

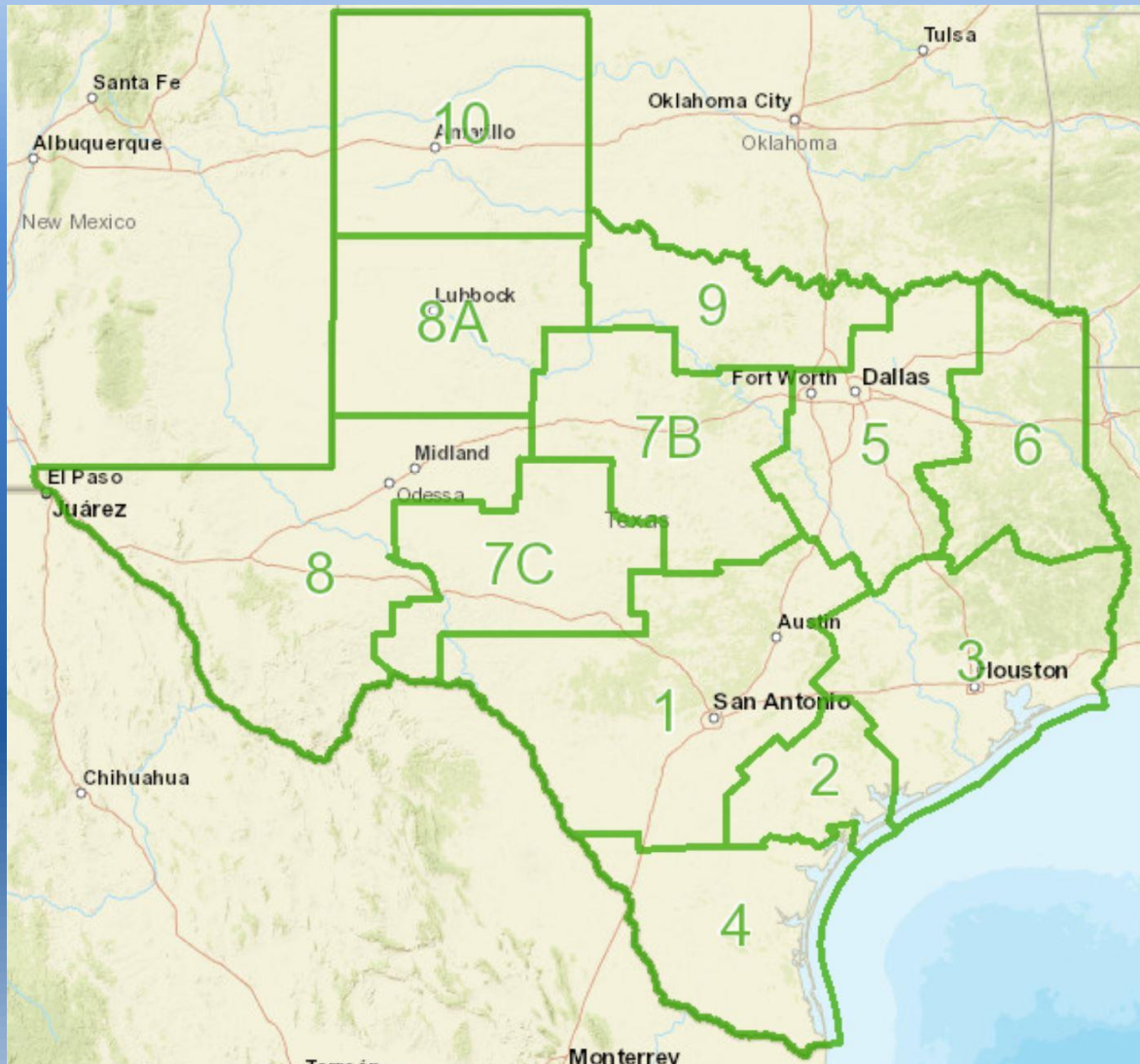


Your Neck of the Woods - Texas

Prepared By: Jack Fleet, CMM

Presented By: David Fengolio

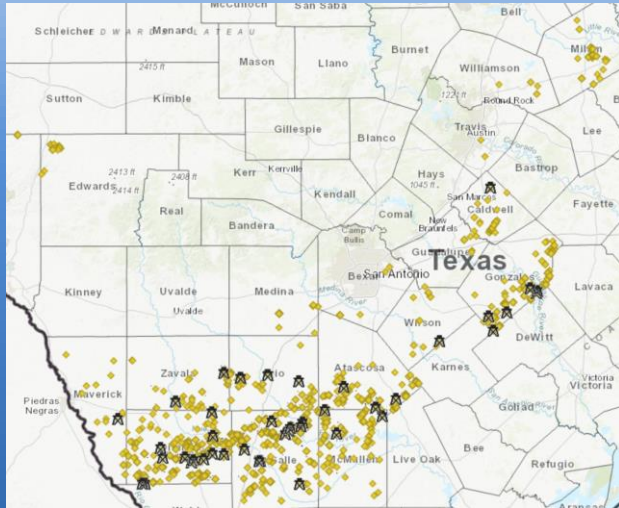
TEXAS RRC DISTRICTS



Note:

Slide information and district report may vary due to the timing the data was gathered. Data for the slide presentation is from Drilling Info, time frame 6/1/2017 to 6/30/2018. Permits are New Drill, Recomplete and Amended.

