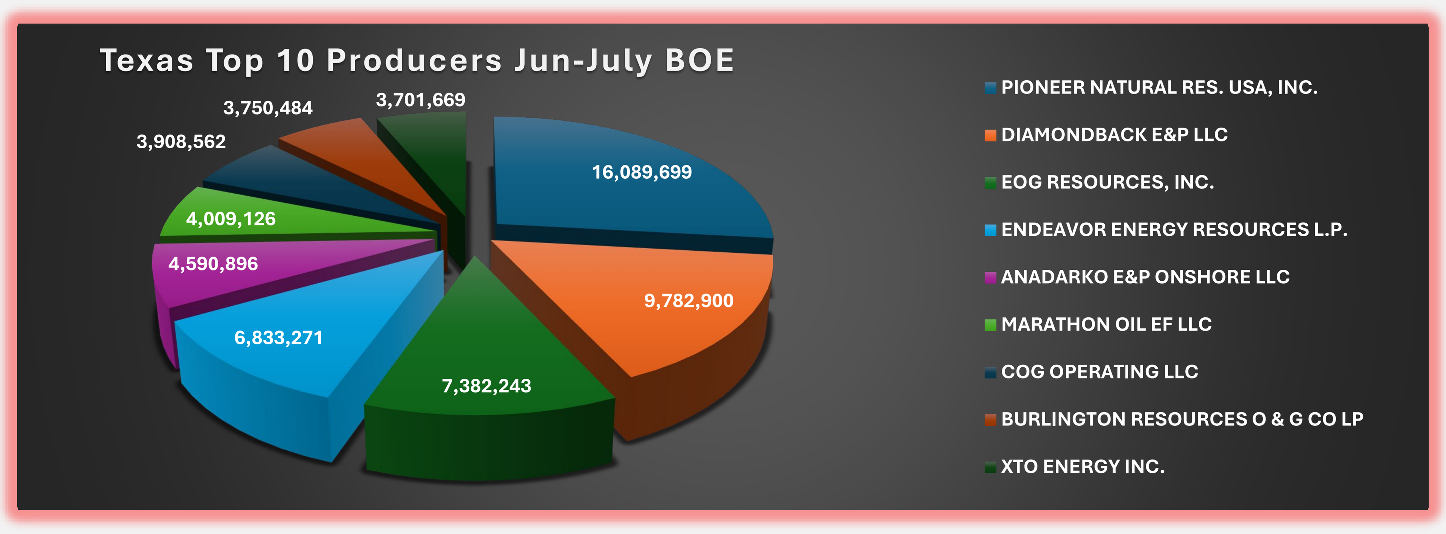
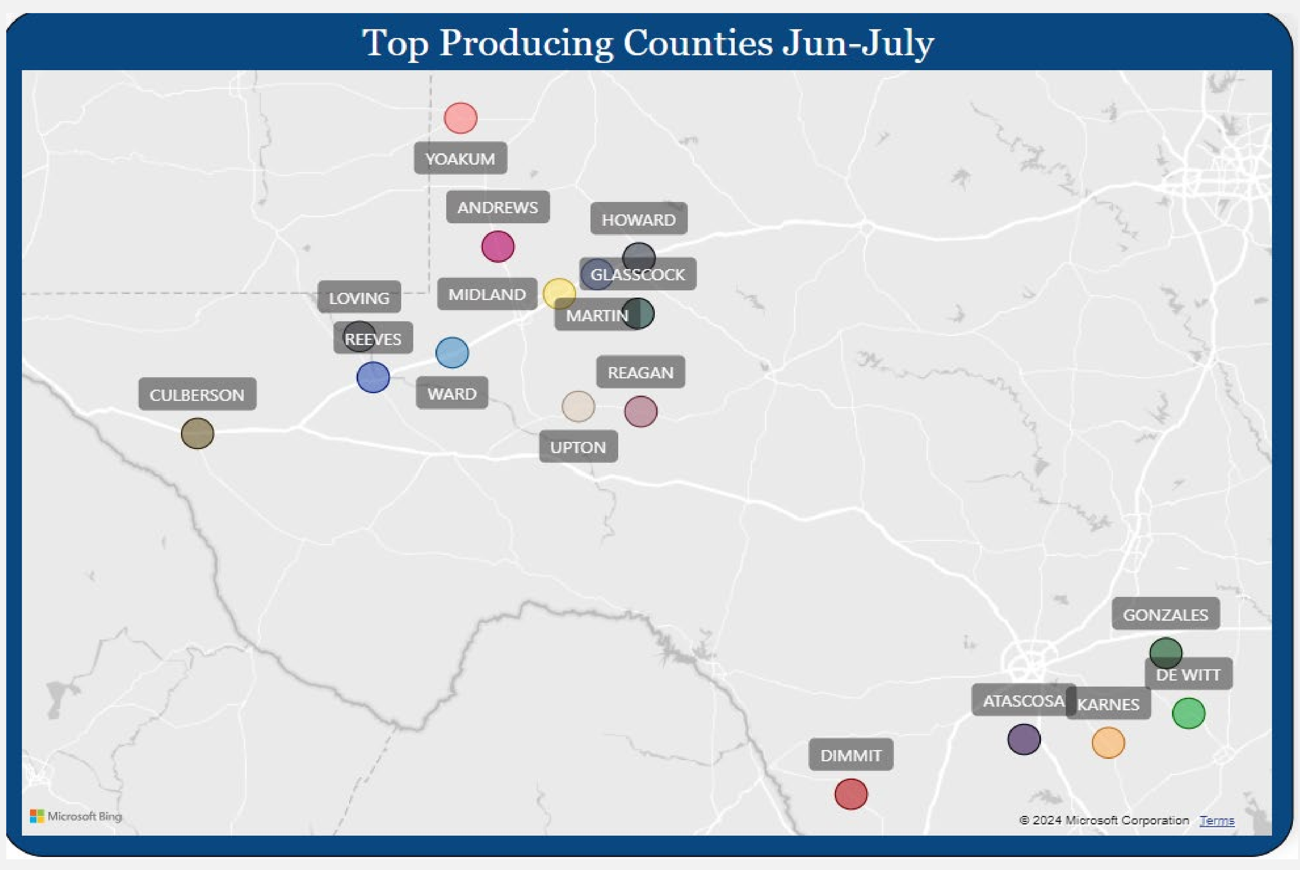
HYDROCARBON RESEARCH GROUP

