

N E W M E X I C O



Energy, Minerals and Natural Resources Department

# Legislative Finance Committee

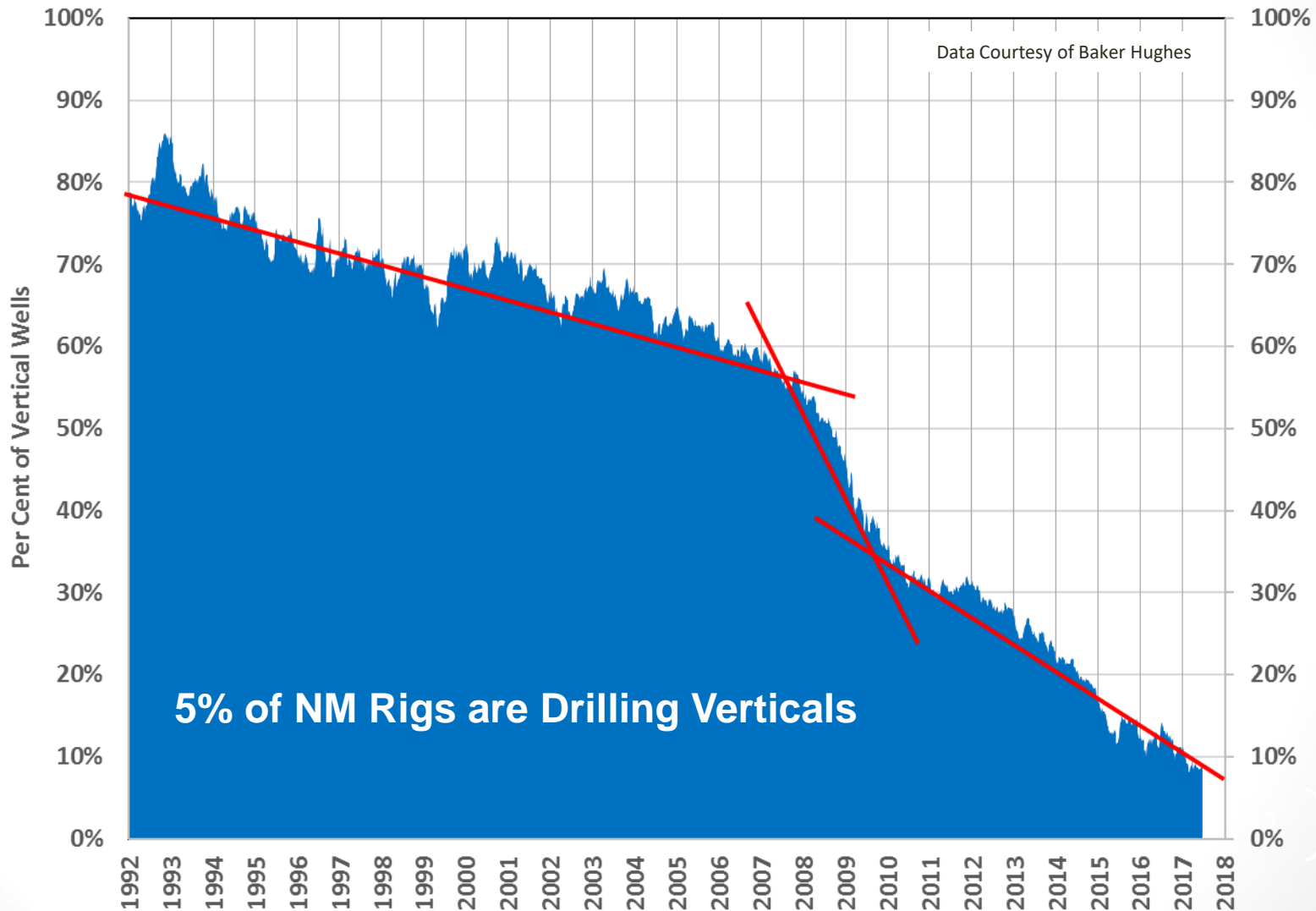
Ken McQueen, Cabinet Secretary

NM Energy, Minerals and Natural Resources Department  
(EMNRD)

