

Oil Market Update



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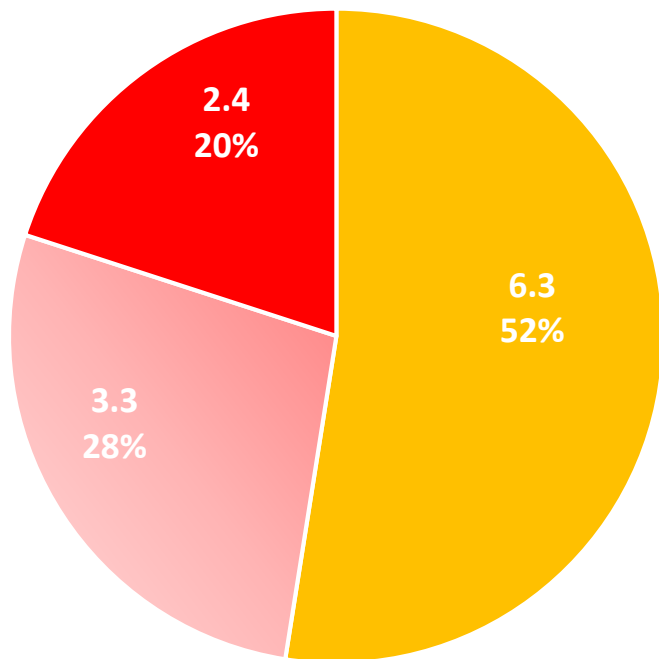
Energy Market Overview

- Geopolitical risks have risen considerably
- Market was relatively balanced before the attack on Saudi oil facilities
- WTI around \$57 despite the attack, OPEC+ cuts and significant production declines in Iran and Venezuela
- Slower global economic growth dampening oil demand
- US oil production flattening as rig count sputters
- New Mexico oil output near record highs
- U.S. natural gas output still going strong
- Energy trade important for U.S.

Disruption in Saudi production

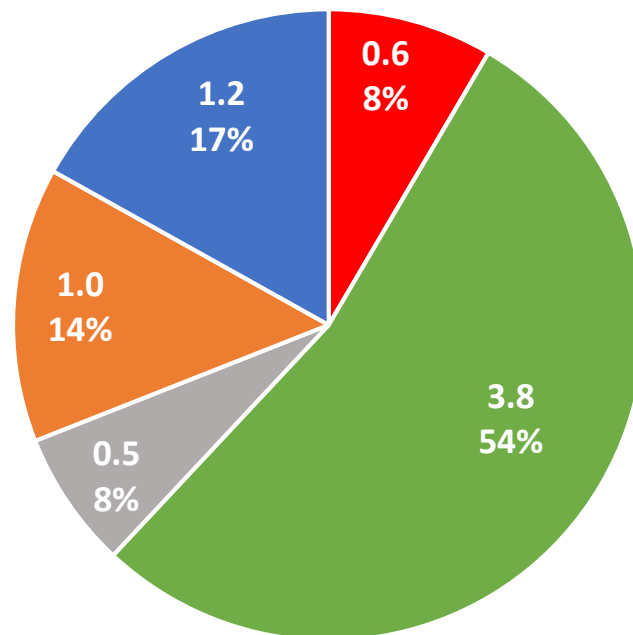
Not much impact on U.S. imports

Disruption in Saudi Oil Supply (MB/D)



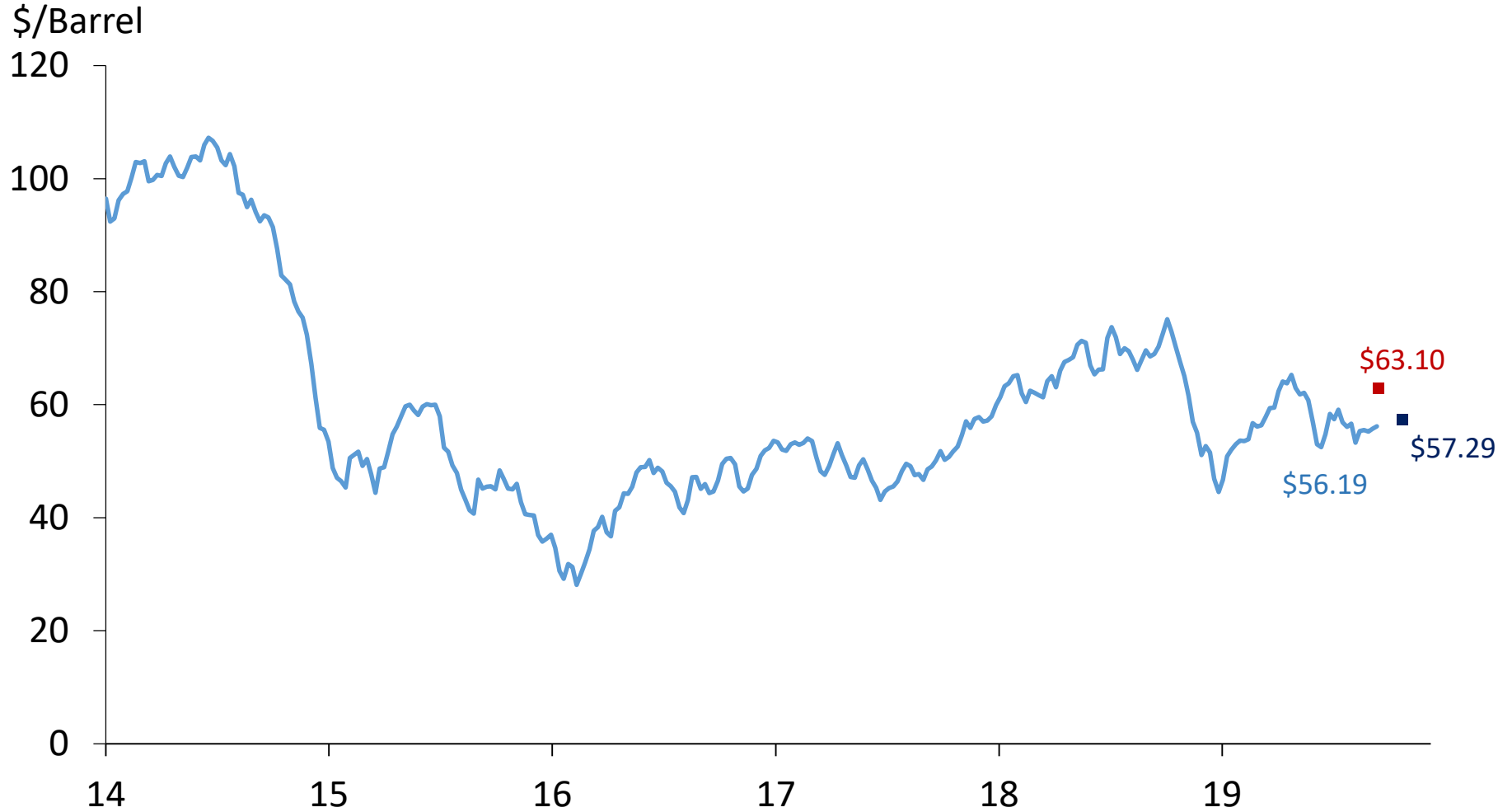
■ Additional Capacity ■ Recovered ■ Disrupted

US Crude Oil Imports (MB/D)



■ Saudi Arabia ■ Canada ■ Mexico
■ OPEC excl SA ■ Other

WTI Prices



\$56.19

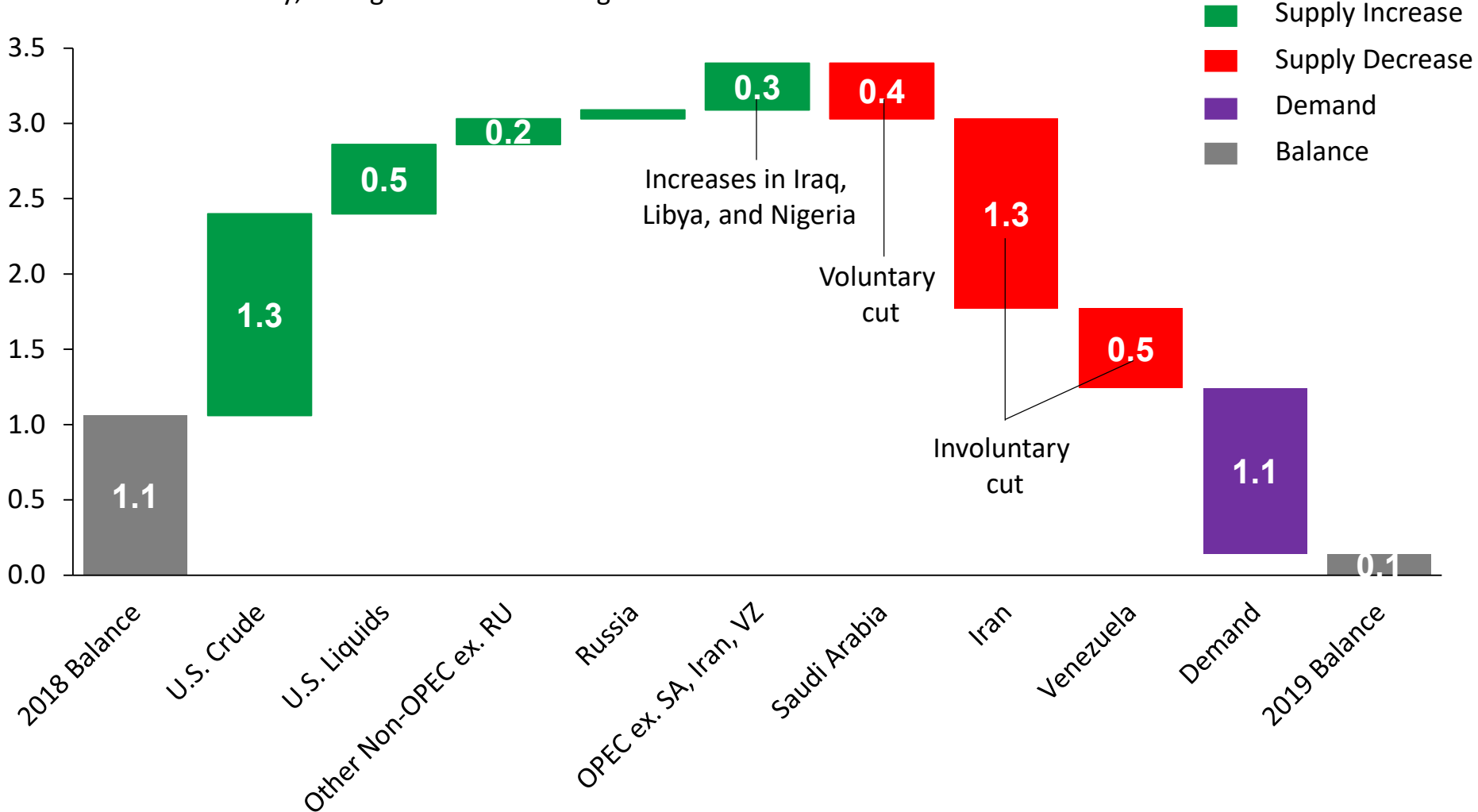
\$63.10

\$57.29

NOTE: Prices are average of daily figures for week ending on 9/13/19. Square red mark represent closing price on 9/16, the blue square mark represents closing price on 9/25.
SOURCE: EIA; Chicago Mercantile Exchange; Bloomberg

