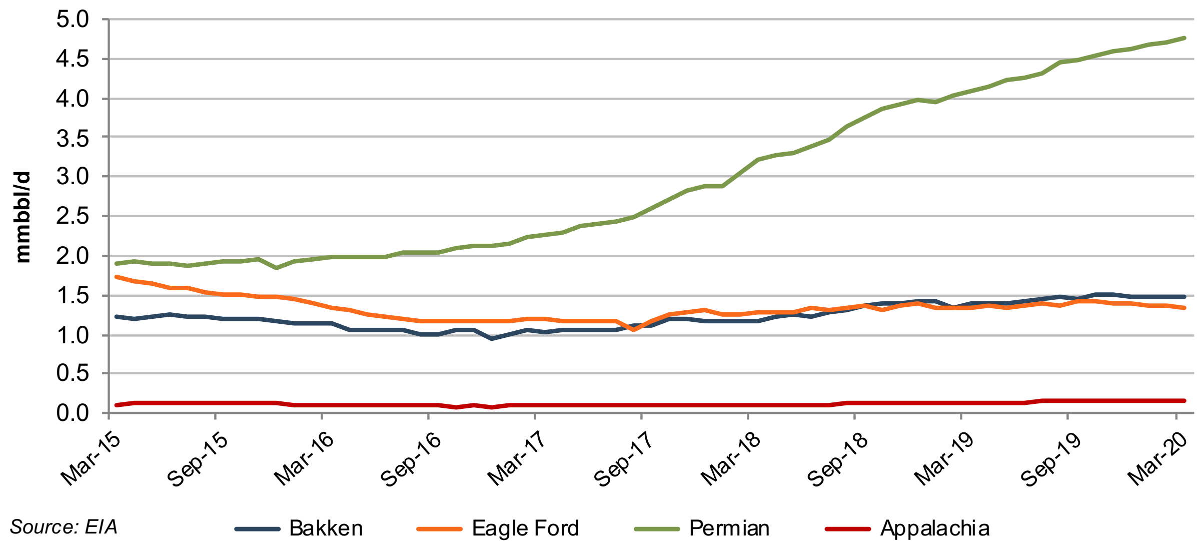
- Price per Flowing Barrel is EV/ daily production ($/boe/d)
- This is simply a graphic depiction of median figures of our selected public companies for each region. This should be interpreted solely in the context of relative valuation between the various basins over time. Bloomberg aggregates this raw data, and Mercer Capital does not represent or warrant these figures as indicative of valuation multiples attributable to E&P companies or other interests.

Appendix B

Production

Despite being far from a focal point, Appalachia crude production increased 21.4% over the past year. Permian crude oil production increased 16.2% despite its significant size as it continues to dominate other basins. On the other hand, the Eagle Ford experienced mild production growth of 0.95% over the year along with the Bakken with an increase of 4.8%.

Daily Production of Crude Oil



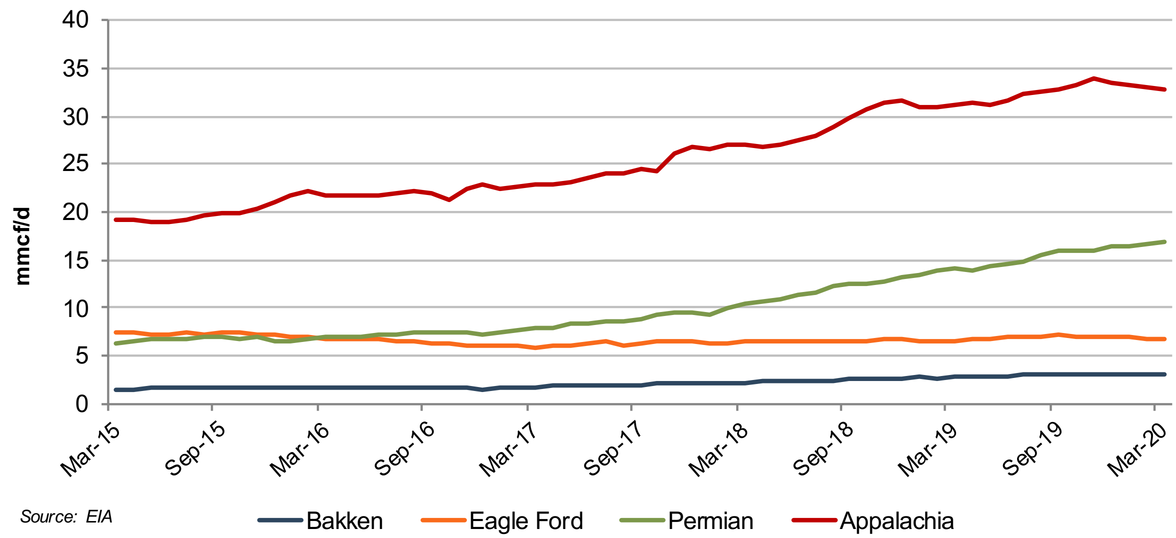
Source: EIA

Appendix B

Production

Natural gas production in the Appalachia has increased 5.1% over the last year, whereas Permian production has grown 20.1% in the same time frame. Growth in the Eagle Ford and in the Bakken increased 8.2% year over year. Growth in the last six months was dominated by the Permian at 6.2%, whereas all of the other basins experienced negative growth.