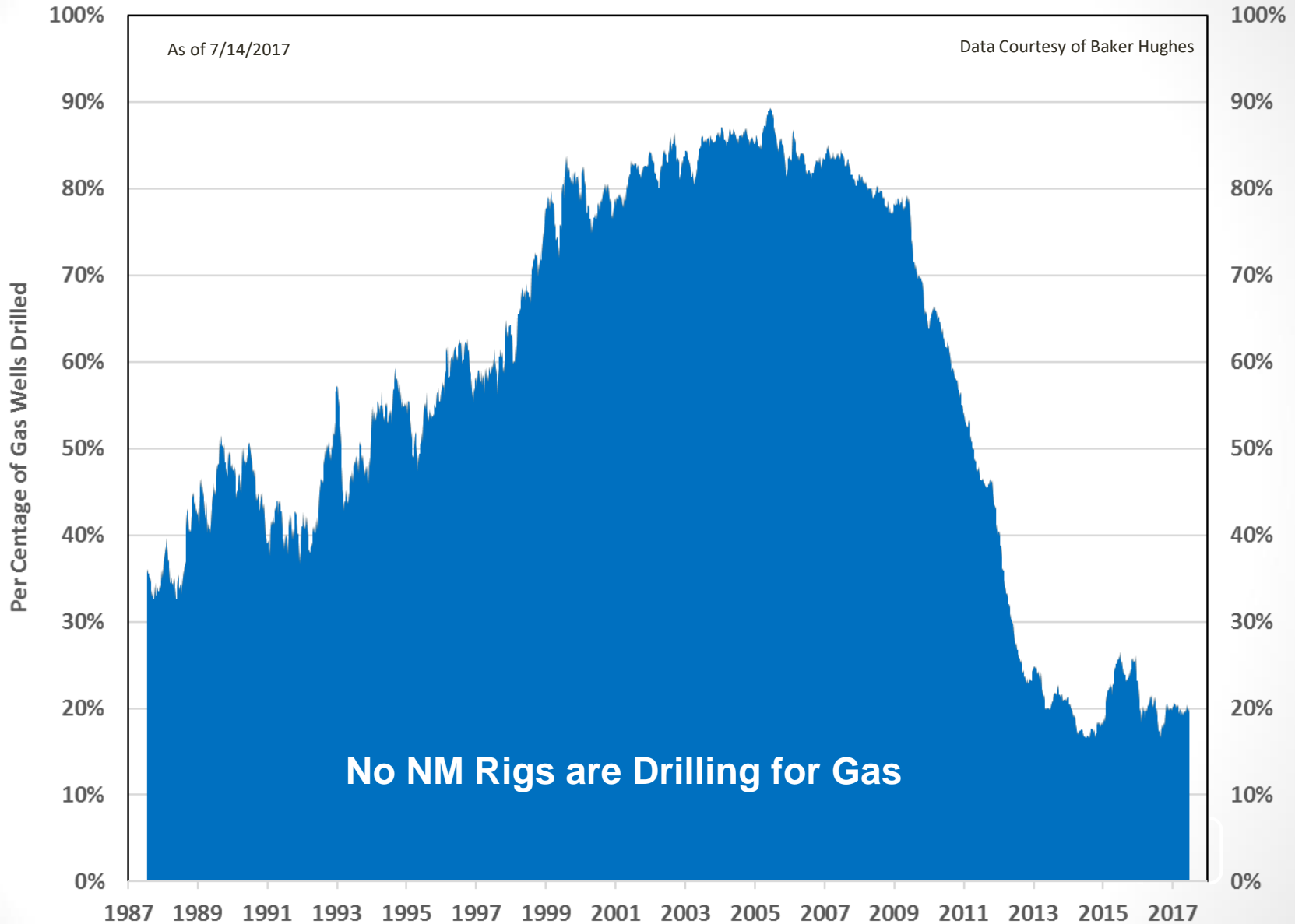
Farmington, NM

July 19, 2017

# Radical Change in Landscape-Mostly Hz

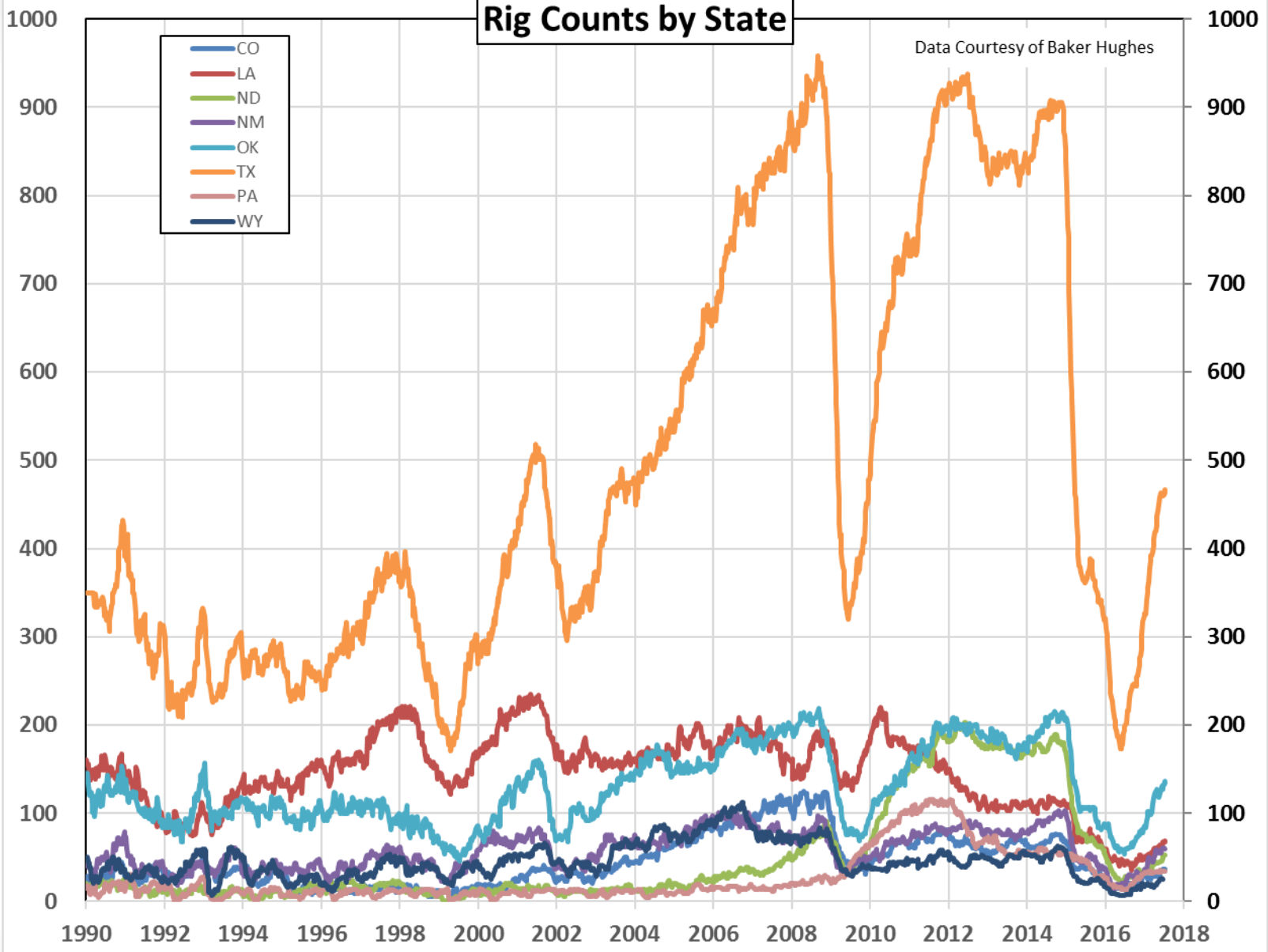


# Switched Focus to Drilling for Oil



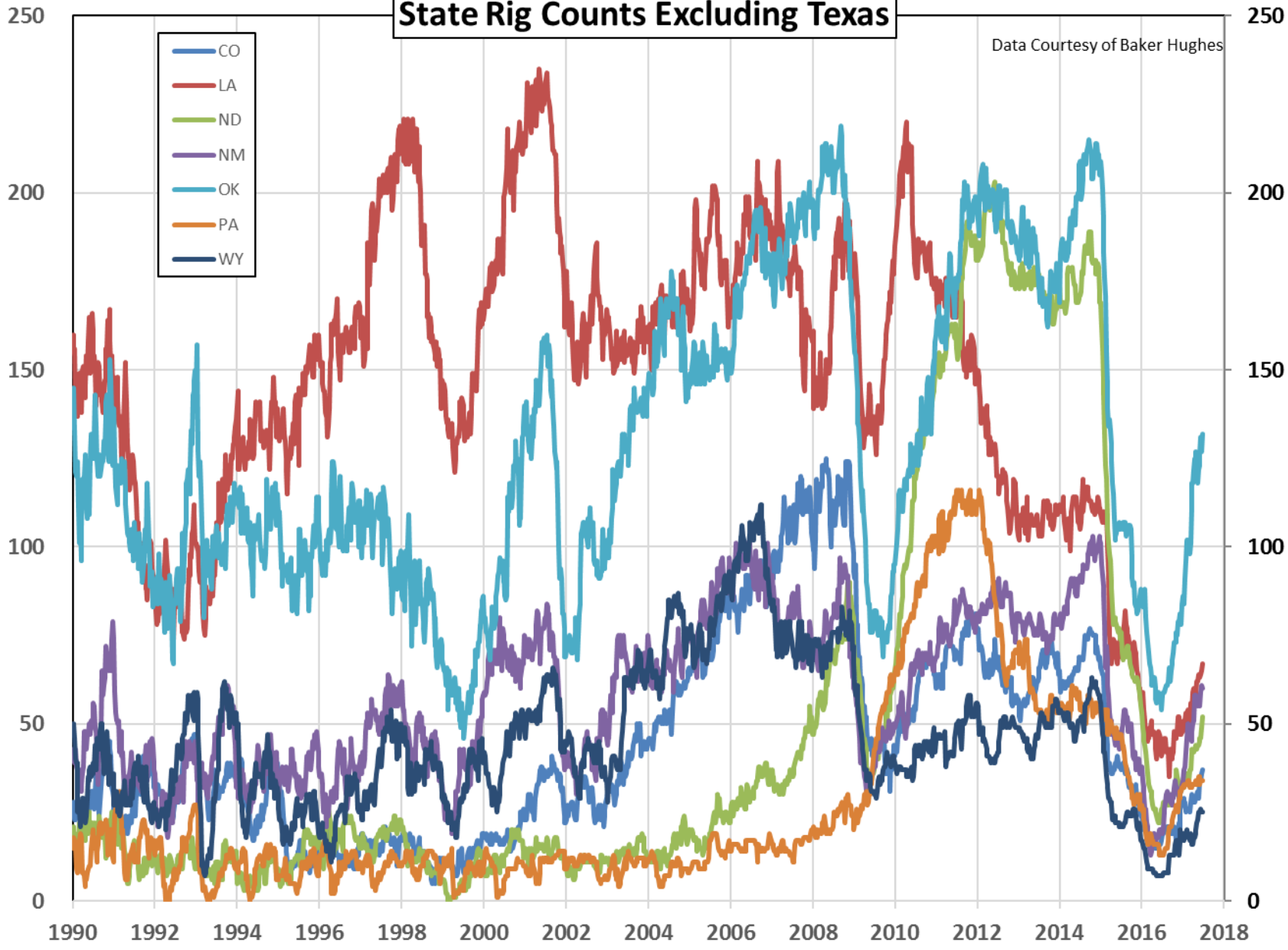
# Rig Counts by State

Data Courtesy of Baker Hughes

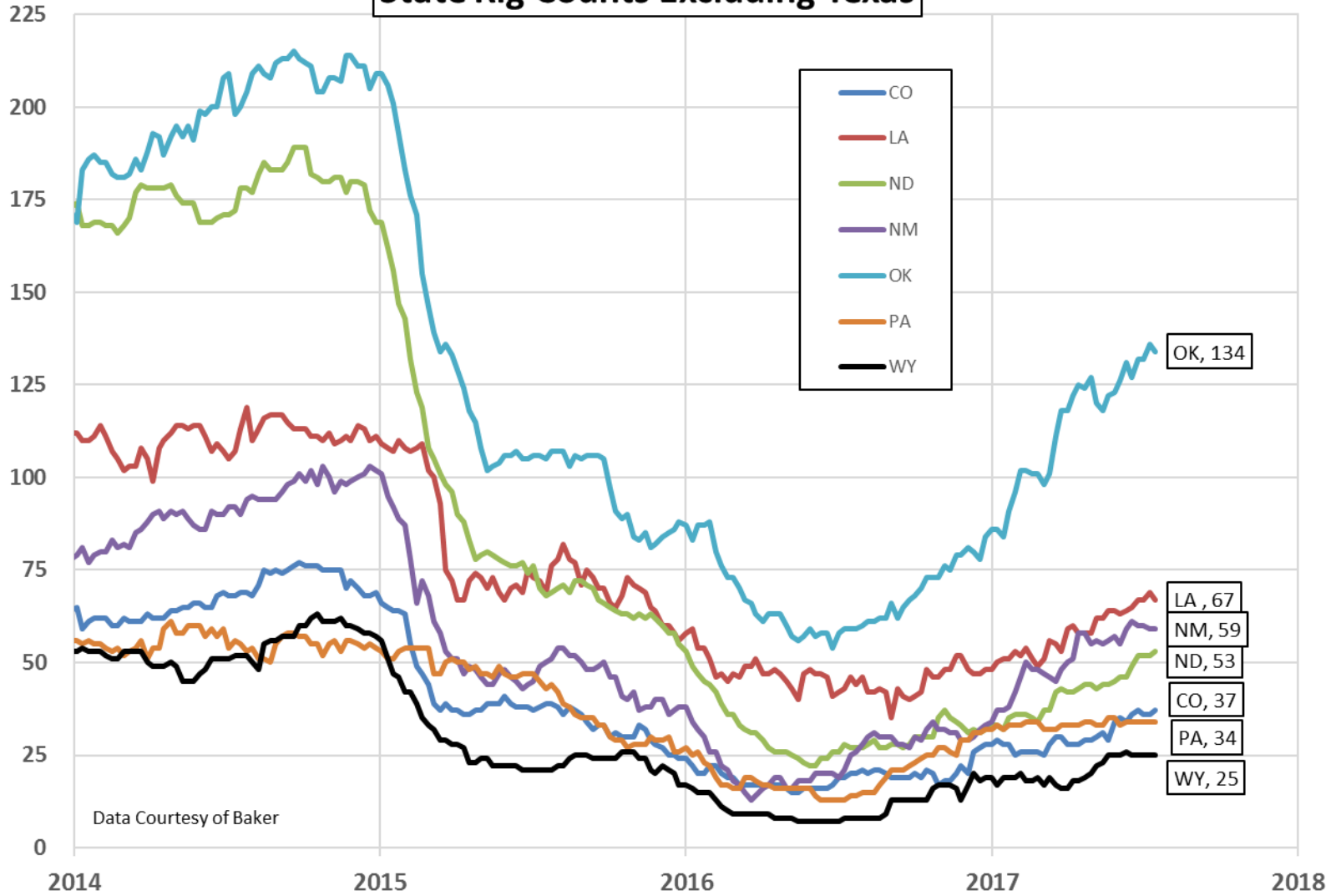