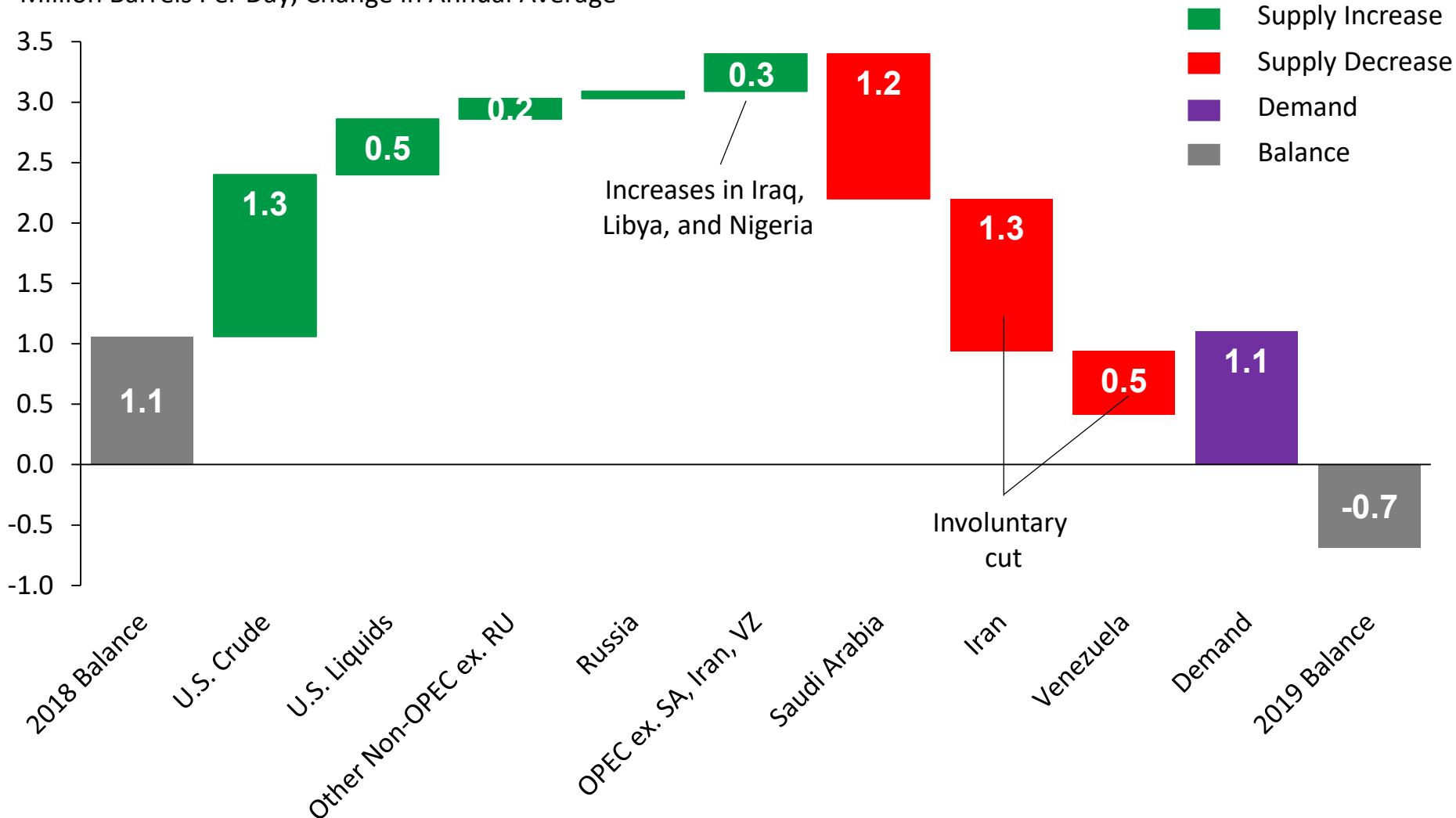
Balanced market in 2019

Million Barrels Per Day, Change in Annual Average



Undersupply in 2019 if Saudi outage longer

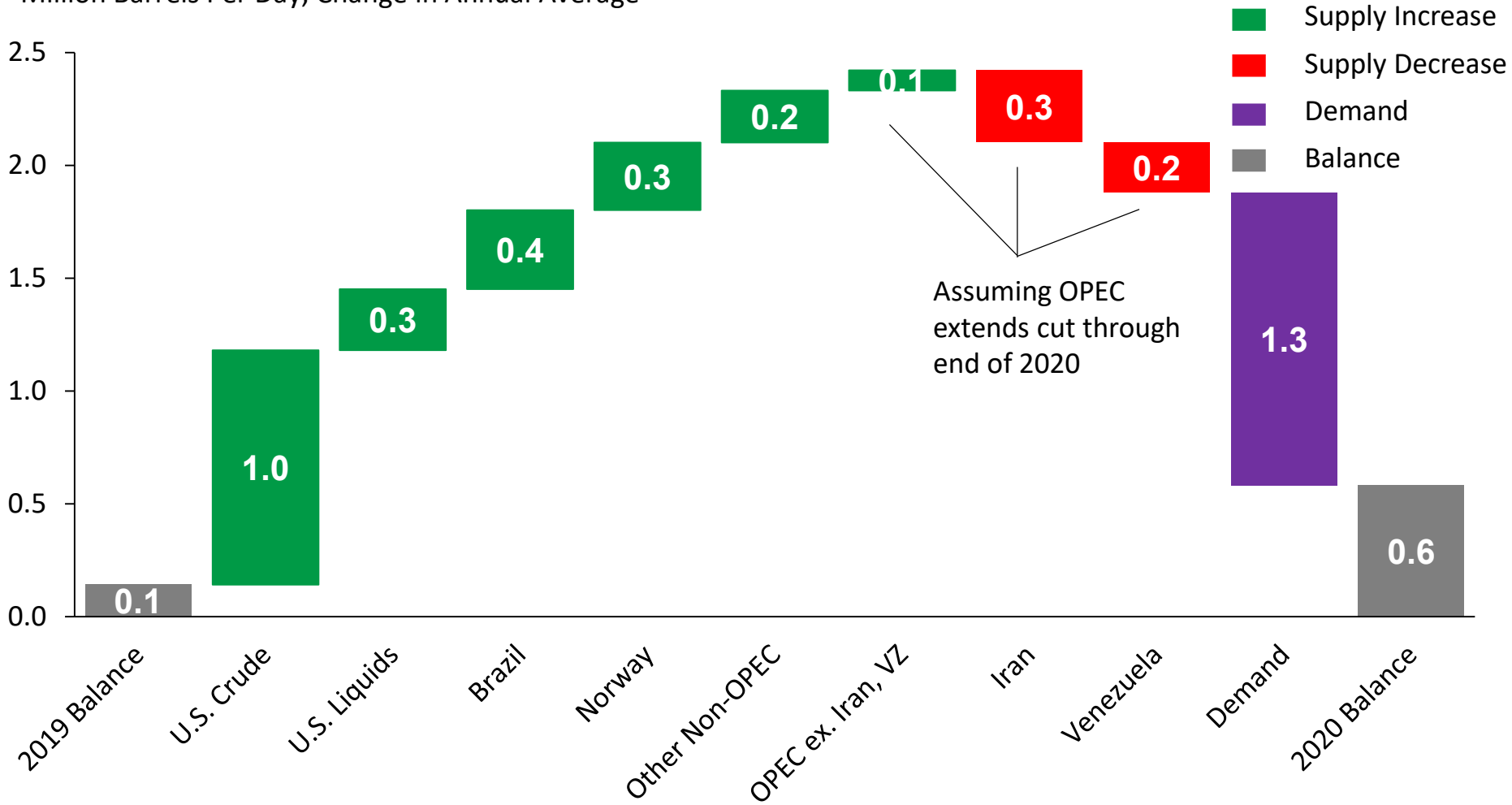
Million Barrels Per Day, Change in Annual Average



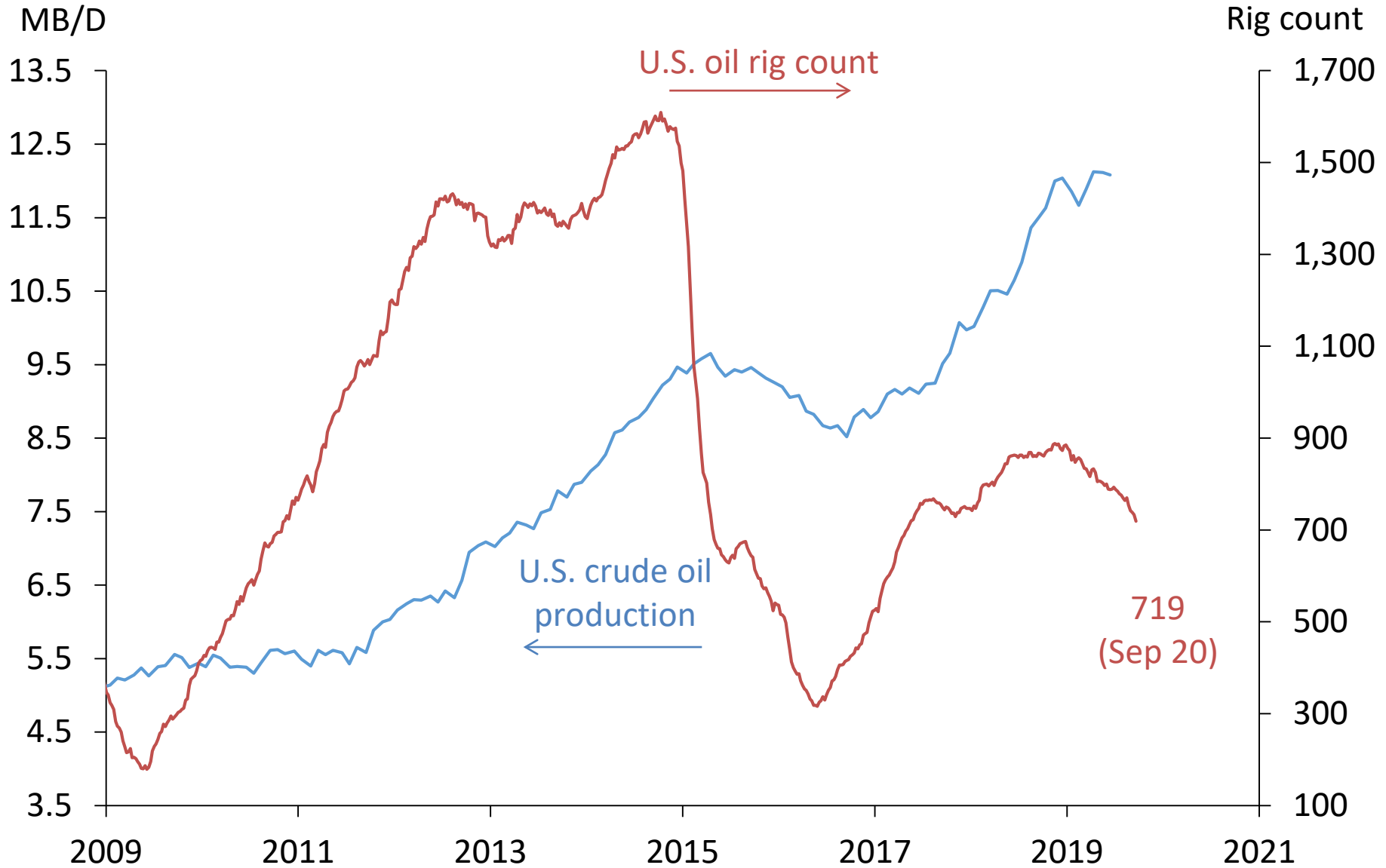
NOTE: Saudi production assumed at 7.3 mb/d through Dec-19; Genscape (9/23) reported 3.3 out of 5.7 mb/d disrupted production is back.
 Source: Federal Reserve Bank of Dallas; Genscape; International Energy Agency

