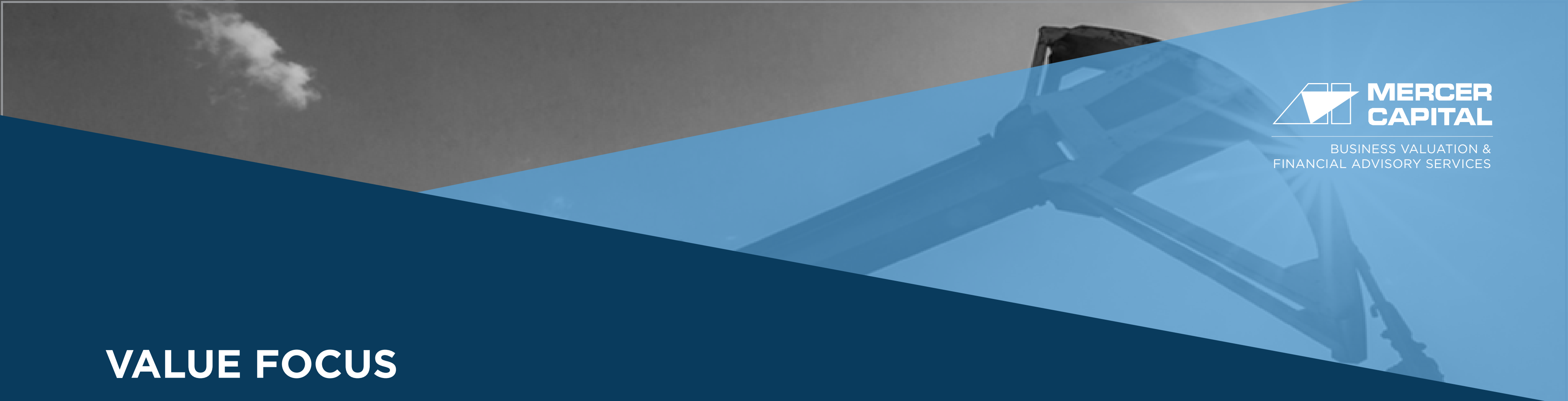
MERCER CAPITAL

BUSINESS VALUATION & FINANCIAL ADVISORY SERVICES



VALUE FOCUS

Exploration & Production

Second Quarter 2024 // Region Focus: Permian

EXECUTIVE SUMMARY

Permian production growth over the past year was a positive outlier among the four basins covered in our analysis, with Eagle Ford, Appalachia, and Haynesville all posting production declines (albeit Appalachia's decline being insignificant at 0.3%). While showing typical reactions to global and national energy economic forces, commodity prices ended the period modestly improved. Rig count declines were greater than production declines, partly due to the continuation of the recent trend in DUC count declines – particularly in the Eagle Ford.

Oil and Gas Industry Services

Mercer Capital provides business valuation and financial advisory services to companies in the energy 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
- Oil Field Services
- Midstream Operations
- Alternative Energy
- Downstream
- Retail

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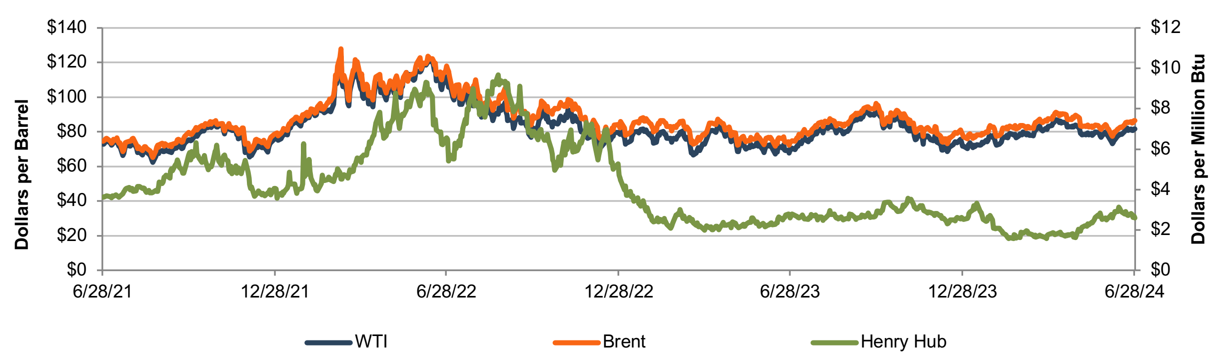
Oil and Gas Commodity Prices

Oil spot prices rose 15% (both WTI and Brent) over the review period, generally rising from June to September 2023, and mid-December to early March 2024. Period highs of $93.68 (WTI) and $96.55 (Brent) were reached in late September with a second peak in early April at $86.91 (WTI) and $91.17 (Brent). The summer 2023 price run-up resulted, according to Reuters, **in anticipation of tighter supplies** weighing more heavily than worries concerning weaker economic growth and rising U.S. crude inventories. The International Energy Agency (EIA) noted that Saudi Arabia and Russia's protracted oil production cuts were expected to result in a market deficit through the fourth quarter.

Oil spot prices declined during Q4 2023, reaching a twelve-month low of $68.61/WTI and $73.24/Brent in mid-December. The late 2023 run marked the first time in over five years that oil prices declined for seven straight weeks. Of the decline, **CNN's Before The Bell** (BTB) noted that the extended decline came as analysts worried about increased production around the globe and seemingly cast-off concerns regarding OPEC's promises to limit supply by cutting oil output by 2.2 million barrels per day through the first quarter of 2024. Oil markets seemed to think that not all OPEC members will adhere to the promised production cut. BTB also noted that the markets were concerned over an expected decline in demand, particularly in China, where there were continued signs of a slowing economy.

