RALPH E. DAVIS
AN OPPORTUNE COMPANY

Weekly E&P Update

April 1, 2025 **Vol. 13**

Conflicting Goals: Tariffs, Oil Prices and Energy Security

By Steve Hendrickson
President of Ralph E. Davis Associates

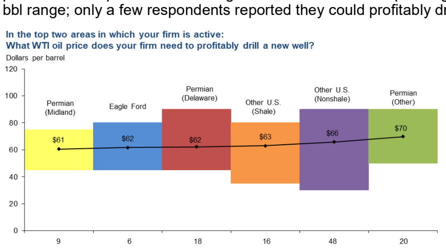
Over the first two months of the second Trump administration, trade actions and policy shifts have generated significant concern among oil and gas industry leaders. Administration officials have stated a desire to "unleash" domestic oil production to drive prices to a soft target of around $50 per barrel. However, given the industry's current cost structure, new import tariffs and expected increases in OPEC+ production, achieving this price objective while also maintaining US energy dominance is a challenging proposition.

It's important to keep in mind that the tremendous increase in domestic oil production over the last two decades has been driven almost exclusively by drilling in unconventional formations. Unconventional production has two important characteristics. First, it's relatively expensive to develop these resources due to long horizontal lateral sections and huge fracturing treatments. Secondly, unconventional wells have very high production decline rates, especially initially when they are producing at their maximum rate. Growing, or even maintaining, total production requires the continuous development of new wells. The price needed to justify drilling new wells, called the breakeven price, varies by and within the various unconventional oil plays, but those costs, on average, are high and rising.

Breakeven Prices Under Pressure

One significant factor pushing breakeven costs upward is the administration's decision to impose higher tariffs on imported steel. Suppliers have already raised prices, affecting critical drilling supplies such as oil country tubular goods (OCTG). Tariffs could increase costs for oilfield services companies by a few percentage points, and industry experts forecast a 15% year-over-year spike in OCTG costs due to tariffs.

These increases are compounded by additional pressures reported in the Dallas Fed Energy Survey. The survey is reported quarterly and asks leaders of over 200 domestic energy companies their opinions and outlook across a variety of industry topics. In the latest survey, executives from exploration and production companies noted rising labor costs and lease operating expenses. Average breakeven prices across key basins were reported in the $60-70/bbl range; only a few respondents reported they could profitably drill in these plays at $50/bbl.



CLICK TO ENLARGE
(Source: Federal Reserve Bank of Dallas)

While administration officials estimate that tariffs may increase the breakeven price by $6-8/bbl, they counter that reduced regulatory burdens could offset these costs. Industry executives remain skeptical, however; nearly half of the operators surveyed reported regulatory compliance costs below $2 per barrel, with only 9 percent estimating these costs at $6 or higher.

Basin maturity is another factor exerting upward pressure on breakeven prices. The average oil recovery per foot of horizontal lateral has already begun to decline in some basins. Operators are being forced to drill lower quality portions of the plays as the best acreage becomes fully developed. While some plays haven't yet exhibited this behavior, it's virtually certain to occur over the next several years.

Increasing OPEC+ Supply in a Low Growth Economy

At the same time, global supply dynamics are set to place downward pressure on oil prices. OPEC+ has recently signaled its intention to gradually increase production by approximately 2.2 million barrels per day starting in April and is expected to formally affirm so in their meeting later this week. Even modest production increases from OPEC+ can significantly impact prices, especially if global demand growth doesn't materialize. Although the International Energy Agency recently estimated that demand growth in 2025 will be approximately 1 million barrels per day, there's tremendous uncertainty in how the administration's on-again, off-again tariff policies will impact global economic activity and resulting oil demand.

Indeed, in the Energy Survey comments, industry leaders expressed concern and frustration about the uncertainty the administration has introduced into global markets and how this is hindering their ability to formulate plans and implement future decisions.

Lower Prices but with a Cost

With U.S. breakeven costs rising and global supply increasing, domestic producers find themselves facing a challenging future. Even marginally lower prices driven by OPEC+ supply growth and policy-induced uncertainties will make it difficult for many operators to justify new drilling programs and to generate the cash flow to fund them. If prices approach the administration's target of $50 per barrel, drilling economics become particularly strained, risking a notable decline in domestic drilling activity. The cumulative effect of these policies and market dynamics may ultimately lower prices at the expense of lower domestic oil production, weakening the domestic industry and undermining US energy security.

Sources and further reading
1. Dallas Fed Energy Survey, First Quarter 2025
2. Oil Industry Uncertainty Around Costs and Prices Risks Production Downturn
3. Oil Prices Fall After OPEC Plus Affirms Plan to Raise Production
4. OPEC+ is Boosting Output in April. Here's What That Could Mean for Oil Prices
5. Q&A: The Energy, Trade, and Geopolitical Implications of the Trump Tariffs
6. Trump's Tariffs on Steel, Aluminum to Raise Costs for US Energy Firms
7. Why Oil Companies Are Wary of Trump's 'Drill, Baby, Drill' Agenda

