

Monitor

Oil & Gas

VOLUME
233



BEGINNING TO TURN AROUND

OIL PRICES

Prices for WTI crude increased nearly 45% for the year, the commodity's best performance since 2009.

NATURAL GAS STORAGE

Natural gas stockpiles have dropped to 10.9% below year-ago levels and 2.3% below the five-year average.

DRILLING ACTIVITY

The latest U.S. rig count marks 11 straight weeks of oil rig increases and nine straight weeks of gas rig increases.

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Trending News

[WILL OPEC DELIVER ITS OUTPUT CUT DEAL? HERE'S HOW WE'LL KNOW](#)

[OIL DRILLERS ARE EXPANDING AGAIN AFTER LOSING HALF-MILLION JOBS](#)

[EIA SHORT-TERM ENERGY OUTLOOK – JANUARY 2017](#)

[IEA WORLD MARKET REPORT – JANUARY 2017](#)

**RIGHT
ON THE
MONEY**

Deals are a moving target. A constantly shifting mix of people, numbers, and timing. We're here to simplify this process for you. Our experts are dedicated to tracking down and flushing out the values you need, even on the most complex deals. So when the time comes to take your shot with Great American, you're always—right on the money.

Rig Counts

U.S. RIG COUNT - DECEMBER 30, 2016

	Current Week	Weekly Change	Prior Week	12-Month Change	12 Months Prior
Location					
Land	634	7	627	(38)	672
Inland Waters	1	-	1	-	1
Offshore	23	(2)	25	(2)	25
Total	658	5	653	(40)	698
Type					
Oil	525	2	523	(11)	536
Gas	132	3	129	(30)	162
Miscellaneous	1	-	1	1	-
Total	658	5	653	(40)	698
Directional	56	(2)	58	(4)	60
Horizontal	532	6	526	(17)	549
Vertical	70	1	69	(19)	89
Total	658	5	653	(40)	698
State					
Texas	324	3	321	3	321
Oklahoma	86	2	84	(1)	87
Louisiana	48	-	48	(10)	58
New Mexico	34	1	33	(4)	38
North Dakota	33	1	32	(20)	53
Pennsylvania	32	-	32	5	27
Colorado	28	-	28	4	24
Ohio	19	-	19	5	14
Wyoming	19	-	19	2	17
Alaska	9	-	9	(2)	11
West Virginia	8	-	8	(7)	15
California	6	-	6	(1)	7
Utah	4	-	4	1	3
Arkansas	1	-	1	-	1
Kansas	0	(1)	1	(12)	12

	Current Week	Weekly Change	Prior Week	12-Month Change	12 Months Prior
Major Basins					
Permian	264	2	262	47	217
Eagle Ford	46	2	44	(30)	76
Marcellus	39	-	39	(2)	41
Cana Woodford	37	1	36	(1)	38
Williston	33	1	32	(20)	53
Haynesville	27	-	27	2	25
DJ-Niobrara	25	-	25	2	23
Utica	20	-	20	5	15
Granite Wash	15	1	14	-	15
Arkoma Woodford	4	-	4	(4)	8
Barnett	3	-	3	(9)	12
Mississippian	3	-	3	(9)	12
Ardmore Woodford	1	-	1	(1)	2
Fayetteville	1	-	1	-	1

Source: Baker Hughes

As of December 30, 2016, U.S. drilling rigs turning totaled 658 rigs, increasing five units from the prior week, though decreasing 40 units from 698 rigs one year ago. Land-based rigs increased from the previous week by seven units to 634 rigs, while the Inland Waters rig count was flat and the Offshore rig count was down two units.

Week-over-week, Oil rigs were up two units to 525 rigs, while the Gas rig count was up three units to 132 rigs. The number of Directional rigs was down two units week-over-week, while Horizontal drilling rigs were up six units to 532 and Vertical drilling rigs were up one unit to 70.

Rigs in the Permian Basin were up two units to 264 rigs, and rigs in the Eagle Ford Shale were up two units to 46 rigs. Rigs in the Williston Basin were up one unit to 33, and the Marcellus Shale count remained flat at 39 rigs.