WTI and Brent prices moved upward again from late December 2023 to early April 2024, reaching the aforementioned second peak. Regarding the early 2024 price recovery, the **EIA** attributed the price increase to the higher-than-expected 1.7 mb/d global oil demand and reduced Q1 production due to heavy weather related shut-ins and new production curbs announced by the OPEC+ bloc.

Crude Oil and Natural Gas Spot Prices



Source: Bloomberg

Oil and Gas Commodity Prices

(cont.)

Gas prices closed the second quarter of 2024 7% lower than a year ago, with the spot price of Henry Hub ending the period at $2.60/mmbtu compared to $2.80/mmbtu a year ago. While showing its traditionally higher volatility compared to oil prices – high/low of $3.58/$1.58 per mmbtu compared to $93.68/$68.61 per bbl (WTI) and $96.55/$73.24 per bbl (Brent) – Henry Hub tended to move in the same general direction as oil prices over the first half of the review period, while moving generally opposite of oil prices during portions of the second half. Gas prices reached the review period high just weeks following WTI and Brent hitting their review period high in late September after a 20-day Henry Hub run from $2.84 to $3.58. **The increase was attributed** to unusually low temperatures across much of the U.S. that pushed residential and commercial consumption up 51% in early October. Gas prices subsequently fell to the review period low ($1.58) in mid-February, in part due to excess supply. While gas producers have intentionally cut drilling and production in the face of inflation-adjusted 30-year low prices, gas production from oil producers that produce gas as a byproduct of their oil production operations, continued to buoy supplies.

The Biden Administration's "temporary pause" in LNG export project approvals in late January, widely viewed as politically motivated, precipitated the last leg of the price slide. Henry Hub front-month contracts settled at $2.18 on the day of the pause's announcement, and declined to $1.65 just 20 days later. Since the Biden LNG Pause induced lows, gas prices increased over the remainder of the review period, largely on expectations for warming temperatures spurring increased cooling demand.

Macro Update

Acquisition Premiums Return to the Oil Patch

Reprint of Bryce Erickson's
***Forbes*.com column.**
Originally published June 19, 2024

The shale industry is showing signs of maturity. Some acquisition trends appear to be burgeoning, such as acquisition premiums, more debt, and looser hedging requirements. These portend higher values and perhaps more of an emphasis on longer-term drilling inventory as opposed to nearer-term production metrics. Let us take a quick look at them.

Acquisition Premiums

For many years in the oil and gas industry, there were numerous deals in public markets whereby the announced price of a company was at or near its prevailing stock price. The leverage, margins, and limited patience exhibited by shareholders contributed to conservative bidding. The rationale was centered around operating synergies, leverage, and cohesive acreage integration.

In the past year, this dynamic has changed. Exxon's acquisition of Pioneer, Chevron's purchase of Hess, and Crescent's announcement to buy SilverBow are a few recent examples of premiums paid above pre-announcement prices. Larger buyers have had more cash on hand and buying power to make acquisitions. Couple that with a relatively limited universe of targets that can significantly generate marketplace interest, and you have the ingredients for commanding a premium.

Another dynamic that appears to be looming below the surface in these acquisitions is the dwindling number of top-tier drilling locations in the respective basins that are being targeted. According to the EIA, the number of drilled but uncompleted well locations has declined by almost half compared to about three years ago. At its peak, there were nearly 8,600 such locations. Currently, there are just above 4,500. Buyers know this and may be getting longer-term inventory in their coffers now as opposed to later when it may be more expensive to acquire, thus contributing to a premium-buying mindset.

Debt Trends

I have written before about how debt markets have been averse towards oil companies since the last big wave of bankruptcies in 2015 and 2016. This appears to be changing somewhat.

When I was at the Hart Energy Super DUG conference last month, Matthew Bernstein of Rystad Energy pointed out that there appears to be a trend of willingness to take on new debt in the shale patch. Since late 2022, over $15 billion

Macro Update

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(cont.)

of new net debt has been taken on in the industry. Even with higher interest rates, this can lower the cost of capital, incentivize buyers to pay more, and get higher levered returns to shareholders. The industry has been at or near historical lows when it comes to relative leverage, so this is a bit of a micro-trend, yet it may still hint at a broader change of the proverbial winds.

Another interesting aspect is that much of the debt is sourced from a different market segment. Many loans are now coming from regional banks instead of larger national banks. This is useful for companies as they now have access to a larger pool of willing lenders.

Hedging Requirements Are Loosening

One of the lesser-discussed but larger impact trends has been the requirements of banks to have tight hedging books that protect bankers from downside commodity price exposure. Despite the safety this provides to lenders, the requirements hamstring companies from upside opportunities if prices increase.

Overall, companies have lost billions in the past five years, and management teams have not made a secret of their disdain for sending large amounts of money to trader counterparties instead of shareholders. Bankers appear to be hearing this, too, and companies are taking on more upside opportunities while raising the floor prices of their hedges. This indicates that companies (and banks) see more upside going forward and are willing to give more latitude to their trading policies. This, of course, could backfire, but that remains to be seen.