TEXAS RRC DISTRICTS 1 & 2

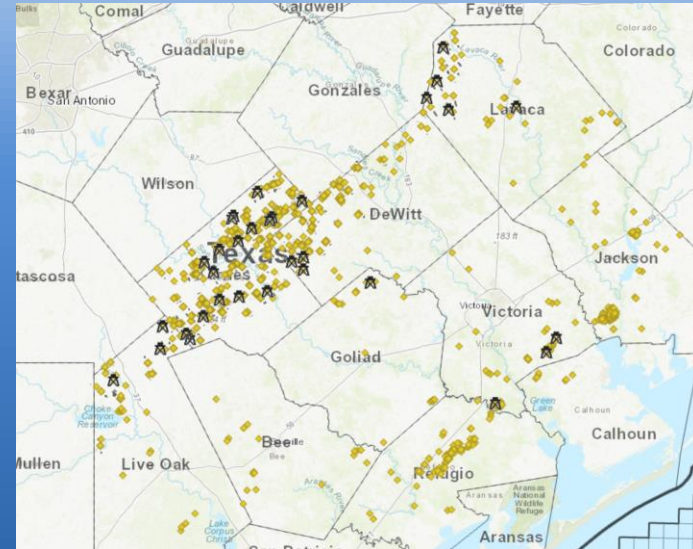


District 1

Permits – 1658

Rigs – 42

*Most Completions are in the Eagle Ford Shale, some in Austin Chalk and Olmos Sands.



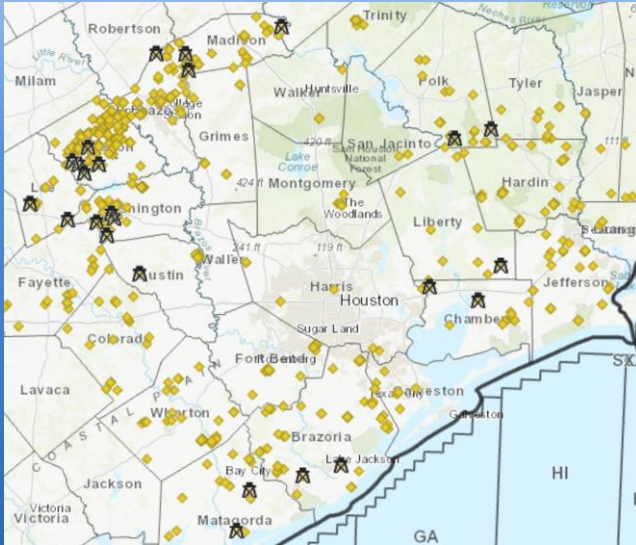
District 2

Permits – 1270

Rigs – 32

* Karnes County – 601 Permits. The Eagle Ford Shale is still strong. Jackson/Victoria/Refugio 255 Permits mostly recompletions.