Texas Production

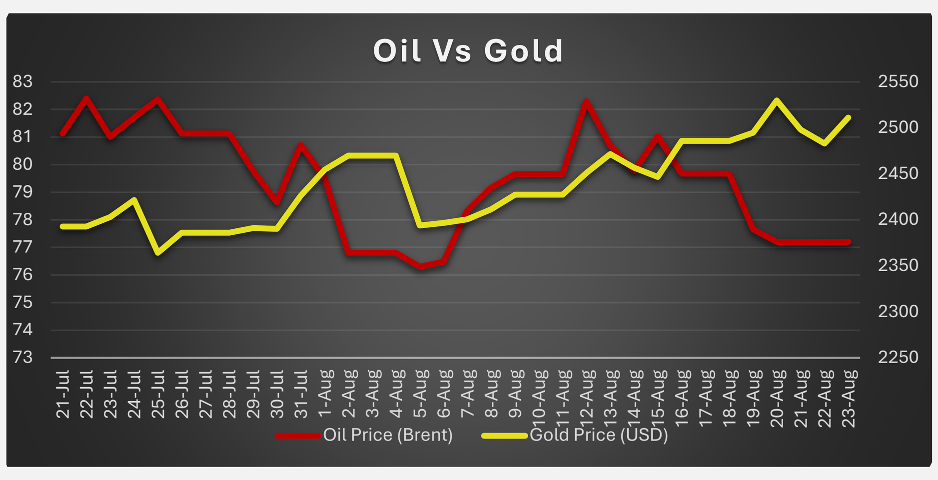
During June and July 2024, Texas achieved record production levels in its oil and gas sector, driven by ongoing improvements in rig productivity, particularly in key basins like the Permian and Eagle Ford. However, this period has also seen significant market volatility, with WTI crude prices around $80 per barrel in July and fluctuating natural gas prices, raising concerns about the sustainability of these high production levels amid global economic uncertainties.