These trends suggest that as consolidation continues, there is optimism that oil (and, to a lesser extent, gas) will continue to create more value for shareholders, and the sector will outperform for some time to come.

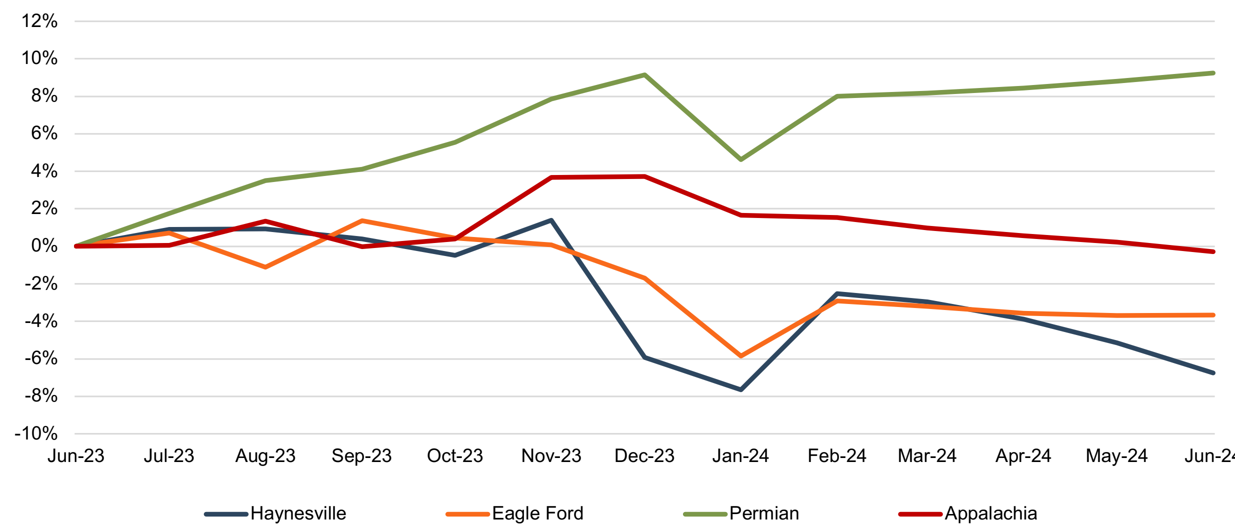
Permian

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 Appalachia 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 Permian.

Permian production (on a barrel of oil equivalent, or "boe" basis) climbed 9.2% year-over-year (YoY) through May. Production in the United States's most prolific basin had climbed steadily since mid-2023, reaching 10.4 mboe/d in December 2023 before dipping to 10.0 mboe/d in January. Production recovered over the next five months, returning to 10.4 mboe/d in May. None of the other three basins posted a YoY production increase, although Appalachia's June 2024 production was only 0.3% shy of the prior year's level. Eagle Ford and Haynesville posted YoY declines of 3.7% and 6.8%, respectively.

1-Year Change in Production



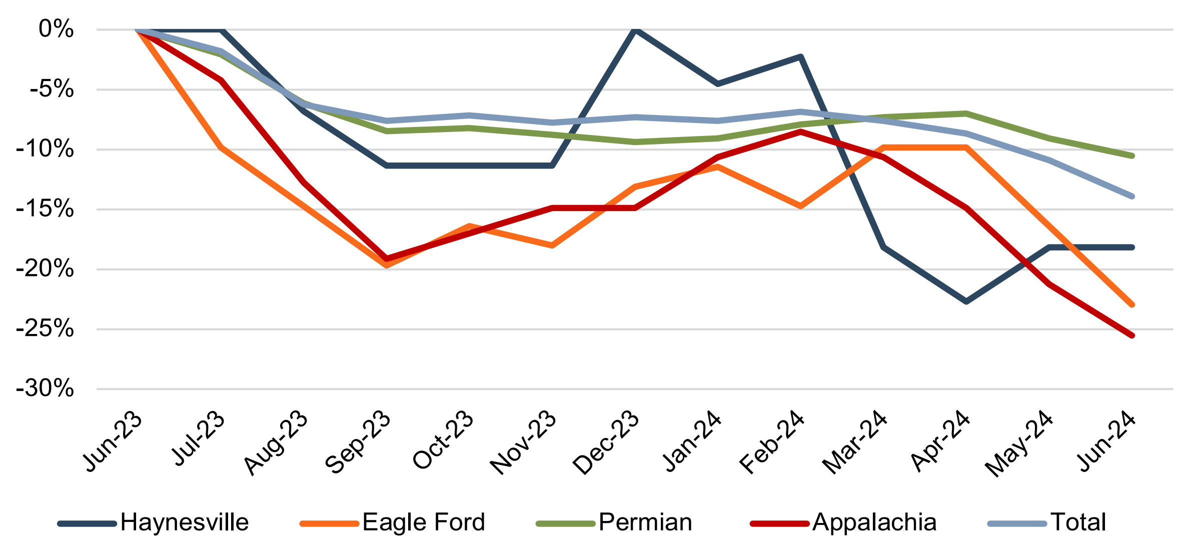
Source: Energy Information Administration

Production and Activity Levels (cont.)

Rig counts fell across the board over the twelve months through June 2024. The Permian was the most resilient of the regions covered with a 10.6% YoY drop in rig count from 341 in June 2023 to 305 in June 2024, while Eagle Ford and Appalachia experienced the most pronounced declines of 25.5% and 23.0%, respectively. Haynesville rig count also fell by 18.2%.