TEXAS RRC DISTRICTS 3 & 4

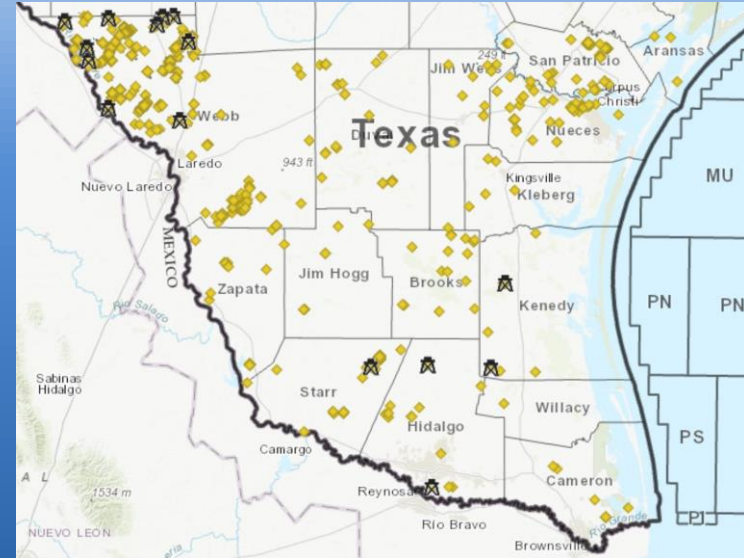


District 3

Permits – 701

Rigs – 26

* Burleson is the most active County. With recompletions along the Gulf Coast.



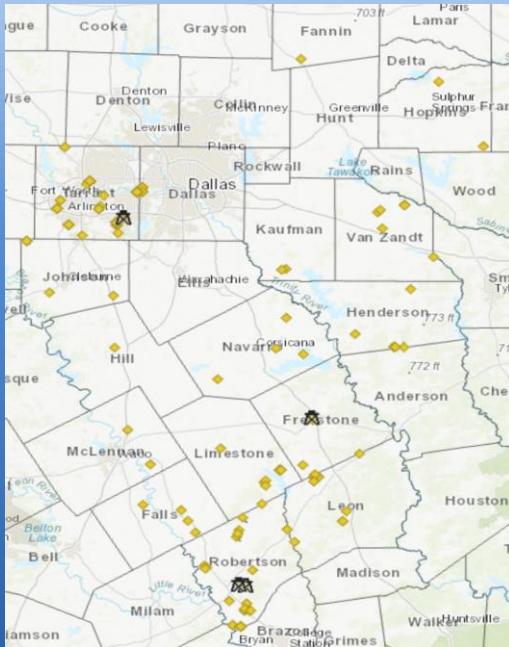
District 4

Permits – 590

Rigs – 15

* Webb County leads in Gas and Condensate; while Duval County leads in Oil production. There is a resurgence in the Eagle Ford Shale.

TEXAS RRC DISTRICTS 5 & 6

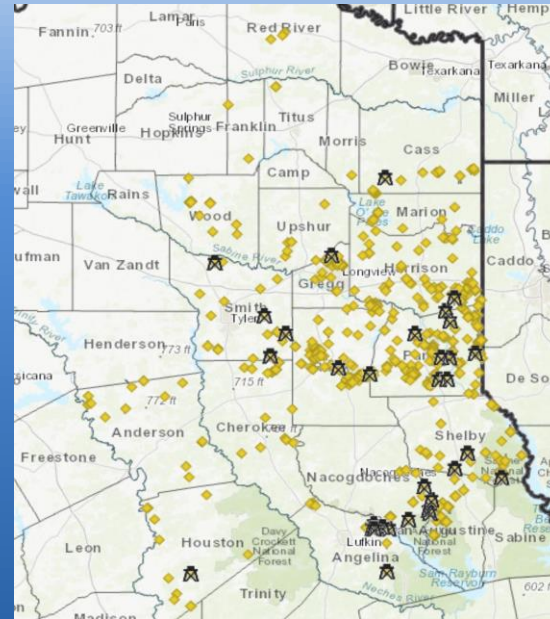


District 5

Permits – 133

Rigs – 4

* Mostly Barnett Shale with some Austin Chalk and Eagle Ford.



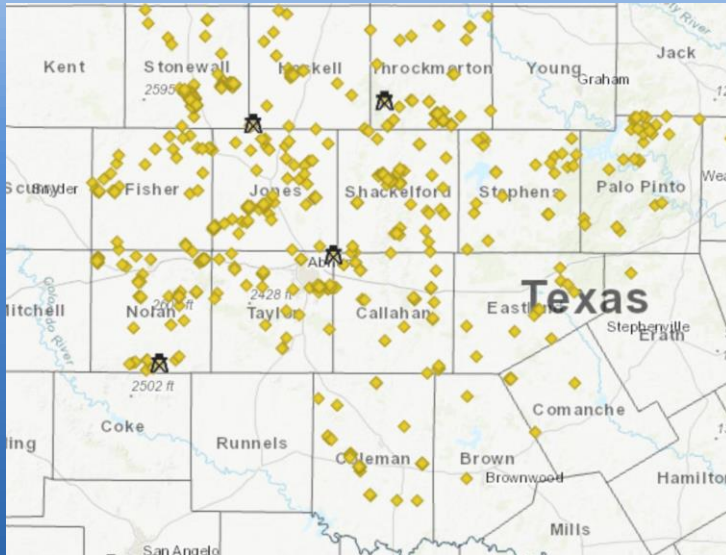
District 6

Permits – 576

Rigs – 32

* Approx. 2/3rds completions are Gas Wells in the Haynesville Shale, Cotton Valley and Travis Peak formations. Wood County leads production in oil and Casinghead Gas, while Panola leads in Gas and Condensate.

