Evolution of Production Impacts 2020-2021

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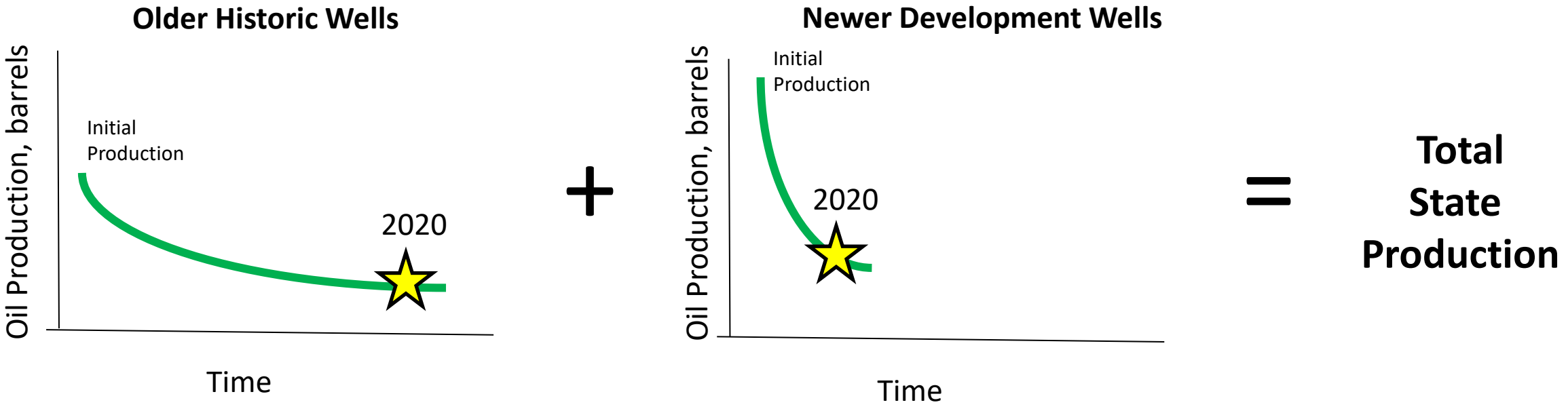
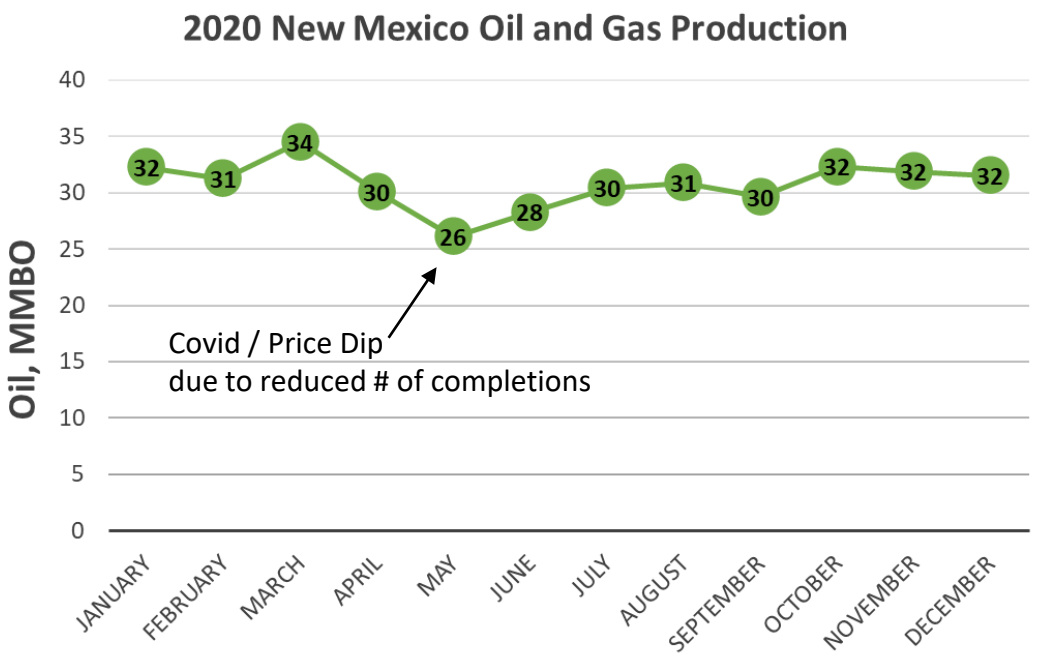
Effect of New Development on Declines in NM