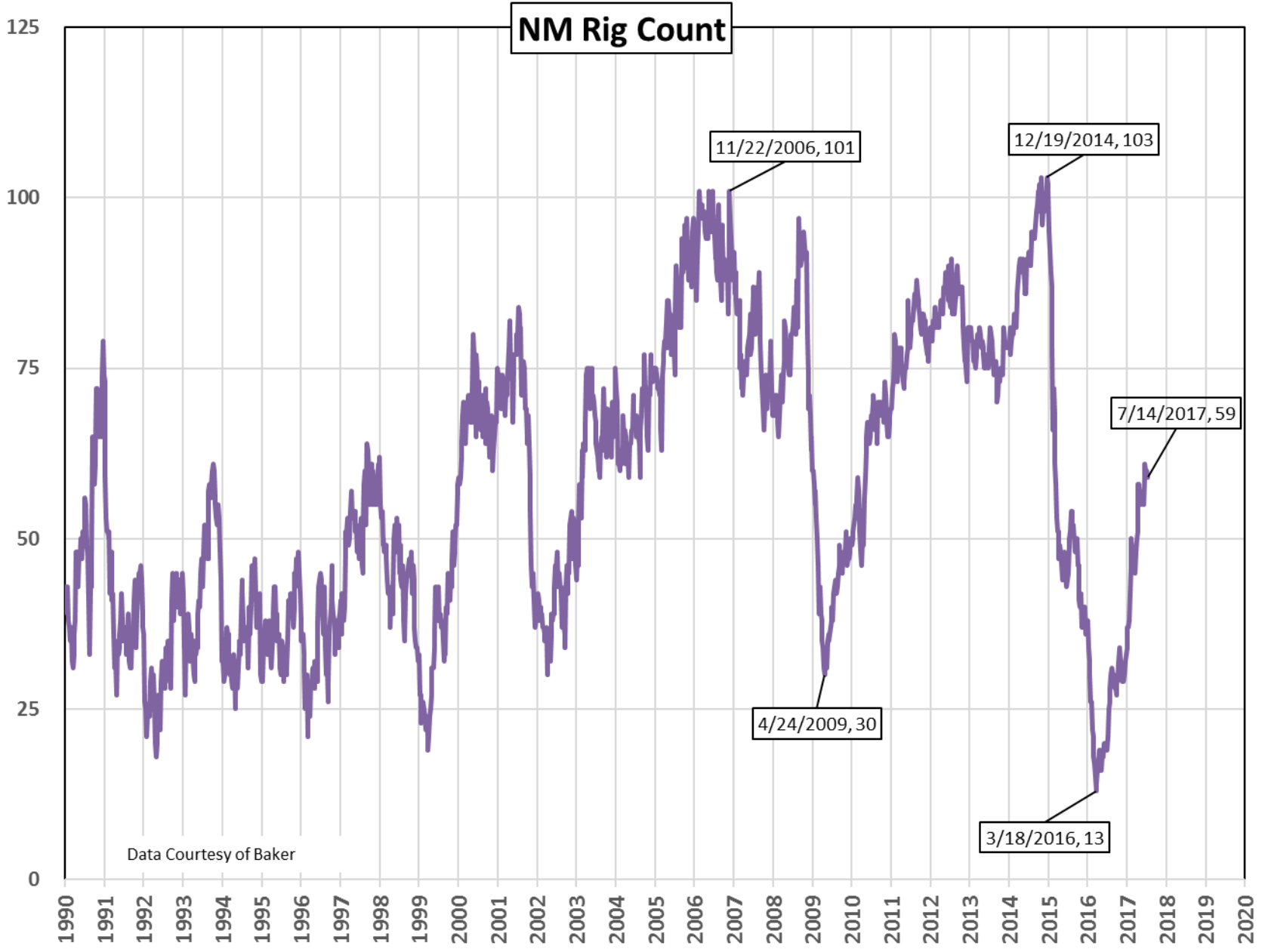
# State Rig Counts Excluding Texas

Data Courtesy of Baker Hughes

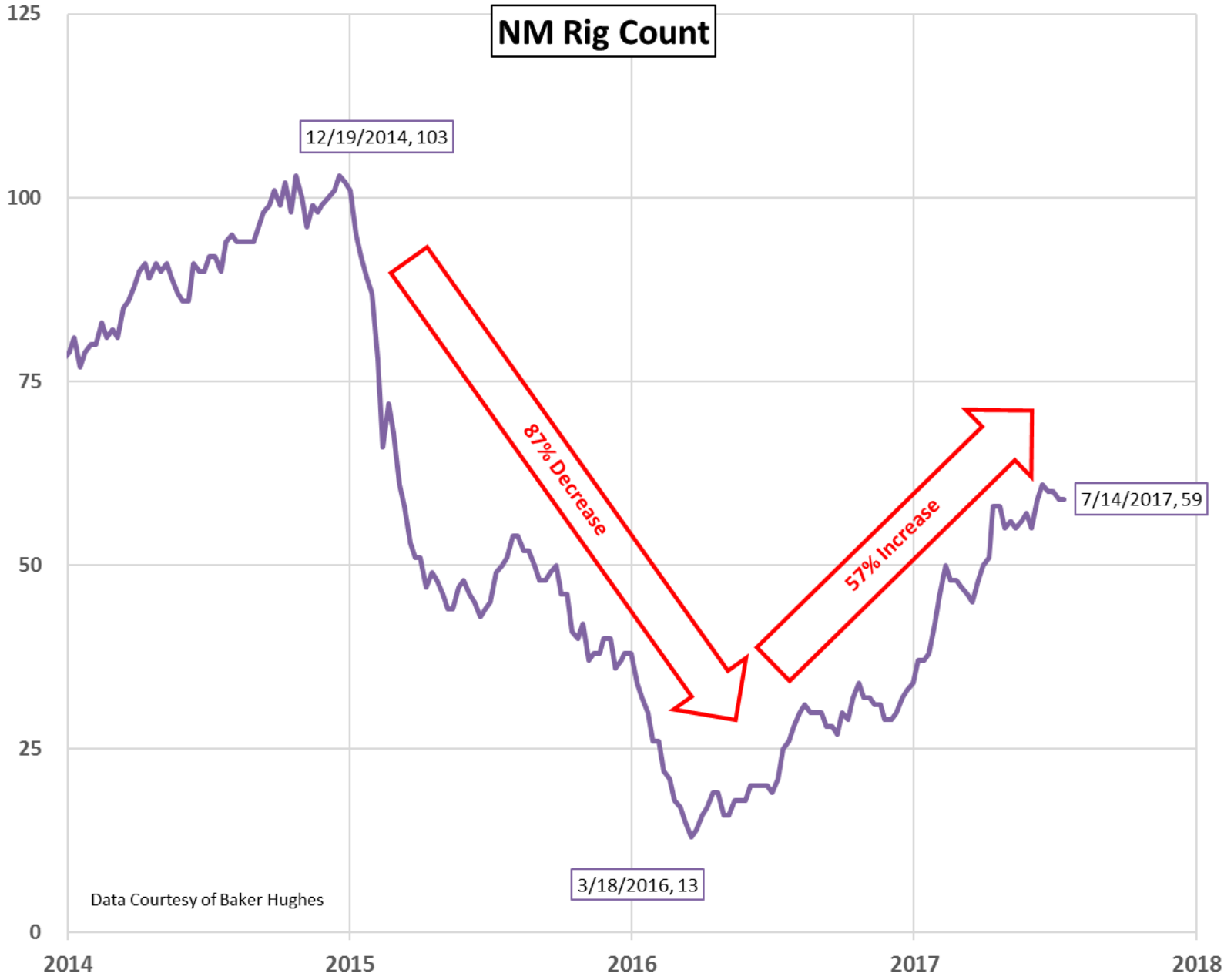


# State Rig Counts Excluding Texas





# NM Rig Count



Data Courtesy of Baker Hughes

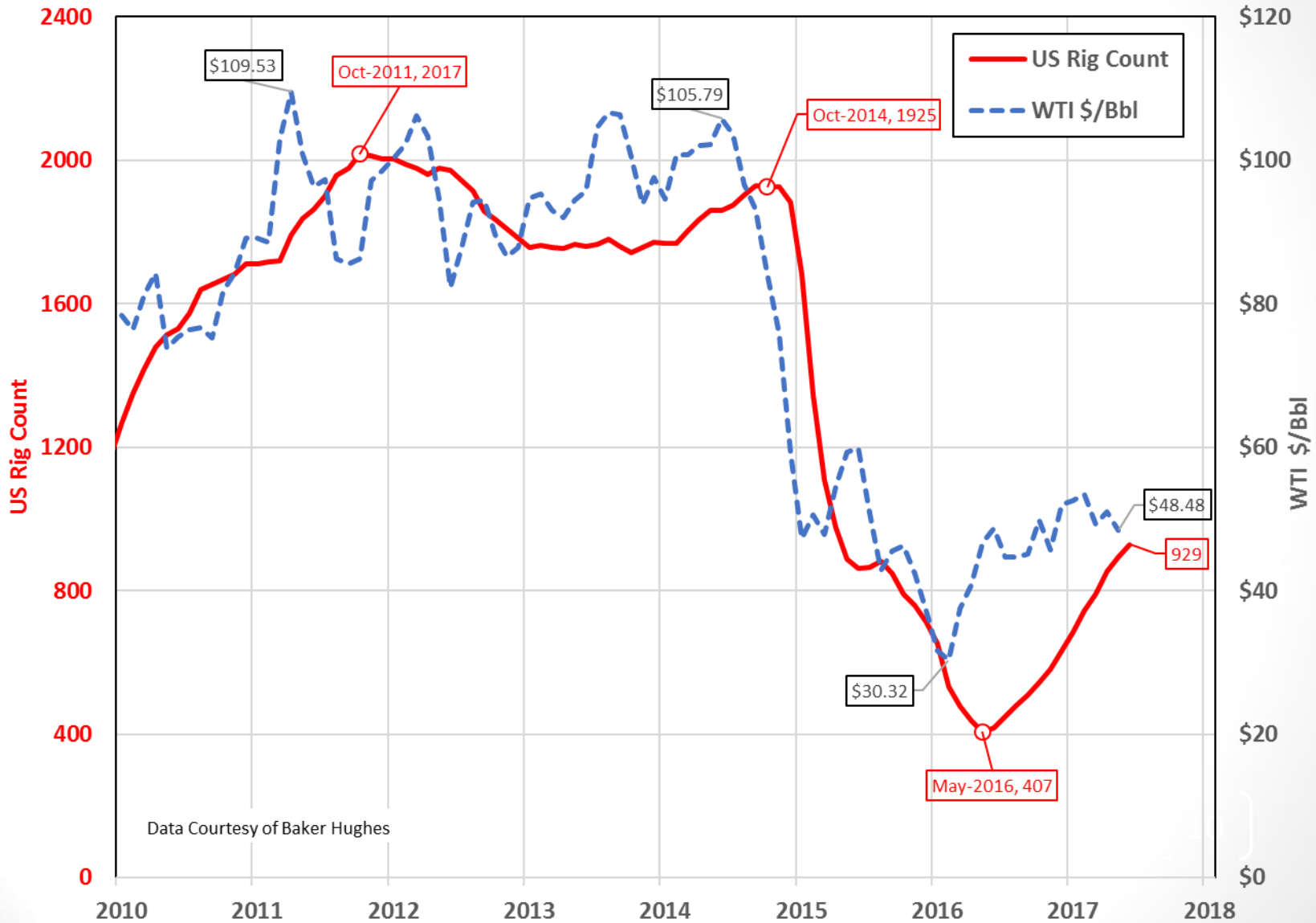