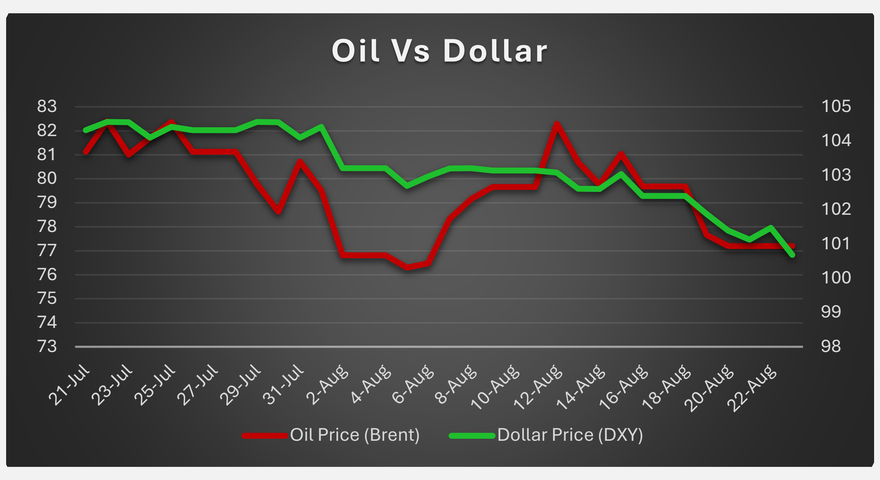
To address these challenges, Texas is focusing on infrastructure enhancements, including pipeline expansions and refinery upgrades, to support its growing output. Despite these efforts, the industry faces potential headwinds from increasing regulatory scrutiny and environmental pressures. The future of Texas' oil and gas sector will depend on its ability to navigate these challenges while maintaining its leadership in the U.S. energy market





County	BOE	Oil (BBL)	GW Gas (MCF)	Condensate (BBL)
MARTIN	18,313,608	18,313,602	982.00	6.00
MIDLAND	16,089,521	16,085,222	180,463.00	4,268.00
REEVES	10,847,077	4,736,164	62,658,622.00	6,100,110.00
LOVING	10,412,231	6,126,039	24,844,940.00	4,281,908.00
UPTON	7,539,674	7,532,696	472,600.00	6,897.00
KARNES	6,973,822	5,581,176	10,879,743.00	1,390,770.00
HOWARD	6,549,748	6,549,665	9,111.00	81.00
REAGAN	5,532,250	5,524,087	517,081.00	8,074.00
GLASSCOCK	4,298,500	4,297,959	33,691.00	535.00
WARD	3,818,504	3,332,656	4,361,630.00	485,096.00
ANDREWS	3,712,972	3,640,563	368,851.00	72,345.00
LA SALLE	3,652,792	3,197,412	19,515,462.00	452,015.00
DE WITT	3,425,536	2,233,779	11,883,337.00	1,189,708.00
CULBERSON	3,294,864	16,400	37,831,068.00	3,271,941.00
ATASCOSA	2,678,466	2,677,233	37,713.00	1,226.00
GONZALES	2,344,753	2,215,795	419,656.00	128,886.00
YOAKUM	2,144,122	2,144,122	0.00	0.00
DIMMIT	2,043,808	1,375,245	6,771,276.00	667,396.00
TOTAL	113,672,247	95,579,815	180,786,226.00	18,061,262.00