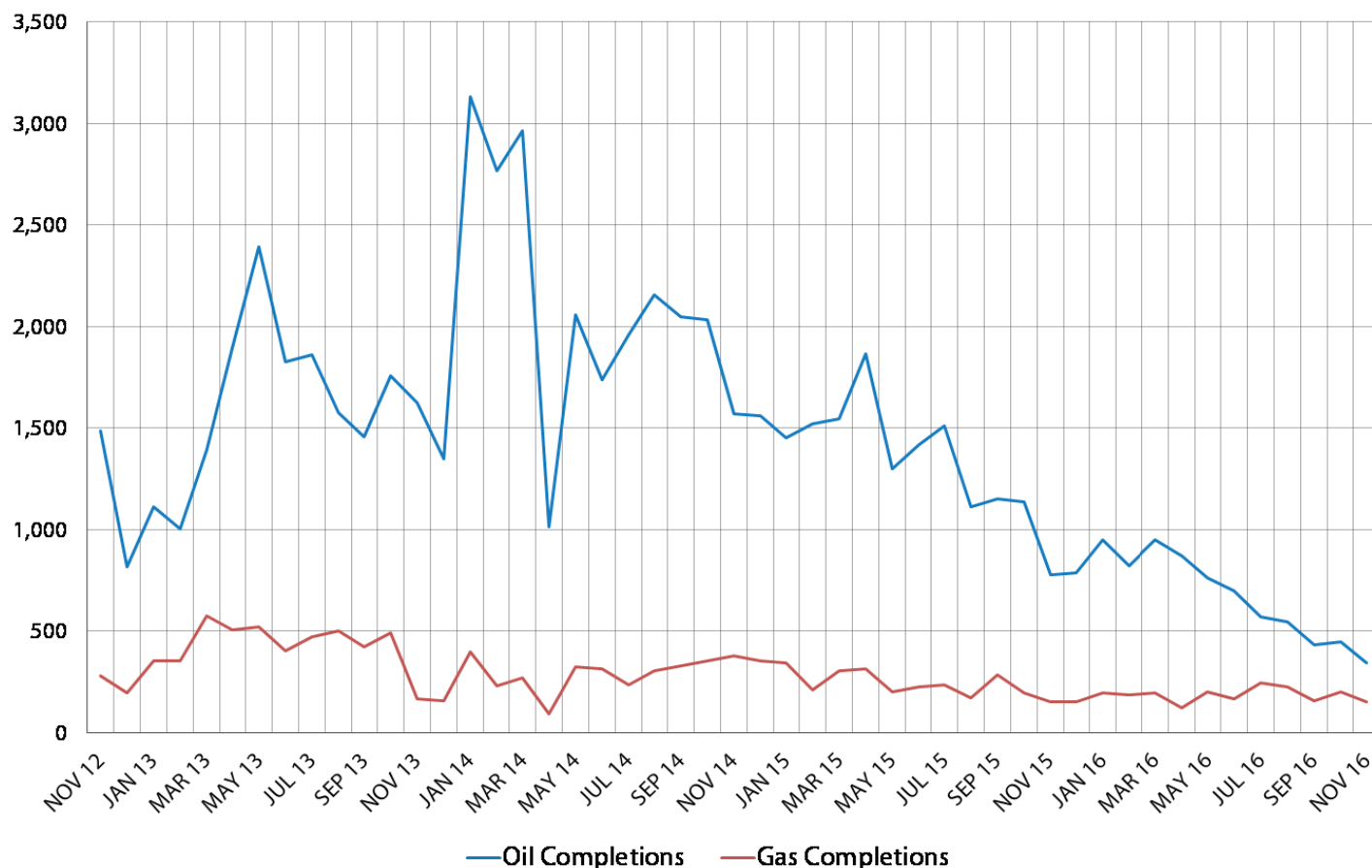
Commodity Prices

Commodity	12/27/2016	Prior Week	Prior Year
Brent (\$ per barrel)	\$53.93	\$54.56	\$37.08
West Texas Intermediate (\$ per barrel)	\$52.82	\$52.22	\$36.36
Henry Hub (\$ per MMBTU)	\$3.70	\$3.39	\$2.11

Texas Drilling Activity

The Texas rig count increased slightly over the past several weeks. The state averaged 250 and 271 rigs in October and November, respectively, and was at 324 in early January 2017.