Market slightly oversupplied in 2020

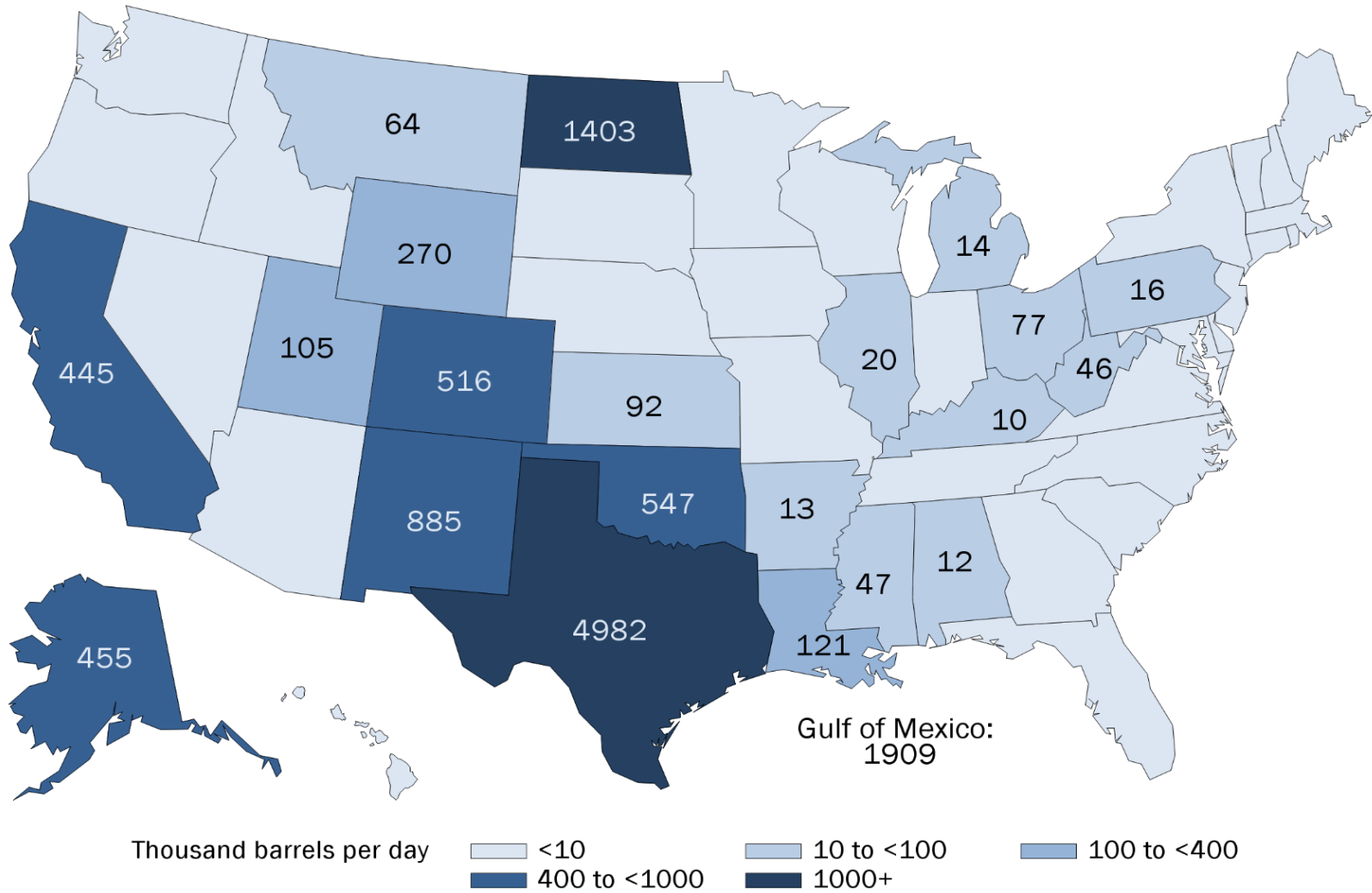
Million Barrels Per Day, Change in Annual Average



U.S. oil production growth slowing



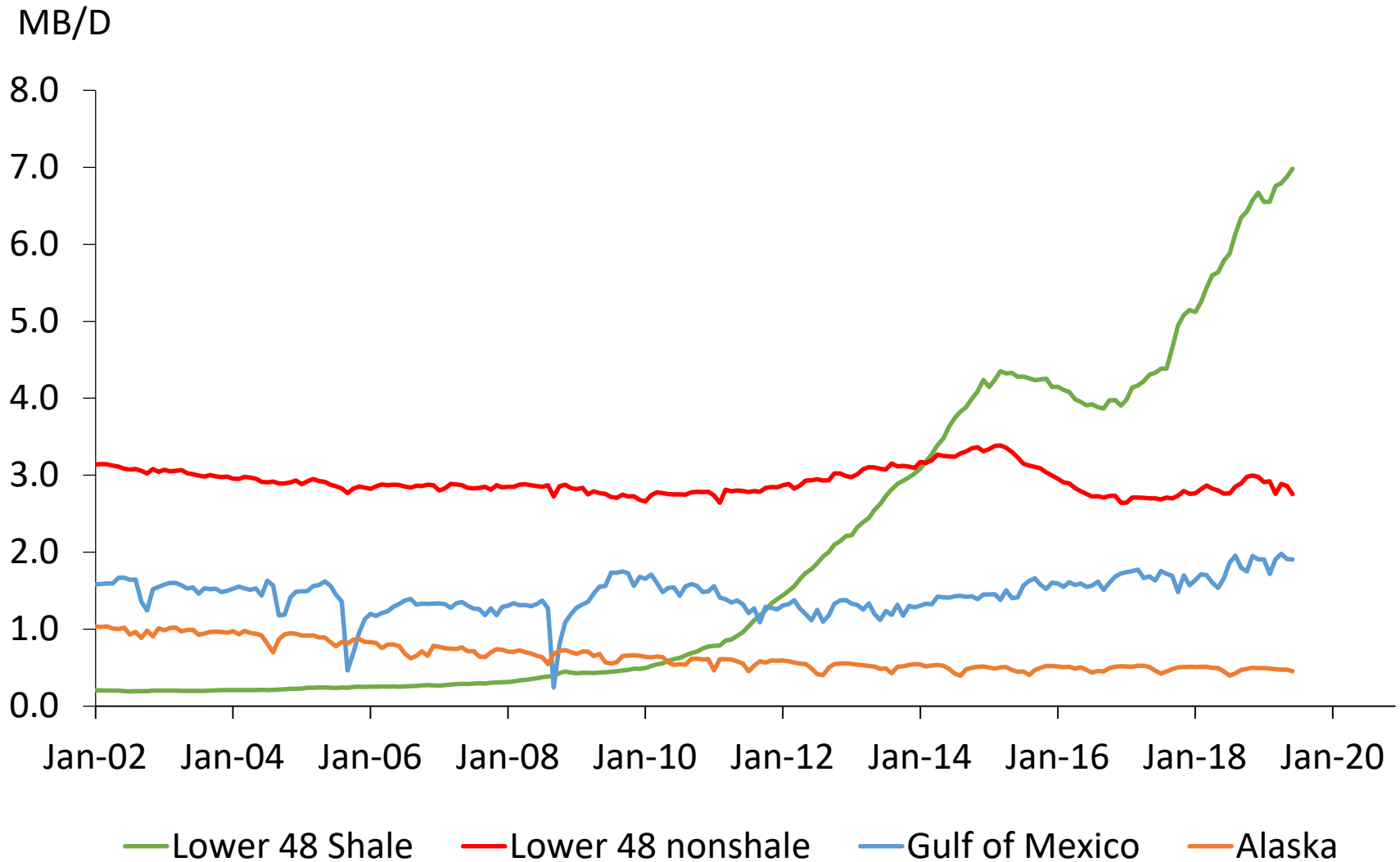
Crude Oil Production by State



Note: Data shown are monthly for June 2019.

Source: EIA

Shale eclipses other U.S. production

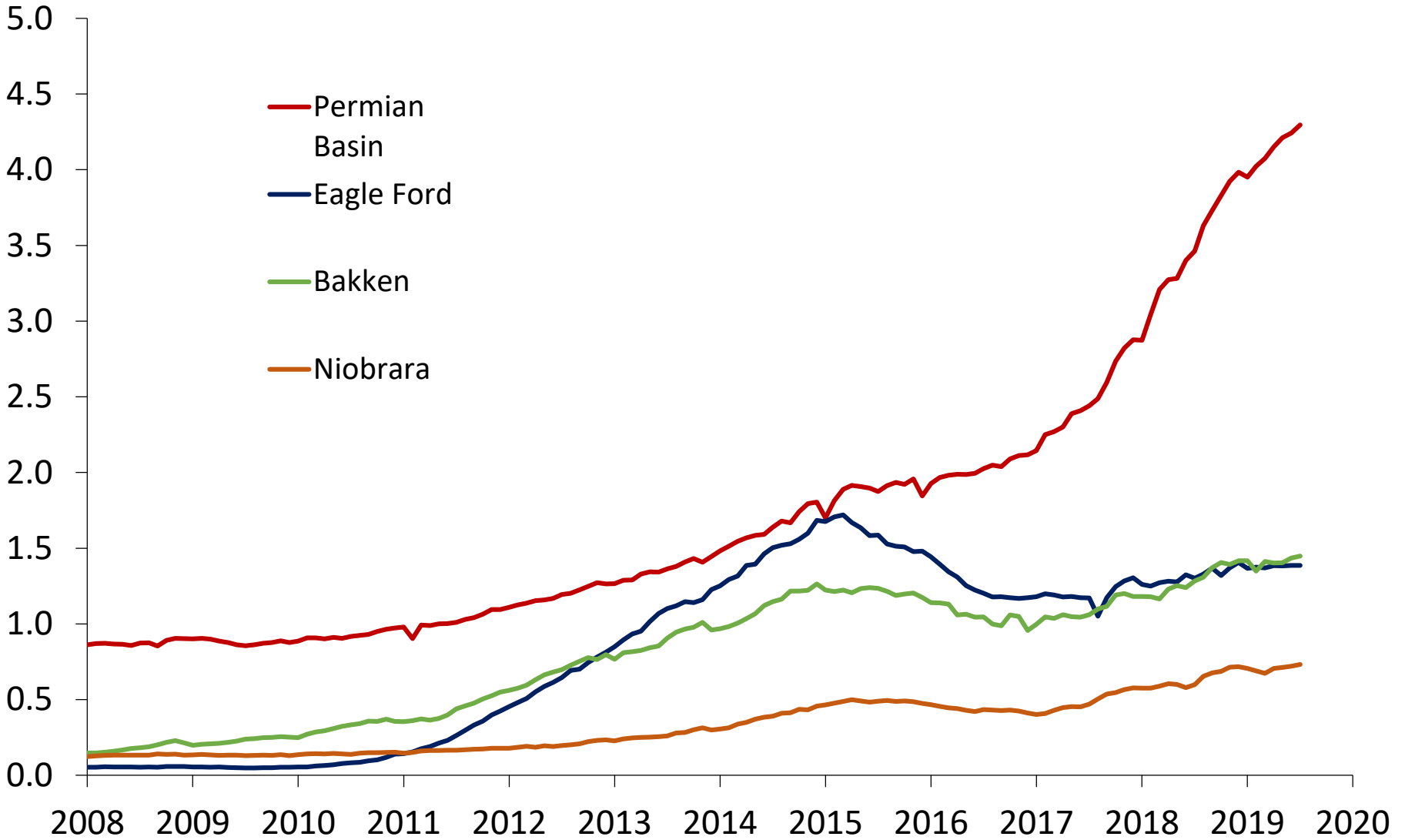


NOTES: Shale production estimate is from the EIA, based on Drillinginfo data. Lower 48 excludes Alaska and federal offshore areas. Alaska excludes federal offshore production.