TEXAS RRC DISTRICTS 7B & 9

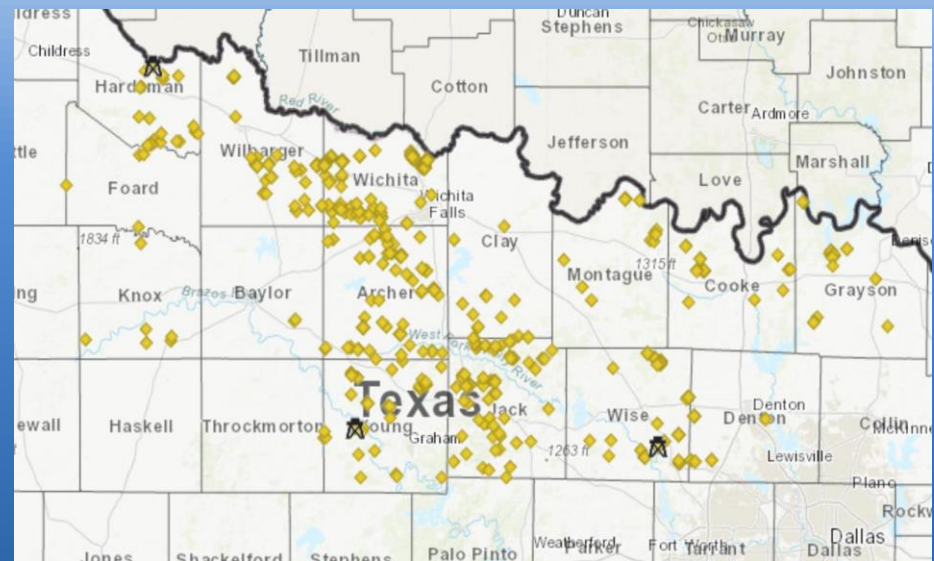


District 7B

Permits – 526

Rigs – 4

* Completions in the Strawn, Wolfcamp and Barnett Shale.