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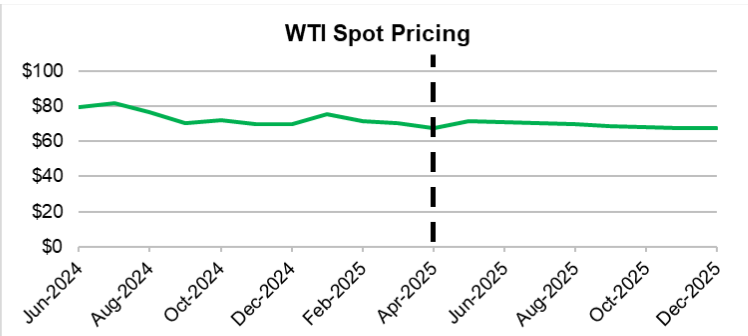
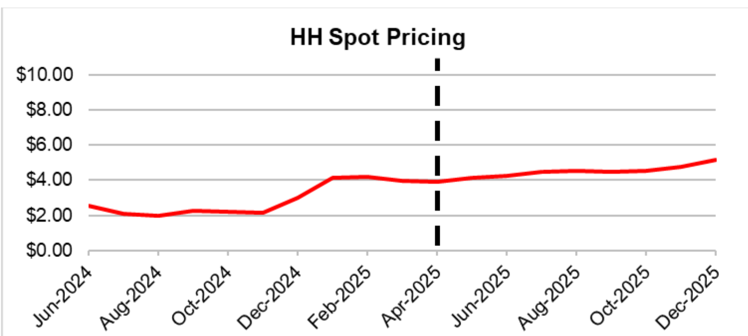
NYMEX FUTURE PRICING





MONDAY'S MARKET CLOSE

NYMEX WTI CRUDE OIL FUTURES
as of March 31, 2025 Close ($/bbl)

Period	Current	WoW Change	Last Week	1 Yr Ago
2025	$69.39	$1.91	$67.47	$74.49
2026	$65.78	$1.13	$64.65	$70.18
2027	$64.31	$0.90	$63.41	$67.32
2028	$63.76	$0.95	$62.80	$65.46
2029	$63.47	$1.12	$62.35	$64.45

NYMEX HH NATURAL GAS FUTURES
as of March 31, 2025 Close ($/MMBtu)

Period	Current	WoW Change	Last Week	1 Yr Ago
2025	$4.55	$0.15	$4.40	$3.50
2026	$4.44	$0.05	$4.39	$3.81
2027	$3.87	$0.00	$3.87	$3.84
2028	$3.59	($0.05)	$3.64	$3.78
2029	$3.46	($0.06)	$3.52	$3.71

INDUSTRY METRICS—QUICK SNAPSHOT

	Current	Last Week	WoW Change	%Change
Crude Oil Near-Month Price ($/bbl)	$69.43	$68.35	$1.08	2%
Natural Gas Near-Month Price ($/MMBtu)	$4.18	$3.88	$0.30	8%
Weekly Upstream-Deal Transaction Value ($MM)	$850.00	$0.00	$850.00	-
Weekly Number of Upstream-Deal Transactions	2	0	2	-
Current Total US Rig Count	592	593	(1)	(0.2%)
US Field Crude Oil Production (MMbbl/day)	13.6	13.6	0.0	0.0%
US Field Dry Natural Gas Production (Bcf/day)	110.8	110.6	0.2	0.2%
Commercial Crude Oil Stocks-Excluding SPR (MMbbl)	434	437	(3)	(0.8%)
Natural Gas Stocks-Working Gas Underground Storage (Bcf)	1,744	1,707	37	2%
All Basin Drilled But Uncompleted Wells (DUC-Last Quarter)	5,238	5,238	0	-

*Source—Energy Information Administration (EIA), Bloomberg LP
*Source—Baker Hughes North America Rotary Rig Count & Enverus M&A Database

COMMODITY FUTURES - MONDAY'S MARKET CLOSE

	Current	1-Month Change	3-Month Change	6-Month Change	Year Ago Change
WTI					
Prompt	$71.48	+3.11 [4.55%]	-1.65 [-2.26%]	+1.65 [2.36%]	-12.23 [-14.61%]
Bal25	$69.39	+2.54 [3.80%]	-1.49 [-2.10%]	-0.23 [-0.32%]	-11.34 [-14.05%]
Cal26	$65.78	+1.65 [2.58%]	-1.53 [-2.27%]	-2.38 [-3.49%]	-8.71 [-11.70%]
Cal27	$64.31	+1.34 [2.13%]	-1.02 [-1.56%]	-2.63 [-3.93%]	-5.88 [-8.38%]
Cal28	$63.76	+1.27 [2.03%]	-0.41 [-0.63%]	-2.66 [-4.01%]	-3.57 [-5.30%]
Cal29	$63.47	+1.31 [2.11%]	+0.11 [0.18%]	-2.81 [-4.24%]	-1.99 [-3.04%]
Brent					
Prompt	$74.74	+3.12 [4.36%]	-1.19 [-1.57%]	+1.18 [1.60%]	-12.68 [-14.50%]
Bal25	$73.01	+2.78 [3.95%]	-1.14 [-1.54%]	-0.55 [-0.75%]	-11.88 [-13.99%]
Cal26	$69.59	+1.65 [2.43%]	-1.64 [-2.30%]	-2.90 [-4.00%]	-9.77 [-12.31%]
Cal27	$68.43	+1.37 [2.04%]	-1.19 [-1.71%]	-3.19 [-4.45%]	-6.89 [-9.14%]
Cal28	$68.30	+1.33 [1.98%]	-0.52 [-0.75%]	-3.15 [-4.41%]	-4.37 [-6.01%]
Cal29	$68.41	+1.43 [2.14%]	+0.07 [0.10%]	-3.05 [-4.27%]	-2.60 [-3.67%]
Henry Hub					
Prompt	$4.12	-0.00 [-0.07%]	+0.46 [12.54%]	+1.22 [42.23%]	+2.28 [124.22%]
Bal25	$4.55	+0.08 [1.68%]	+0.99 [27.75%]	+1.46 [47.16%]	+2.00 [78.12%]
Cal26	$4.44	+0.24 [5.74%]	+0.53 [13.44%]	+1.08 [32.05%]	+0.94 [26.72%]
Cal27	$3.87	+0.06 [1.55%]	+0.02 [0.61%]	+0.24 [6.47%]	+0.05 [1.37%]
Cal28	$3.59	-0.08 [-2.08%]	-0.15 [-3.90%]	-0.06 [-1.70%]	-0.25 [-6.50%]
Cal29	$3.46	-0.10 [-2.71%]	-0.11 [-3.16%]	-0.10 [-2.71%]	-0.32 [-8.41%]
Heating Oil					
Prompt	$2.31	+0.10 [4.36%]	+0.23 [11.27%]	+0.32 [16.09%]	-0.43 [-15.75%]
Bal25	$2.27	+0.09 [4.55%]	+0.05 [2.16%]	+0.21 [10.70%]	-0.32 [-13.06%]
Cal26	$2.22	+0.08 [4.29%]	+0.03 [1.50%]	-0.02 [-0.82%]	-0.23 [-10.15%]
Cal27	$2.18	+0.09 [4.55%]	+0.02 [0.78%]	-0.01 [-0.31%]	-0.18 [-8.24%]
Cal28	$2.16	+0.09 [4.70%]	+0.02 [0.89%]	0.00 [0.25%]	-0.14 [-6.75%]
RBOB					
Prompt	$2.28	+0.05 [2.37%]	-0.04 [-1.70%]	+0.14 [6.43%]	-0.31 [-11.92%]
Bal25	$2.16	+0.07 [3.26%]	-0.02 [-0.67%]	+0.09 [3.97%]	-0.36 [-13.59%]
Cal26	$2.01	+0.06 [2.59%]	-0.01 [-0.39%]	+0.01 [0.33%]	-0.30 [-11.84%]
Cal27	$1.98	+0.05 [2.48%]	-0.01 [-0.23%]	-0.05 [-2.44%]	-0.23 [-9.57%]
Cal28	$1.98	+0.07 [3.11%]	+0.01 [0.23%]	-0.05 [-2.15%]	-0.18 [-7.50%]