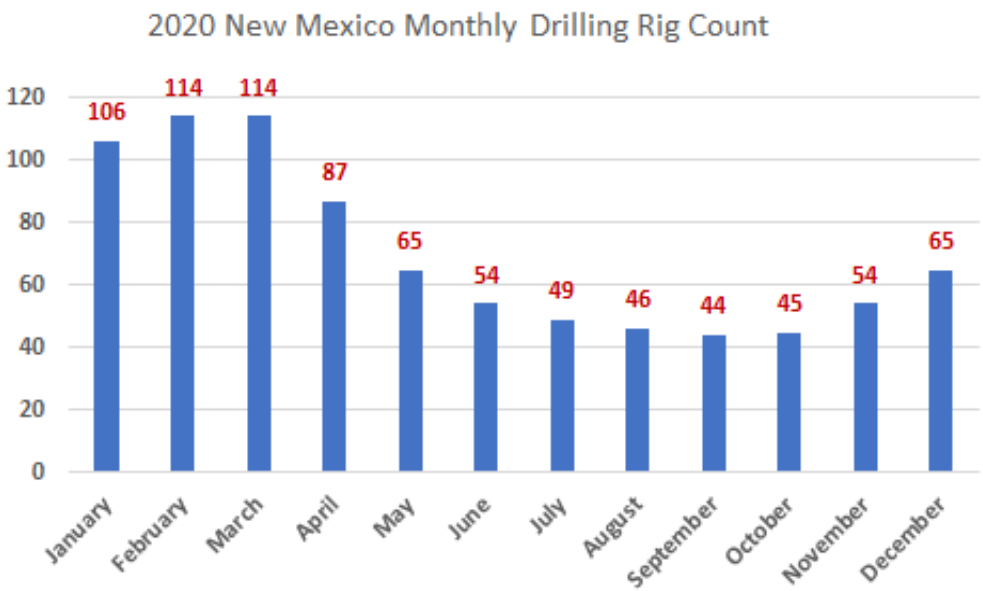
- More shallow decline in overall production
- Later in life more stable but lower production
- New Mexico has many historic wells which account for lower percentage of current production than newer wells

- Wells have steeper decline profile
- Produce higher production volumes
- Newer wells
- Less wells but more severe impact if reduction in activity
- Quick recovery with rapid increase in activity

2020 Production



Source: Baker Hughes Rig Count



- Production remained relatively flat in 2020 due to available completions inventory and associated activity
- While Drilling activity was reduced it often takes 6-8 months for drilling activity to “catch the curve”

2021 Federal Orders Summary

Executive Order Tackling Climate Crisis at Home and Abroad - Released January 27, 2021

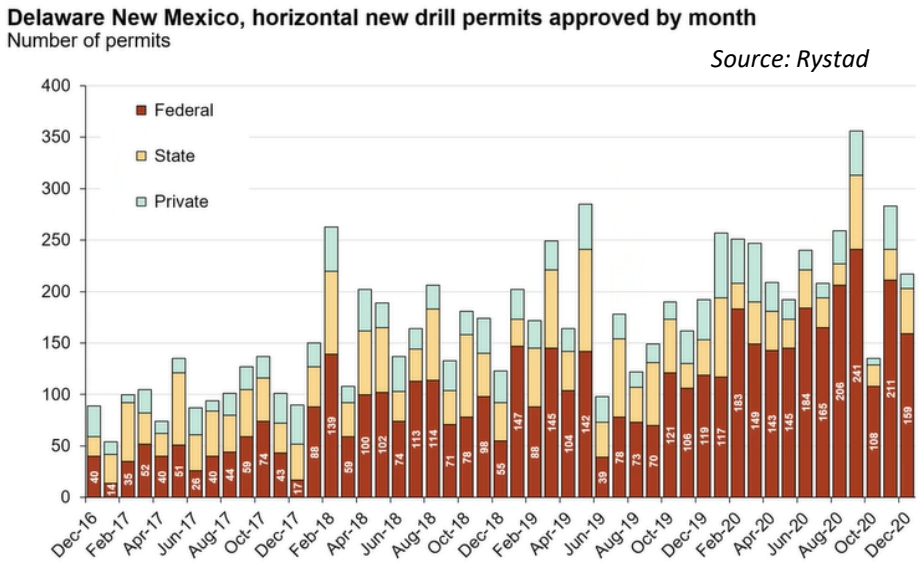
- Paused new federal land leases
- Did not directly impact existing leases
- Did not impact existing or pending permits
- Still in effect