During the twelve-month review period, the Permian rig counts decline flattened in Q2 2024 after experiencing larger drops in the early three quarters, only falling 3.5% over the second quarter. While the rig count in the Haynesville remained flat over the last quarter, the number of rigs in the region fell 16% in over one month from February to March.

1-Year Change in Rig Count



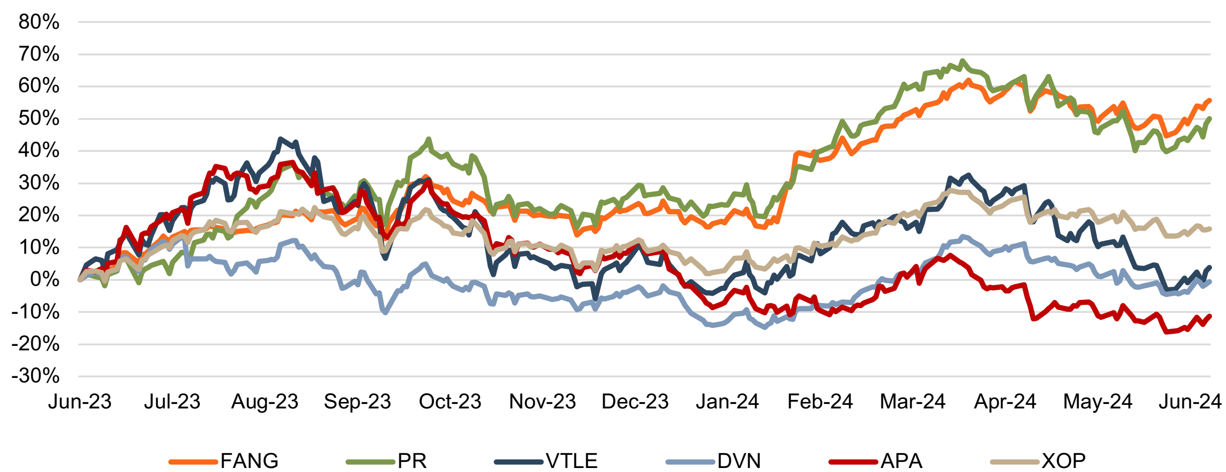
Source: Baker Hughes

Financial Performance

The Permian public comp group showed a distinct split in stock price performance over the last year through June 2024, with Diamond Back (FANG) and Permian Resources (PR) posting significant increases, while Vital (VTLE) and Devon Energy (DVN) posted much lower increases or a marginal decline. APA Corporation's (APA), the parent company of operator Apache Corporation, stock price declined 11%.

Diamondback and Permian Resources followed similar paths over the review period, although PR's stock price showed significantly greater volatility than FANG in the first half of the period. FANG and PR ended with YoY increases of 56% and 50%, respectively. Other than a late 2023 price run-up, and subsequent decline, VTLE's stock performance tended to run in line with XOP through late May until VTLE's stock reversed most of its gains in the period. VTLE ended the period at 4% higher while XOP posted a 16% increase. DVN and APA experienced stock price declines of 1% and 11%, respectively. Devon has struggled to increase its scale after losing out on recent acquisition opportunities amid higher drilling and production costs. APA's stock price suffered even more amid challenges as it reshuffled its management team and operational structure of an existing asset base that included significant foreign-based reserves prior to its acquisition of Callon Petroleum (formerly traded as CPE). With new core acreage in the Permian since the acquisition, the **Permian** will now account for two-thirds of APA's total production with the additional 103 mboe/d of production from the Delaware and Midland basins.

1-Year Change in Stock Price



Source: Capital IQ

Market Valuations & Transaction History

Recent Transactions in the Permian

Transaction activity in the Permian Basin declined over the past 12 months, with the transaction count decreasing 53% to nine deals, a decline from the 19 deals that occurred over the prior 12-month period. This level is also well below the 21 deals that occurred in the 12-month period ending mid-June 2022 and the 27 transactions that closed during the same time period in 2021. The trophy transaction over the past 12 months was ExxonMobil's **$60 billion acquisition** of Pioneer Resources, announced in October 2023 and closed in May 2024.

Relative to 2022-2023, the median deal size over the past 12 months was approximately $4.5 billion, approximately 9.5x larger than the median deal size of $475 million in the prior 12-month period. The median acreage purchased over the past year was 94,000 net acres, nearly 5.0x higher than the 16,000 acres among the deals in the previous year. When looking at acquired production, the median production among transactions over the past year was 117,000 barrel-oil-equivalent per day ("Boepd"), a monstrous 800% increase from the 13,000 Boepd metric from the prior year.

The obvious observation is that companies are paying more per acre than one year prior, with the median price per net acre up 58% period-over-period, while the median transaction value per Boepd fell 27% - from $54,878 in the prior 12 months preceding June 2023 to $39,994 in the latest 12-month period. One year ago, this jumped 43% from $49,143 in 2021 to $54,878 in 2022.

