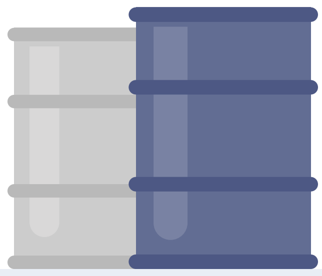
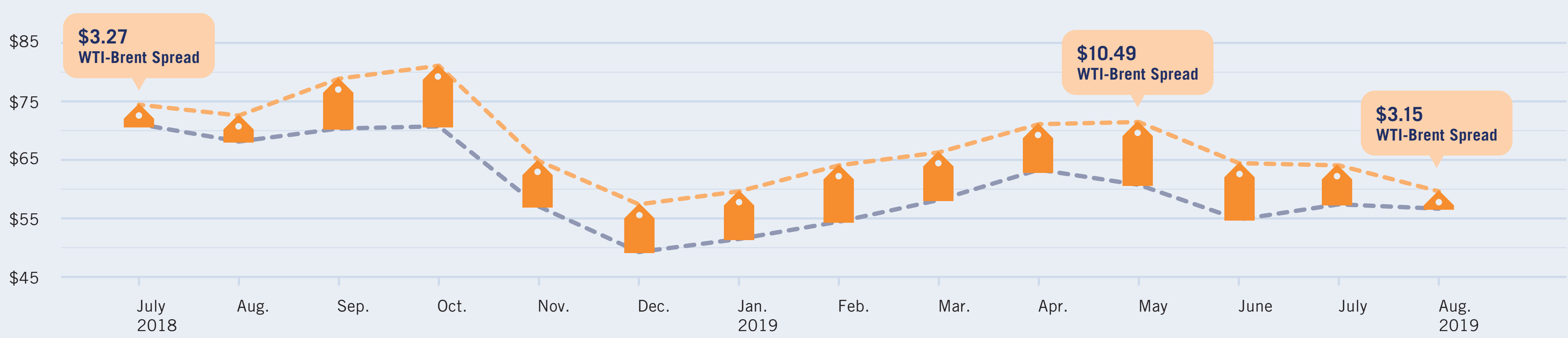
BEATING THE ODDS

OCTOBER 2019

Over the past decade, West Texas Intermediate (WTI) crude, the U.S.'s crude oil benchmark, has generally traded at prices well below Brent crude, the crude oil benchmark for much of the world. However, as of August 2019, the WTI-Brent spread was $3.15, the tightest it's been in over a year. Despite the shrinking spread, as well as a decrease in China's purchases of U.S. oil due to the countries' ongoing trade dispute, the U.S. continues to export near-record amounts of oil.



WTI AND BRENT PRICES ($ PER BARREL)

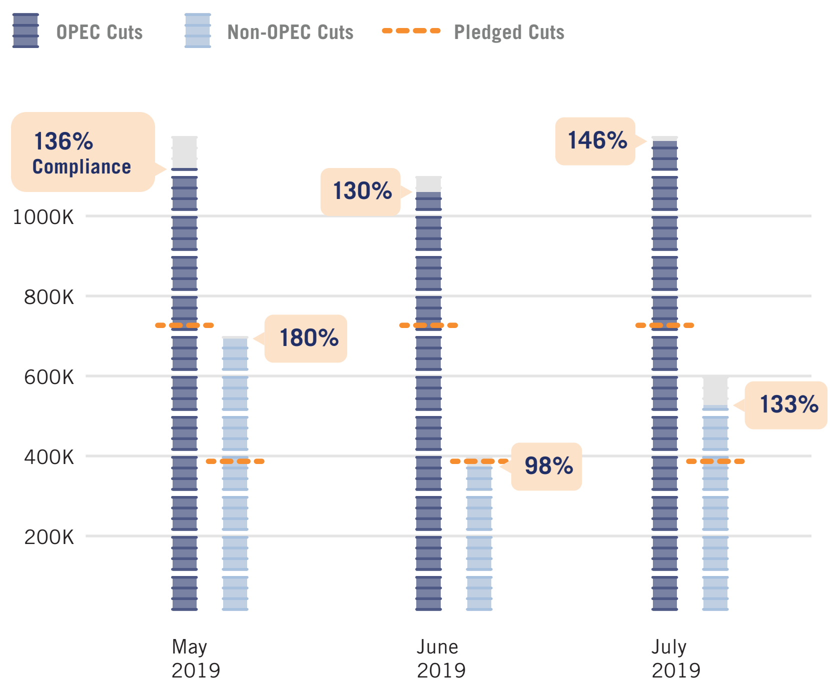


Source: U.S. Energy Information Administration (EIA)

TEAMING UP

In an attempt to boost oil prices, OPEC+, which consists of OPEC-member countries, Russia, and various smaller non-OPEC oil-exporting countries, agreed to extend production cuts totaling 1.2 million barrels per day for an additional nine months to March 2020.