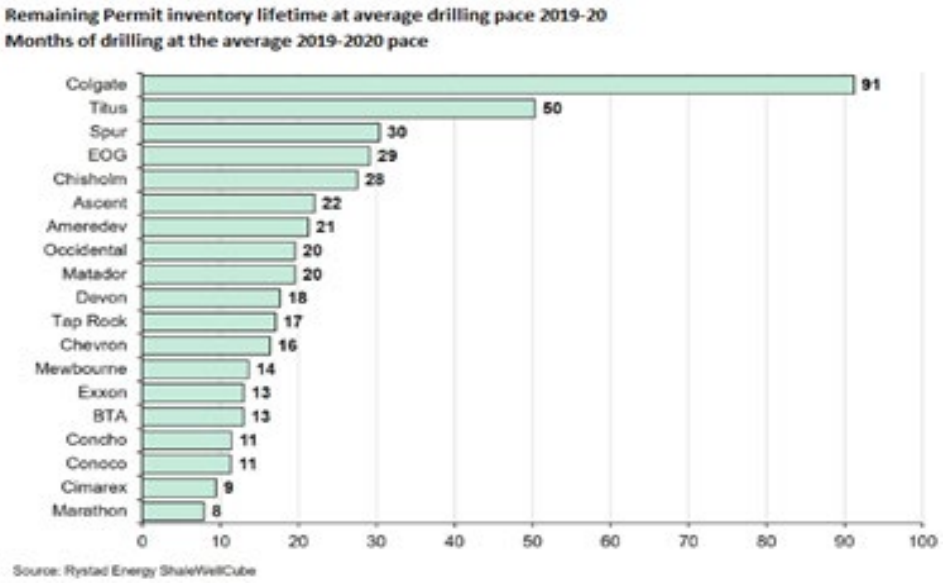
Secretarial Order 3395 – Released January 20, 2021

- Issued 60-day pause on administrative authority from Bureau of Land Management (BLM) field staff to approve new leases, rights of way , surface disturbances and permits to drill – Ended March 21, 2021
- This initial pause was replaced by new guidance which limits heightened scrutiny to certain types of oil and gas activities (large-scale projects and leasing).