Announced Date	Buyer	Seller	Deal Value ($MM)	Acreage	Production	$ / Acre	$ / Boepd
2/12/2024	Diamondback Energy, Inc.	Endeavor Energy Resources	$26,000	344,000	353,000	$75,581	$73,654
1/4/2024	APA Corp.	Callon Petroleum Co.	4,500	145,000	101,000	31,034	44,554
12/15/2023	Fury Resources Inc.	Battalion Oil Corp.	450	40,000	12,700	11,250	35,433
12/11/2023	Occidental Petroleum Corp.	Crownrock, LP	12,000	94,000	170,000	127,660	70,588
11/21/2023	Northern Oil and Gas, Inc.	Undisclosed	170	3,000		56,667	nm
10/11/2023	ExxonMobil	Pioneer Natural Resources Co.	60,000	856,000	711,000	70,093	84,388
10/4/2023	Civitas Resources Inc.	Vencer Energy	2,100	44,000	62,500	47,727	33,600
9/13/2023	Vital Energy, Inc.	Henry Resources LLC; Maple Energy; Tall City Exploration III LLC	1,165	52,850	35,000	22,044	33,286
8/21/2023	Permian Resources Corp.	Earthstone Energy Inc.	4,500	223,000	133,000	20,179	33,835
Median - All Transactions			**$4,500**	**94,000**	**117,000**	**$47,727**	**$39,994**
Average - All Transactions			**$12,321**	**200,206**	**197,275**	**$51,360**	**$51,167**

Source: Shale Experts, Mercer Capital analysis

Market Valuations & Transaction History

Recent Transactions in the Permian (cont.)

Notably, the observations were skewed by the ExxonMobil-Pioneer deal, but **Diamondback Energy's** $26 billion acquisition of Endeavor Energy Resources also impacted the statistics. And while not the largest deal, Warren Buffet-backed **Occidental Petroleum's acquisition** of Crownrock, LP was not too shabby at $12 billion (the deal is currently being evaluated by the FTC and is expected to close in August 2024).

It is worth noting that large deals have not been limited to the Permian Basin. Chevron closed on its $53 billion acquisition of Hess on May 28th. One day later, Conoco Phillips announced it would purchase Marathon Oil for $22.5 billion.

With a number of recent significant deals announced or closed, what is the future of Permian M&A activity? PB Oil and Gas magazine recently proposed this question to Emily Head, Senior Geology Associate on the Permian Team at Enverus Intelligence research. Head is of the opinion that few large targets remain given $100 billion of activity occurred in 2023. However, acquisitions will continue as bigger companies seek to replace diminishing tier-one drilling opportunities.

ExxonMobil: "I'm Kind of a Big Deal"

Lest anyone forget that Exxon acquired Mobil in 1998 for $81 billion, ExxonMobil reminded the world of its **Ron Burgundy** stature with its $60 billion acquisition of Pioneer Resources in October 2023. The merger between ExxonMobil and Pioneer has created an unconventional business with significant development potential in the Permian Basin. The combined company holds over 1.4 million net acres in the Delaware and Midland basins, estimated to contain 16 billion barrels of oil-equivalent resources. ExxonMobil's Permian production volume is set to more than double, reaching 1.3 million barrels of oil equivalent per day (MOEBD) based on 2023 volumes. Projections indicate that this production could increase to approximately 2.0 MOEBD by 2027.

ExxonMobil Chairman and CEO Darren Woods noted,

> *"Pioneer is a clear leader in the Permian with a unique asset base and people with deep industry knowledge. The combined capabilities of our two companies will provide long-term value creation well in excess of what either company is capable of doing on a standalone basis. Their tier-one acreage is highly contiguous, allowing for greater opportunities to deploy our technologies, delivering operating and capital efficiency as well as significantly increasing production. As importantly, as we look to combine our companies, we bring together environmental best practices that will lower our environmental footprint and plan to accelerate Pioneer's net-zero plan from 2050 to 2035."*

Market Valuations & Transaction History

ExxonMobil: "I'm Kind of a Big Deal" (cont.)

Pioneer Chief Executive Officer Scott Sheffield commented:

> *"The combination of ExxonMobil and Pioneer creates a diversified energy company with the largest footprint of high-return wells in the Permian Basin. As part of a global enterprise, Pioneer, our shareholders, and our employees will be better positioned for long-term success through a size and scale that spans the globe and offers diversity through product and exposure to the full energy value chain. The consolidated company will maintain its leadership position, driving further efficiencies through the combination of our adjacent, contiguous acreage in the Midland Basin and our highly talented employee base, with the improved ability to deliver durable returns, creating tangible value for shareholders for decades to come."*

Diamondback Energy Endeavors to Maximize Shareholder Value

Diamondback Energy's acquisition of Endeavor Energy Resources creates a premier Permian pure play well-positioned to deliver a low-cost operating structure on a world-class asset.

Deal highlights include:

» Combined pro forma scale of approximately 831,000 net acres and 816 Mboe/d of net production

» Best-in-class inventory depth and quality with approximately 6,100 pro forma core locations with break evens <$40 WTI

» Annual synergies of $550 million representing over $3 billion in PV10 value over the next decade

» Substantial near- and long-term financial accretion with approximately 10% free cash flow per share accretion expected in 2025

Travis Stice, Chairman and Chief Executive Officer of Diamondback, noted:

> *"This is a combination of two strong, established companies merging to create a 'must own' North American independent oil company. The combined company's inventory will have industry-leading depth and quality that will be converted into cash flow with the industry's lowest cost structure, creating a differentiated value proposition for our stockholders. This combination meets all the required criteria for a successful combination:*

Market Valuations & Transaction History

Diamondback Energy Endeavors to Maximize Shareholder Value (cont.)