# Impact of 2014 Price Collapse on Rig Count

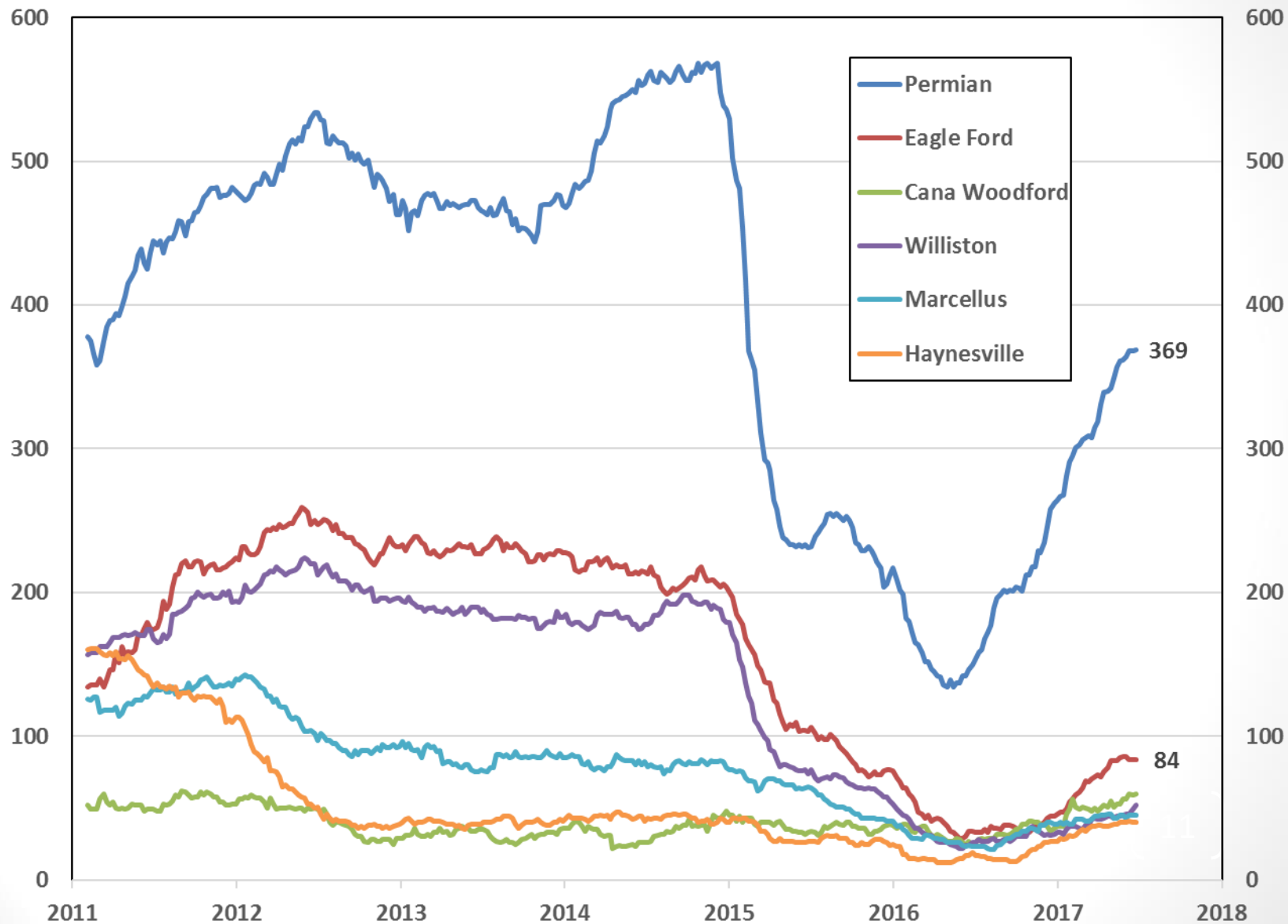
State	2014 Max	2015 Min	% of Rigs Lost	2017 High	% of 2015 Min
WY	63	7	89%	25	40%
ND	189	22	88%	53	28%
NM	103	13	87%	59	57%
TX	907	173	81%	466	51%
CO	77	15	81%	37	48%
OK	215	56	74%	134	62%
LA	119	35	71%	67	56%
US	1925	404	79%	952	49%