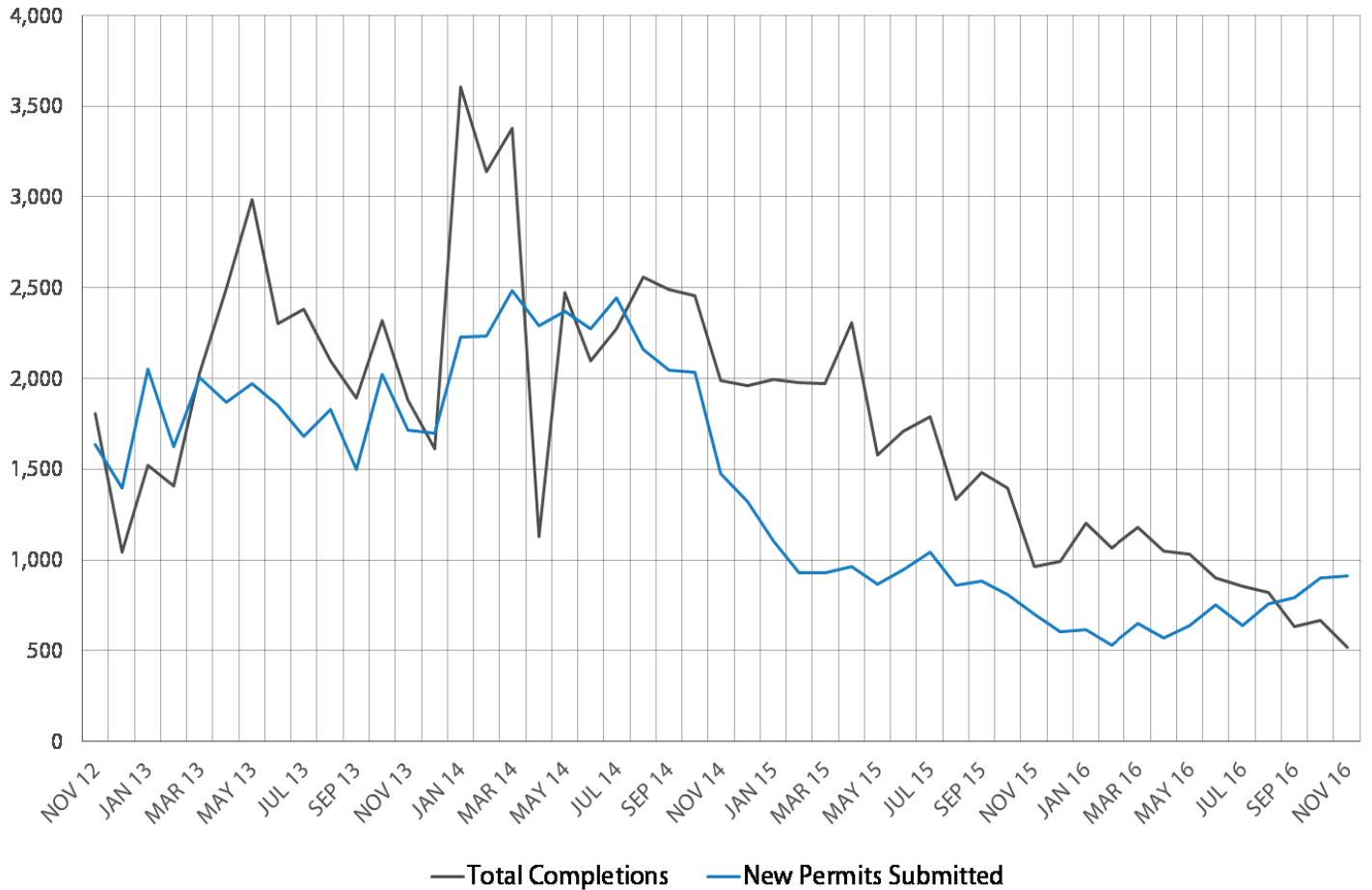
1 Texas - Oil versus Gas Completions November 2012 to November 2016



Texas Drilling Activity

Completions totaled 668 units in October 2016 and 518 units in November 2016. By comparison, in October 2015, Texas had 1,396 total completions. Permits filed for November 2016 were 911, while October had 899 permits filed and September had 792 submitted.