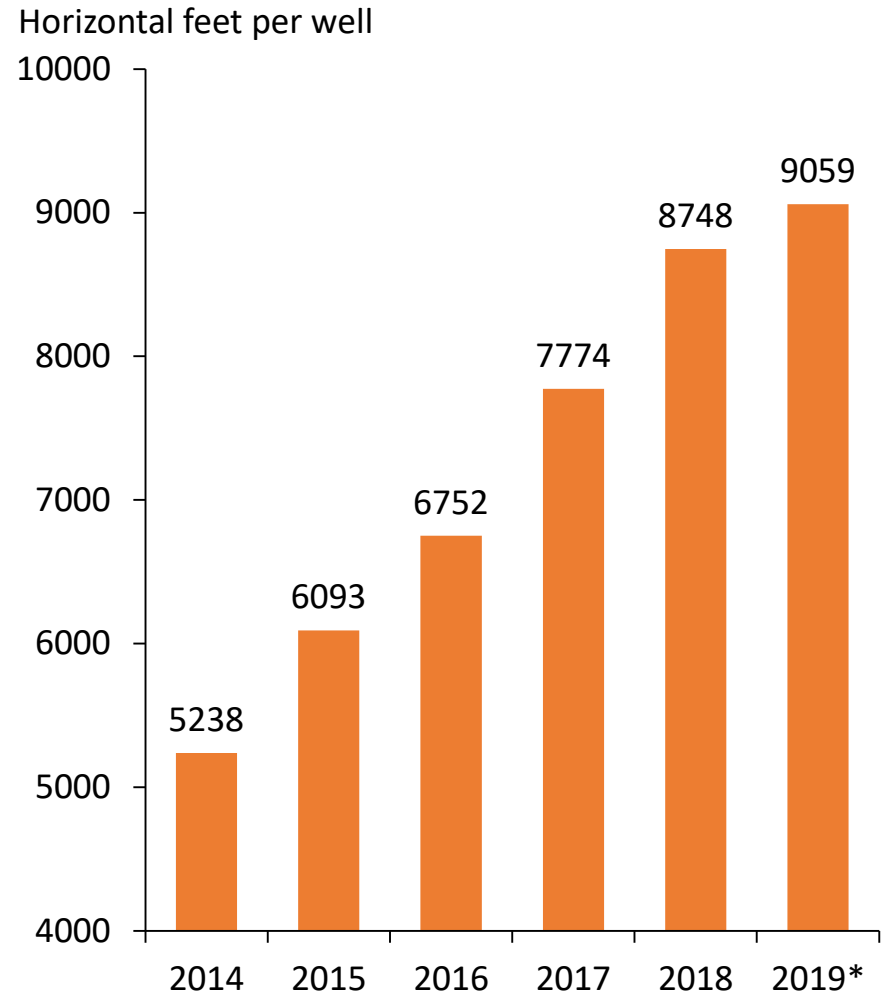
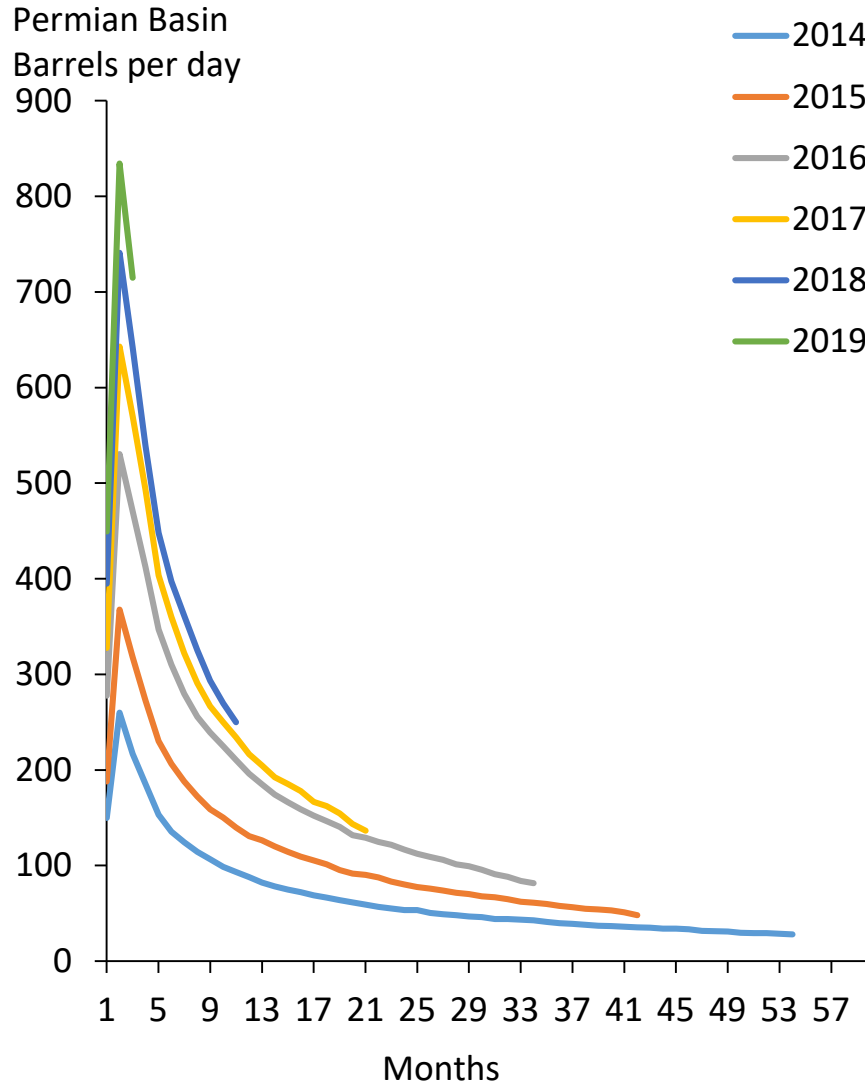
SOURCES: EIA; Drillinginfo

Permian most prolific shale basin

Total oil production, MB/D



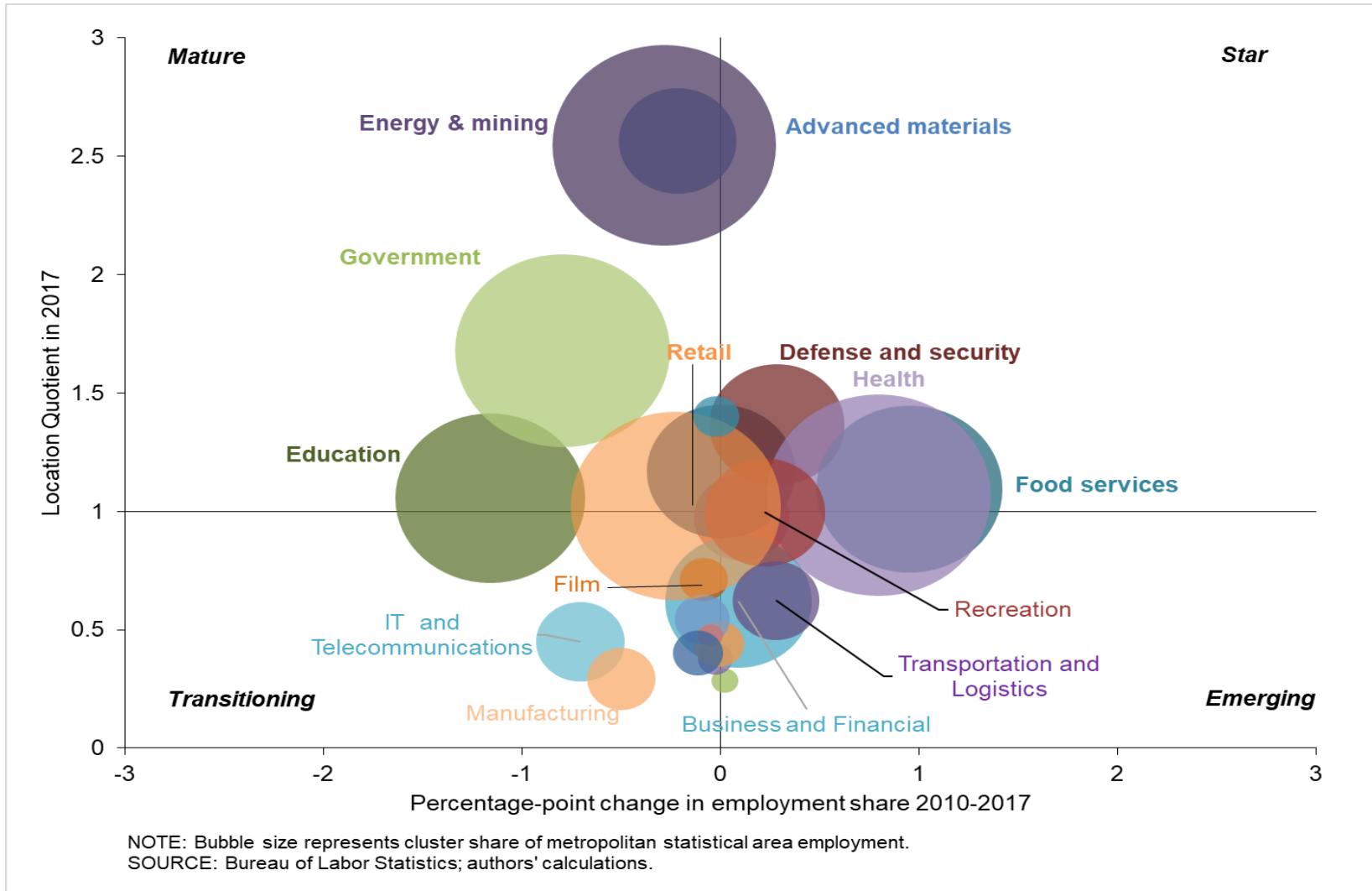
Higher initial production driven by longer laterals