As of 7/14/2017

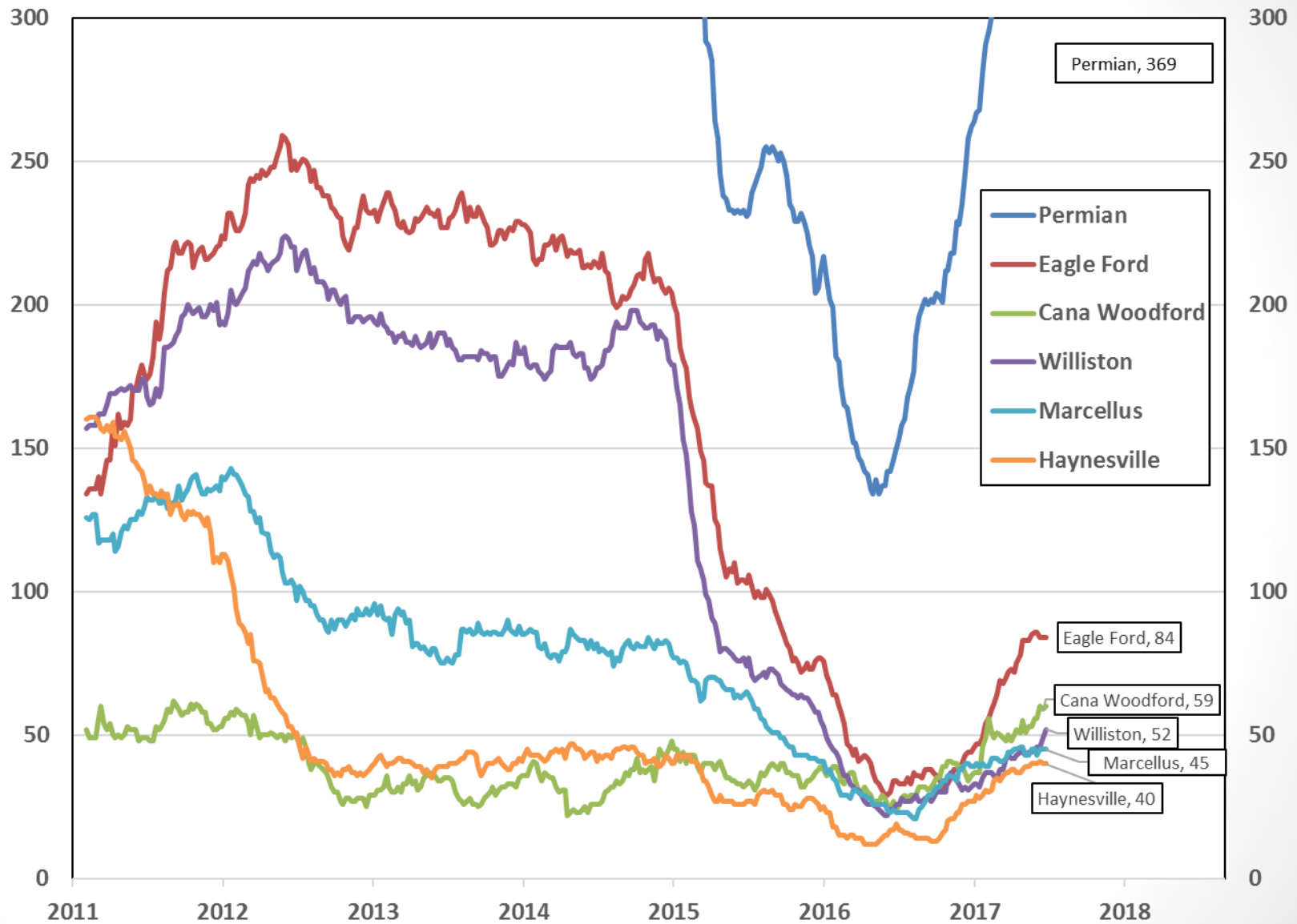
# Rig Count is a Lagging Indicator



# Rig Count by Basin

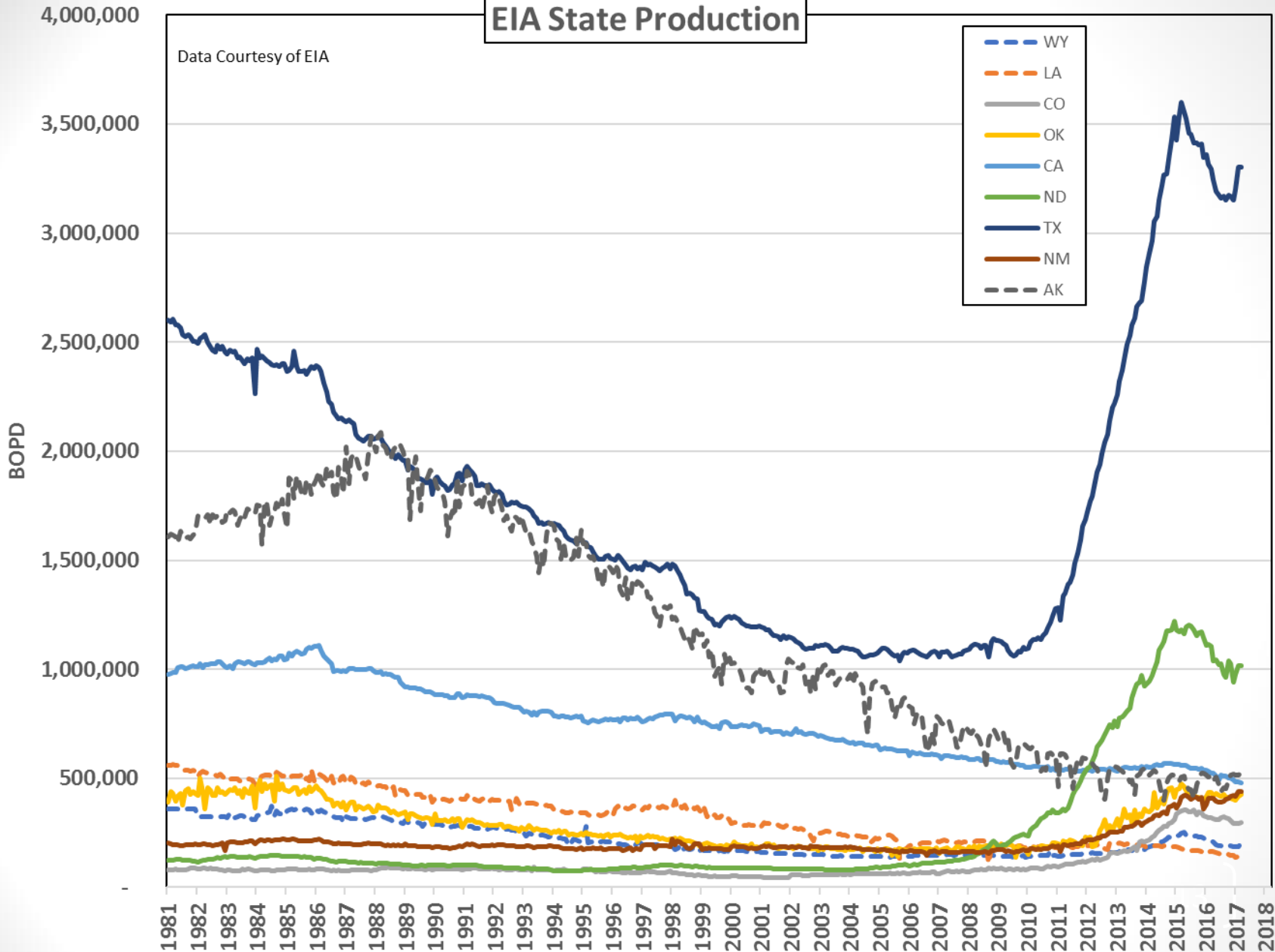


# Rig Count by Basin

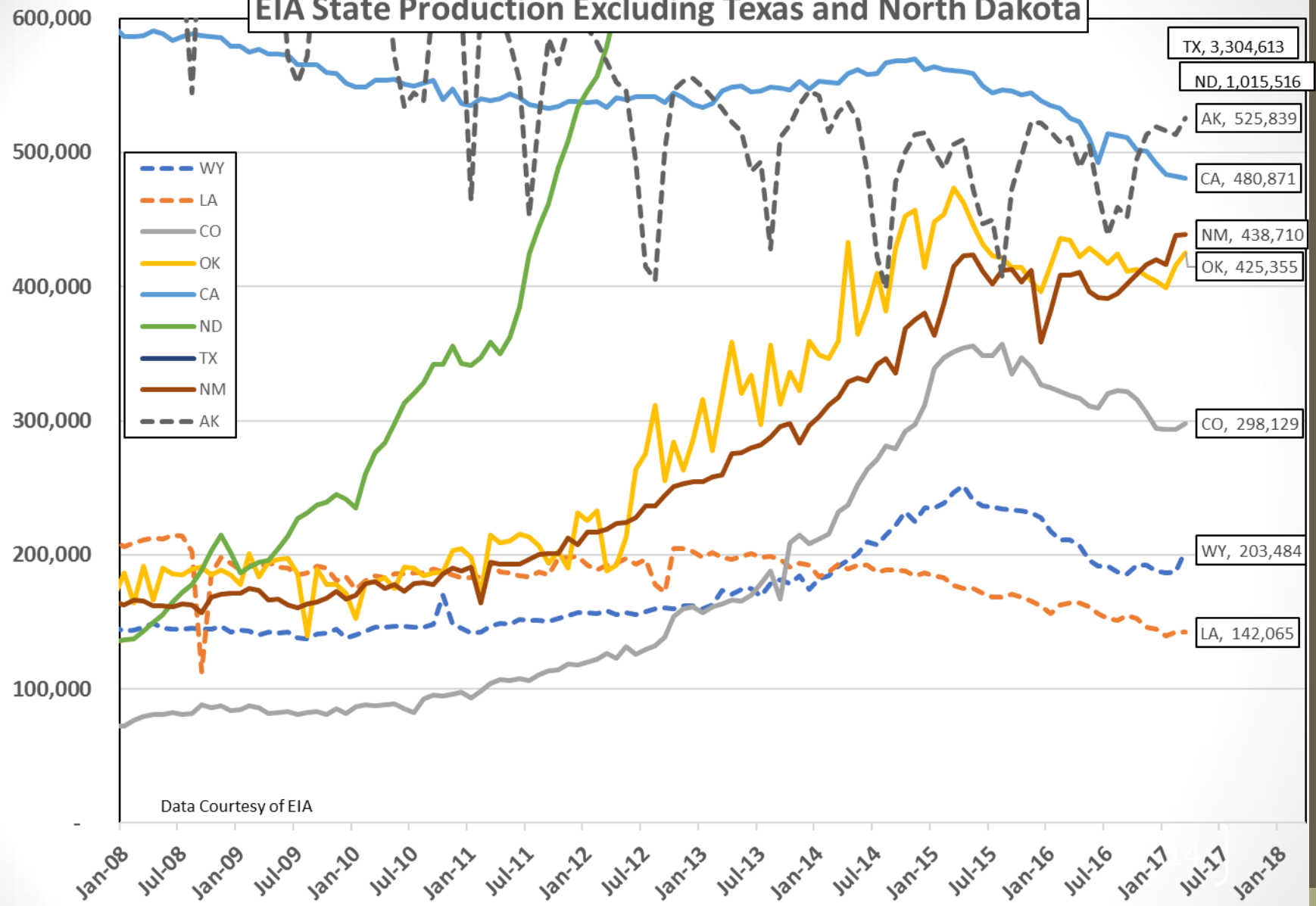


# EIA State Production

Data Courtesy of EIA