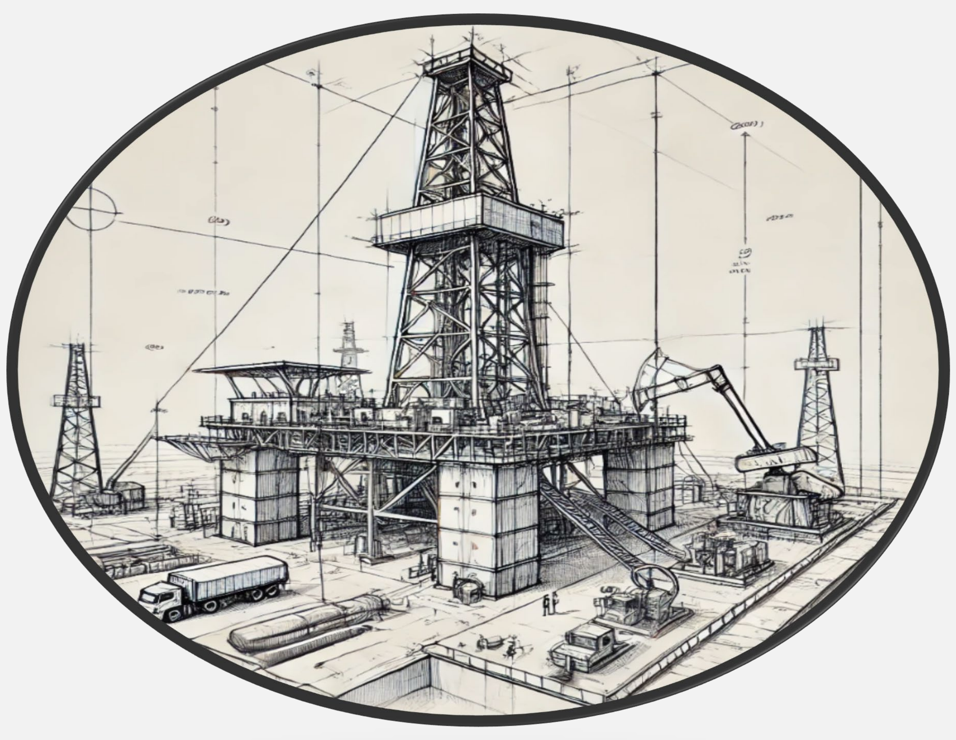
Market Overview

The oil and gas markets have been marked by volatility in recent months, influenced by a combination of geopolitical tensions, production decisions by major oil-producing nations, and global economic conditions. OPEC+ countries, particularly Saudi Arabia and Russia, have played significant roles in determining supply levels, leading to fluctuations in prices. Demand has been recovering unevenly across different regions, with growth in some areas being offset by concerns about economic slowdowns in others. This push-pull dynamic has resulted in oil prices experiencing both significant rises and sharp declines, keeping the market in a state of uncertainty. Meanwhile, natural gas markets have been similarly affected by geopolitical factors, particularly in Europe, where supply concerns due to conflicts have led to price spikes and increased volatility.

The dollar has been in a recent decline but remained relatively strong against a basket of currencies, due to higher interest rates and the perception of the U.S. economy as a safe haven amid global economic uncertainties. This strength has impacted commodity prices, including oil and gold, which are typically inversely related to the dollar's value. Gold prices have been fluctuating as well, often reacting to shifts in investor sentiment regarding inflation and interest rates. When inflation fears rise or when there is uncertainty in the markets, gold tends to gain appeal as a safe-haven asset. However, the strengthening dollar and higher bond yields have at times put downward pressure on gold, leading to a complex interplay between these key economic indicators.