Note: * is year to date

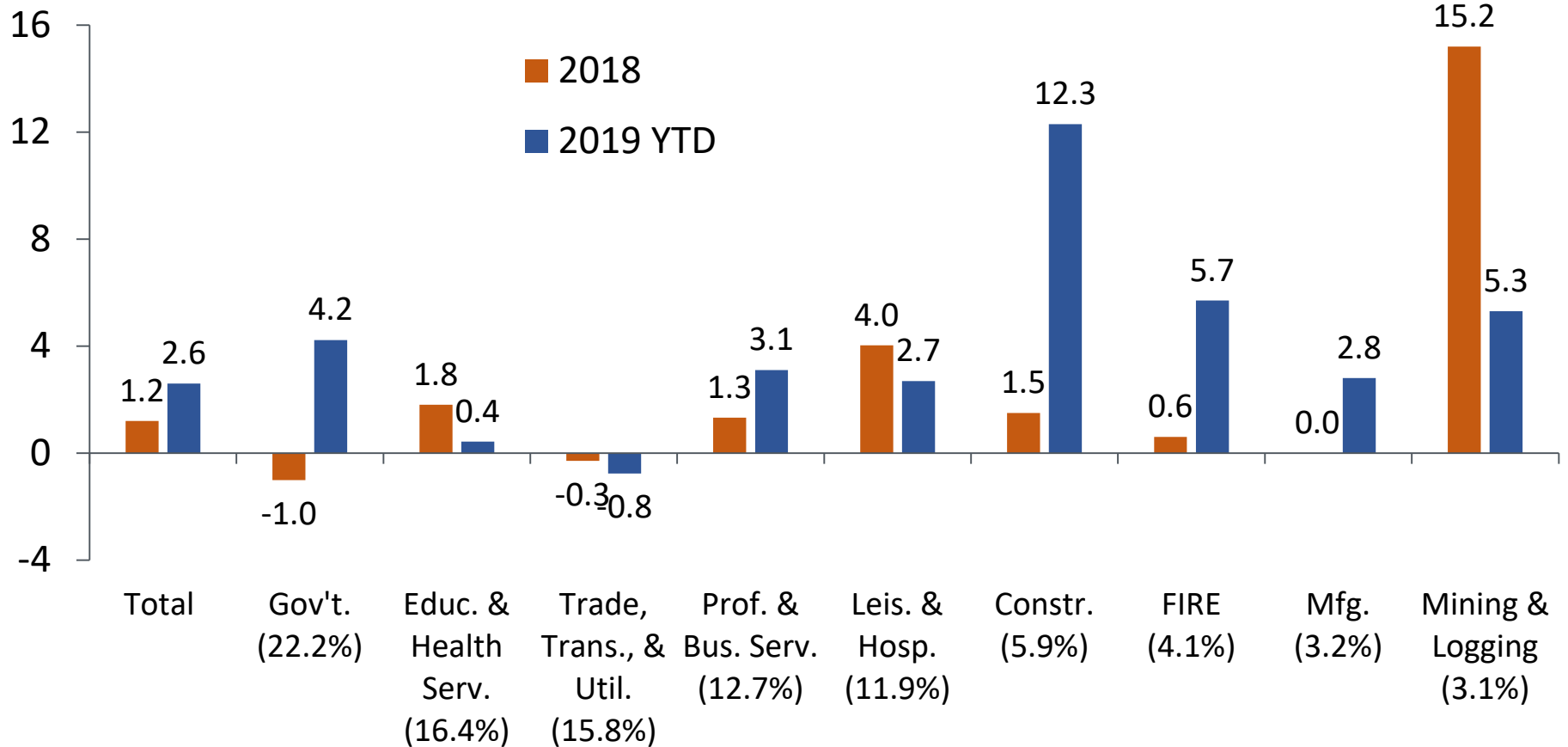
Source: WellDatabase, Federal Reserve Bank of Dallas.

Government, tourism, energy and health dominate New Mexico's economy



Mining and construction fastest growing

Job growth (percent)

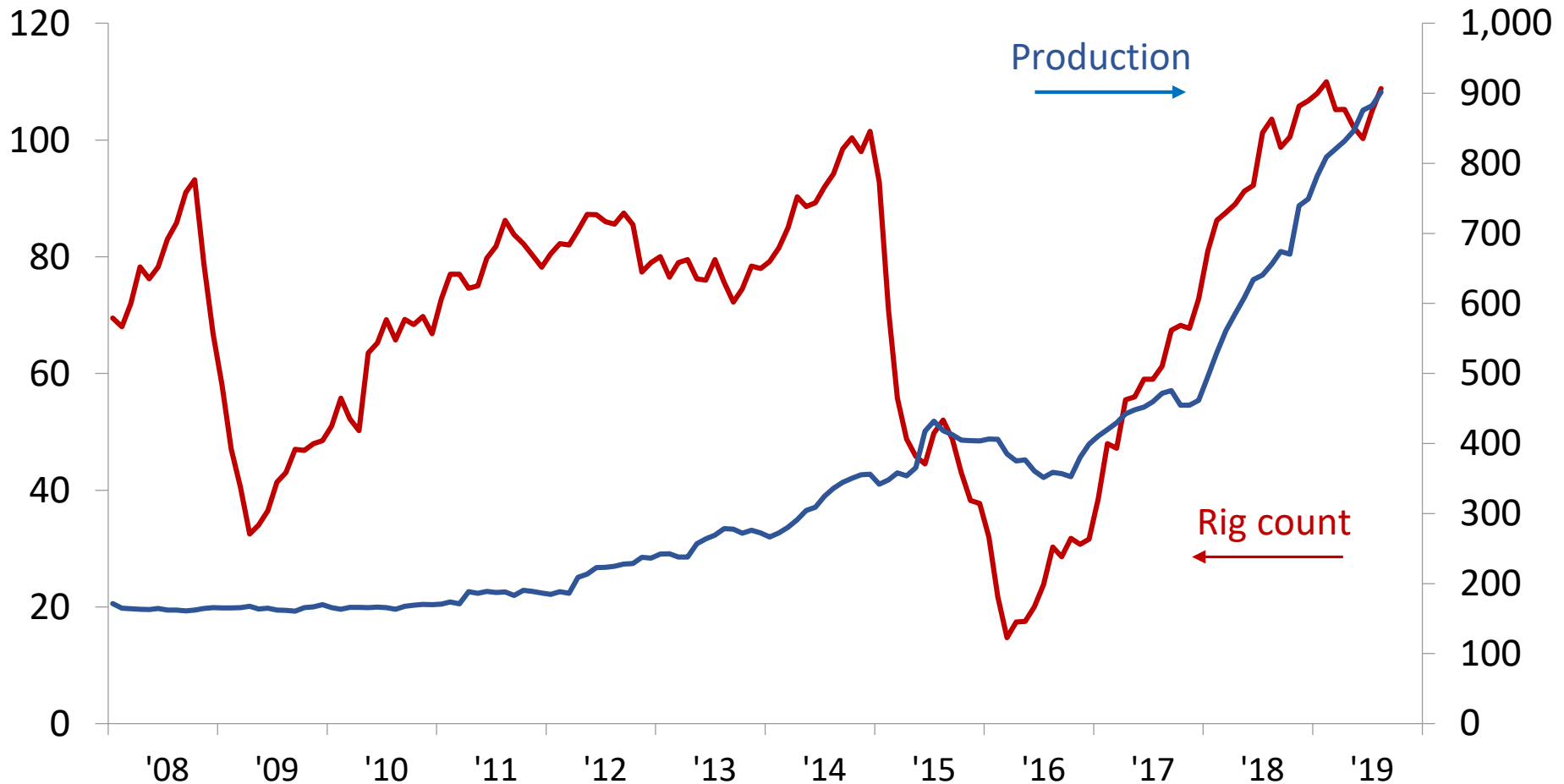


Note: 2019 data YTD December 2018 through August 2019
 Source: Bureau of Labor Statistics

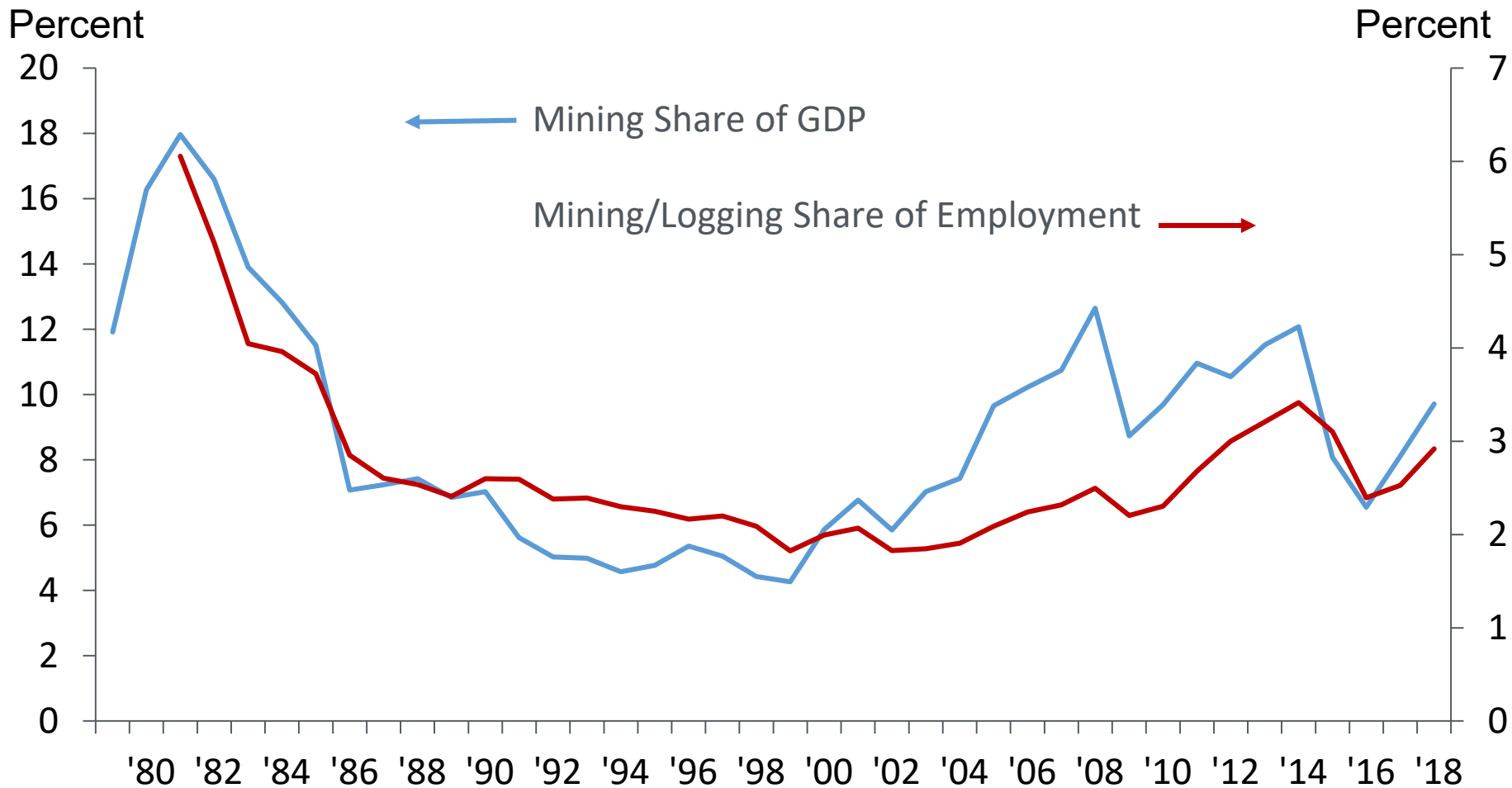
New Mexico oil production hitting highs

Number of active rigs

Barrels/day (thousands)