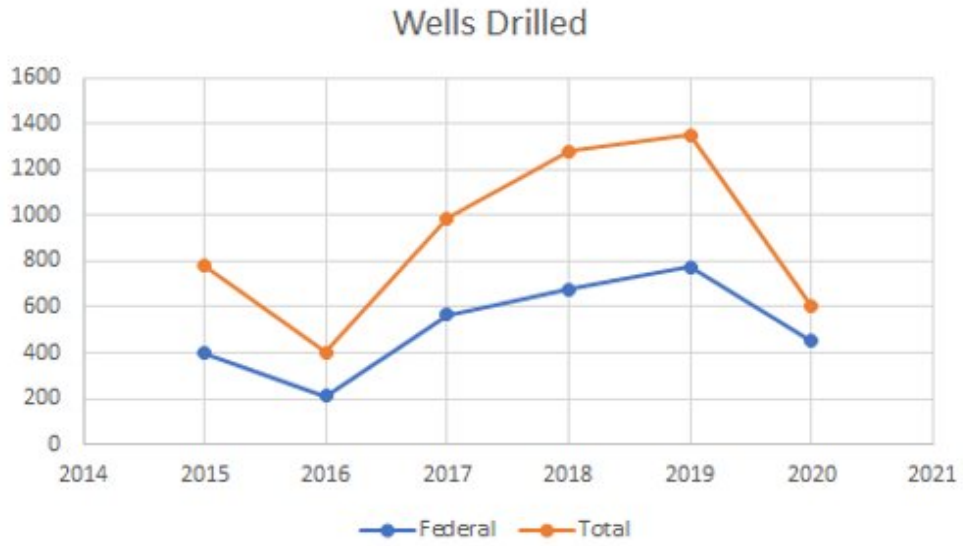
Oil and Gas Landscape Early 2021

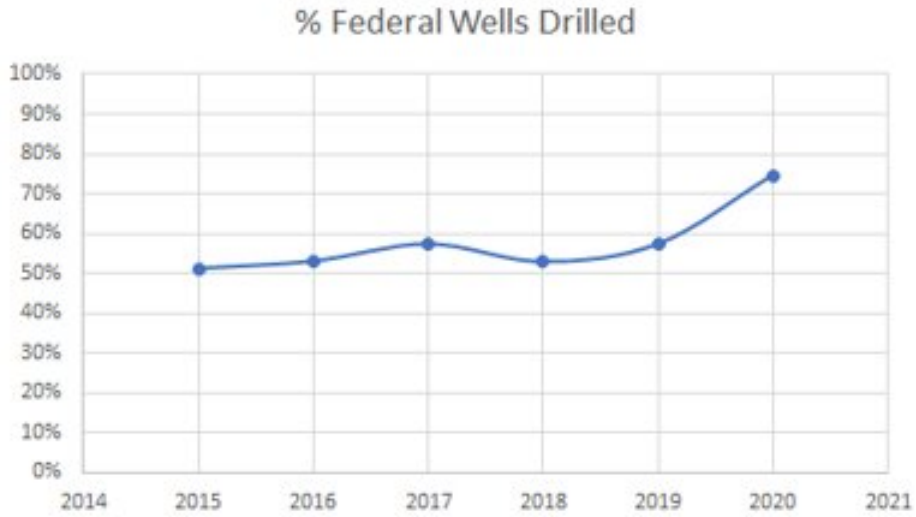
- As of February, 6,089 approved Application for Permit to Drill (APD) on Federal lands in New Mexico
  - Assuming operators developed at their average pace in 2019-2020, chart on right demonstrates how long it will take until operators run out of APD approval inventory
- APDs approved for 2 years with possibility for 2-year extension
- Companies have already invested in existing infrastructure





Evaluating Long Term Production Impacts in New Mexico





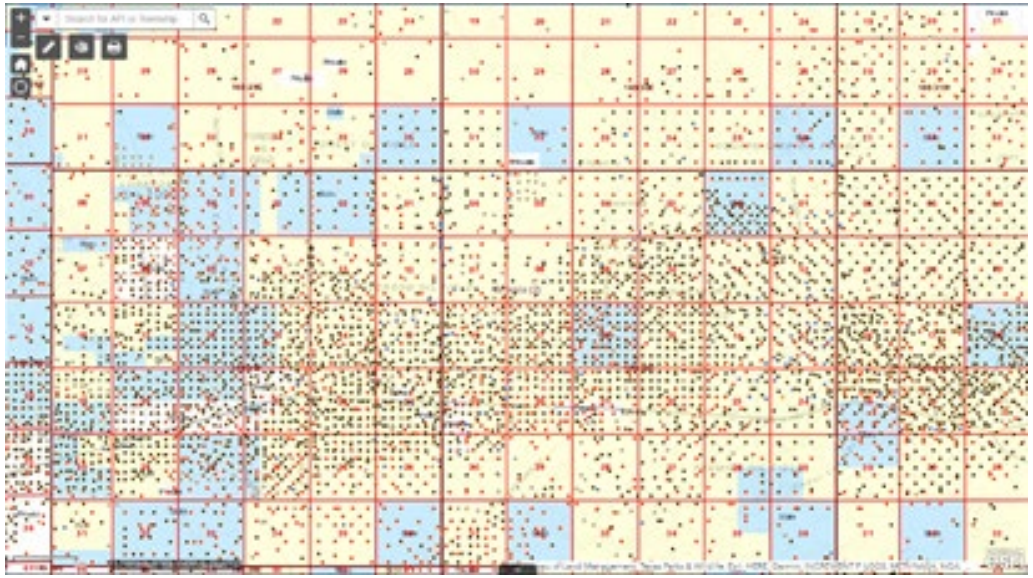
- Minimal expected production impacts over the next 8 to 12 months
- 50% less wells drilled in 2020 compared to 2019
- In previous 5 years, percentage of wells drilled on federal land has always been above 50%; Percentage increased to ~75% in 2020

Additional Complexities for New Mexico

- Regulatory complexities of intermixed land types (State, Federal & Private) compared to neighboring states sharing the same mineral resource play

- High initial capital and operating costs due to:
  - Lack of infrastructure
  - Lack of widespread electric grids
  - High produced water production

- Profits driven by efficiencies of scaled development which require large up-front planning and investment