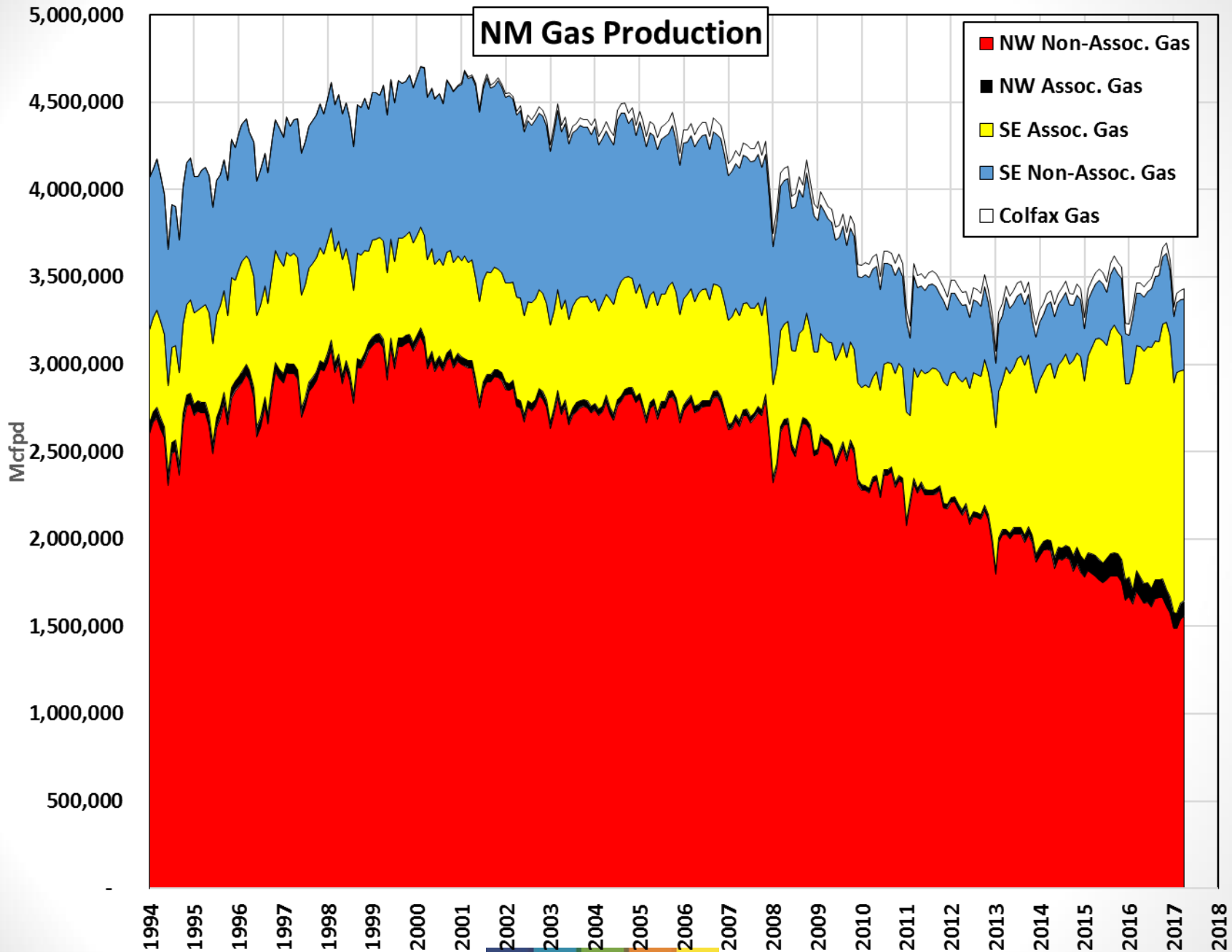


# EIA State Production Excluding Texas and North Dakota



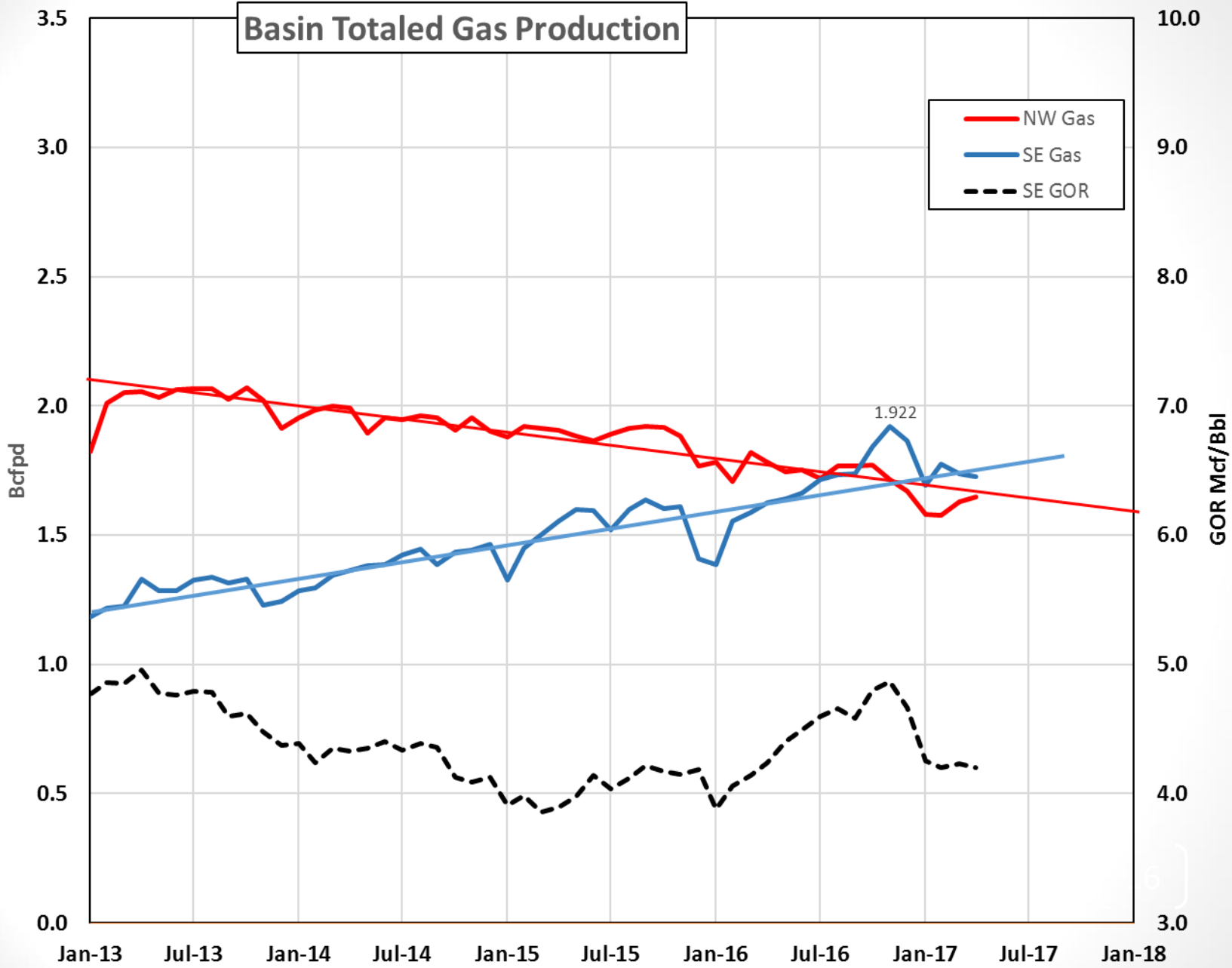
Data Courtesy of EIA

# NM Gas Production



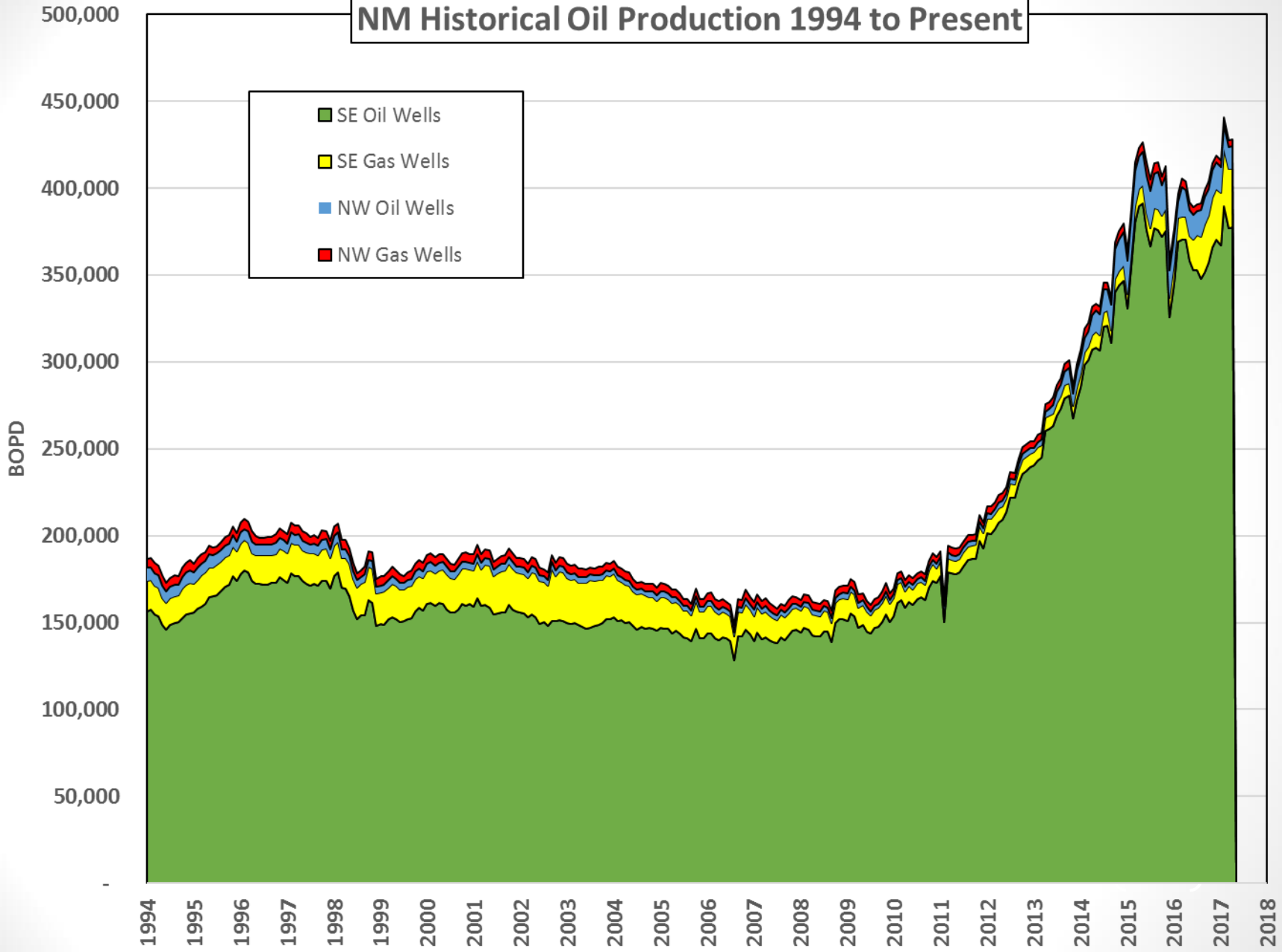
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# Basin Totalled Gas Production