*Source—Bloomberg LP

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SELECTED INDUSTRY HEADLINES

US Oil, Gas Activity Rose in First Quarter, But Energy Execs Wary of Tariffs, Dallas Fed Says
U.S. oil and gas activity increased slightly in the first quarter, but energy company executives were pessimistic about the sector's outlook, wary of new trade policies from President Donald Trump's administration, a Dallas Fed survey showed on Wednesday.

Alaska Oil and Gas Leases Were Unfairly Scrapped, US Judge Rules
Former US President Joe Biden's administration erred when it cancelled seven federal oil and gas leases belonging to the Alaska Industrial Development and Export Authority (AIDEA) in Alaska's Arctic National Wildlife Refuge, a US federal judge ruled on Wednesday.

Biden Administration Offshore Oil and Gas Lease in Gulf Coast is Unlawful, Federal Judge Says
An expanse of Gulf Coast federal waters larger than the state of Colorado was unlawfully opened up for offshore drilling leases, according to a ruling by a federal judge, who said the Department of Interior did not adequately account for the offshore drilling leases' impacts on planet-warming greenhouse gas emissions and an endangered whale species.

New Mexico Legislation Raises Royalty Rates
As the clock wound down on New Mexico's annual legislative session, legislators passed a bill raising royalty rates for new petroleum development on prime parcels of Permian Basin land.

Oil Prices Set to Extend Winning Streak on U.S. Sanction Action
Crude oil prices were on course for their third weekly rise as concern grew about supply after President Trump threatened 25% tariffs on any country buying Venezuelan crude while stepping up sanctions on Iranian entities.

US Gas Players Refocus on Haynesville Basin, Buoyed by Trump LNG Plans
U.S. natural gas producers and investment firms are gearing up for more activity in Louisiana's Haynesville shale basin, positioning themselves for a boom in liquefied natural gas exports boosted by new approvals from President Donald Trump.

Permian Producers Hit The Brakes on Output as Negative Prices Linger
Permian Basin natural gas producers are dialing back output in late March as falling shoulder-season demand and pipeline maintenance continue to fuel price volatility at West Texas hubs.

Questions Mount for Haynesville Gas Supply as Producers Play 'Game of Rig Chicken' (LOGIN REQUIRED)
Despite natural gas prices surging well above breakeven costs for the Haynesville Shale, the region's producers are holding back on expanding drilling, surprising analysts who say the hesitation was tightening up supply projections as LNG exports increase.

The United States Remained The World's Largest Liquefied Natural Gas Exporter in 2024
The United States exported 11.9 billion cubic feet per day (Bcf/d) of liquefied natural gas (LNG) in 2024, remaining the world's largest LNG exporter.

US H2 Projects Stall, Incentives Fall Short: Technip
Many US hydrogen project developers have paused or cancelled plans after finding costs were too high and government incentives were insufficient, even before President Donald Trump's return to the White House added uncertainty, Paris-listed contractor Technip Energies has said.

SELECTED RECENT TRANSACTIONS

WhiteHawk Energy Acquires Natural Gas Assets in Marcellus Shale For $118 Million
The transaction enhances WhiteHawk's position across 475,000 gross unit acres, primarily in Washington and Greene counties, Pennsylvania.

TG Natural Resources Wins Chevron's Haynesville Assets for $525 Million
Marketed by Chevron Corp. for more than a year, the 71,000-contiguous-net-undeveloped-acreage sold to TG Natural Resources is valued by the supermajor at $1.2 billion at current Henry Hub futures.

Mentor Buys Diamondback-Operated Royalty Acres in Permian
Plano, Texas-based Mentor Capital Inc. has acquired a 25.127 net royalty acre stake in a producing 71-well pooled project in the Permian Basin, the firm said March 27.