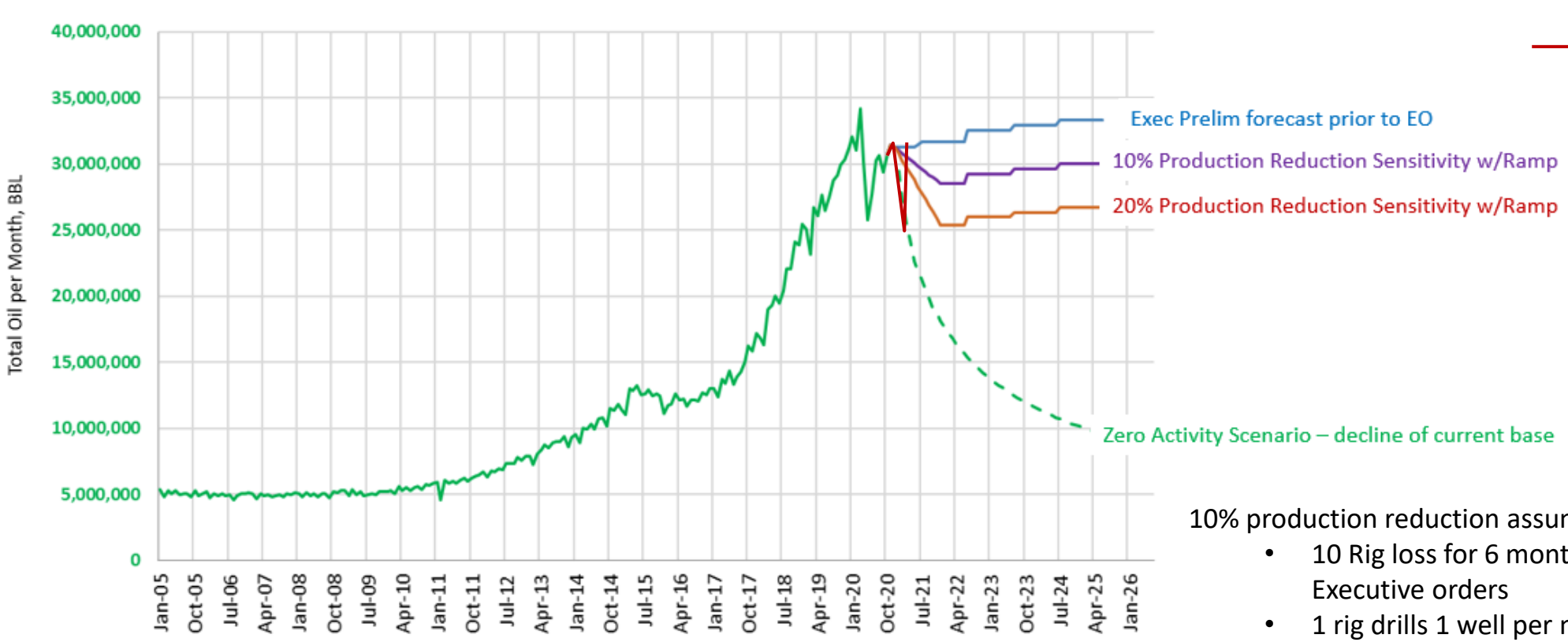
Loco Hills area

State Leases

Federal Leases

Private Leases

Updated State Production Profile with Risking

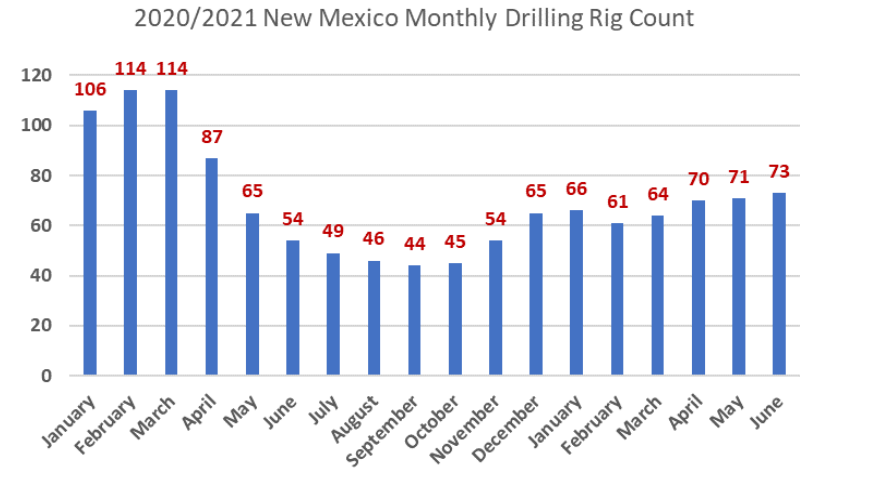


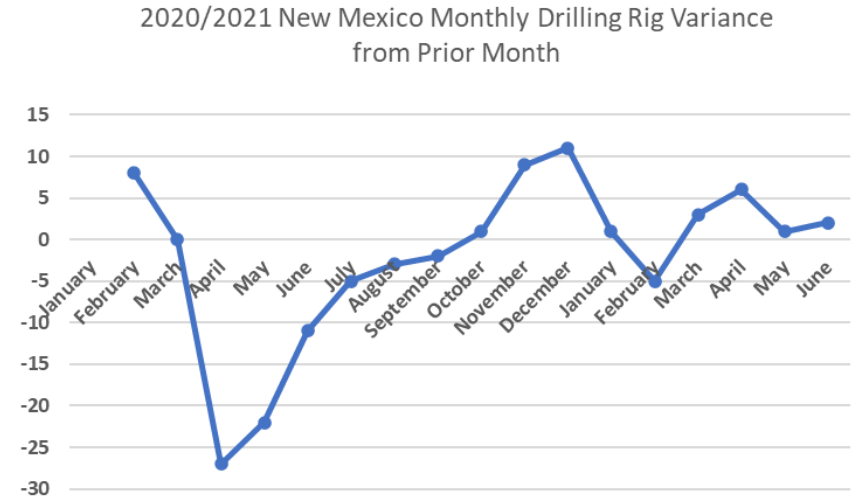
10% production reduction assumes:

- 10 Rig loss for 6 months; lost 8 rigs upon issuance of Executive orders
- 1 rig drills 1 well per month
- 60 total wells lost
- Does not account for any additional voluntary well shut ins
- Does not differentiate between Federal or State wells due to complexities of intermingling acreage