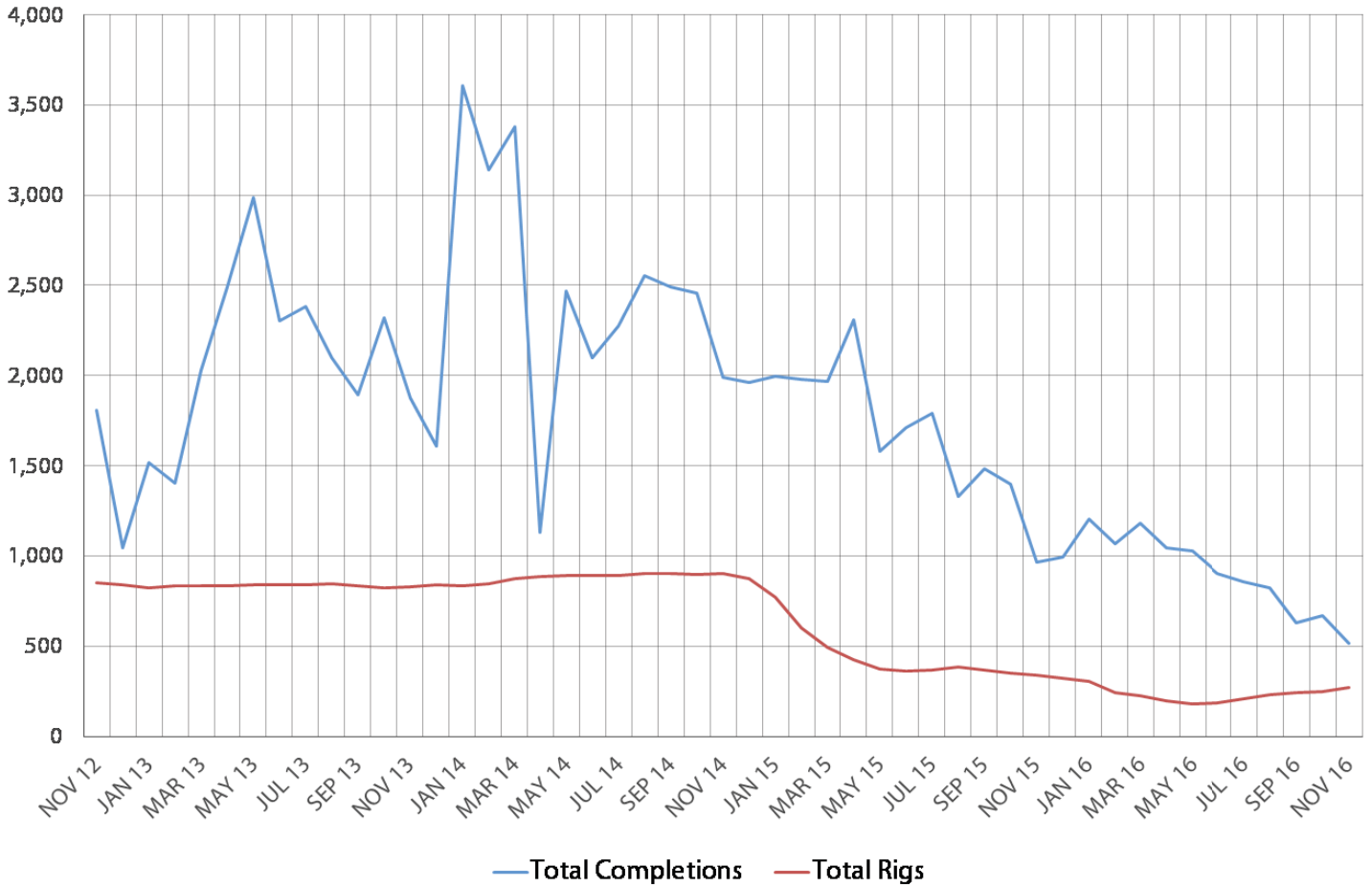
2 Texas - Total Completions versus New Permits Filed
November 2012 to November 2016



Texas Drilling Activity

3

Texas - Total Completions versus Rigs
November 2012 to November 2016



Drilling Rig Day Rates & Utilization

While there is a lag from when the data is reported, the day rate pricing through December 2016 is shown below. Rates began to increase across all regions from November to December, which slowed the trend of declining rates in

the past year. Over the past year, the greatest decreases were in Class E rigs in the Permian Basin and Class D rigs in Appalachia. The average reduction from December 2015 to 2016 was 11.6%.