Validus Pays $850 Million for 89 Energy as Midcon M&A Heats Up
Elliott Investment Management-backed Validus Energy continues to roll up Midcontinent assets, closing an $850 million acquisition of 89 Energy III.

Elk Range Royalties Closes $905 Million Acquisition of DJ Basin Assets
Elk Range Royalties has announced a landmark acquisition of a significant mineral and royalty position spanning approximately 250,000 net royalty acres in the DJ Basin from affiliates of Occidental Petroleum.

Citadel Buys Haynesville E&P Paloma Natural Gas for $1.2 Billion
Hedge fund giant Citadel has acquired Haynesville Shale E&P Paloma Natural Gas for $1.2 billion, Hart Energy has learned.

Evolution Petroleum Announces Acquisition of Non-Operated Oil and Natural Gas Assets
Evolution Petroleum Corporation announced that it has entered into a definitive agreement to acquire non-operated oil and natural gas assets in New Mexico, Texas, and Louisiana.

Ring Energy Bolts On Lime Rock's Central Basin Assets for $100 Million
Ring Energy Inc. is bolting on Lime Rock Resources IV LP's Central Basin Platform assets for $100 million, the E&P announced Feb. 26.

Civitas Makes $300 Million Midland Bolt-On, Plans to Sell D-J Assets
Civitas Resources is buying Midland Basin locations in a $300 million bolt-on acquisition from an undisclosed seller, deepening its Permian inventory by about a year.

Tokyo Gas Announces Sale of Eagle Ford Shale Gas Assets
Tokyo Gas Co. has announced that its wholly-owned subsidiary, Tokyo Gas America, through its subsidiary TG Eagle Ford Resources LP, signed Heads of Agreement with Shizuoka Gas Co, to sell its Eagle Ford shale gas assets.

ConocoPhillips to Sell Interests in Ursa and Europa Fields to Shell for $735 Million
ConocoPhillips said on Friday it would sell its interests in the Ursa and Europa Fields to Shell for $735 million, as part of the shale producer's plan to streamline its portfolio.

Occidental to Divest Some Upstream Assets for $1.2 Billion
Occidental Petroleum said that it had struck two deals in the current quarter to divest some upstream assets to undisclosed buyers for a total of $1.2 billion, although its current-quarter production forecast fell short of expectations.