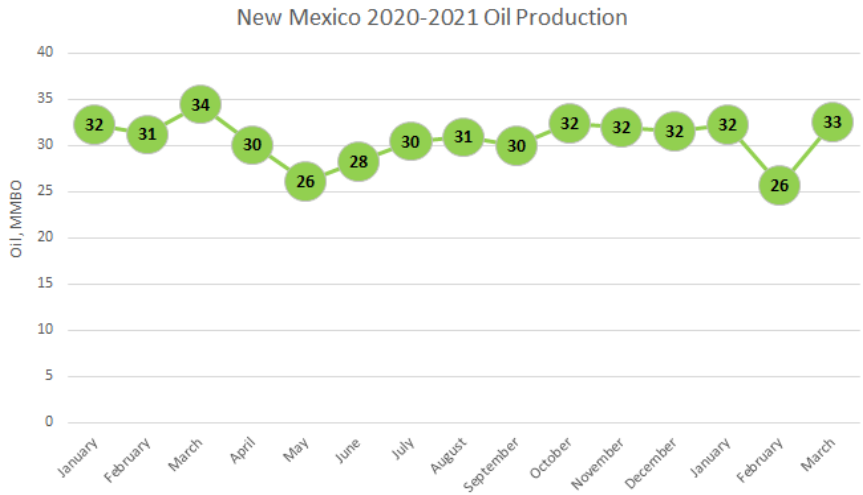
New Mexico Activity 2021

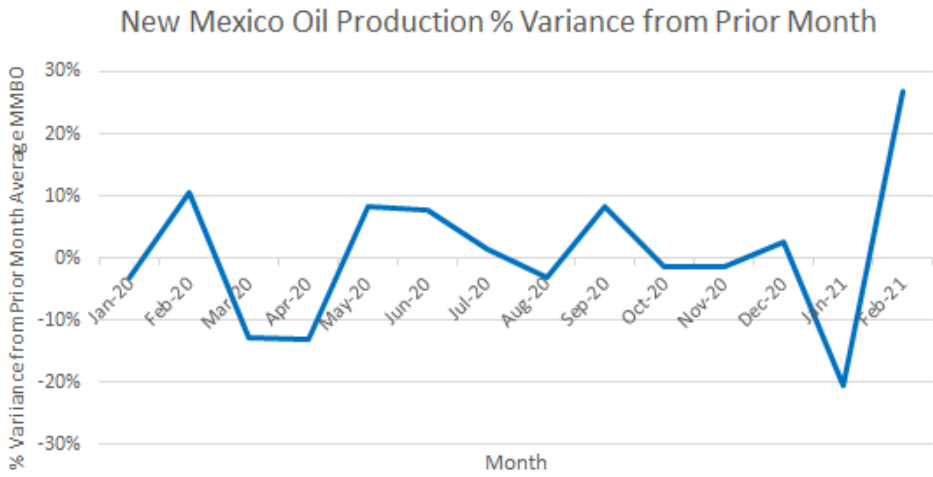
Rigs





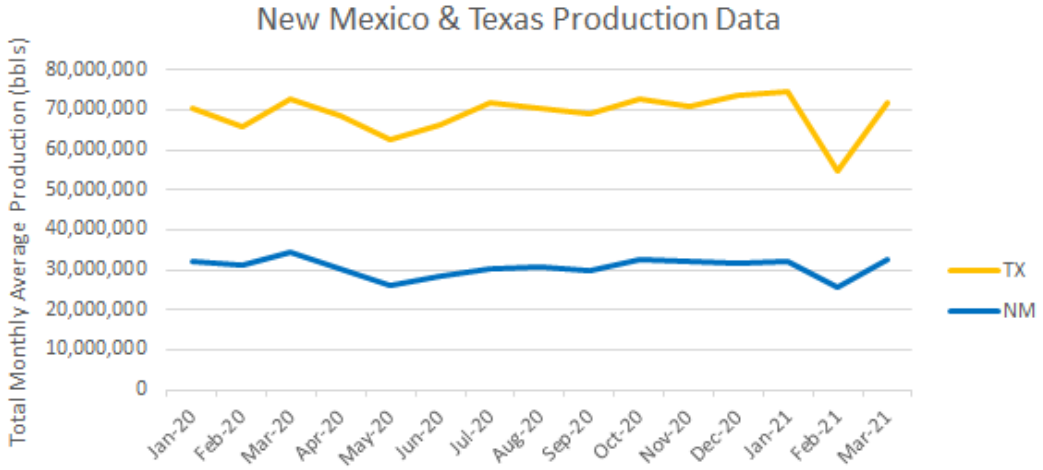
Production