	December 2016	Prior Month	Prior Year
Midcontinent			
Class A	\$7,778	\$7,752	\$8,238
Class B	\$10,889	\$10,923	\$12,342
Class C	\$12,809	\$12,771	\$14,824
Class D	\$16,281	\$16,166	\$18,040
Class E	\$17,586	\$17,553	\$19,113
ArkLaTex			
Class A	-	-	-
Class B	\$10,860	\$10,778	\$12,557
Class C	\$13,434	\$13,346	\$14,961
Class D	\$15,927	\$15,802	\$18,226
Class E	\$17,587	\$17,534	\$19,180
Gulf Coast			
Class A	-	-	-
Class B	\$11,130	\$10,934	\$11,331
Class C	\$12,331	\$11,997	\$14,211
Class D	\$15,678	\$15,559	\$17,950
Class E	\$18,143	\$18,003	\$18,719
Permian Basin			
Class A	\$10,611	\$10,559	\$11,148
Class B	\$12,032	\$11,954	\$12,750
Class C	\$13,449	\$13,083	\$14,544
Class D	\$16,178	\$16,058	\$18,043
Class E	\$16,563	\$16,502	\$19,429

	December 2016	Prior Month	Prior Year
Rockies			
Class A	-	-	-
Class B	\$12,799	\$12,756	\$14,798
Class C	\$13,980	\$13,903	\$16,028
Class D	\$15,167	\$15,007	\$17,766
Class E	\$18,612	\$18,557	\$20,608
South Texas			
Class A	-	-	-
Class B	\$10,627	\$10,524	\$12,289
Class C	\$13,394	\$13,333	\$15,559
Class D	\$15,989	\$15,863	\$17,504
Class E	\$17,783	\$17,700	\$20,651
Appalachia			
Class A	\$11,454	\$11,346	\$11,887
Class B	\$13,275	\$13,296	\$14,105
Class C	\$14,004	\$13,844	\$16,215
Class D	\$15,625	\$15,628	\$18,681

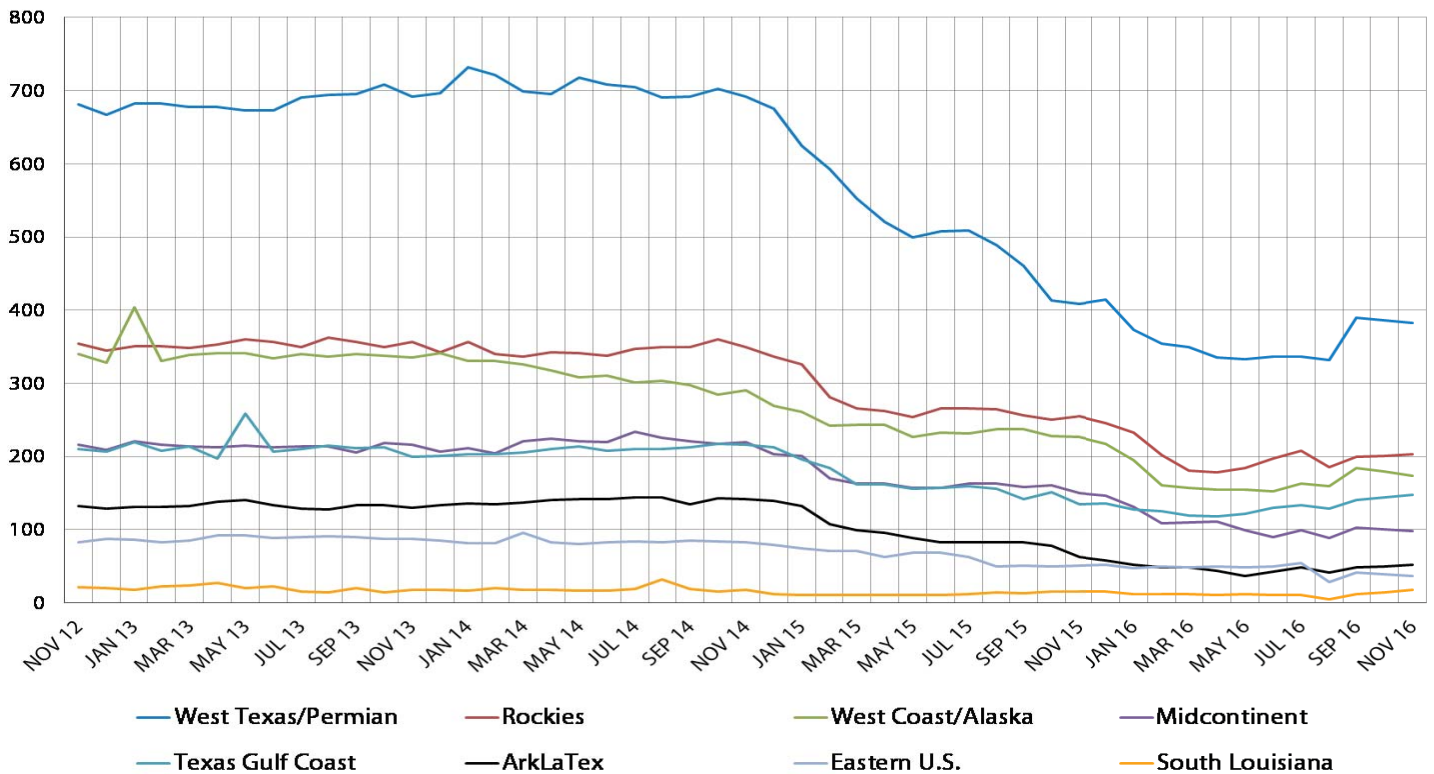
Class A: 1-499 horsepower ("HP")
 Class B: 500-999 HP
 Class C: 1000-1499 HP
 Class D: 1500-1999 HP
 Class E: 2000+ HP