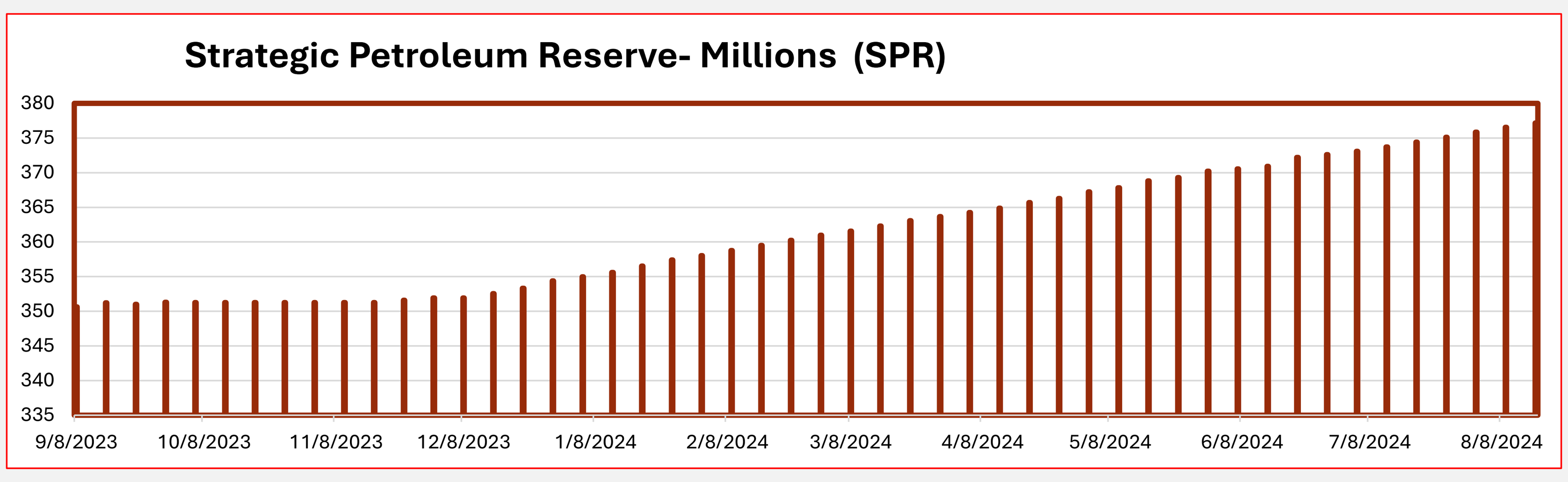
Rig Count & Frac Spreads

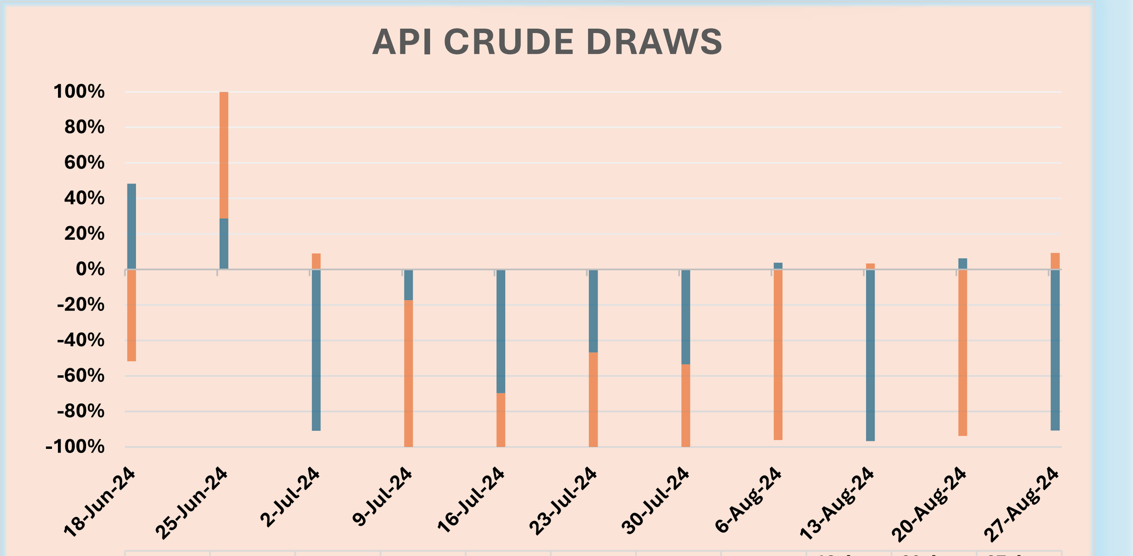
The recent data on rig counts and frac spreads indicate a mixed performance in the oil and gas sector. Over the last five weeks, the total rig count has shown fluctuations, with the latest week recording a slight decrease, signaling potential caution or operational adjustments in response to market conditions. Oil rigs remained relatively stable, while gas rigs saw more volatility, reflecting varying demand and market sentiment. On the frac spreads side, there has been a consistent downward trend in both week-over-week and year-over-year comparisons, suggesting a potential slowdown in fracturing activities. This trend might indicate a more cautious approach by producers, possibly due to lower anticipated demand or economic uncertainties, and could point to a moderating pace in production growth in the near term.



Date	Total Rigs 2024 (Wk./Wk.)	Oil (Wk./Wk.)	Gas (Wk./Wk.)	Misc. (Wk./Wk.)	Ratio (%) Oil/Gas/Misc.	Total Rigs 2023	Total Frac Spreads	Total Frac Spreads (WOW)	Total Frac Spreads (YOY)
8/23/2024	-1	0	-1	0	83 / 17 / 1	632	-5	229 / 234	-17 (246)
8/16/2024	-2	-2	1	-1	82 / 17 / 1	642	-6	234 / 240	-22 (256)
8/9/2024	2	3	-1	0	82 / 16 / 1	654	-3	240 / 243	-22 (262)
8/2/2024	-3	0	-3	0	82 / 17 / 1	659	6	243 / 237	-14 (257)
7/26/2024	[illegible]	5	[illegible]	0	82 / 17 / 1	[illegible]	[illegible]	[illegible]	[illegible]