> *sound industrial logic with tangible synergies, improved combined capital allocation, and significant near and long-term financial accretion. With this combination, Diamondback not only gets bigger, it gets better. This combination offers significant, tangible synergies that will accrue to the pro forma stockholder base. Diamondback has proven itself to be a premier low-cost operator in the Permian Basin over the last twelve years, and this combination allows us to bring this cost structure to a larger asset and allocate capital to a stronger pro forma inventory position. We expect both teams will learn from each other and implement best practices to improve combined capital efficiency for years to come."*

Lance Robertson, President and Chief Executive Officer of Endeavor, commented:

> *"As we look toward the future, we are confident joining with Diamondback is a transformational opportunity for us. Our success up to this point is attributable to the dedication and hard work of Endeavor employees, and today's announcement is recognition by Diamondback of the significant efforts from our team over the past seven years, driving production growth, improving safety performance, and building a more sustainable company. We look forward to working together to scale our combined business, unlock value for all of our stakeholders, and ensure our new company is positioned for long-term success as we build the premier Permian-focused company in Midland."*

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 6/28/2024		
Company Name	**Ticker**	**6/28/2024 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	$468,766	7.3%	22.2%	6.3x	4,097	$114,408
Shell PLC	SHEL	269,295	20.3%	15.6%	5.7	2,777	96,972
Chevron Corp	CVX	304,865	-0.6%	24.4%	6.5	3,239	94,136
BP PLC	BP.	144,778	3.1%	19.5%	3.7	2,340	61,868
Equinor ASA	EQNR	74,749	-2.0%	39.3%	1.9	1,926	38,811
Group Median			**3.1%**	**22.2%**	**5.7x**	**2,777**	**$94,136**
Global E&P							
Marathon Oil Corporation	MRO	$21,412	24.5%	67.9%	4.9x	387	$55,386
Hess Corporation	HES	53,407	8.5%	54.5%	8.8	474	112,578
ConocoPhillips	COP	146,127	10.4%	43.2%	6.0	1,933	75,611
Occidental Petroleum Corporation	OXY	82,804	7.2%	49.4%	6.2	1,263	65,560
Murphy Oil Corporation	MUR	7,487	7.7%	57.5%	3.8	182	41,152
Group Median			**8.5%**	**54.5%**	**6.0x**	**474**	**$65,560**

Source: Capital IQ

- Price per Flowing Barrel is EV/ daily production ($/boe/d). Market data per Capital IQ. Daily Production based on Q2 2024 consensus estimates per Capital IQ as available
- Companies included in the Guideline Group are not meant to be an exhaustive list. The selected companies' market caps exceed $1 billion and/or revenues exceed $500 million.
- 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	6/28/2024 Enterprise Value	YoY % Change in Stock Price	EBITDAX Margin	EV/ EBITDAX (as of 6/28/2024)	Daily Production (mboe/d) (as of 6/28/2024)	Price per Flowing Barrel* (as of 6/28/2024)
Haynesville							
Southwestern Energy Company	SWN	$11,390	12.0%	73.8%	2.7x	699	$16,304
Chesapeake Energy Corporation	CHK	11,617	-1.8%	47.7%	5.0	447	26,006
Comstock Resources, Inc.	CRK	5,762	-10.5%	52.0%	7.9	248	23,279
Group Median			**-1.8%**	**52.0%**	**5.0x**	**447**	**$23,279**
Appalachia							
Range Resources Corporation	RRC	$9,545	14.0%	62.2%	7.6x	356	$26,774
EQT Corporation	EQT	21,194	-10.1%	66.2%	7.2	888	23,875
Coterra Energy Inc	CTRA	20,981	5.4%	62.7%	6.1	650	32,287
Antero Resources Corporation	AR	11,876	41.7%	24.1%	11.4	562	21,127
Group Median			**9.7%**	**62.5%**	**7.4x**	**606**	**$25,324**

Source: Capital IQ

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					as of 6/28/2024		
Company Name	**Ticker**	**6/28/2024 Enterprise Value**	**YoY % Change in Stock Price**	**EBITDAX Margin**	**EV/ EBITDAX**	**Daily Production (mboe/d)**	**Price per Flowing Barrel***
Permian Basin							
Diamondback Energy, Inc.	FANG	$42,700	52.4%	77.1%	6.7x	464	$92,034
Permian Resources Corporation	PR	16,296	47.4%	70.7%	6.1	322	50,674
Vital Energy, Inc.	VTLE	3,234	-0.7%	62.2%	3.1	124	26,093
Devon Energy Corporation	DVN	35,489	-1.9%	49.7%	5.0	677	52,383
APA Corporation	APA	17,052	-13.8%	62.0%	3.4	470	36,264
Group Median			**-0.7%**	**62.2%**	**5.0x**	**464**	**$50,674**
Eagle Ford							
EOG Resources, Inc.	EOG	$70,838	10.0%	56.8%	5.3x	1,037	$68,298
Magnolia Oil & Gas Corporation	MGY	4,775	21.2%	72.2%	5.3	89	53,548
SilverBow Resources, Inc.	SBOW	2,042	29.9%	78.9%	3.4	92	22,282
Group Median			**21.2%**	**72.2%**	**5.3x**	**92**	**$53,548**
OVERALL MEDIAN			**7.7%**	**56.8%**	**5.7x**	**562**	**$50,674**