Well Service Rigs

Well service rig counts through November 2016 are shown by region below. The service rig count in the Permian Basin was down three units to 383 rigs on a month-over-month basis and was down 25 units on a year-over-year basis. The count in the Rockies was down two units since the prior month.

The Midcontinent and Eastern U.S. were both down two units since October, while the Texas Gulf Coast and South Louisiana showed slight gains in rig counts. The ArkLaTex region was up two units to end November 2016 at 52 rigs.

4 Well Service Rigs November 2012 to November 2016



Drilling Activity Trends

According to RigData's latest survey, the prospect for land drilling rigs is improving. Several contract drillers reported pushing through day rate increases during the past three months, continuing a trend noted in the prior survey when one driller said leading-edge rates had increased.

Roughly nine of 10 drilling contractors surveyed to date reported having some rigs stacked, and most of these drillers noted that half of their fleet was idle. Meanwhile, 64% of all work performed in the field by surveyed contractors represented spot work.

It is estimated that 23% of work is tied to term contracts, and 13% of rigs are working on multi-well programs, which is slightly up from 11% reported in the previous survey.

Over 60% of surveyed drillers anticipate putting more rigs to work over the next six months, significantly more than the 25% of drillers who expressed the same sentiment in the prior survey. Another 21% expect volumes to be stable relative to current levels, while 18% expressed uncertainty about the future outlook for work volumes. For the second consecutive survey, none of the drillers expect less work than they currently have.

Natural Gas Storage

Working gas in storage was 3,311-billion cubic feet as of December 30, 2016, according to EIA estimates. This represents a net decline of 49-billion cubic feet from the previous week. Stocks were 364-billion cubic feet less than last year at this time and 21-billion cubic feet below the five-year average of 3,332-billion cubic feet. At 3,311-billion cubic feet, total working gas is within the five-year historical range.



Monitor Information

GA's *Oil & Gas Monitor* relates information covering the oil and gas sectors, including industry trends and their relation to our valuation process. Due to the dynamic nature of the oil and gas industry, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole. GA welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.

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Experience

GA has worked with and appraised a number of companies within the oil and gas industry. GA has built a quality team to deliver both tangible and intangible valuations across the oil and gas platform.

GA's extensive experience includes valuations across a broad range of assets including:

- Compression equipment
- Drilling and well service equipment
- Frac tank rental/manufacturing
- Well logging tools
- Pipeline equipment
- Pressure pumping units
- Rental tools
- Transportation assets
- Wire line services
- Saltwater disposal wells
- Valves
- Tubular goods



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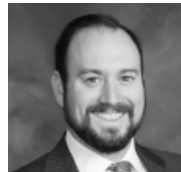
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