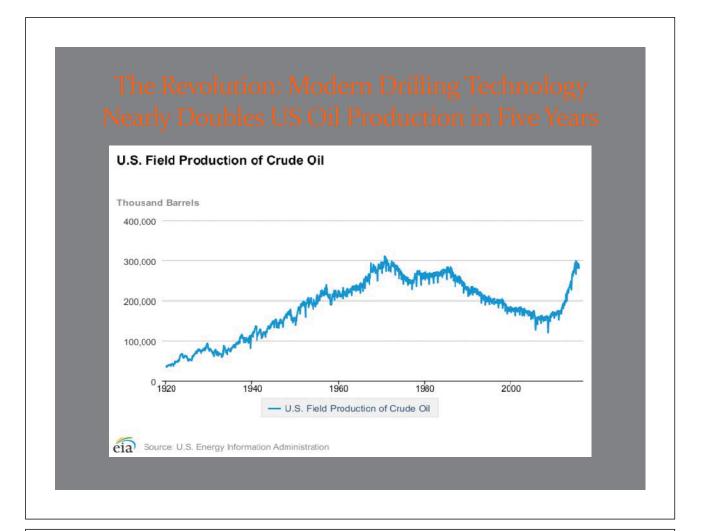
Production Sharing Agreements and Allocation Wells Update

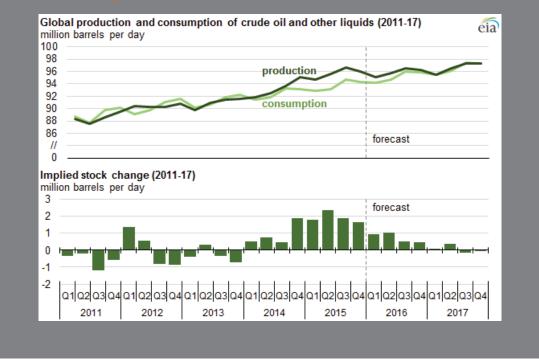
<u>Moderator</u> J. Robert Goldsmith, Jr. Goldsmith, Bogisch & Chaires, Austin, TX <u>Panelists</u> John B. McFarland, Graves Dougherty Hearon & Moody, Austin, TX Gregory S. Mathews, Chevron USA Inc., Houston, TX

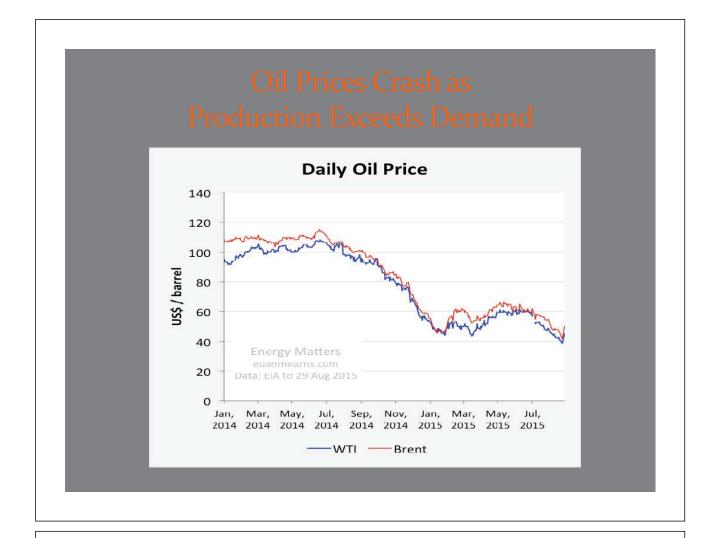
Horizontal Drilling and Hydraulic Fracturing Create a Revolution

0 Feet	Water table Well —	
1,000	Hydraulic Fracturing	Sand keeps of Shale
2,000	Hydraulic fracturing, or "fracing," involves the injection	Natural gas flows from fissures Mixture of
3,000	of more than a million gallons of water, sand and chemicals at high pressure down and across into horizontally drilled wells as far as 10.000 feet	into well Well water, sand and chemical agents
4,000	below the surface. The pressurized mixture causes	
5,000	the rock layer, in this case the Marcellus Shale, to crack. These fissures are held open by the sand particles so that natural gas from the shale can	
6,000	flow up the well.	
7,000	Well turns horizontal	
	Marcellus Shale	The shale is fractured by the pressure inside the well.

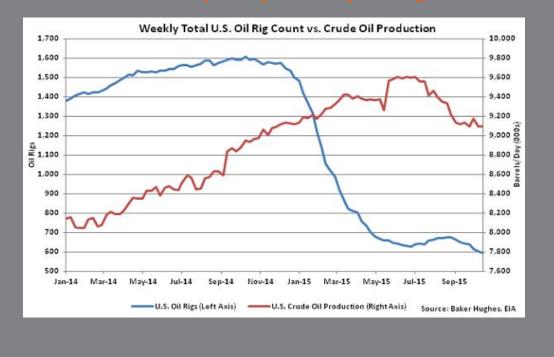


Daily World Oil Consumption versus Daily World Oil Production 2016





U.S. Oil Production Has Remained Above 9 MM Barrels Per Day Despite Drop in Rig Count



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