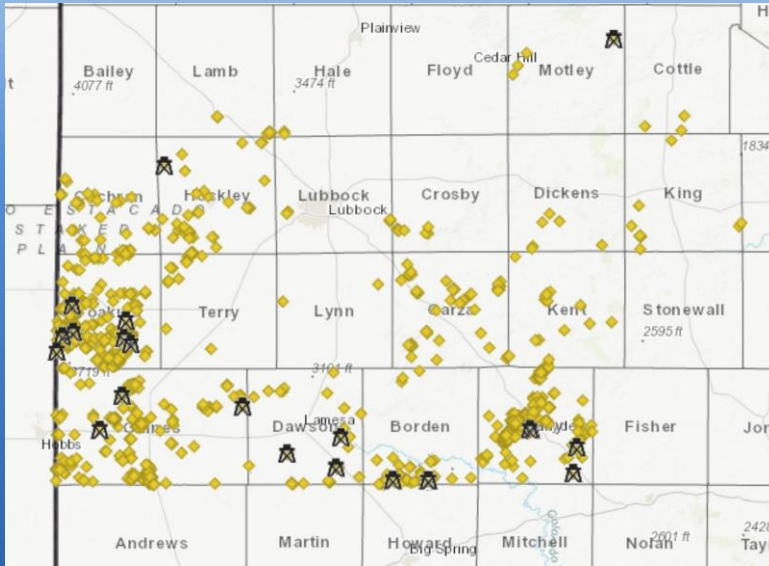
District 9

Permits – 471

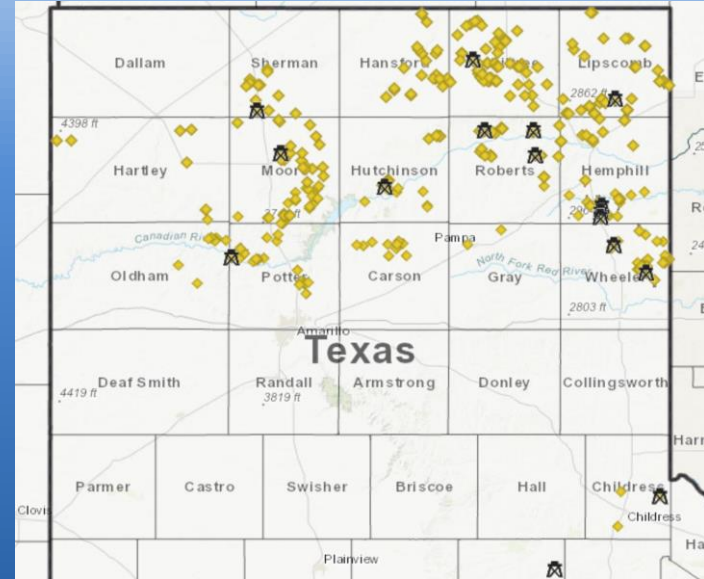
Rigs – 3

* Wichita leads in Oil production, Montague leads in Casinghead Gas and Condensate, Tarrant County leads in Gas. 769 Completions, 657 Oil and 112 Gas.

TEXAS RRC DISTRICTS 8A & 10

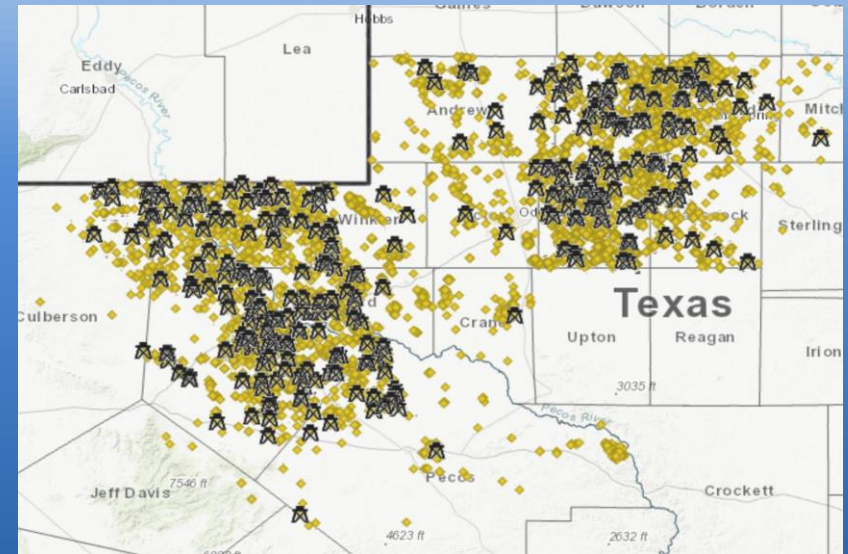
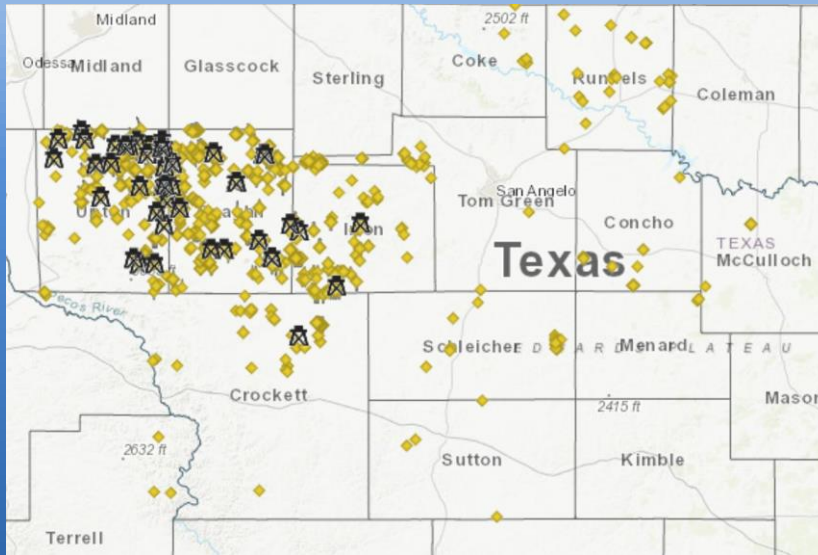


District 8A
Permits – 990
Rigs – 22
*



District 10
Permits – 383
Rigs – 15
*Shale play in Eastern Panhandle is mostly gas, with issues of low gas prices most new wells are now looking for oil.

