

A GLUT OF UNCERTAINTY

The unknown timeline for oil and gas price recovery has spread a lack of confidence throughout the industry.

TAKING TECHNOLOGY TO TASK

Horizontal drilling and improved fracking technology in the U.S. have driven more efficient extraction, resulting in relative global oversupply and softer commodities pricing.



DRILLING FOR ANSWERS

With lower or nonexistent profits, drilling activity has collapsed, affecting related market segments such as completion and service equipment. This drop in activity has consequently reduced the global value of the equipment itself.



DEALS ARE COMING TO THE SURFACE

Volatility in the industry is driving a variety of restructurings, mergers, and acquisitions.

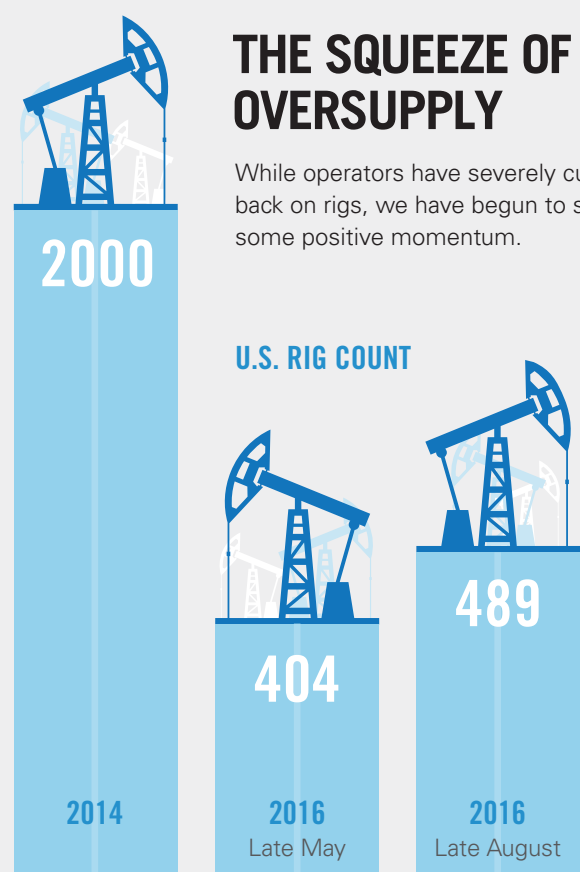
Note: Many bankruptcies are not going into liquidation, but restructuring financials and balance sheets.

A DEEP WELL OF DEALS

COMPANY	ACTION
C&J ENERGY SERVICES	Restructuring Support Agreement \$1.4 billion, debt-to-equity conversion
ROTARY DRILLING TOOLS	Financial Restructuring Voluntary petition for relief, Chapter 11
SANJEL	Sold U.S. assets to Liberty Oilfield Services and sold Canadian assets to STEP Energy
DRECO ENERGY SERVICES & NATIONAL OILWELL VARCO	Acquisition: Completion tools business of Trican Well

THE SQUEEZE OF OVERSUPPLY

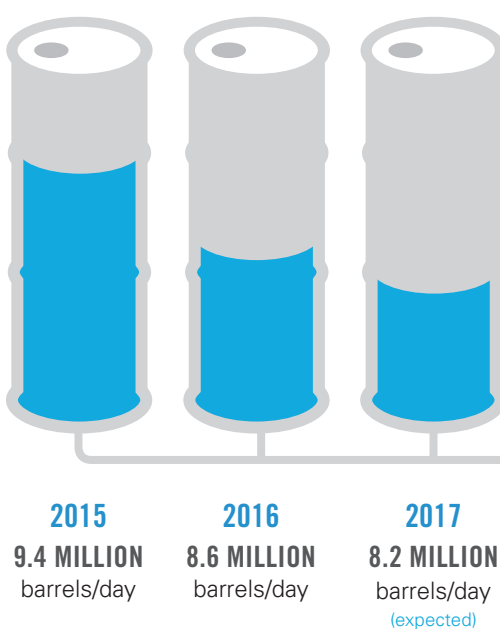
While operators have severely cut back on rigs, we have begun to see some positive momentum.