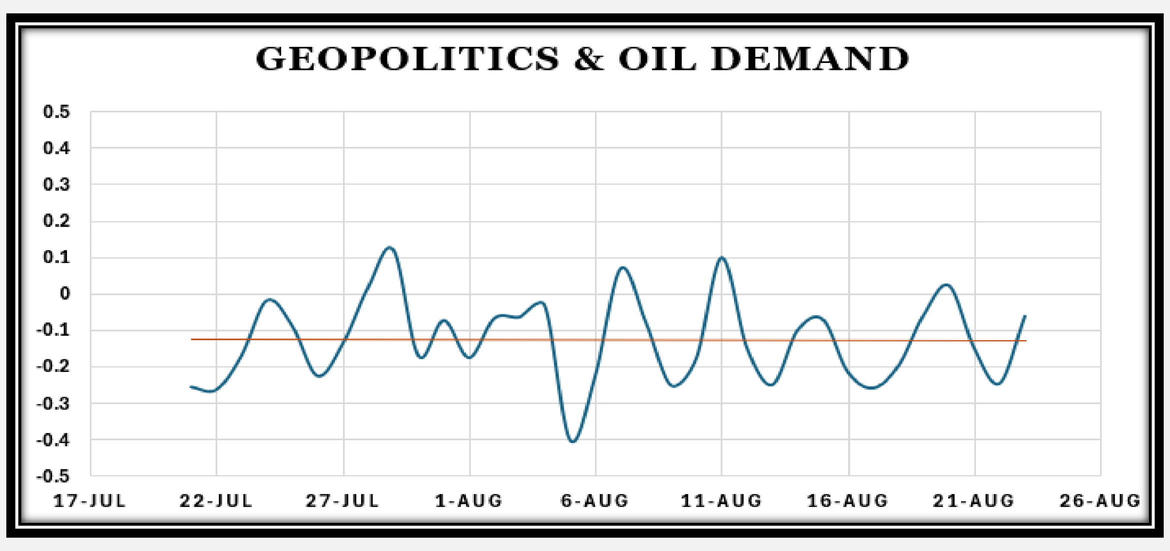
SPR & API Crude Draws





	18-Jun-24	25-Jun-24	2-Jul-24	9-Jul-24	16-Jul-24	23-Jul-24	30-Jul-24	6-Aug-24	13-Aug-24	20-Aug-24	27-Aug-24
Previous	-2.428	2.264	0.914	-9.163	-1.923	-4.44	-3.9	-4.495	0.18	-5.205	0.347
Actual	2.264	0.914	-9.163	-1.923	-4.44	-3.9	-4.495	0.18	-5.205	0.347	-3.4

Over the period from June to September 2024, the API weekly crude oil inventory reports revealed significant fluctuations in U.S. crude stockpiles, with notable drawdowns such as the substantial 9.163 million barrel decrease on July 2, 2024. These inventory reductions, often exceeding market forecasts, suggest a tightening in supply, which likely contributed to upward pressure on oil prices during this period. Additionally, data from the Strategic Petroleum Reserve (SPR) shows a steady and significant increase in reserves from September 2023 through August 2024, with levels rising from around 345 million barrels to nearly 380 million barrels. This increase in SPR could indicate a strategic effort by the U.S. government to bolster emergency reserves amidst market volatility and potential supply concerns. As an analyst, this trend highlights the importance of monitoring both commercial and strategic reserves closely, as ongoing drawdowns from inventories combined with rising SPR levels could signal complex dynamics in supply management and potential bullish momentum in the crude market.



News Sentiment Analysis

The sentiment analysis was gathered from approximately 700 global news articles between July 21 and August 23. Both topics were scored on a positive and negative scale of 1.0 to -1.0 using key words within the headlines and texts.

Geopolitical events have had substantial impacts on market perceptions. showing significant volatility, with frequent swings around the neutral line. This suggests that the market is highly reactive to geopolitical developments, though there's no sustained directional trend, reflecting a balanced yet uncertain outlook on oil demand influenced by geopolitical factors.

In contrast, the sentiment related to the US economy is more consistently negative, with several deep troughs, particularly between late July and early August, indicating widespread concerns about economic stability. While there are occasional positive spikes, such as those on July 29 and August 23, the overall sentiment is skewed toward pessimism. This reflects broader market anxiety, with fewer instances of optimism compared to the geopolitical sentiment. The data underscores the heightened uncertainty in the economic outlook during this period, with market participants seemingly more concerned about the trajectory of the US economy than about geopolitical influences on oil demand.