TEXAS RRC DISTRICTS 7C & 8



District 7C

Permits – 1193

Rigs – 50

*Upton and Reagan Counties are lighting up... Expect stacked laterals in the west part of the District 7C.

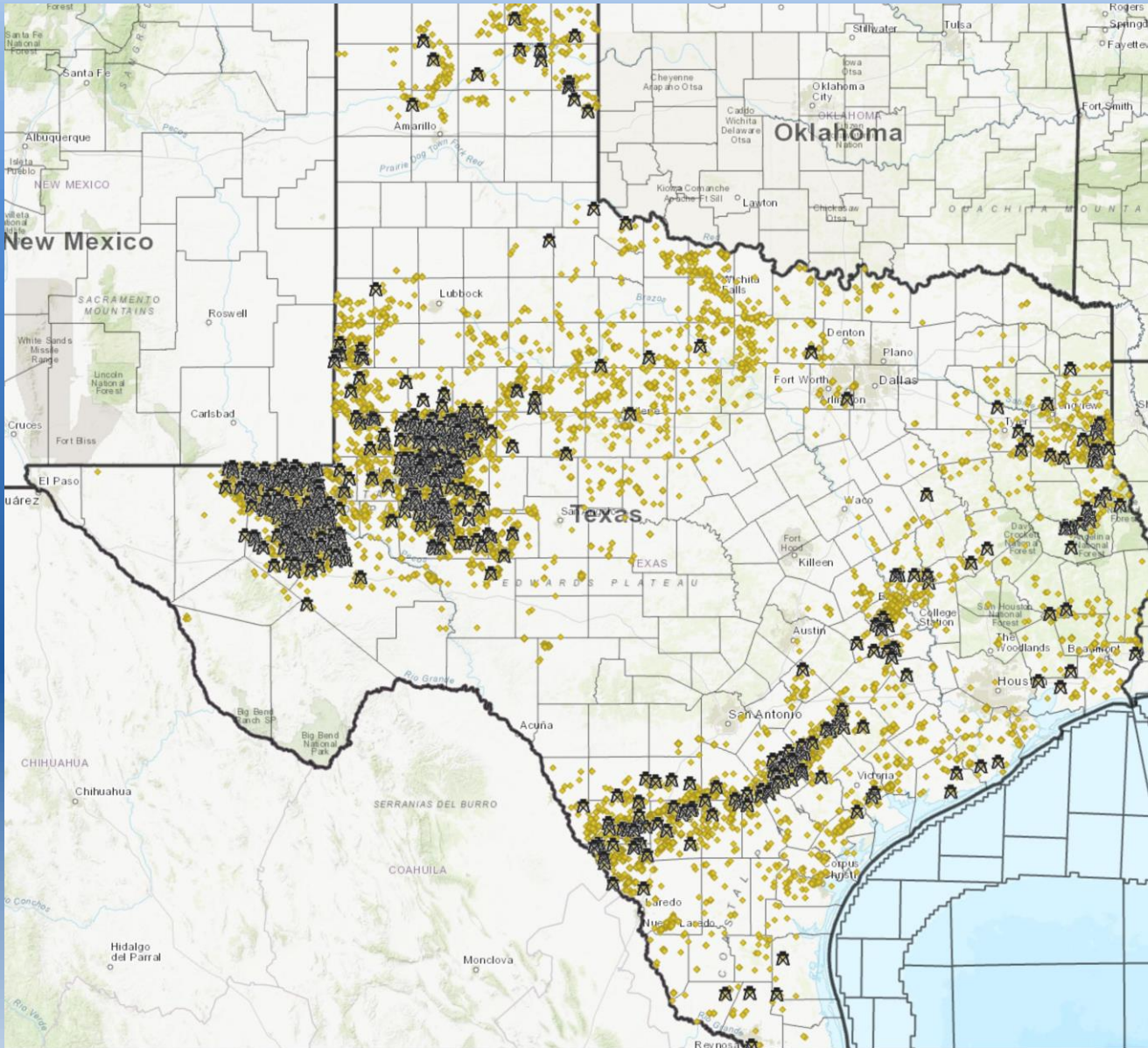
District 8 – Texas Tea - Jackpot

Permits – 7520

Rigs – 318

*Reeves 86 rigs, Midland 48 rigs, Martin 36 rigs, Loving 29 rigs, Howard 22 rigs. Permian Basin is projected to be the largest oil producing Basin in the World.

TEXAS PERMITS AND RIGS



Presented by: Jack Fleet
District # 2



The Motto for this district right now:
New drilling, recompletion drilling, it's all good.