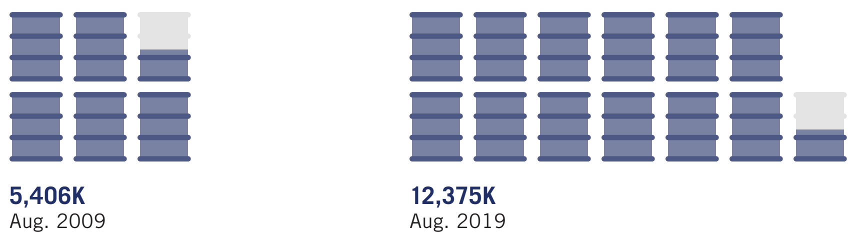
OPEC VS. NON-OPEC PLEDGED CUT COMPLIANCE (BARRELS)



GUSHING OIL

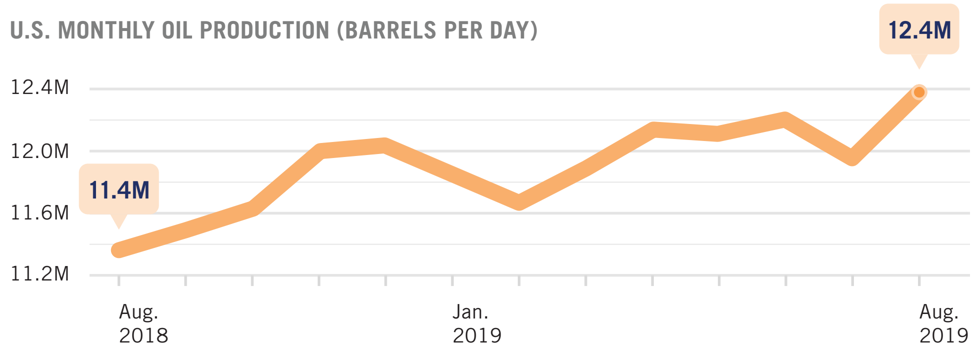
Oil production in the U.S. continues to climb, despite operators increasingly focusing on generating positive cash flows and returns. Prices briefly spiked following an attack on production facilities in Saudi Arabia in mid-September, yet WTI prices quickly stabilized below $60 per barrel, illustrating the influence of U.S. production on the world oil market.

10-YEAR U.S. OIL PRODUCTION COMPARISON SNAPSHOT (BARRELS PER DAY)



Source: EIA

U.S. MONTHLY OIL PRODUCTION (BARRELS PER DAY)

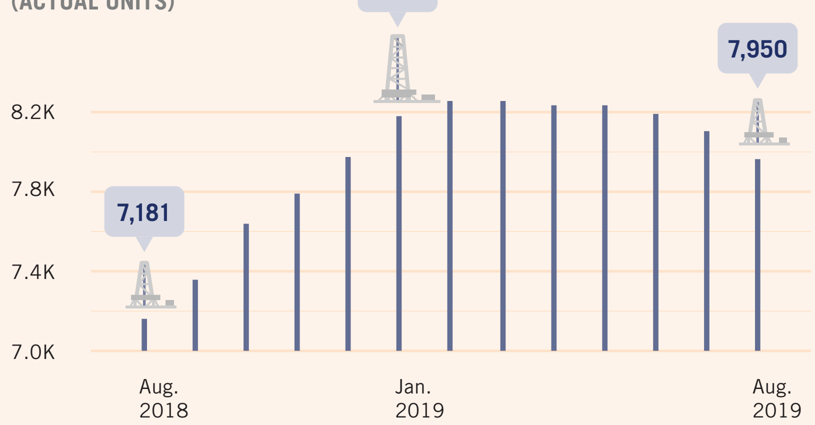


Source: EIA

DUCS TAKE A BREATHER

In recent months, the number of drilled but uncompleted (DUC) wells has leveled off. The number of DUCs serves as a gauge for how quickly producers can come online to take advantage of rising oil or natural gas prices.

U.S. DRILLED BUT UNCOMPLETED WELLS (ACTUAL UNITS)

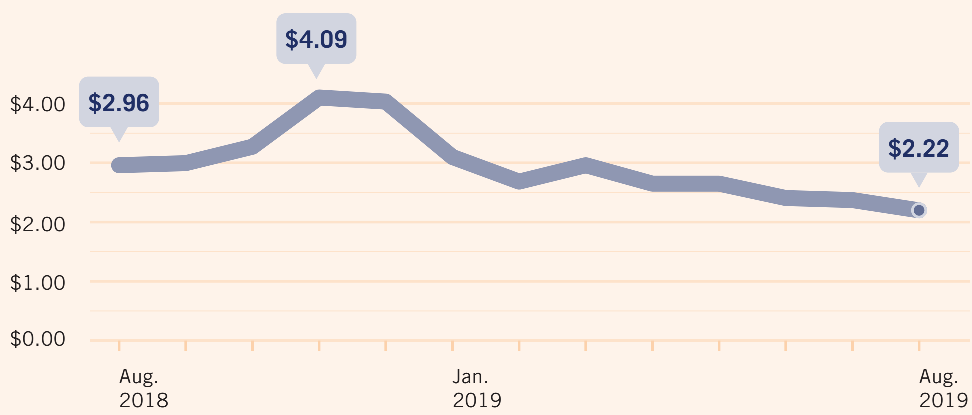


Source: EIA

GAS PRICES SINK

Natural gas prices dipped for the fifth consecutive month in August 2019, despite a jump in U.S. demand. This trend is due to rapidly increasing production, along with an export bottleneck. Industry players hope planned liquified natural gas export terminals and pipelines will help create a price spike in the near future.

HENRY HUB NATURAL GAS SPOT PRICE (DOLLARS PER MILLION BTU)



Source: EIA (all figures are subject to revision by the EIA and other reporting agencies)

STAYING POWER

Despite ongoing tensions in the Middle East, including sanctions on Iran and the recent bombing of Saudi Arabian oil infrastructure that disrupted production and processing capabilities, the increasing share of worldwide oil supply produced by U.S. exploration and production companies has served to stabilize international commodity markets.

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