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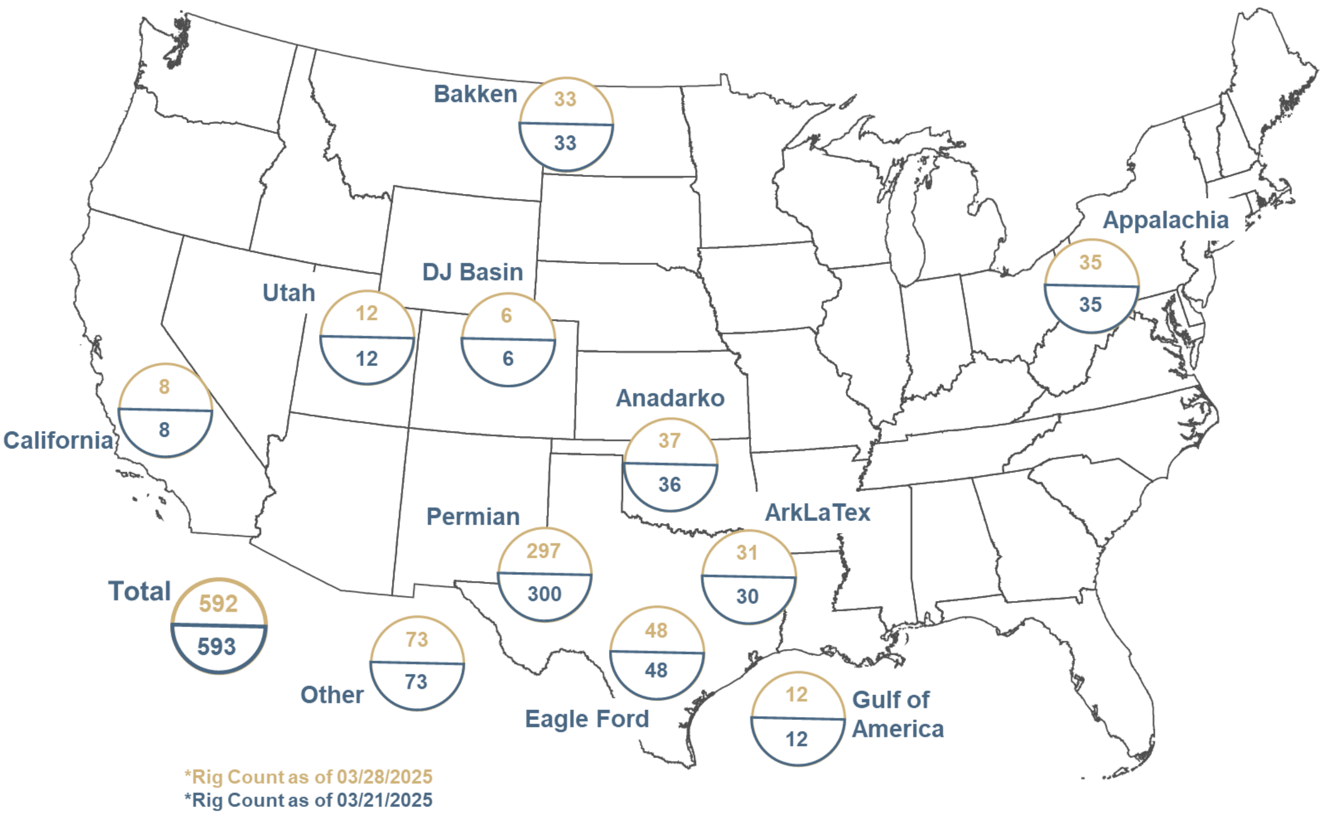
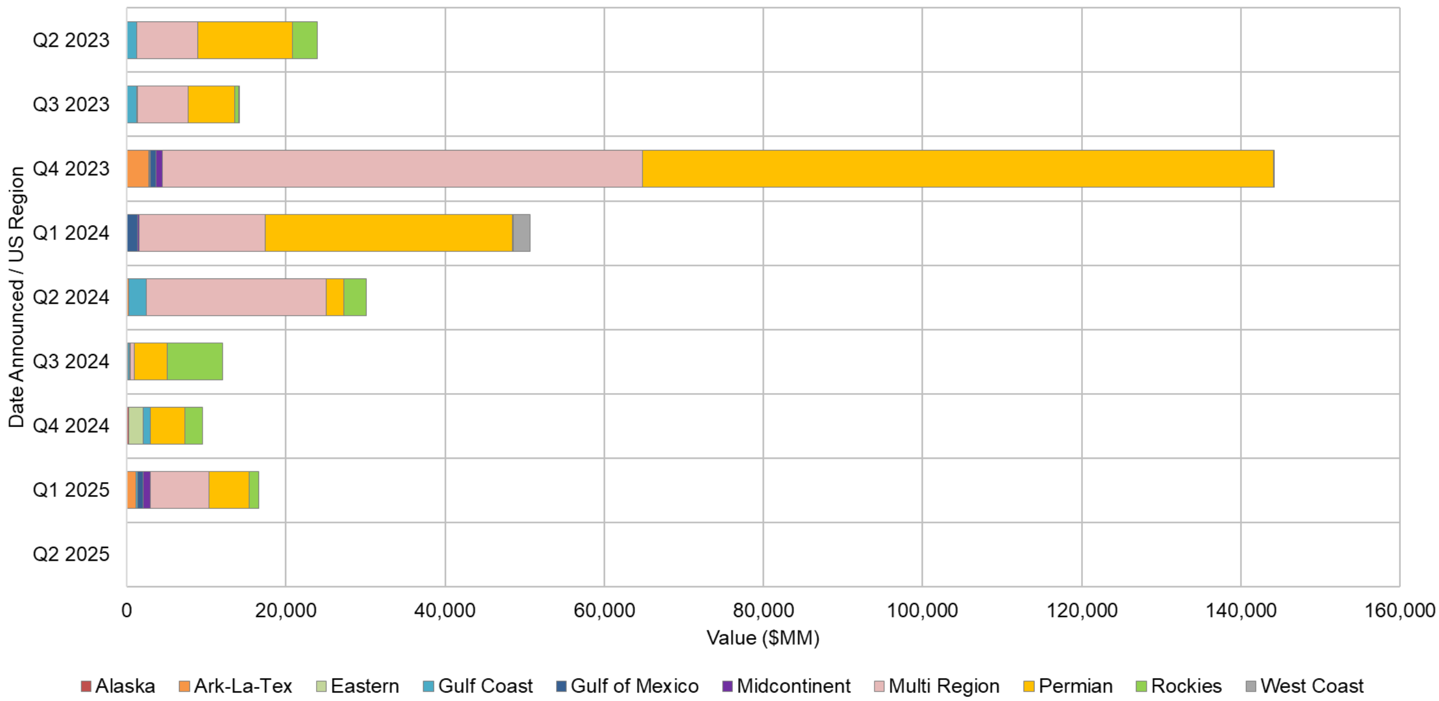
RIG ACTIVITY BY US REGION