PROFITS DROWNING IN SUPPLY

A contraction in drilling activity is leading to scaled-back U.S. production.

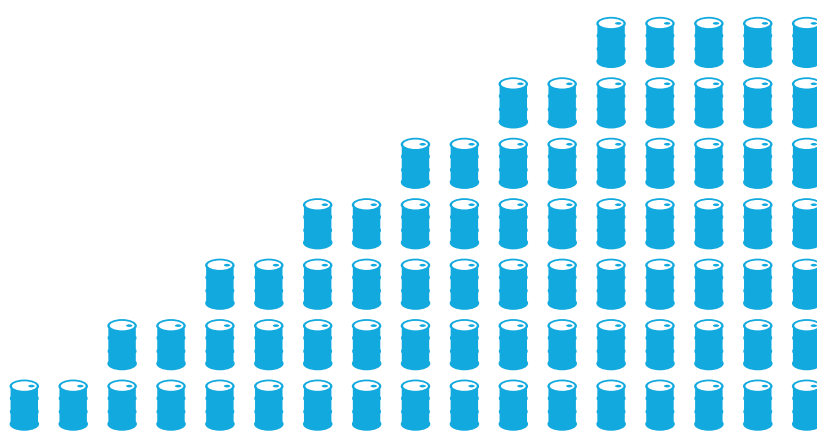
U.S. CRUDE OIL PRODUCTION



PUMPING UP SUPPLY, DRAWING DOWN PRICES

EXPECTED GLOBAL OIL INVENTORY GROWTH IN THE SECOND HALF OF 2016
▲ 600,000 BARRELS PER DAY

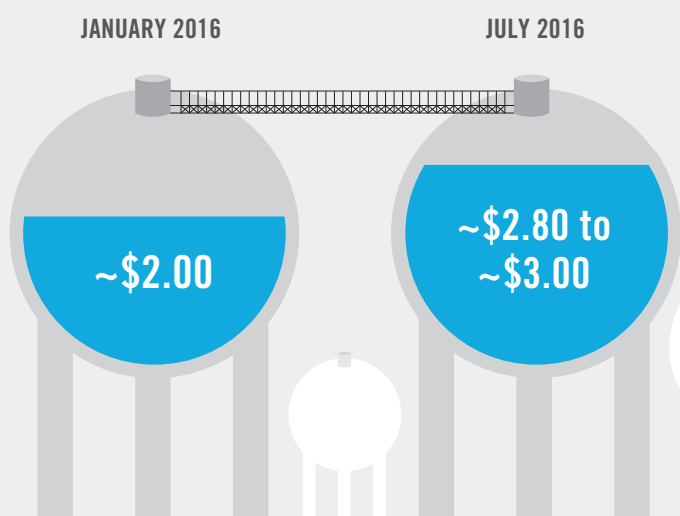
Inventory draws are not expected to happen until Q3 2017.



NATURAL GAS: A SLIGHT WARMING IN PRICES

While there is no real chance of rebounding to its previous \$12 level, natural gas prices saw a modest increase in the first half of 2016.

HENRY HUB NATURAL GAS PRICES



STABILITY REMAINS SLIPPERY

While West Texas Intermediate oil prices have gained back some recent losses, steady long-term price stability in the \$50-\$60 range has remained elusive.

WEST TEXAS INTERMEDIATE OIL PRICES

Mid-May through early July



While recent oil prices near \$50 set some deals in motion, recent volatility has exacerbated marketplace uncertainty, creating ripple effects across a cross section of dependent segments. As global oil supply is predicted to grow through Q2 of 2017 — and idled drilling and completion activity takes substantial reinvestment to restart — greater industrywide confidence will be required before a broader recovery is experienced.

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