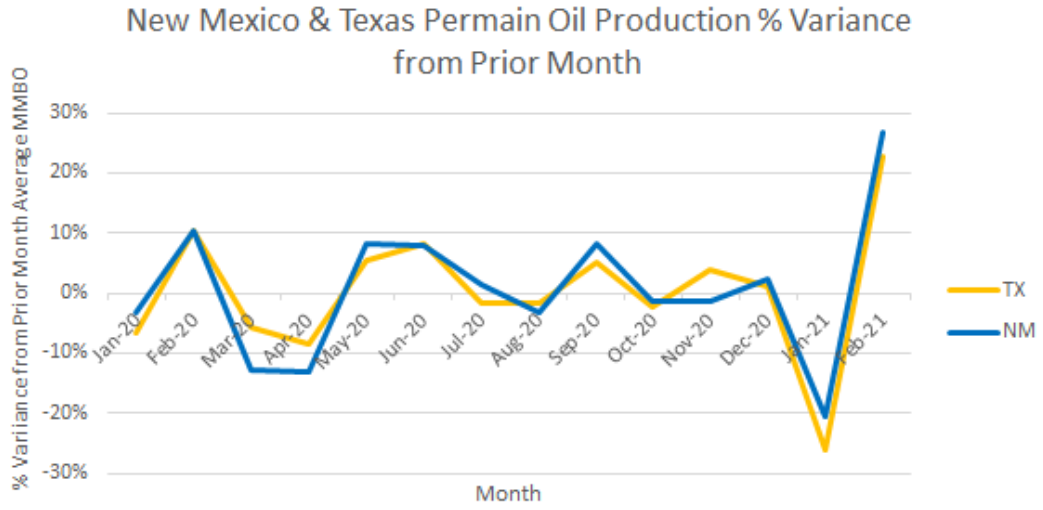


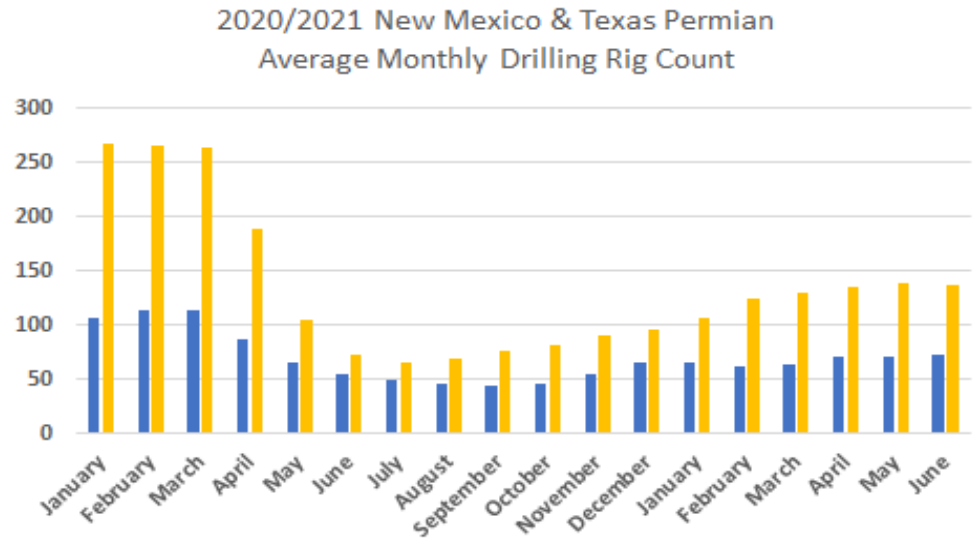


- Production dipped in February 2021, likely due to weather event and federal uncertainty.
- Rebounded in March 2021