Statistics for June 1st, 2017 through June 30th, 2018

of permits: 1270

of completions: 1373

of rigs running as of July 15th, 2018 — 32

What county has led your district production, why?

Karnes — Oil 80,574,548 BO / Casinghead Gas 157,890,960 MCF

De Witt — GW Gas 110,641,140 MCF / Condensate 14,496,353 BBLs

Major news in the county:

Future trend for this county: The EagleFord / Eaglebine (Eagle Ford and Woodbine) continue to show development. There are even permits issued in District 6 in the Eagle Ford.

Additional information:

Pipelines being built from West Texas to Corpus Christi will help move oil and gas from the Eagle Ford shale to the coast.

Our Neck of the Woods – District 4 - 2018

Presented by: Wade Caldwell

District # 4

The Motto for this district right now:

Exports and the Eagle Ford — Floating Boats and Refloating our Boats
Statistics for June 2017 through June 2018

of permits: 616 (up from 453 in 16-17)

of completions: 161 in 2017 (June 2018 - 12)

of rigs running as of June 2018 — 13

What county has led your district production, why?

Duval — Oil

Webb — Gas

Webb — Condensate

What county is seeing a slowdown, why? All counties are fairly slow except Webb. Overall production declining.

Major news in the county: Webb is the only county seeing substantial horizontal activity, and accounts for more than ½ of all permits in District 4. Vertical development or redevelopment drilling in other counties continues at a slow pace. 80% of the new wells are horizontal. Seeing some resurgence in the Eagle Ford.

Future trend for this county: If the Eagle Ford continues its resurgence, expect Webb County to continue to be active.

Additional information: Exports are huge business out of Corpus Christi, and new gas pipelines into Mexico are helping ease the domestic over-supply. Crude and condensate exports are over 600,000 barrels per day and climbing. An LNG terminal is expected to be in operation by the end of 2018 that will be able to export 4.5 million metric tons of LNG per year, and store 10 billion cubic feet. Corpus is also seeing substantial new pipelines being built from West Texas and is issuing \$217 million in bonds to expand the port.



Presented by: Jack Fleet

District # 6 – Field Office in Kilgore

The Motto for this district right now: East Texas Field is still developing a great gas play.



Statistics for June 1st 2017 through June 30th 2018.

of permits – 576 (Panola – 192, Rusk – 88, Harrison – 71

Mostly for development in the Haynesville Shale and Travis Peak formations.

of completions – 693

Gas – 429 (Cotton Valley, Travis Peak and Haynesville Shale lead gas completions)

Oil – 264 (Hawkins Field & Travis Peak Reservoirs lead oil completions)

of rigs running as of July 12th, 2018 – 32

What county has led your district production, why? In the period of Jan. 2017 through Jan. 2018.

Oil – Wood County with 3,619,486 BBL, Casinghead Gas – Wood County with 58,420,163 MCF

GW Gas – Panola with 289,364,072 MCF, Condensate – Panola with 1,480,404 BBL

What county is seeing a slowdown, why? In the past 12 months, Wood County. After leading oil completions for the prior 12-month period a few plug-ins have redirected operator resources. That said, Wood County leads the county in Oil and Casinghead Gas production.

Major news in the county: XTO is developing a big oil unit in the Hawkins Field, Woods County. While Sabine, Sheridan, Tanos, XTO and BP have been developing gas fields in the Haynesville Shale, Travis Peak, Cotton Valley and Pettit reservoirs.

Future trend for this county: Based on leasing activity in the past year(over 5000 leases taken), the following counties and operators are developing plays:

Most active leasing counties: Rusk – Concord Land Services, Marion – Harbour Energy, Anderson – BP America (Haynesville Shale). Other active leasing counties: Cherokee – Twin Resources & Texline Energy, Harrison – Sabine O&G, Comstock and many others, Panola – Comstock and Petroquest, Smith – Barrow Shaver Resources

Additional information:

Too many “Memo of Lease” documents filed instead of the actual lease.

Presented by: Pat Bullard

District # 7B

The Motto for this district right now:

Permit and drill. Keep the oil flowing.

