



The Future of U.S. Shale Oil

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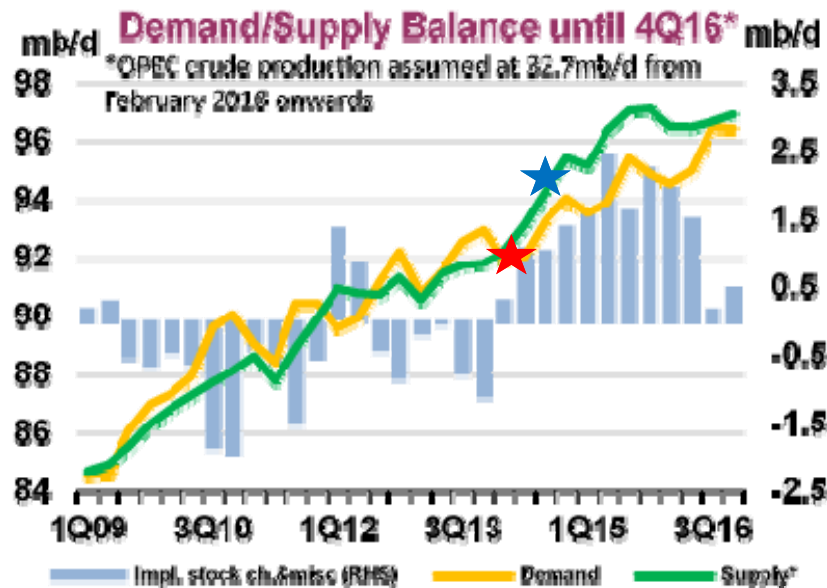
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PIONEER
NATURAL RESOURCES

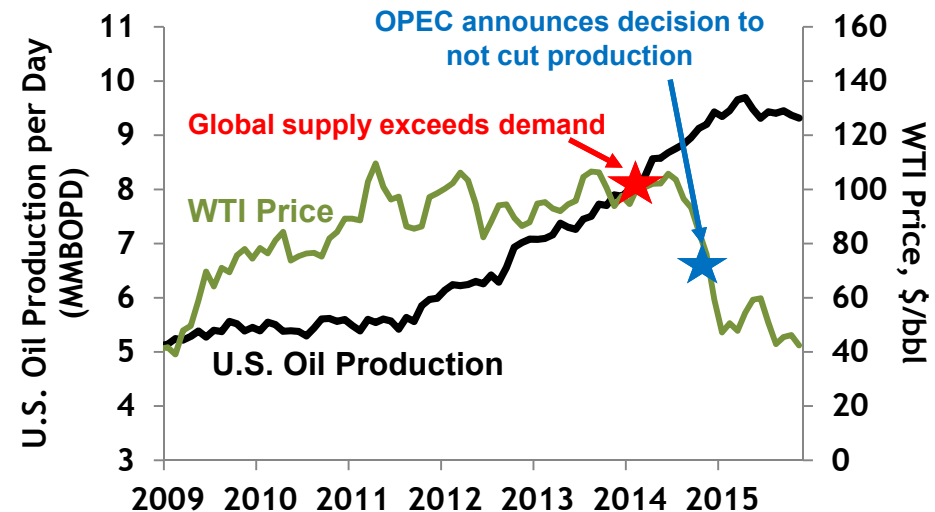
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The Boom