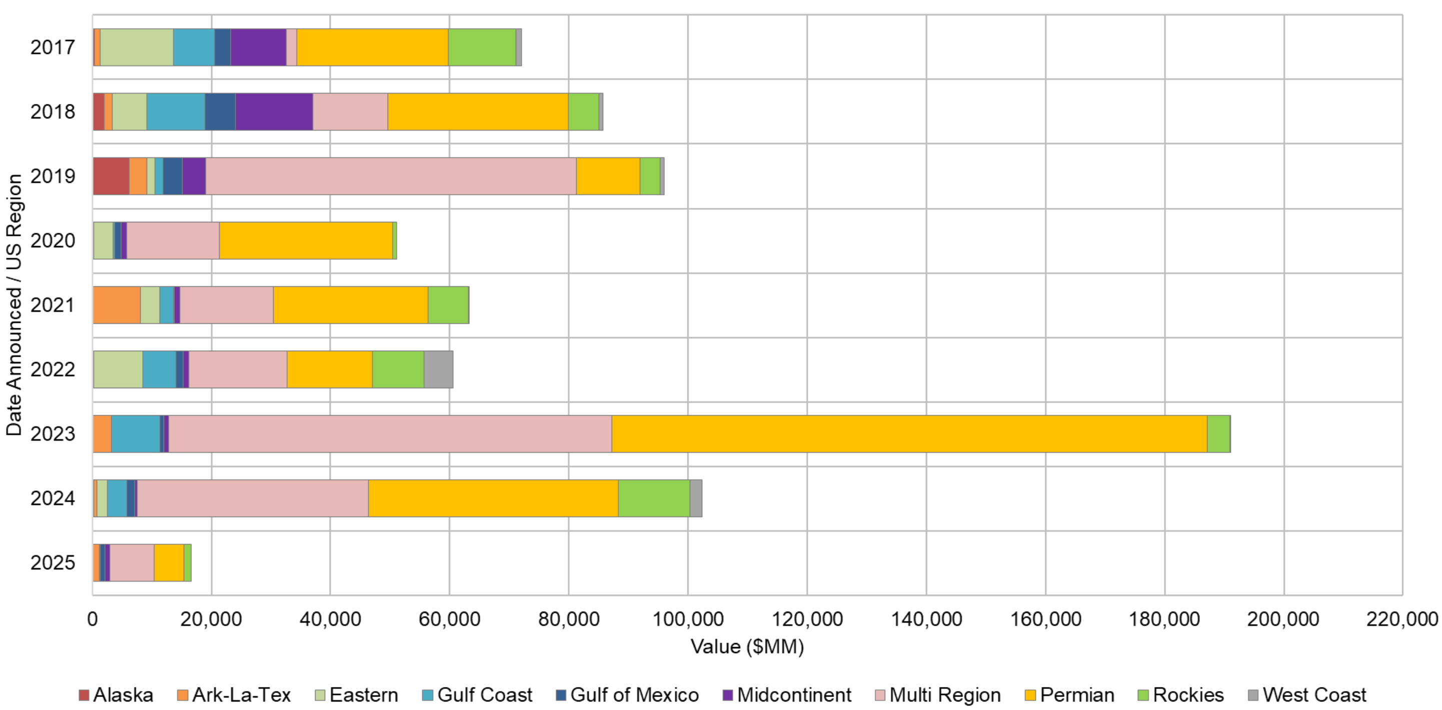
U.S. Rig Breakouts	Week Ending 03/28/2025 Count	+/-	Week Ending 03/21/2025 Count	+/-	Week Ending 03/29/2024 Count
Oil	484	(2)	486	(22)	506
Gas	103	1	102	(9)	112
Not Specified	5	0	5	2	3
Directional	50	1	49	0	50
Horizontal	529	(3)	532	(29)	558
Vertical	13	1	12	0	13
Land (Inc Others)	575	(1)	576	(26)	601
Inland Waters	3	0	3	3	0
Offshore	14	0	14	(6)	20
US Total	592	(1)	593	(29)	621

*Source—Baker Hughes North America Rotary Rig Count

DEAL VALUE BY US REGION (BY QUARTER)

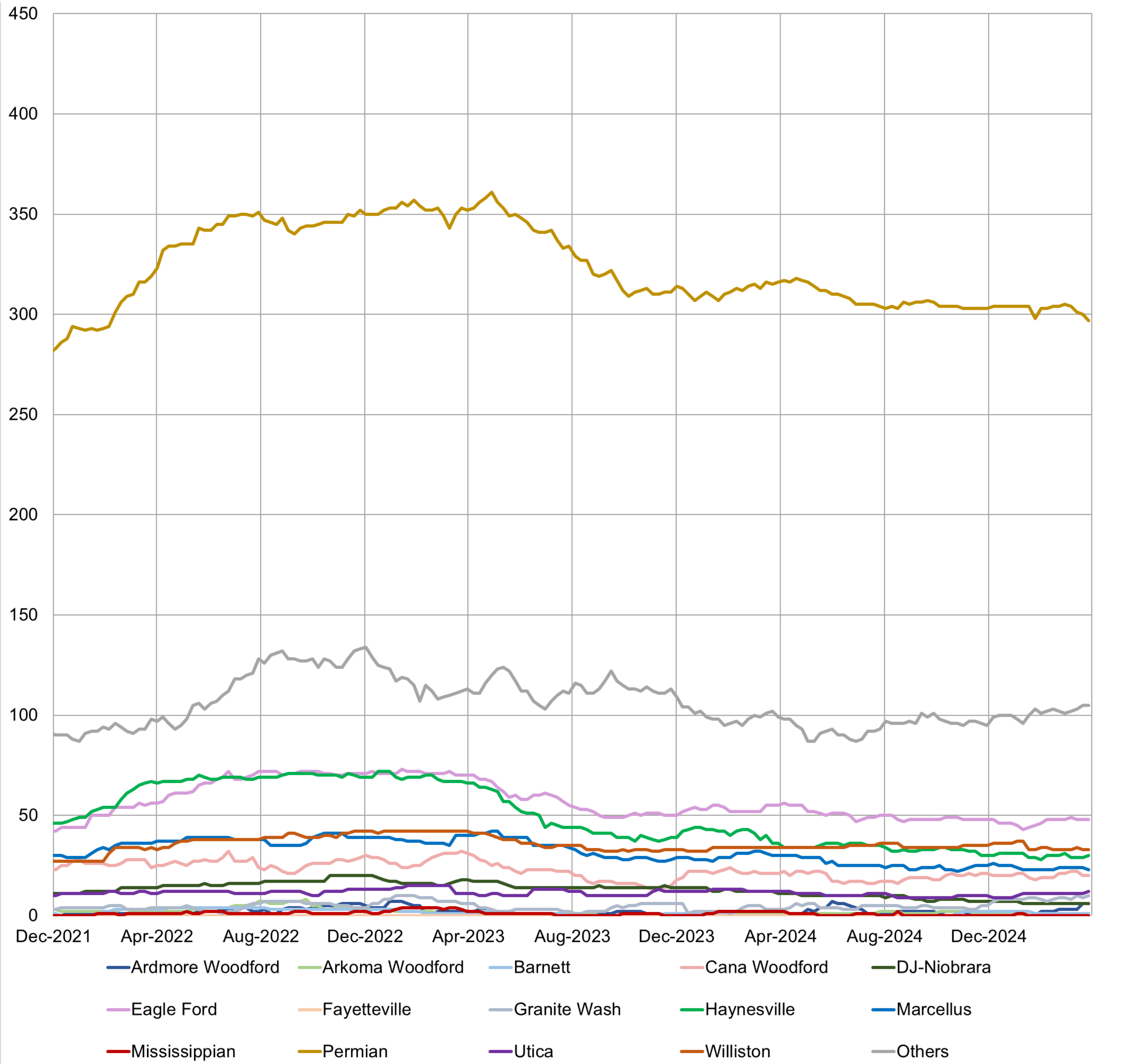


DEAL VALUE BY US REGION (BY YEAR)