Source: Capital IQ

- Price per Flowing Barrel is EV/ daily production ($/boe/d). Market data per Capital IQ. Daily Production based on Q2 2024 consensus estimates per Capital IQ as available
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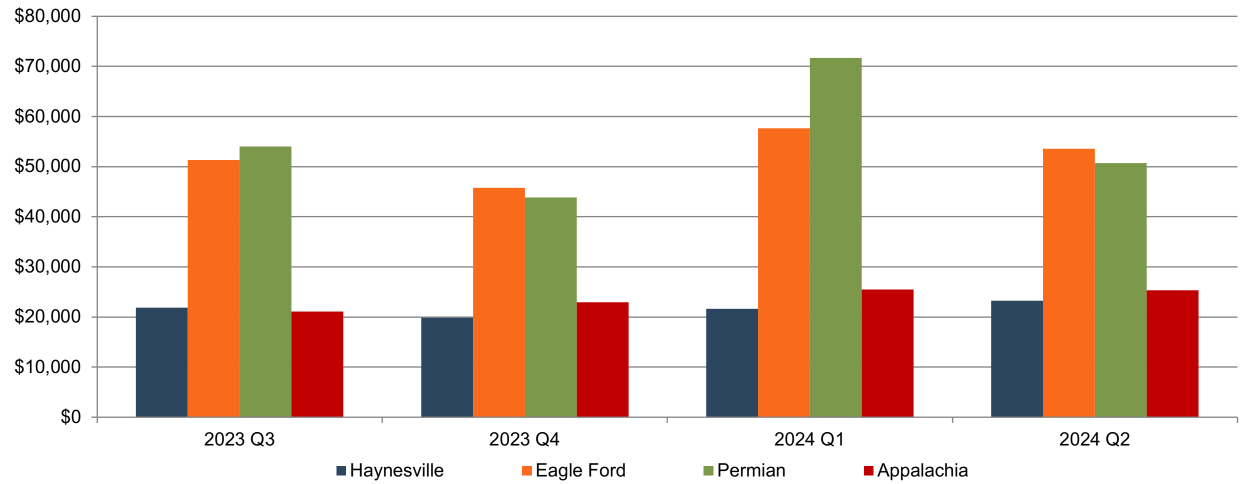
The following graph depicts the median of EV/production multiples, also known as price per flowing barrel, from Q3 2023 through Q2 2024.

Price per Flowing Barrel



Source: Capital IQ

» Price per Flowing Barrel is EV/ daily production ($/boe/d)

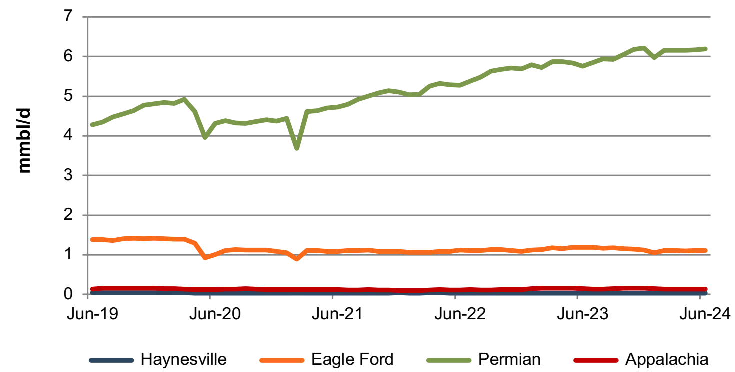
» This is simply a graphic depiction of median figures of our selected public companies for each region. This should be interpreted solely in the context of relative valuation between the various basins over time. Bloomberg aggregates this raw data, and Mercer Capital does not represent or warrant these figures as indicative of valuation multiples attributable to E&P companies or other interests.

Appendix B

Production

Daily Production of Crude Oil

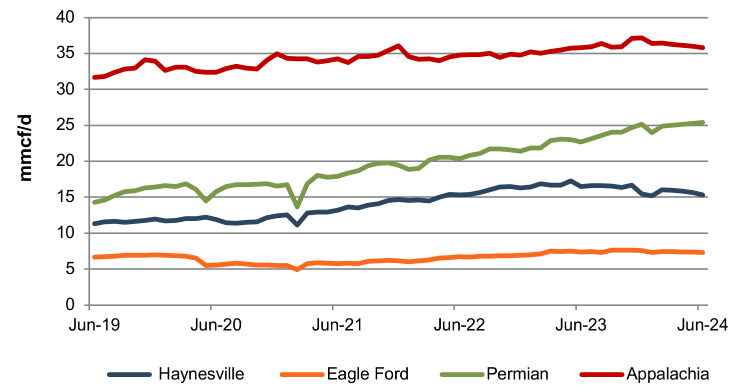
Oil production in the Permian increased by 7.5% over the last year, while Eagle Ford oil production declined by 6.7% over the same period. In the gas-focused Appalachian and Haynesville basins, oil production declined by 8.8% (Appalachia) and increased by 2.6% (Haynesville).



Source: EIA

Daily Production of Natural Gas

The Permian also led the analyzed regions in natural gas production growth at 12.0% over the last year. The Appalachian basins and Eagle Ford region posted small declines of 0.1% and 0.7%, respectively, while Haynesville gas production fell by 6.9% YoY.