Daily Production of Natural Gas



Source: EIA

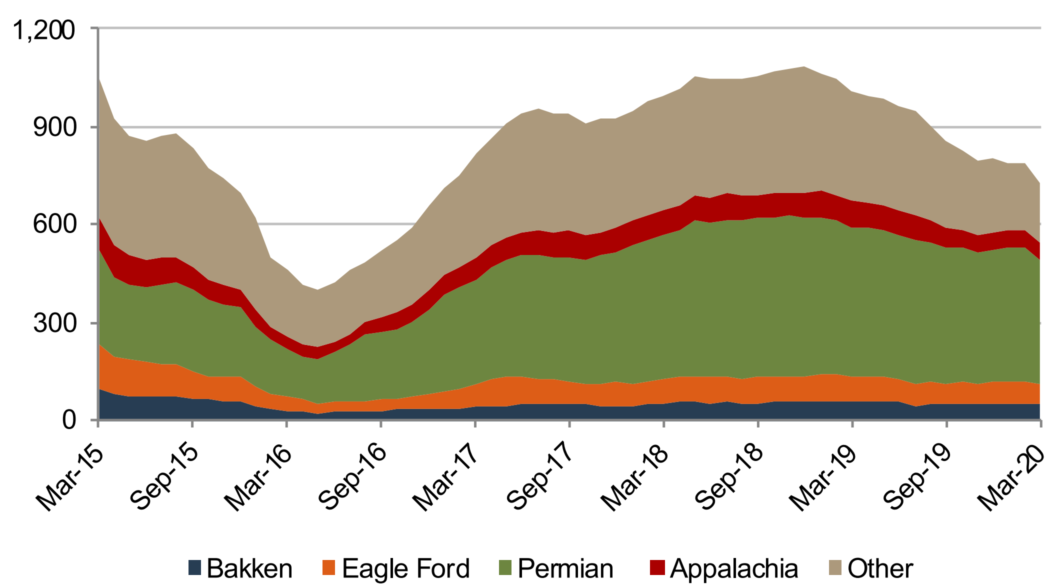
Appendix B

Rig Count

Baker Hughes collects and publishes information regarding active drilling rigs in the United States and internationally. The number of active rigs is a key indicator of demand for oilfield services & equipment. Factors influencing rig counts include energy prices, investment climate, technological changes, regulatory activity, weather, and seasonality.

The number of active rigs in the United States as of March 31, 2020 stood at 624, a 7.8% decrease from December 31, 2019, and a 23.5% decline from March 2019. The rig count in the Eagle Ford decreased from 69 to 60 rigs in over the last year as E&P operators focused on not overrunning their capex budgets to appease investors.

Rig Count by Region

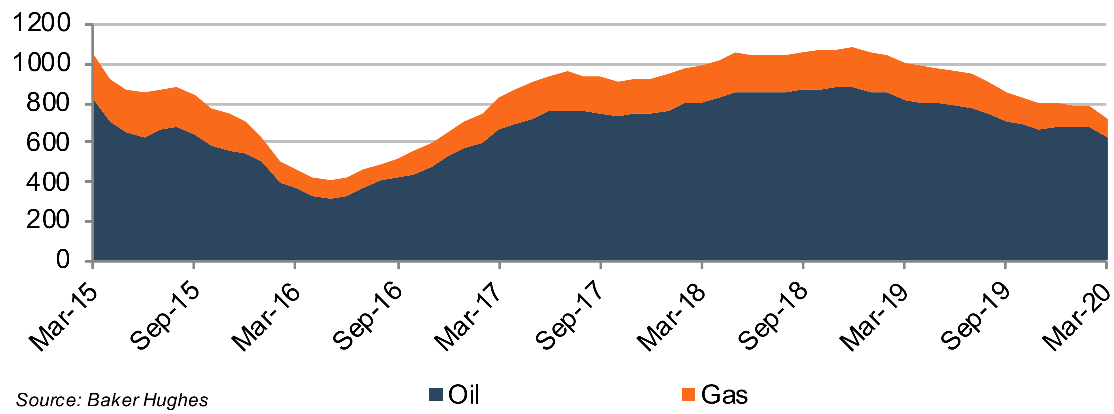


Source: Baker Hughes

Appendix B

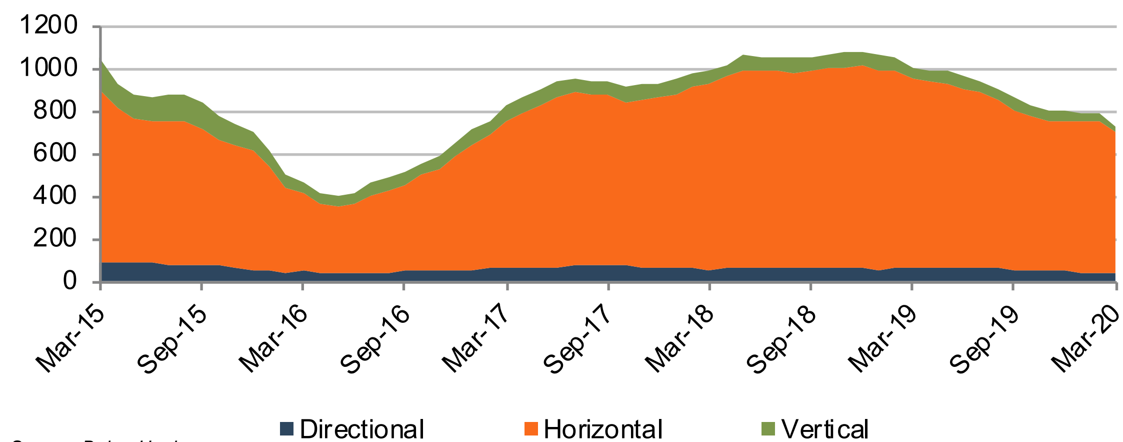
Rig Count

U.S. Rig Count by Oil vs. Natural Gas



Source: Baker Hughes

U.S. Rig Count by Trajectory



Source: Baker Hughes

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