*Source—Enverus M&A Data- (Charts exclude terminated deals)

RIG ACTIVITY BY US REGION

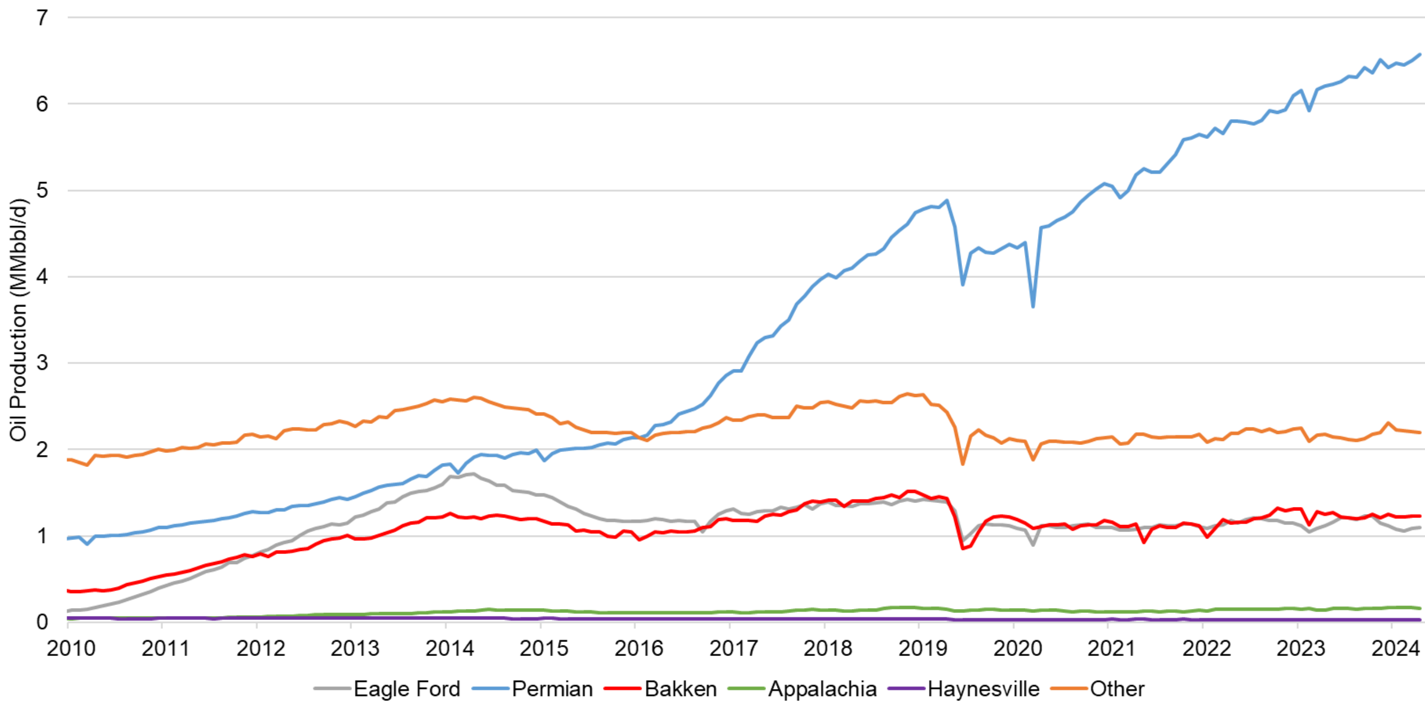


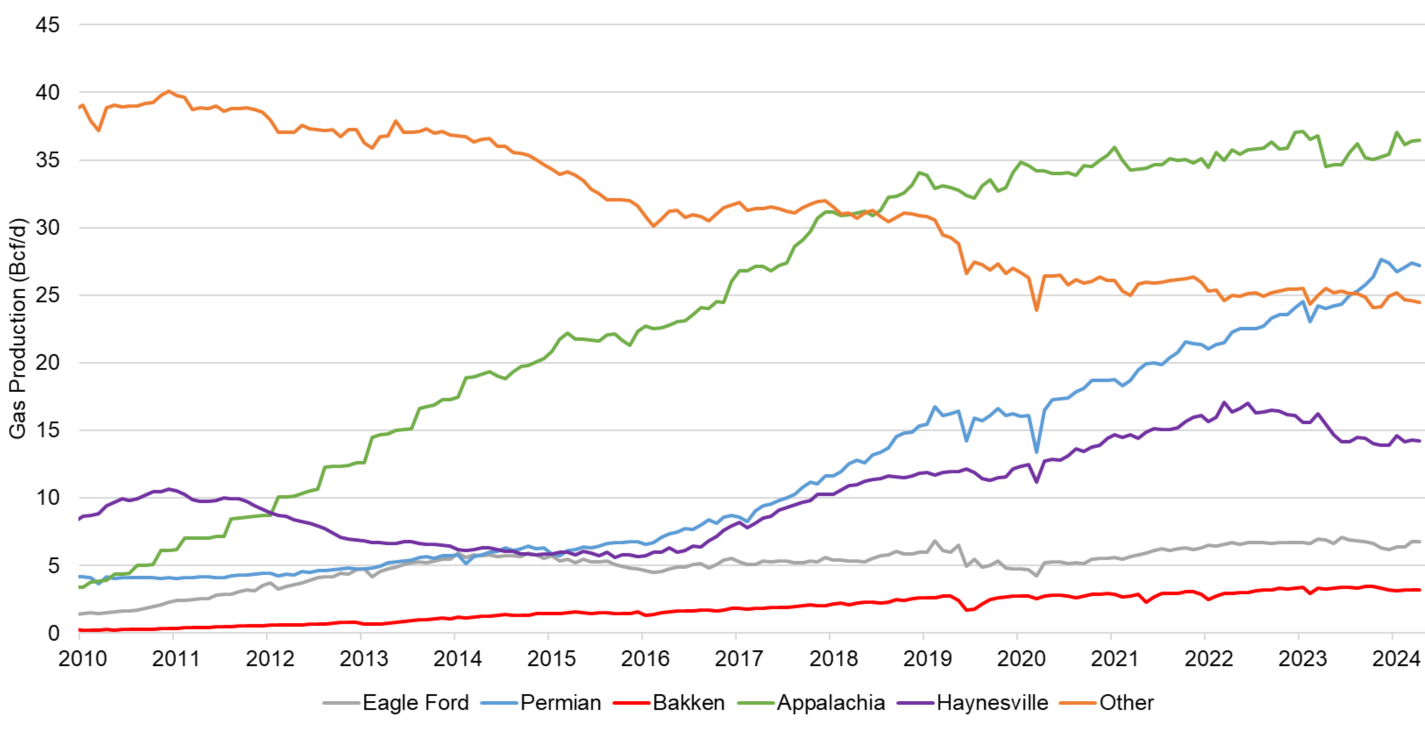
*Source—Baker Hughes North America Rotary Rig Count