Source: EIA

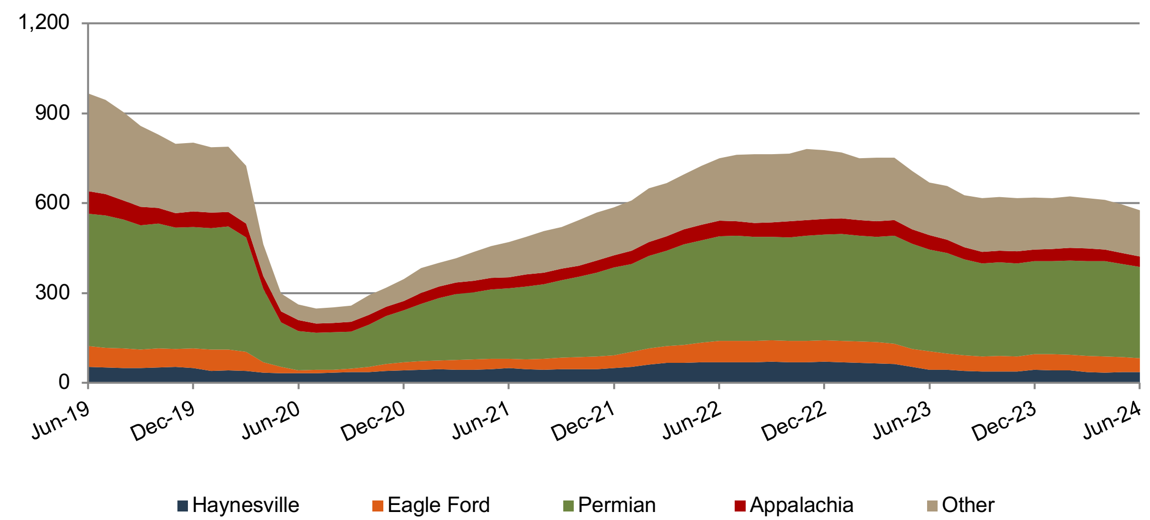
Appendix C

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 total active rigs in the U.S. during June 2024 was 576, which represents a 13.9% decrease from 669 in June 2023. Rig counts declined across all four of the regions covered. The Permian was the most resilient of the regions covered with a 10.6% YoY decrease in the number of active rigs, from 341 in June 2023 to 305 in June 2024, while Appalachia and the Eagle Ford experienced the most pronounced decline in rig count of 25.5% and 23.0%, respectively. The number of Haynesville rigs fell 18.2%.

Rig Count by Region



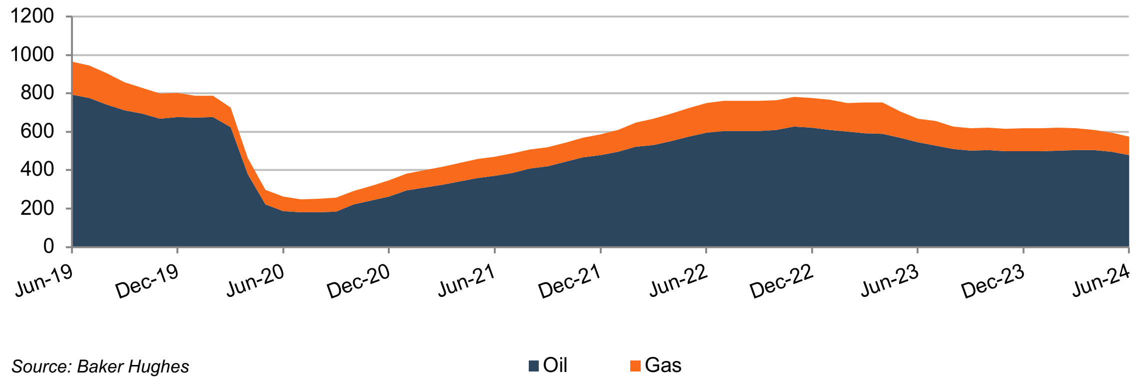
Source: Baker Hughes

Calculations based on monthly crude oil and gas production and EIA drilling report by region.

Appendix C

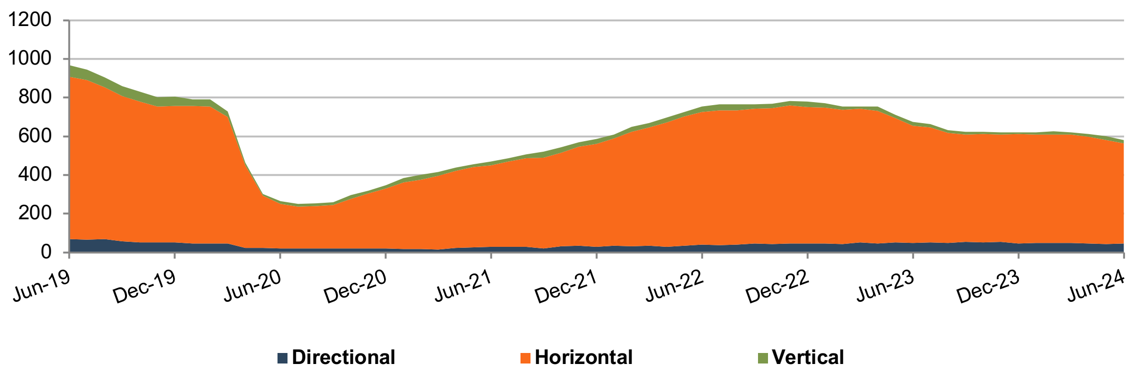
Rig Count

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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