Comparison to Texas

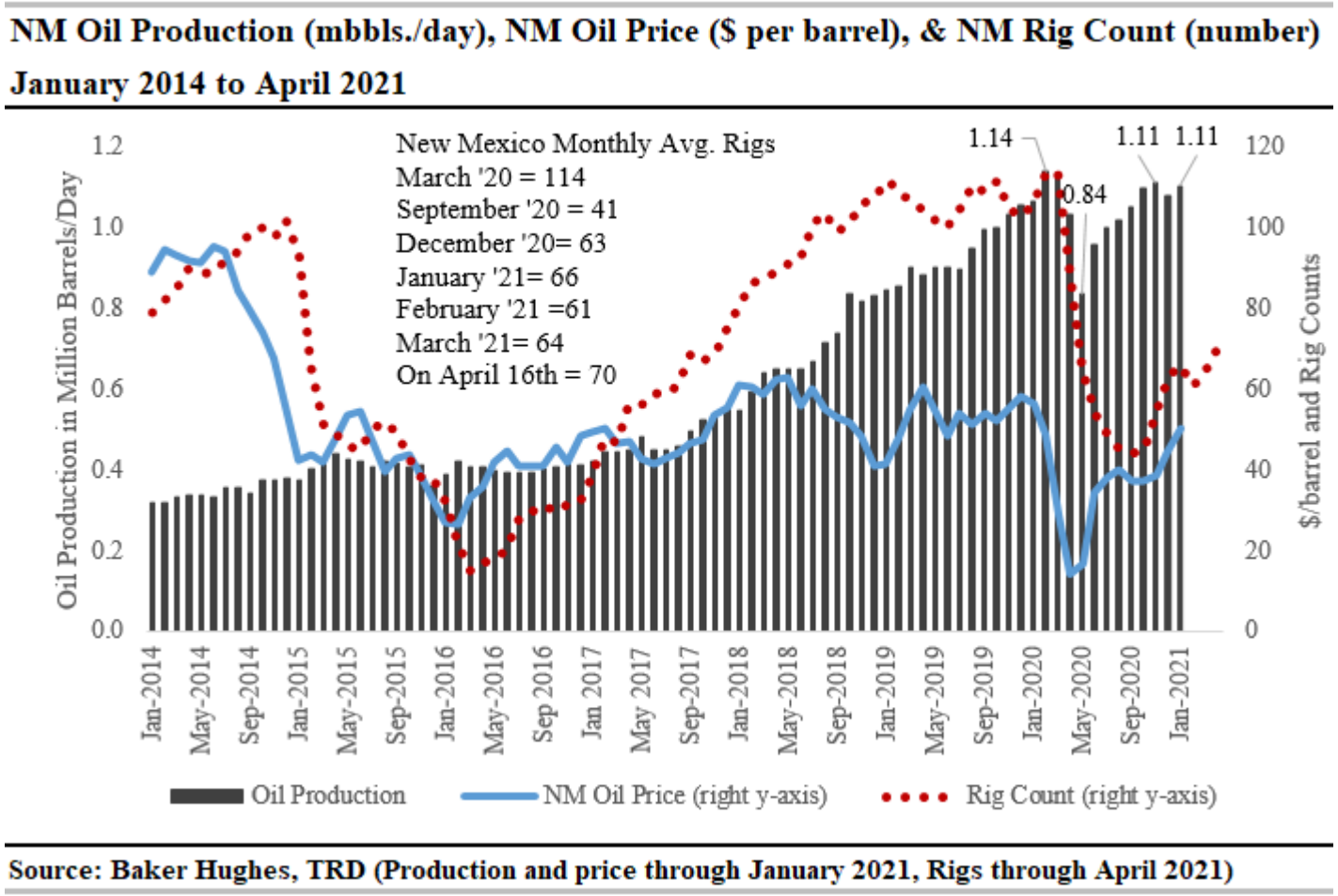






Note: Texas March values are preliminary

2021 Rystad Outlook



- On April 16th NM had 70 rigs, up from the 60 rigs three weeks prior.
- The January 2021 average price of oil in NM was $50.35/barrel, lower than the $56.42/barrel in January 2020.
- Production is influenced by oil price, oil demand, and the overall economic recovery post-COVID-19.
- Global oil demand has firmed and the supply side of the oil market reduced.
- The pandemic remains a headwind with risks from case surges, variants, and restrictions. These impact oil prices and demand.