

43rd Annual Ernest E. Smith Oil, Gas and Mineral Law Institute
April 14, 2017

LEGAL AND REGULATORY ISSUES IN LIGHT OF CURRENT DRILLING TECHNOLOGY

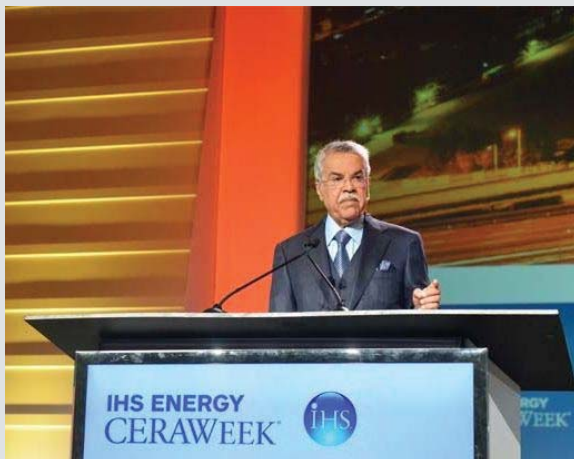
Moderator: J. Robert (Bob) Goldsmith, Jr.
Goldsmith, Bogisch & Chaires
Austin, Texas

Gregory S. Mathews
Chevron USA, Inc.
Houston, Texas

Panelists:

John B. McFarland
Graves, Dougherty, Hearon & Moody
Austin, Texas

Saudi Oil Minister Ali Al-Naimi at CERAWeek 2016 Energy Conference



U.S. Producers will have to:

- BE MORE EFFICIENT
- BORROW MORE MONEY
- GO OUT OF BUSINESS

OPEC Reaches Historic Decision To Once Again Support Oil Prices

November 30, 2016



Saudis Seek to Reset Ties to U. S.



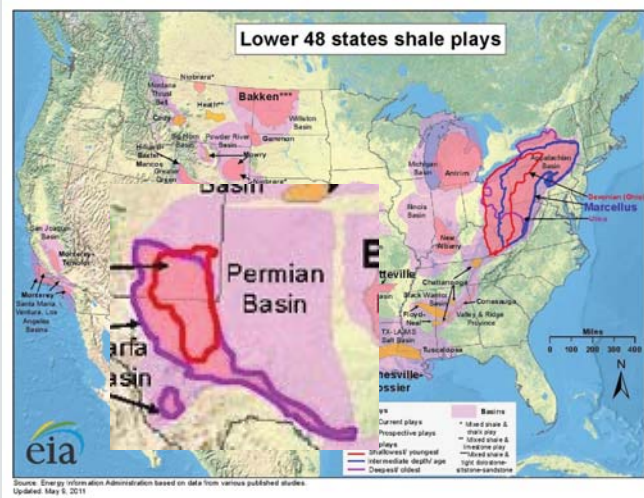
The Domestic Oil and Gas Business Made its Last Stand in the Permian Basin

Summer 2016 –

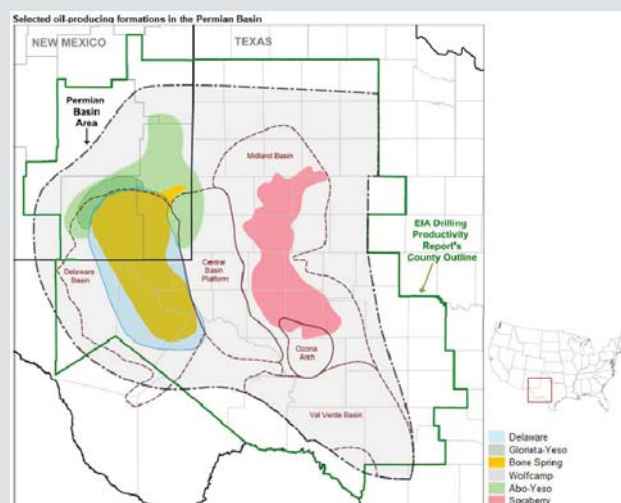
- Oil prices slightly above \$30 a barrel down from over \$100 a barrel in 2014.
- Average rig count under 550, down from over 1600 at its peak in October 2014.
- More than 40 U.S. oil and gas companies filed for bankruptcy protection.
- Surviving companies aggressively reducing their budgets.

Spring 2017 –

- Since May 2016, 105 of the 179 horizontal rigs added for drilling have been deployed in the Permian Basin.
- U.S. now the world's 3rd largest producer trailing Saudi Arabia and Russia, with 9.09 million barrels/day (MMbpd) reached in early March 2017. This is 80% higher than the 5 MMbpd of 2008 and closing in on the all-time high 10 MMbpd of 1970.
- "The Permian Basin has now become the crown jewel of the world's oil and gas industry." – Scott Sheffield, Pioneer Natural Resources.



The Cutting Edge Legal / Regulatory Developments Are Coming from the Delaware Basin – an Area Once Known as a Drilling “Graveyard”



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"Legal and Regulatory Issues in Light of Current Drilling Technology"