US DAILY CRUDE (MMbbl) & DRY NATURAL GAS PRODUCTION (MMcf)

*Source—Energy Information Administration (EIA)

HISTORICAL PRODUCTION OF SELECTED US SHALE REGIONS





*Source—Energy Information Administration (EIA)

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UPCOMING EVENTS

March 2025

U.S. Men's Clay Court Championship	March 29 - April 6	Houston, TX

April 2025

Texas Bankruptcy Bench/Bar Conference	April 2	Houston, TX
SPE GCS - New Ventures Panel	April 16	Houston, TX
Quorum Qnections 25	April 22-24	Las Vegas, NV
SIGMA Spring Conference	April 22-24	Scottsdale, AZ
World Oilman's Poker Tournament	April 23-25	Las Vegas, NV
Hunger Free Golf Classic	April 25	Houston, TX
World Oilman's Tennis Tournament	April 30 - May 3	Houston, TX

May 2025

Quorum Qnections Barcelona	May 13-15	Barcelona, Spain
ASA Energy Valuation Conference	May 15	Houston, TX
North American Petroleum Accounting Conference	May 15-16	Dallas, TX
Texas Dreamin' 2025	May 29-30	Austin, TX

*Denotes an Opportune Sponsored Event

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ABOUT RALPH E. DAVIS ASSOCIATES

Ralph E. Davis Associates LLC (RED) is an industry-leading petroleum engineering and geosciences firm committed to satisfying the individual needs of clients. We accomplish this by holding ourselves to the highest standards of integrity and professionalism to deliver honest, direct and actionable insights to help clients achieve their strategic objectives. We distinguish ourselves by combining reservoir engineering, geoscience evaluation techniques and advanced data analytics with economic analyses to provide our clients with individual, customized solutions.

Banks, bondholders, private equity firms, financial institutions and law firms around the world trust in RED's diverse services and unrivaled upstream oil and gas expertise to deliver comprehensive solutions that help clients make informed decisions. We add value to every engagement by employing a team approach, leveraging Opportune LLP's experienced bench of experts in transactional due diligence, tax advisory, investment banking, restructuring and valuation.

We offer technical and economic analyses to deliver our clients a complete, independent, accurate and detailed assessment of the value of their assets. We apply a robust set of technical capabilities to assist our clients. Our capabilities include:

- Reservoir engineering and geosciences
- Economic forecasting and reporting
- Data analytics and geospatial analysis

KEY CONTACTS

Steve Hendrickson is the President of Ralph E. Davis Associates, an Opportune LLP company. Steve has over 35 years of professional leadership experience in the energy industry with a proven track record of adding value through acquisitions, development and operations. Steve is a licensed professional engineer in the state of Texas, and holds an M.S. in Finance from the University of Houston and a B.S. in Chemical Engineering from The University of Texas at Austin. He recently served as a board member of the Society of Petroleum Evaluation Engineers (SPEE) and is a registered FINRA representative.

John Beaird is Vice President of Ralph E. Davis Associates, an Opportune LLP company. John has 39 years of oil and gas management, reservoir engineering, and petroleum economics evaluation experience. Recent relevant experience includes the Permian, Western Gulf, Tx-La-Miss Salt, Mid-Continent, Denver-Julesburg, Wind River, Williston Basin, and Appalachian Basins. John is a registered Petroleum Engineer in the State of Texas and holds a B.S. in Petroleum Engineering from Louisiana Tech University. He is also an active member of the Society of Petroleum Evaluation Engineers (SPEE).

David Edwards is a Petroleum Engineer at Ralph E. Davis Associates, an Opportune LLP company. David has over four years of reserves engineering experience in conventional and unconventional reservoirs. Before RED, David was a Petroleum Engineer at a lower middle market A&D advisory firm where he handled the technical processes for marketed assets. He began his career with an operator in Dallas, where he contributed to its engineering, operations, and A&D teams. David holds an M.B.A. from The University of Texas Permian Basin and a B.S. in Petroleum Engineering from The University of Oklahoma.