New Mexico's economy continues to depend on energy

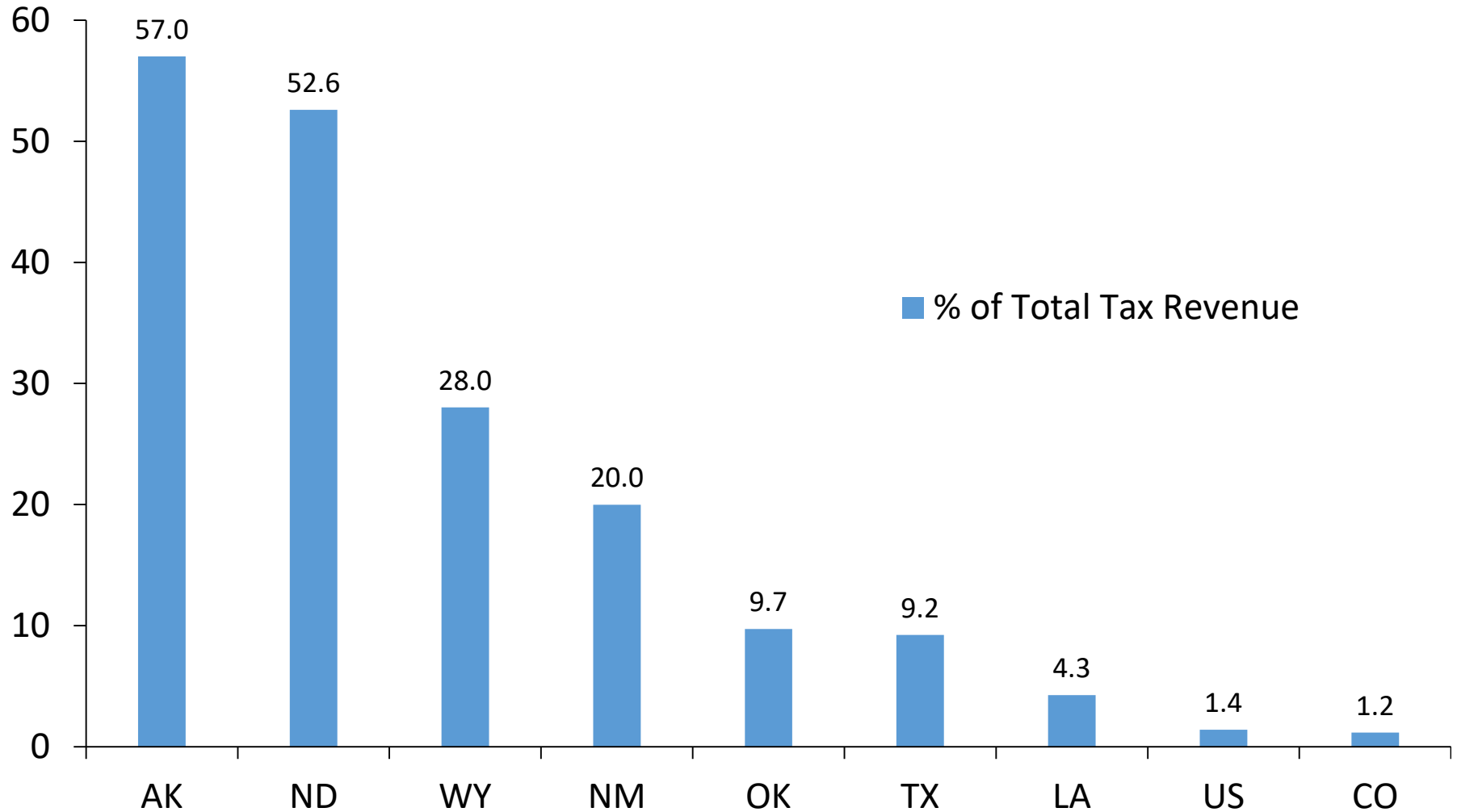


Note: Values prior to 1997 extrapolated from SIC coded data. Employment data only available to 1981.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics.

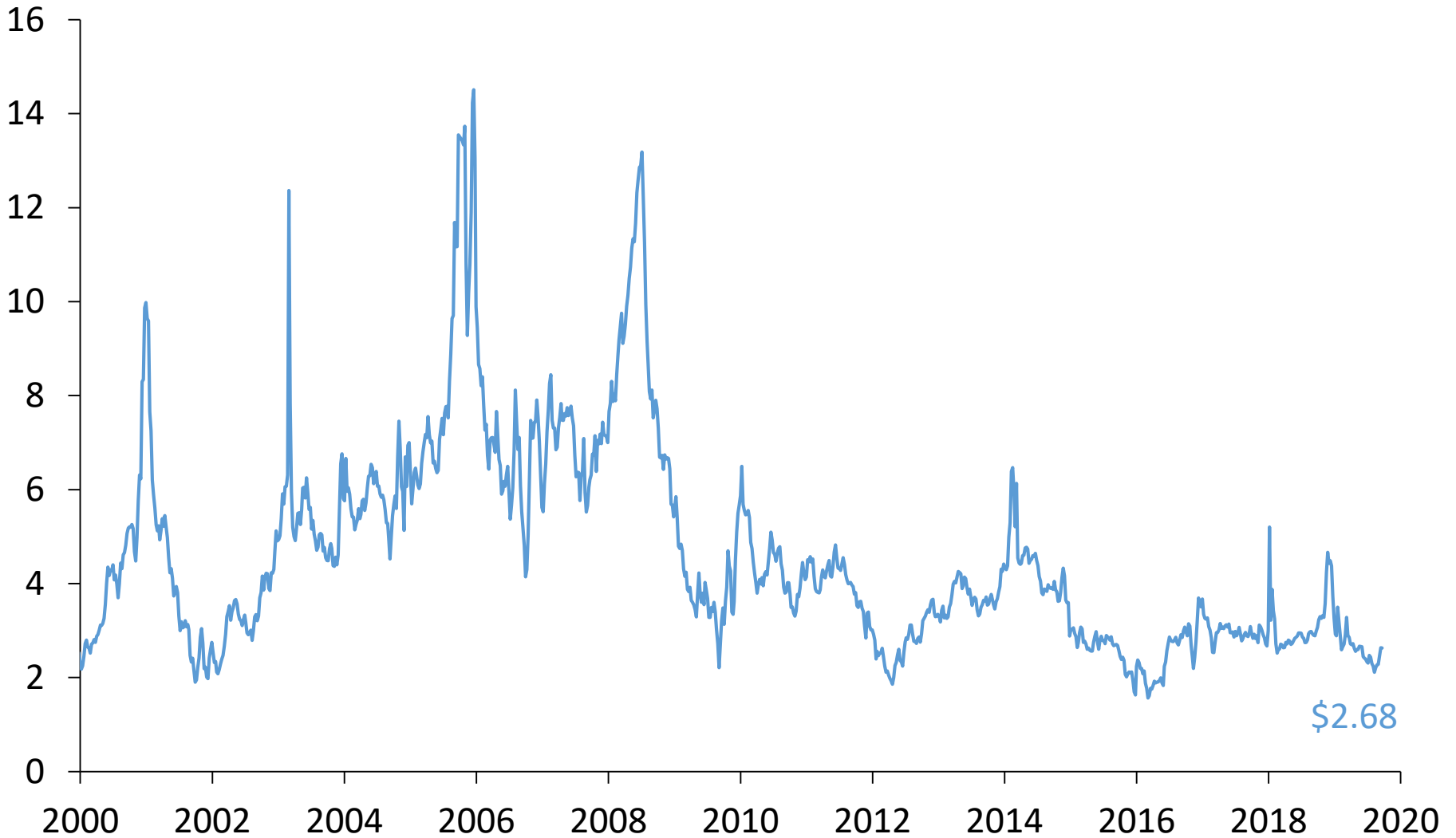
Some states rely heavily on severance taxes