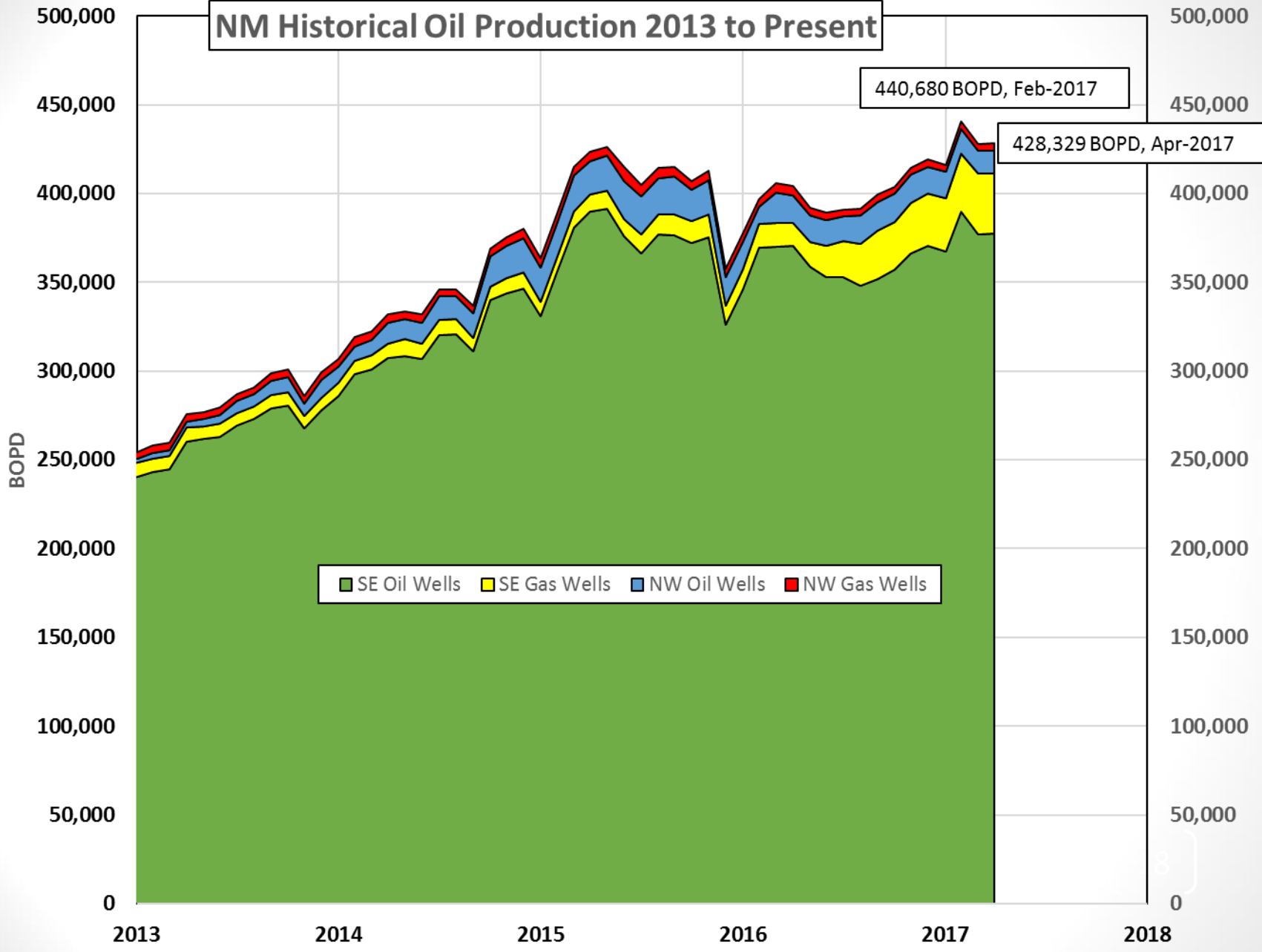




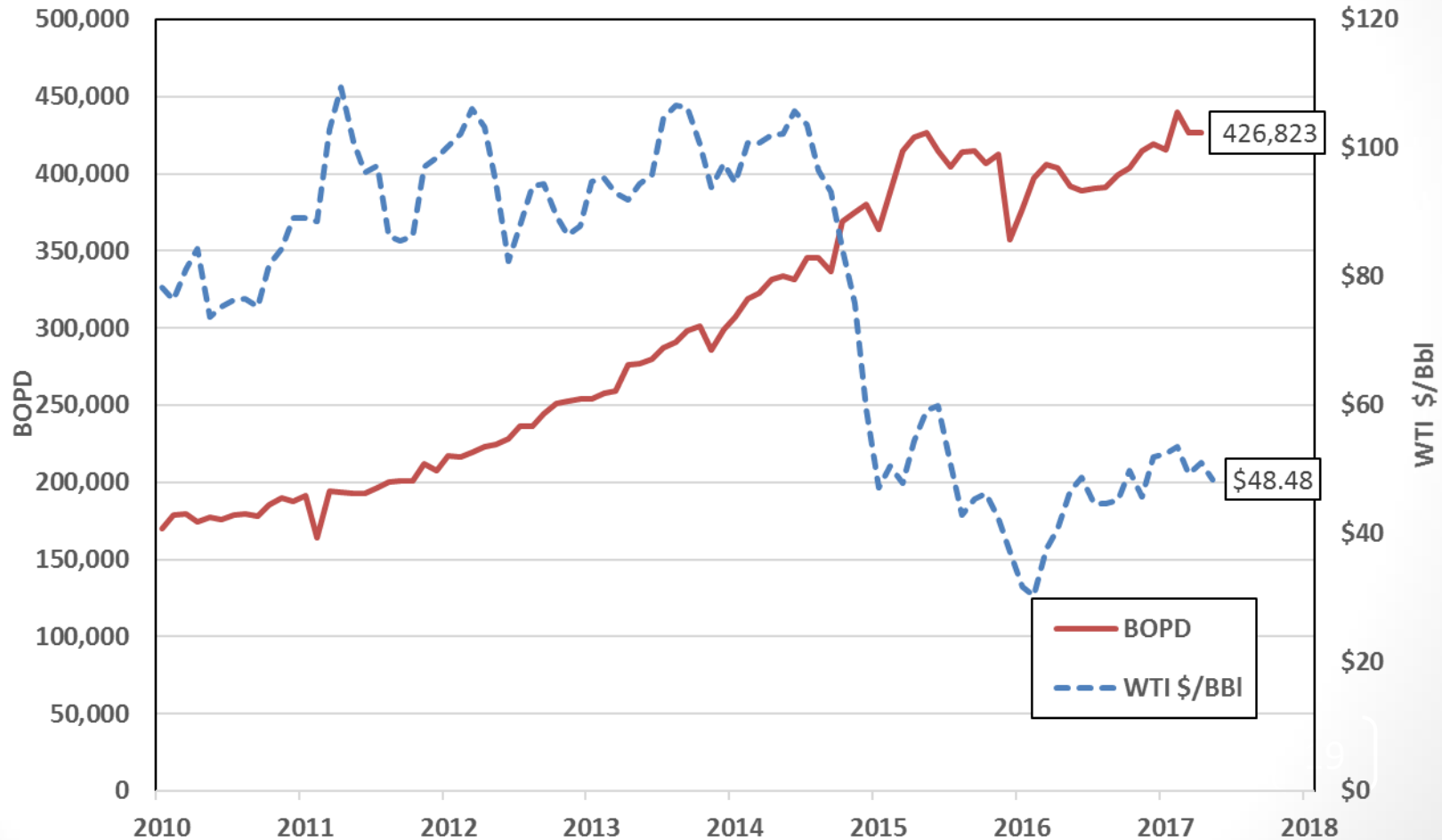
# NM Historical Oil Production 1994 to Present



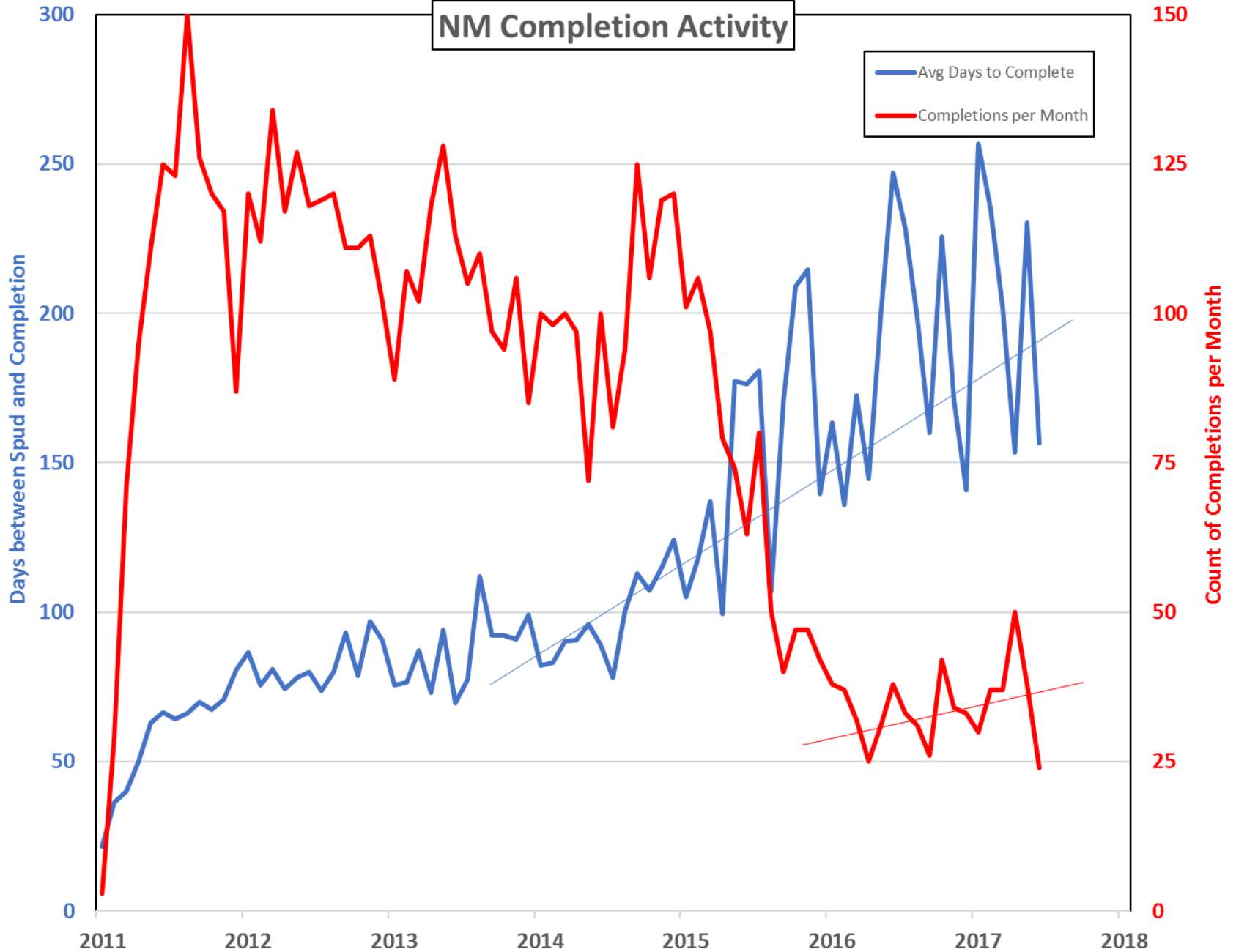
# NM Historical Oil Production 2013 to Present



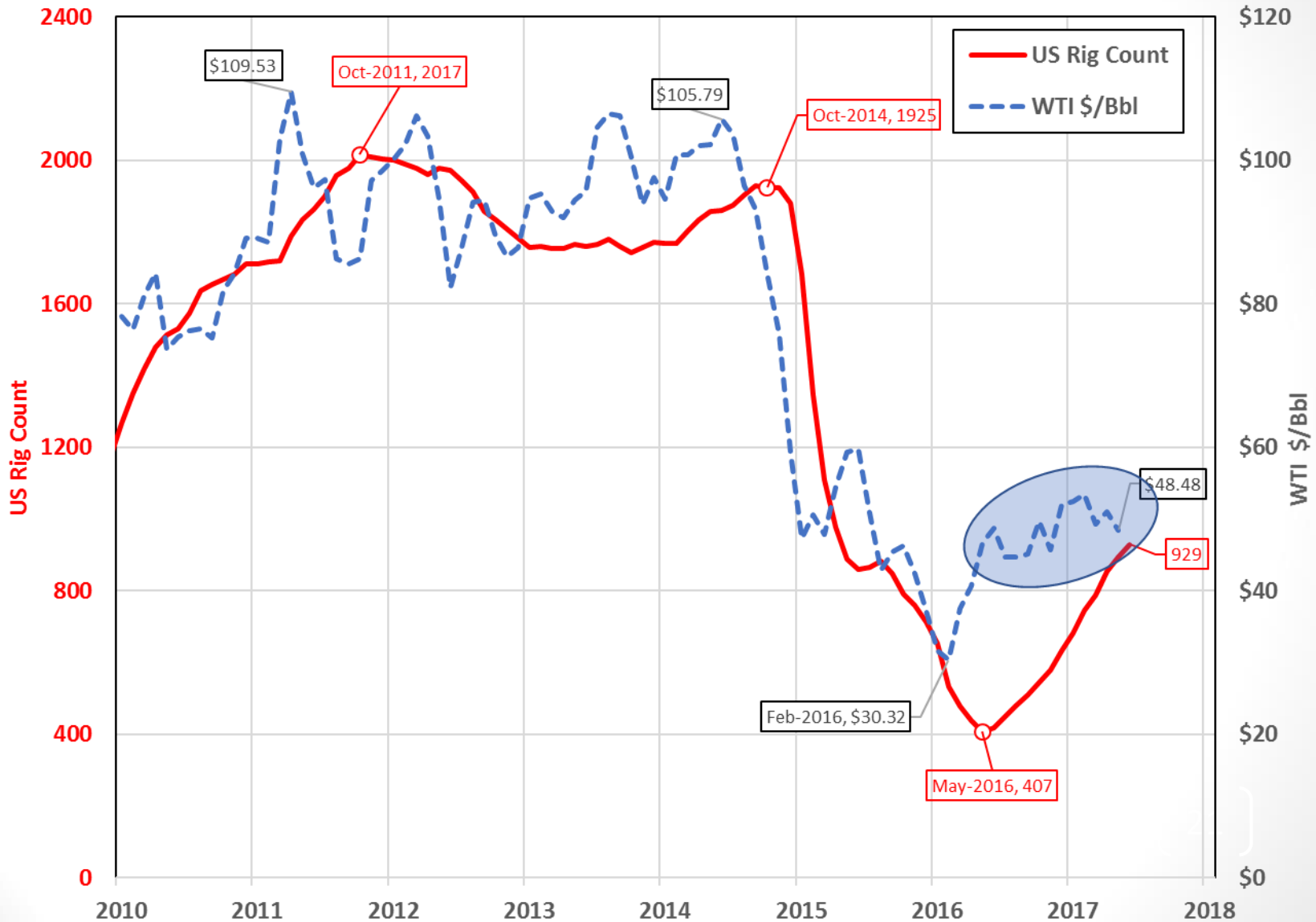
# Rig Count Becoming Less Reliable Proxy for Predicting Production