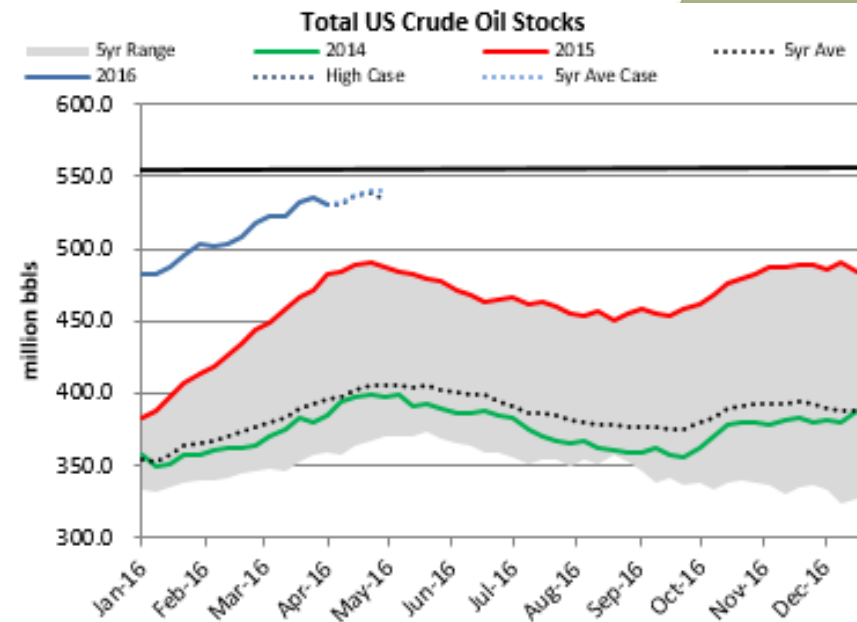
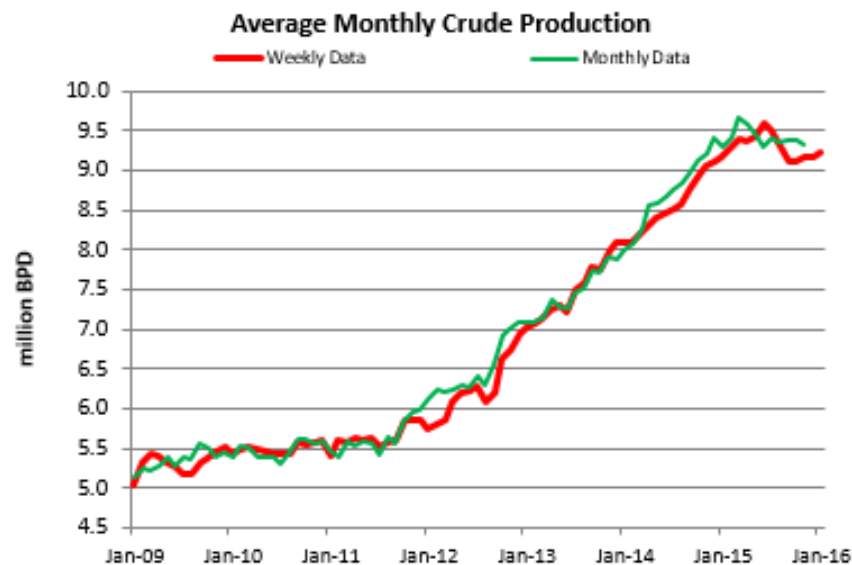


Source: IEA and EIA



- From 2009 through 2014, the U.S. added 4 MMBOD of oil production
- During the same time, demand increased by 4.5 MMBOD
- Oil production outages in Libya, Iraq and Iran and production growth in China supported oil prices averaging \$92/bbl from 2010-14
- Slowing demand in China in 2014, combined with growing supply in the U.S., set the stage for prices to collapse
- In November 2014, Saudi Arabia and OPEC announced that there would be no OPEC cuts to balance the market; Saudi increased production to capture market share
- ***The rest is history...***

The Bust of 2015 - ??



- Saudi Arabia increased supply as much as 1 MMBOD during 2015
- Cost reductions, efficiency gains, equity infusion and hedging buttress U.S. production in the initial downturn
- U.S. and Iran reach nuclear deal, adding ~300MBOD to ~500MBOD in 2016
- U.S. production slowly breaking in 2016, while storage reaches historic highs
- U.S. producers face significant liquidity challenges, credit downgrades and limited returns

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