Percent



Natural gas prices low

Dollars per MMBtu, weekly

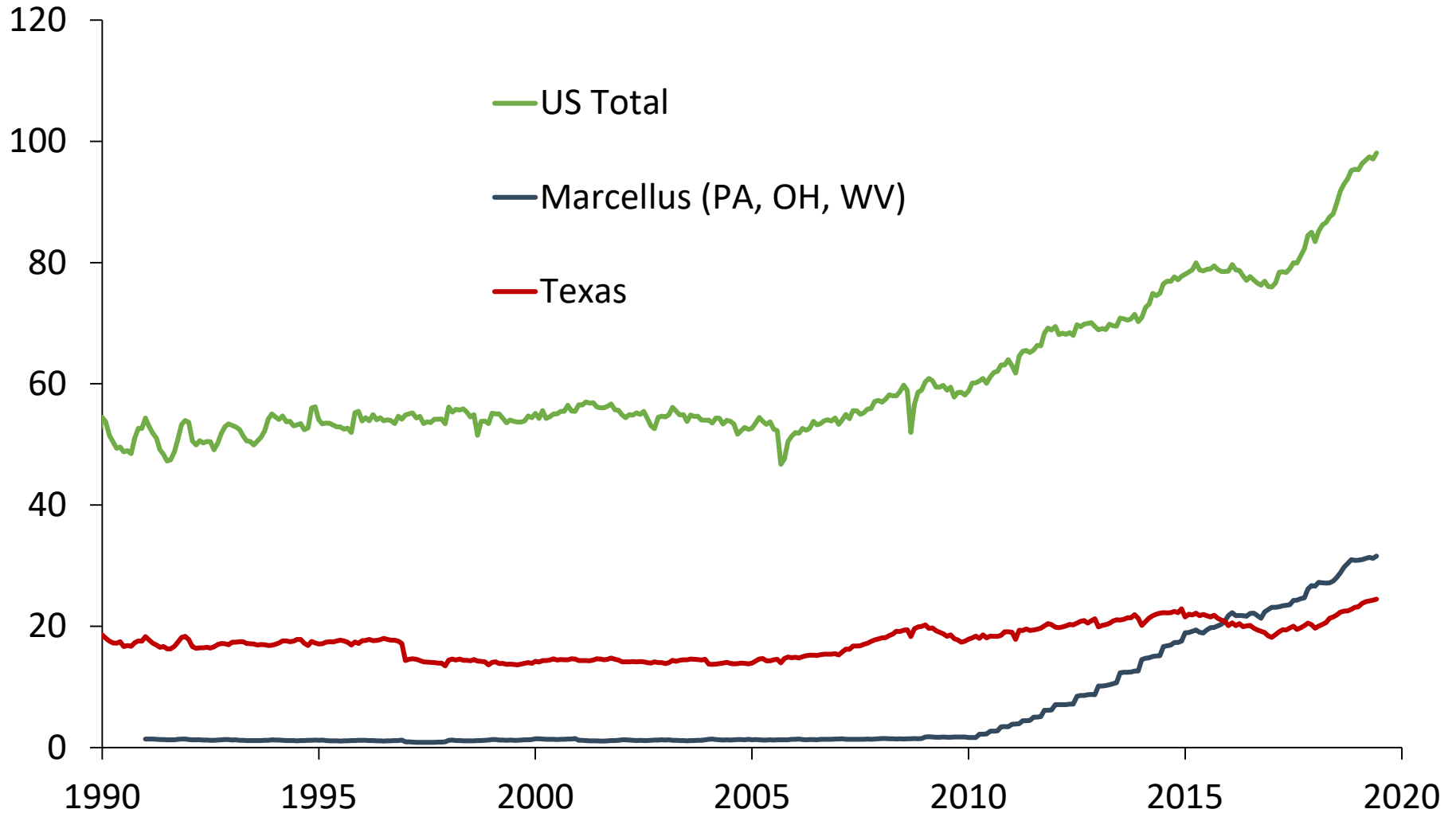


\$2.68

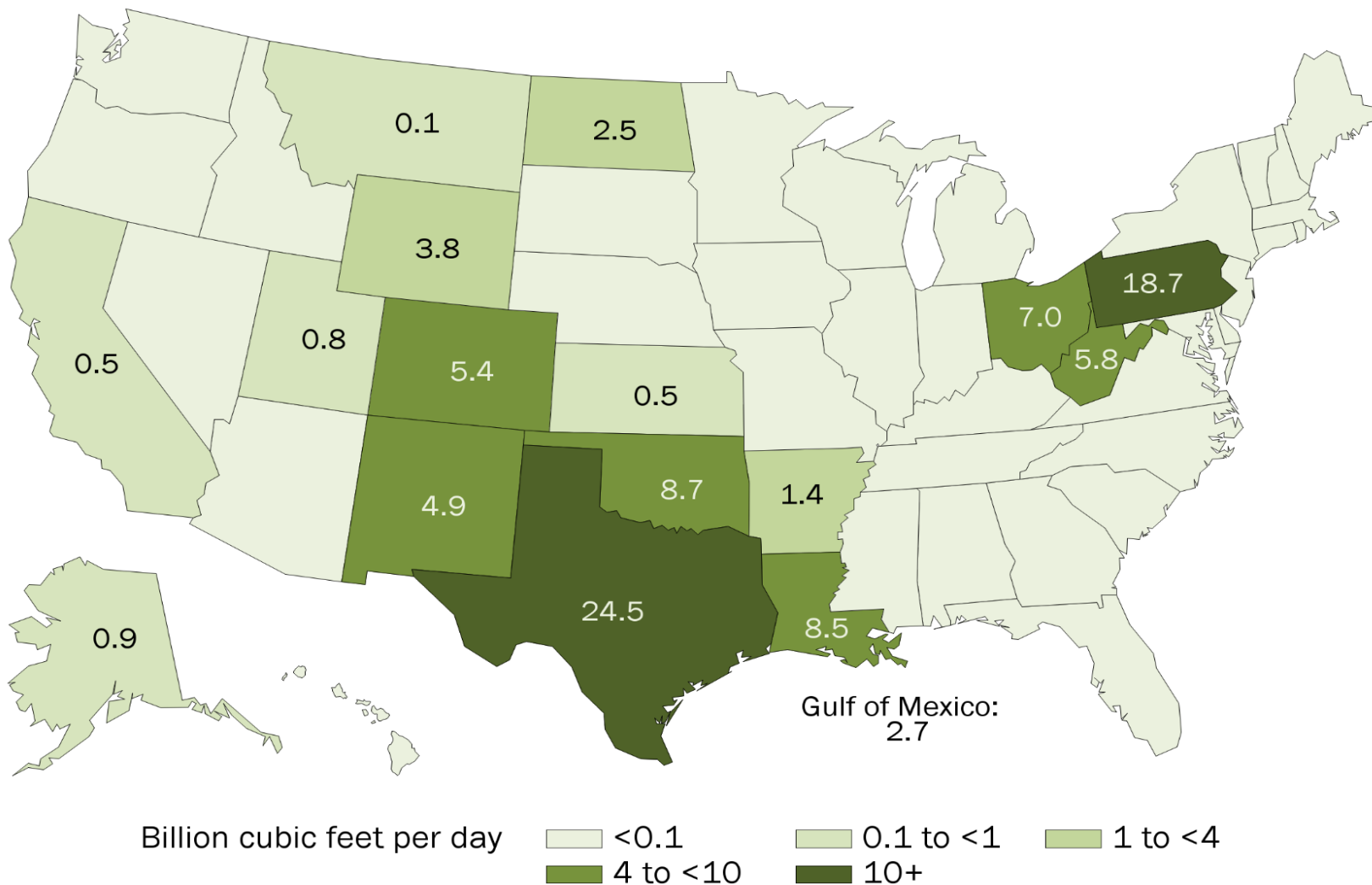
Note: Prices are weekly average ending on 9/13/19
SOURCE: EIA

Natural gas production a record every year

Billion cubic feet per day



Natural Gas Production by State



Note: Data shown are monthly for June 2019.

Source: EIA

Global O&G Production

Crude Oil (mb/d)

• World	81.61
• U.S.*	12.40
• Russia	11.29
• Saudi Arabia	9.75
• Texas *	5.52
• Iraq	4.81
• Canada **	4.60
• China	3.73
• U.A.E	3.06
• Brazil	2.94
• Kuwait	2.64

Natural Gas (bcf/d)

• World	407.48
• U.S.	98.09
• Russia	66.82
• Iran	33.00
• Texas	24.48
• Qatar	22.33
• Pennsylvania	18.73
• Canada	16.80
• China	16.39
• Norway	11.07
• Saudi Arabia	8.33

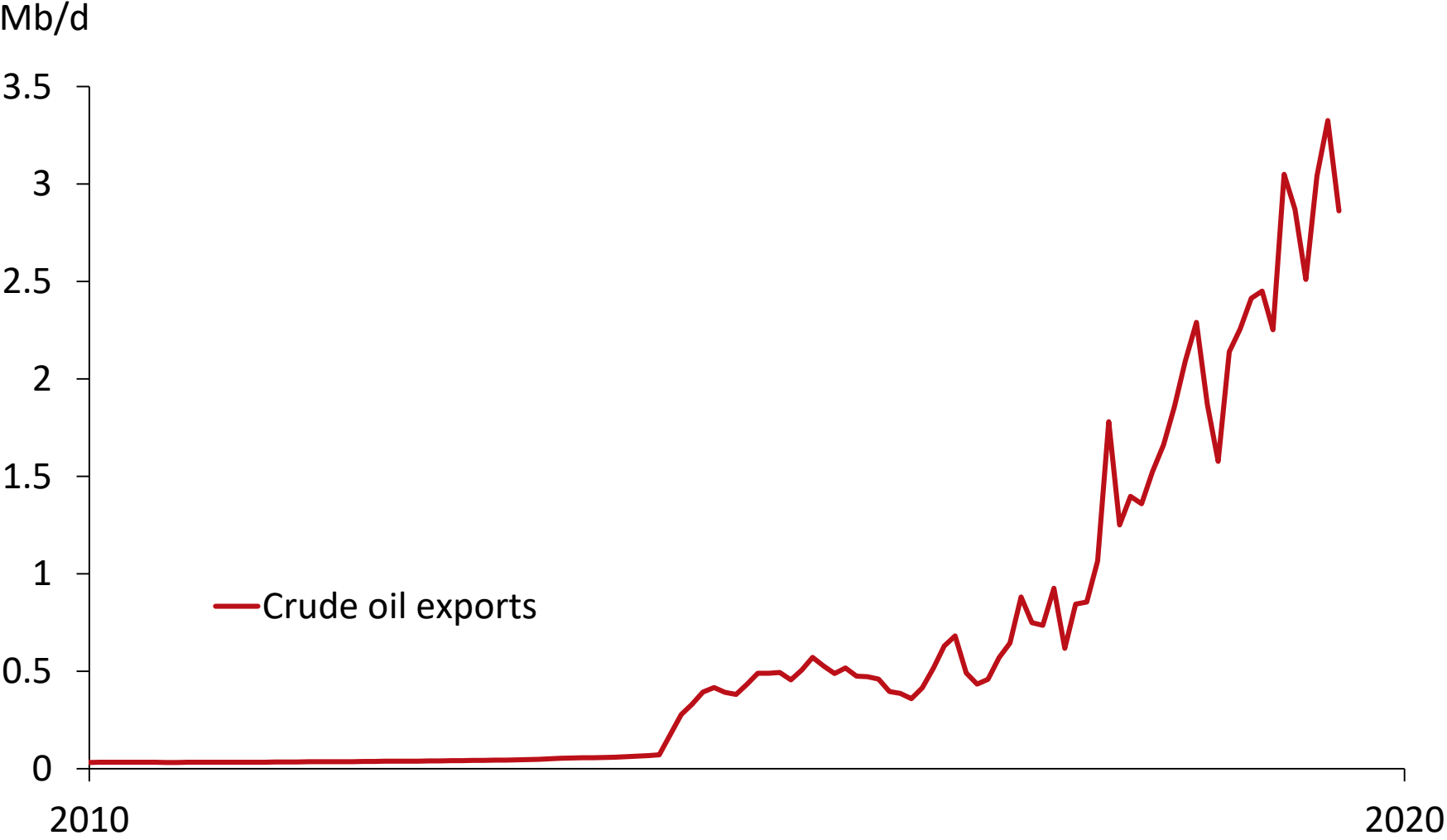
SOURCES: EIA; IEA; *Oil and Gas Journal*

bcf/d: billion cubic feet per day

Crude oil data for Aug 2019; Natural gas data for June 2019;

• * Based on average of preliminary weekly estimates for Aug 2019.

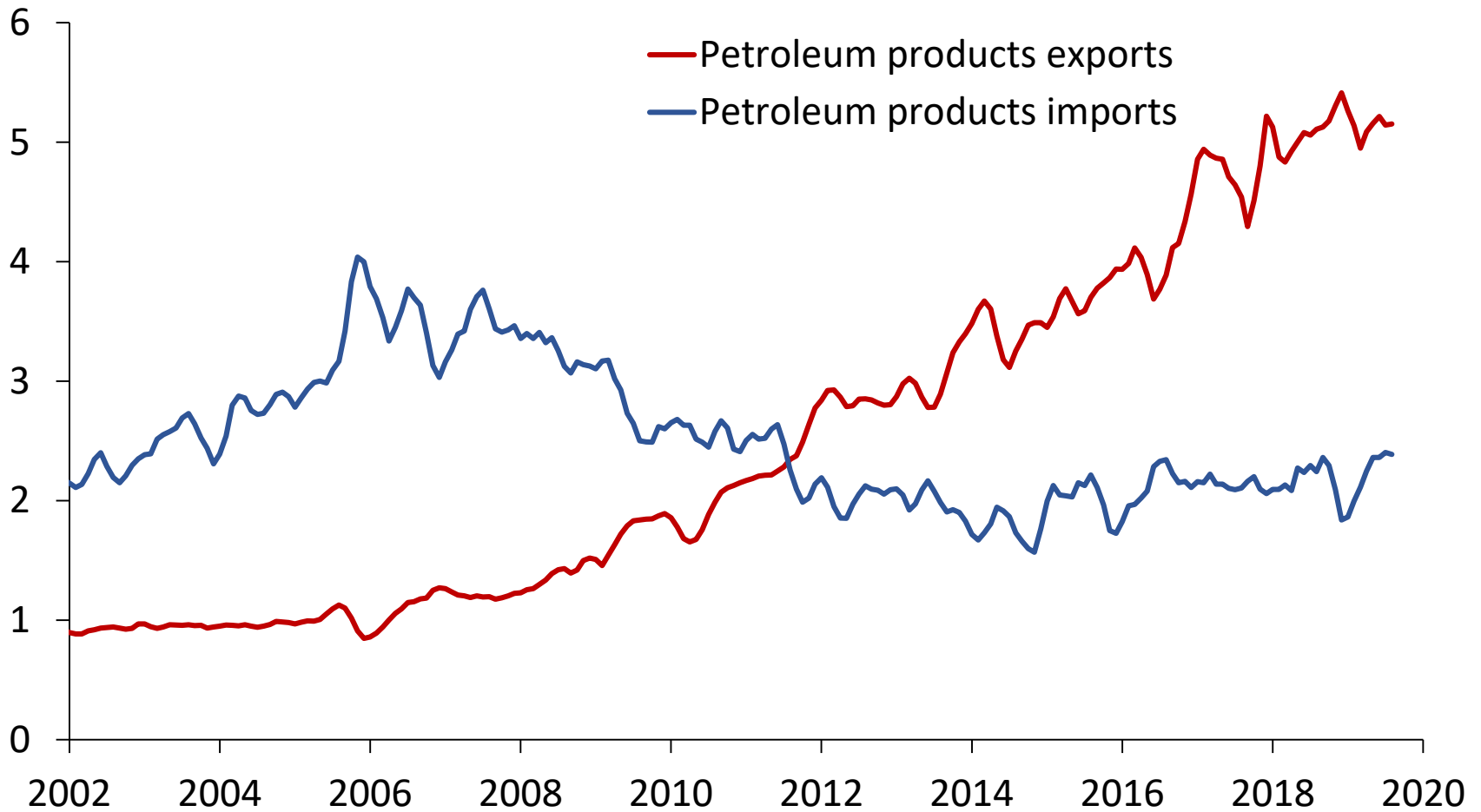
U.S. crude exports surge after lifting of export ban