# NM Completion Activity



# Rig Count is a Lagging Indicator



# New Mexico's Top Ten Publicly Traded

	Operator	2017 YTD OIL (B0)	% of Total
1	Concho	9,759,502	19.0%
2	EOG	7,125,400	13.9%
3	Devon	4,735,531	9.2%
4	OXY	4,443,346	8.7%
5	Mewbourne	3,452,515	6.7%
6	Apache	2,636,624	5.1%
7	Chevron	2,515,428	4.9%
8	Cimarex	2,315,966	4.5%
9	WPX	1,744,760	3.4%
10	ExxonMobil	1,609,229	3.1%
11	Matador	1,585,361	3.1%
	<b>TOTAL</b>	<b>41,923,662</b>	<b>81.8%</b>

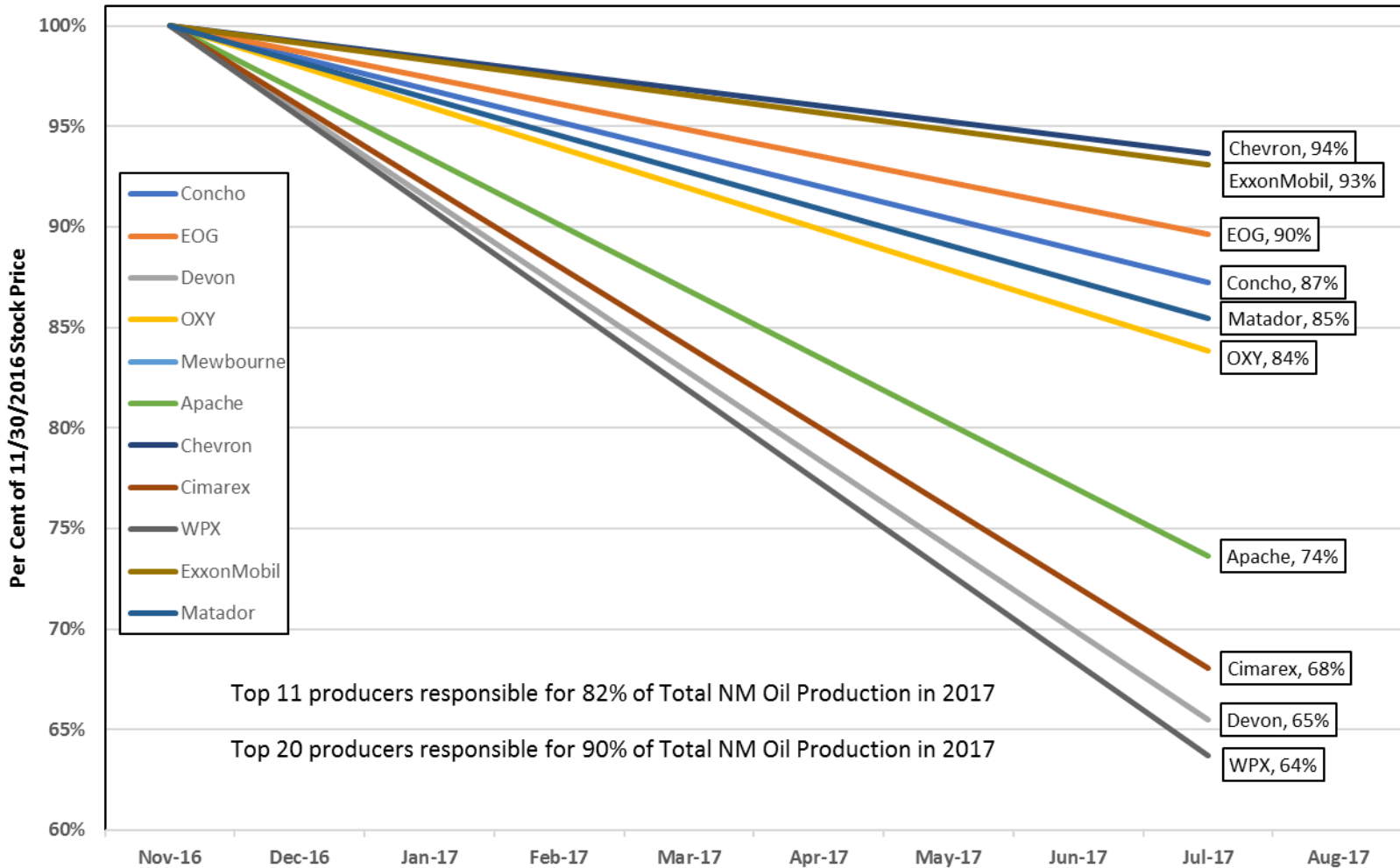
As of 6/23/2017

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# Normalized Stock Price Decline between 11/30/2016 and 7/14/2017

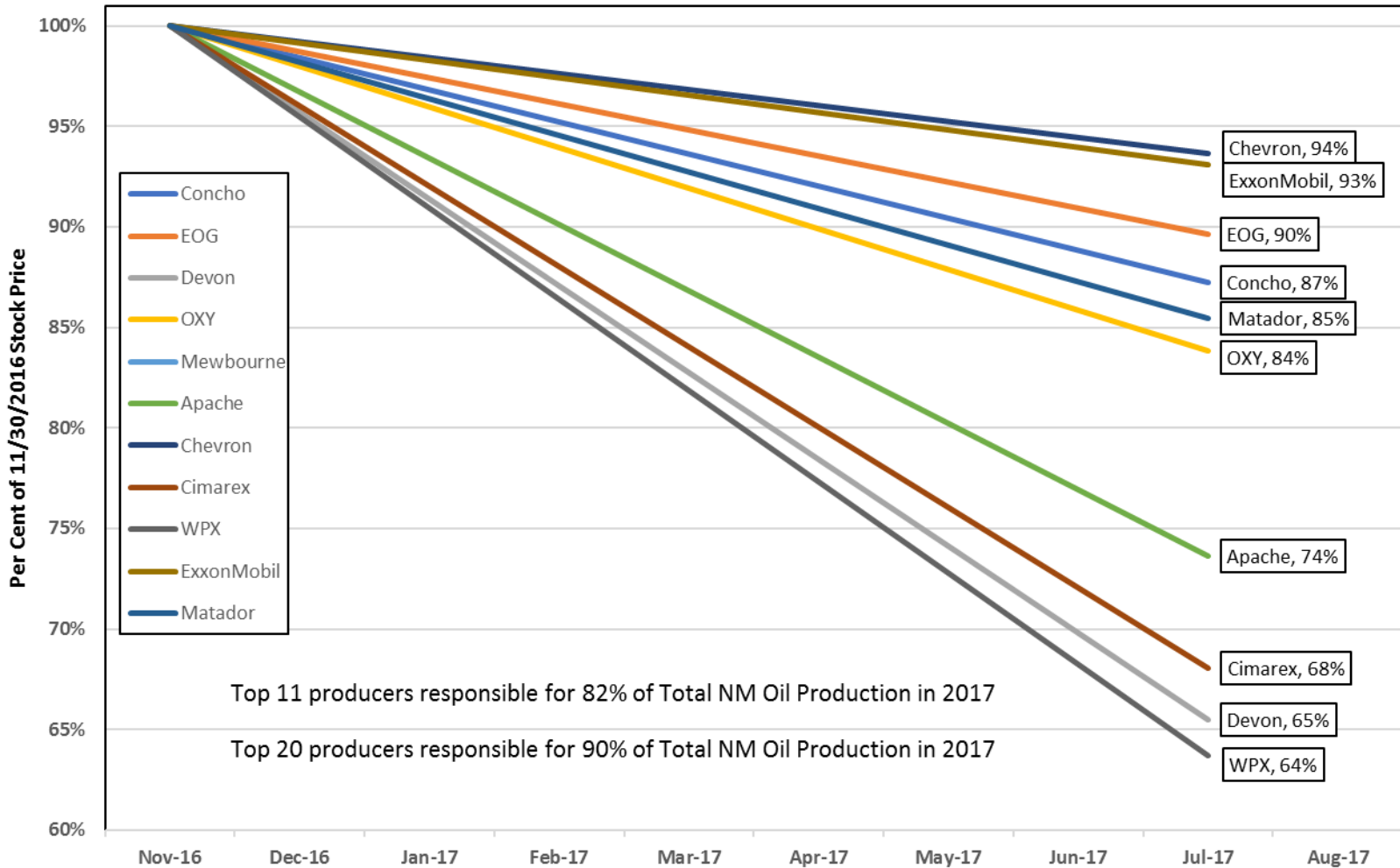


# Possible Explanations for Valuation Variation

- Debt
- International Position
- Oil-Gas Mix
- Hedge Position
- G&A
- Vertical Integration



## Normalized Stock Price Decline between 11/30/2016 and 7/14/2017



# Evolving Technologies & Innovations

- Extended Reach Horizontals
- Multi-Well Pad Drilling
  - Zipper Fracs – More Economical – Better Results-Larger Size
  - Minimizes Surface Disturbance
  - Facility Optimization
  - Top Setting Surface Casing
  - Improved Gas Capture
- Increased Use of Non-Potable Water Sources

# OCD Regulatory Initiatives

- Gas Capture
- Horizontal Rules
- Spill Rules
- Stimulation Reporting (FracFocus)
- OCD On-line Filing

# Outlook for Future

- Permian Basin is most active in US
- Major Acquisitions in both SE and NW
- Natural Gas Prices depressed with Over Supply