Statistics for June 1st 2017 through June 30th 2018.

of permits – 558

Throckmorton, Stonewall, Nolan and Jones lead in where the permits are issued.

of completions – 573

Gas – 67 (Stephens and Palo Pinto lead gas completions)

Oil – 506 (Throckmorton, Stonewall, Nolan and Shackelford lead oil completions)

of rigs running as of July 12th, 2018 – 5

What county has led your district production, why? In the period of Jan. 2017 - Jan. 2018, per TX RRC

Oil – Stonewall with 2,358,244 BBL, Stephens 2nd with 2,072,083 BBL

Casinghead Gas – Stonewall with 3,200,179 MCF

GW Gas – Stephens with 8,113,936 MCF, Palo Pino 2nd with 6,455,134 MCF

Condensate – Stephens with 42,587 BBL

What county is seeing a slowdown, why?

Leasing has slowed in Stephens, Stonewall and Throckmorton as the focus is moving towards Fisher, Jones and Nolan Counties.

Future trend for this county:

Based on leasing and permits, expect completion to pick up in Nolan, Jones and Fisher Counties.

Additional information:

2435 leases were recorded in this period.

Fisher County, approx. 700 leases with Norwood Land Services taking a significant number.

Nolan County, approx. 540 leases with Redman Exploration and WestTex Resources taking a significant number.

Jones County, approx. 400 leases with Petrorock Mineral Holdings taking a significant number.

These three counties represent 2/3rd of the leases taken in the past 13 months.



Presented by: Warren Wallace
District # 7C



The Motto for this district right now:
Strong in the western part

Statistics for June 2017 through June 2018

of permits: 1100

of completions: 800

of rigs running as of June 2018 — 14

What county has led your district production, why?
Upton/Reagan - Oil

What county is seeing a slowdown, why? Sutton - Gas

Future trend for this county: Stacked Laterals out west.

Presented by: Joel Hamm and Robert Glass
District # 8



The Motto for this district right now:
Texas Tea

Statistics for June 1st 2017 through June 30th 2018.

of permits – 6,328 as of May 2018.

of completions – 3,339 as of May 2018.

of rigs running as of June 29th, 2018 – 316

What county has led your district production?

Midland County with 96,650,547 BO

Additional information:

Active rigs count is up from 256 in June 2017.

Reeves County is the hottest area. Midland, Martin, Reagan and Glasscock County lead in production with the Wolfcamp play.

Permian Basin is projected to be the largest oil producer in the World based on the existing stacked plays.

Presented by: David Fenoglio

District # 9

The Motto for this district right now:

Barnett Shale is still going STRONG.

Statistics for June 1st 2017 through June 30th 2018.

of permits – 496 Wichita, Jack and Archer Counties lead where the permits are issued.

of completions – 769

Gas – 112 (Wise, Denton) mostly Devon and Enervest

Oil – 657 (Wichita lead oil completions) Layline Energy

of rigs running as of July 12th, 2018 – 3

What county has led your district production? In the period of Jan. 2017 - Jan. 2018, per TX RRC

Oil – Wichita with 1,859,270 BBL , Casinghead Gas – Montague with 14,313,230 MCF

GW Gas – Tarrant with 500,251,136 MCF, Condensate – Montague with 715,417 BBL

Major news in the county: EOG Production is For Sale.

What county is seeing a slowdown, why? Montague and Tarrant counties in the Barnett Shale will continue to lead in Gas and Condensate production while leasing and new permits have slowed; indicating that these counties are very well developed.

Future trend for this county: Expect the Barnett Shale to continue to lead in Gas Production in the District as more Gas Completion in Jack, Archer and Denton counties continue to develop. And new permits and completions in Cooke and Grayson counties.

Additional information:

4914 leases where recorded in this period.

Cooke County, approximately 1050 leases with Concord Land Services taking a significant number.

Nearly all leases are recorded as Memo of Lease.

Grayson County, approx. 2533 leases with Concord Land Services taking a significant number. Nearly all leases are recorded as Memo of Lease. These three counties represent over 70 percent of the leases taken in the past 13 months.



Presented by: Wade Caldwell
District #10



The Motto for this district right now:
Shale plays east and west. Quiet overall. Trying to find oil.

Statistics for June 2017 through June 2018

of permits: 395 (includes re-entries and others)
of completions: 341 (total reports – fewer are new wells)
of rigs running as of June 2018: 10

What county has led your district production, why?

Oil – Ochiltree
Casinghead Gas – Ochiltree
Condensate – Hemphill
Gas – Hemphill

What county is seeing a slowdown, why?

Ochiltree – Gas play

Additional information:

Shale plays in eastern Panhandle have proven to be mostly gas. Drilling activity very quiet. Rigs looking for gas have dropped to near zero.

Some issues being reported with artificially low gas prices due to lack of competition among pipelines.

Drilling has shifted to predominately horizontals.