Source: EIA

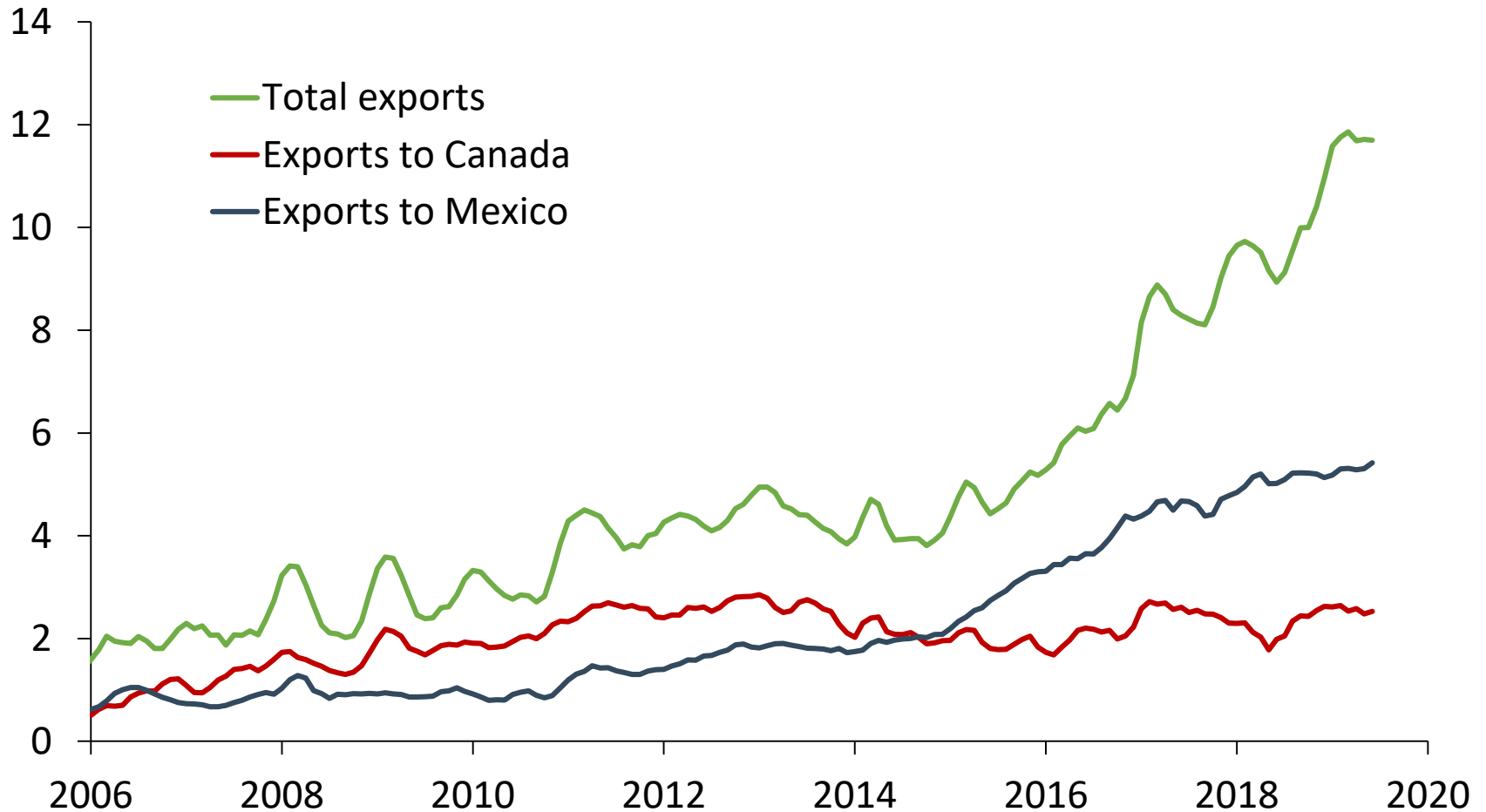
U.S. Total Product Imports and Exports

Mb/d, 3MMA

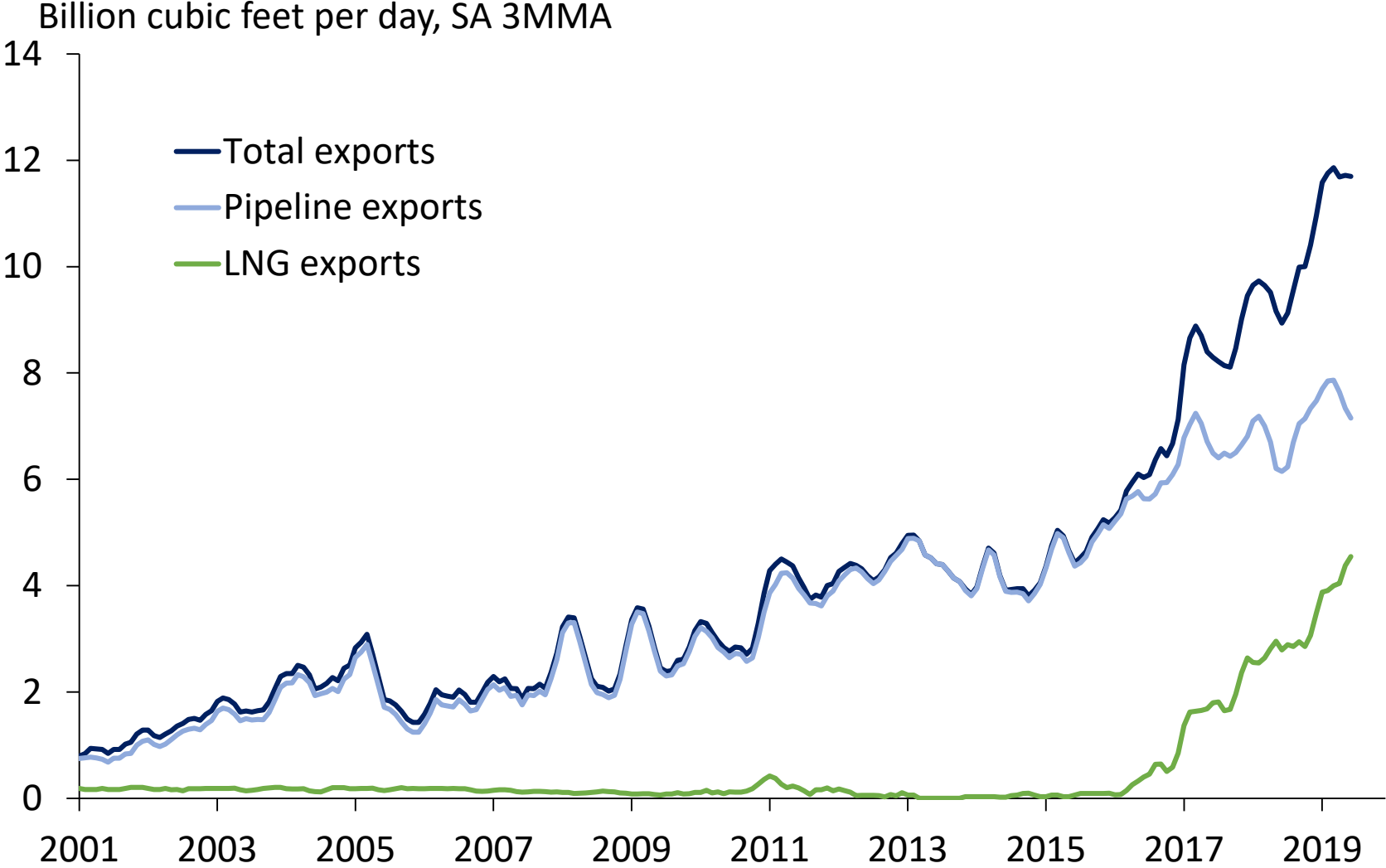


Bulk of U.S. natural gas exports go to Canada and Mexico

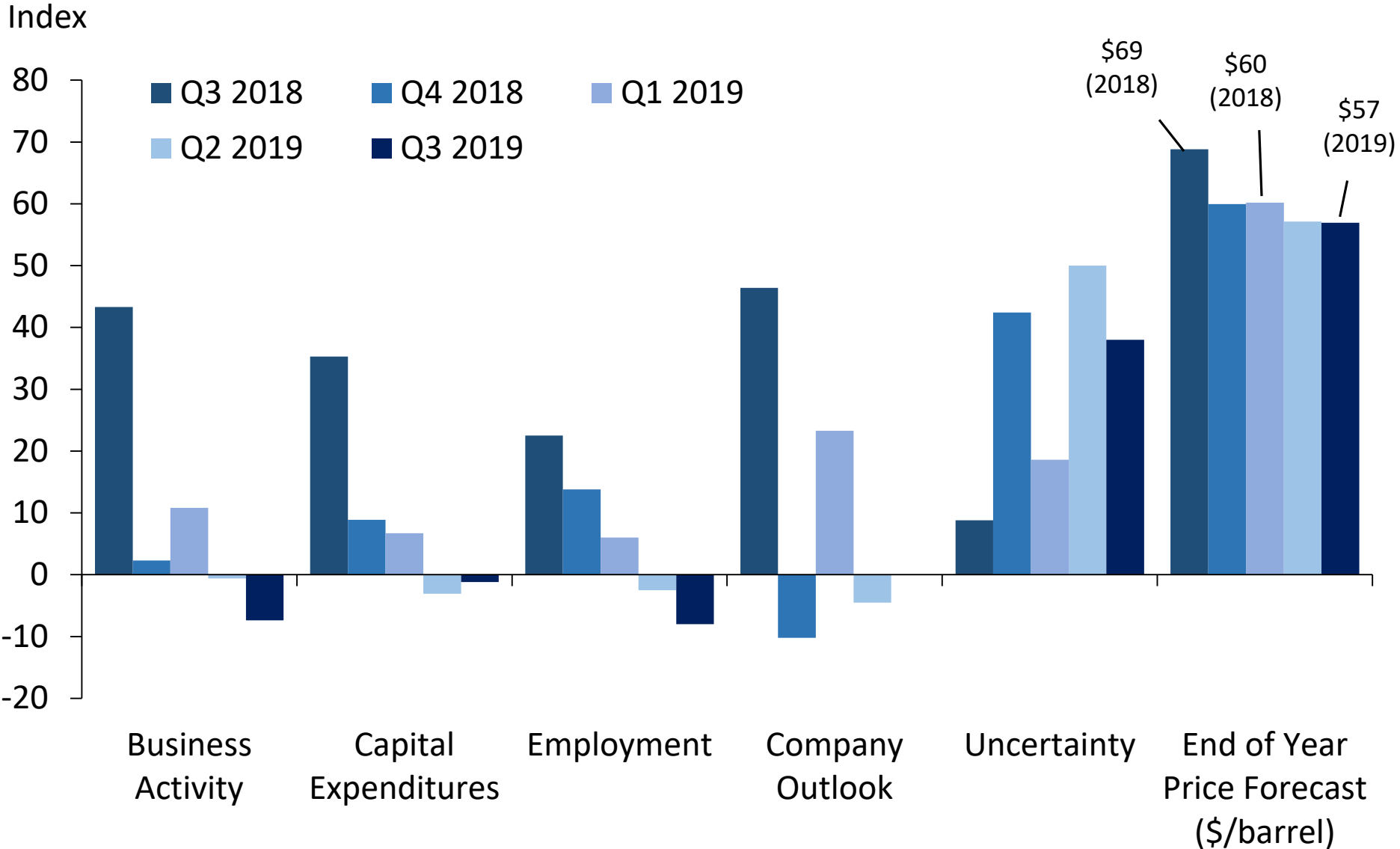
Billion cubic feet per day, SA 3MMA



U.S. LNG exports rising



Energy Survey indicators weak in Q3



SOURCE: Federal Reserve Bank of Dallas

Outlook

- Geopolitical risks have increased
- Lower crude oil production growth in the U.S. in 2019 and 2020
- Saudis trying to reassure markets and keep prices stable
- US oil production growth weakening
- Energy industry major driver for the New Mexico economy
- U.S. energy exports continue to rise
- Expect to see continued uncertainty and volatility in the market.

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