



Faster Horses, Dumb Things People Say and an Energy Market Update

Walker Moody
President, Pickering Energy Partners



We're inside energy.

Agenda

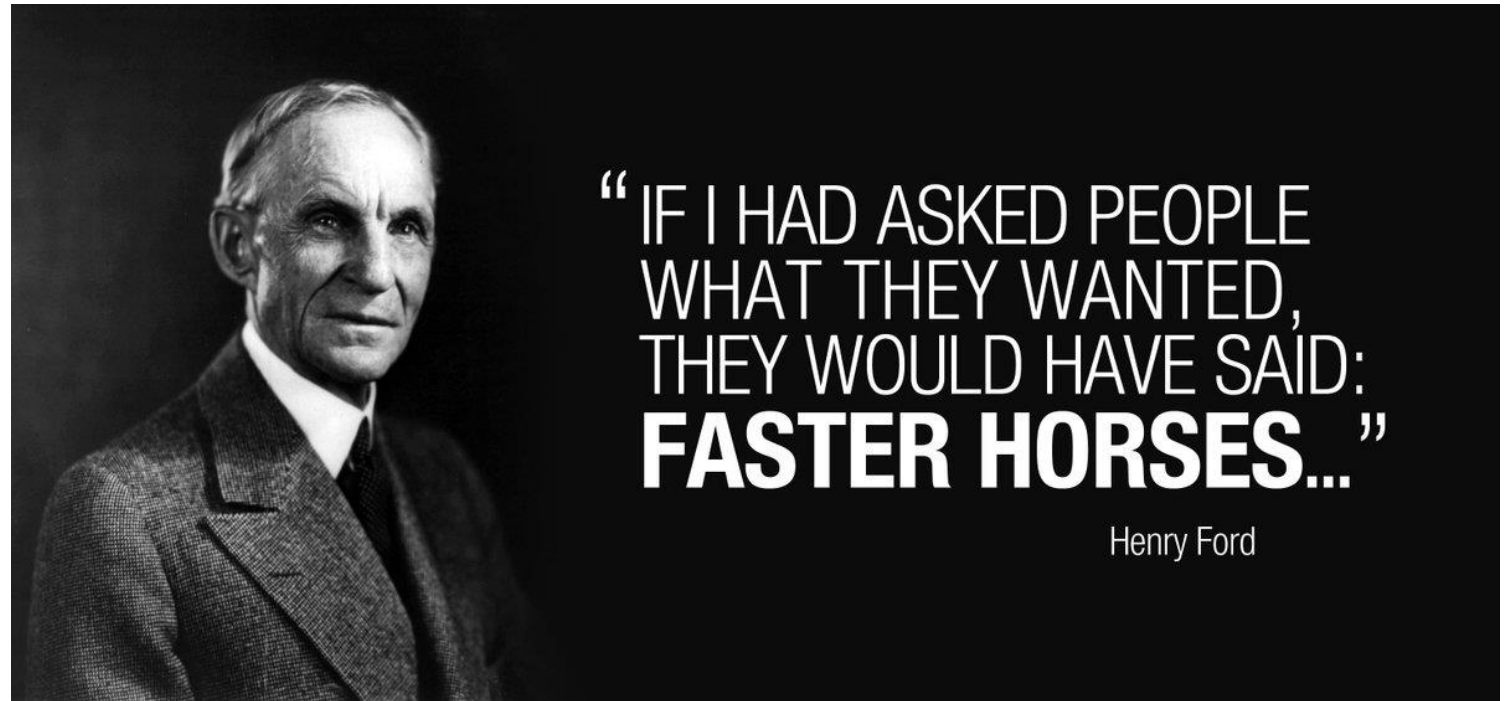
Energy Thoughts

Oil & Natural Gas Dynamics

Decarbonization Megatrend

Capital and M&A Dynamics

How Cycles End





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From wellbores to EV charging infrastructure, [we’re inside energy](#).



PEP is nimble, evolving and improving through each iteration.





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24% of PEP are technical energy experts⁽¹⁾
in Geology, Geophysics, Engineering, and from the Industry

63 professionals⁽²⁾
Experienced team

Since 2004
Headquartered in the energy capital of the world

350+ companies
Invested or advised across energy

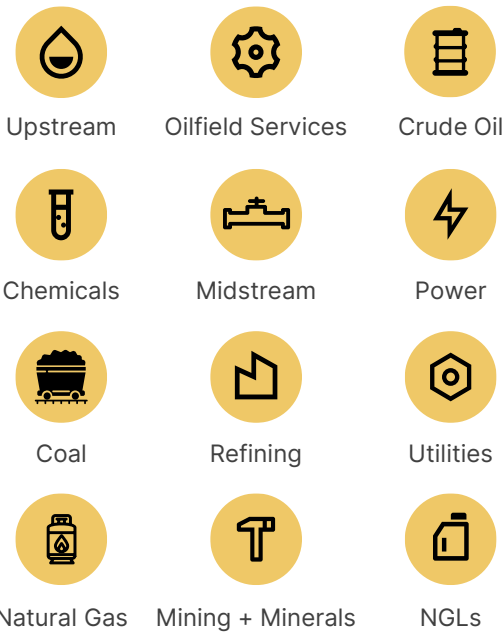
500+ years
Combined energy expertise

\$16 billion⁽³⁾
Deployed across private and public strategies

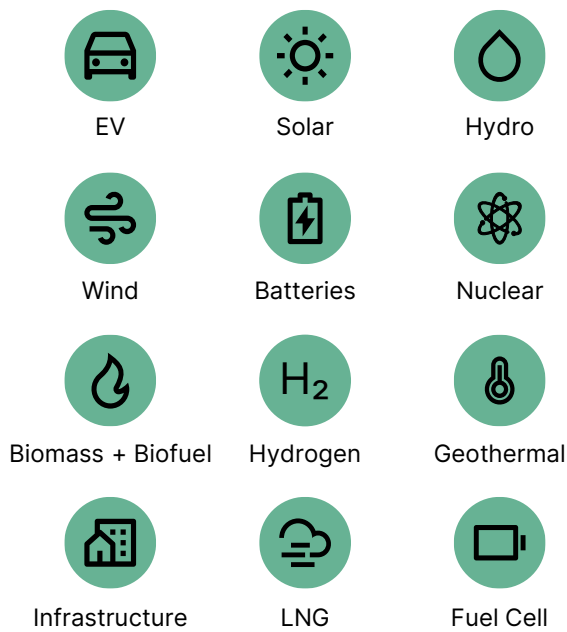
7,000+ contacts
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Comprehensive coverage of the entire energy sector.

Traditional Energy



Energy Transition

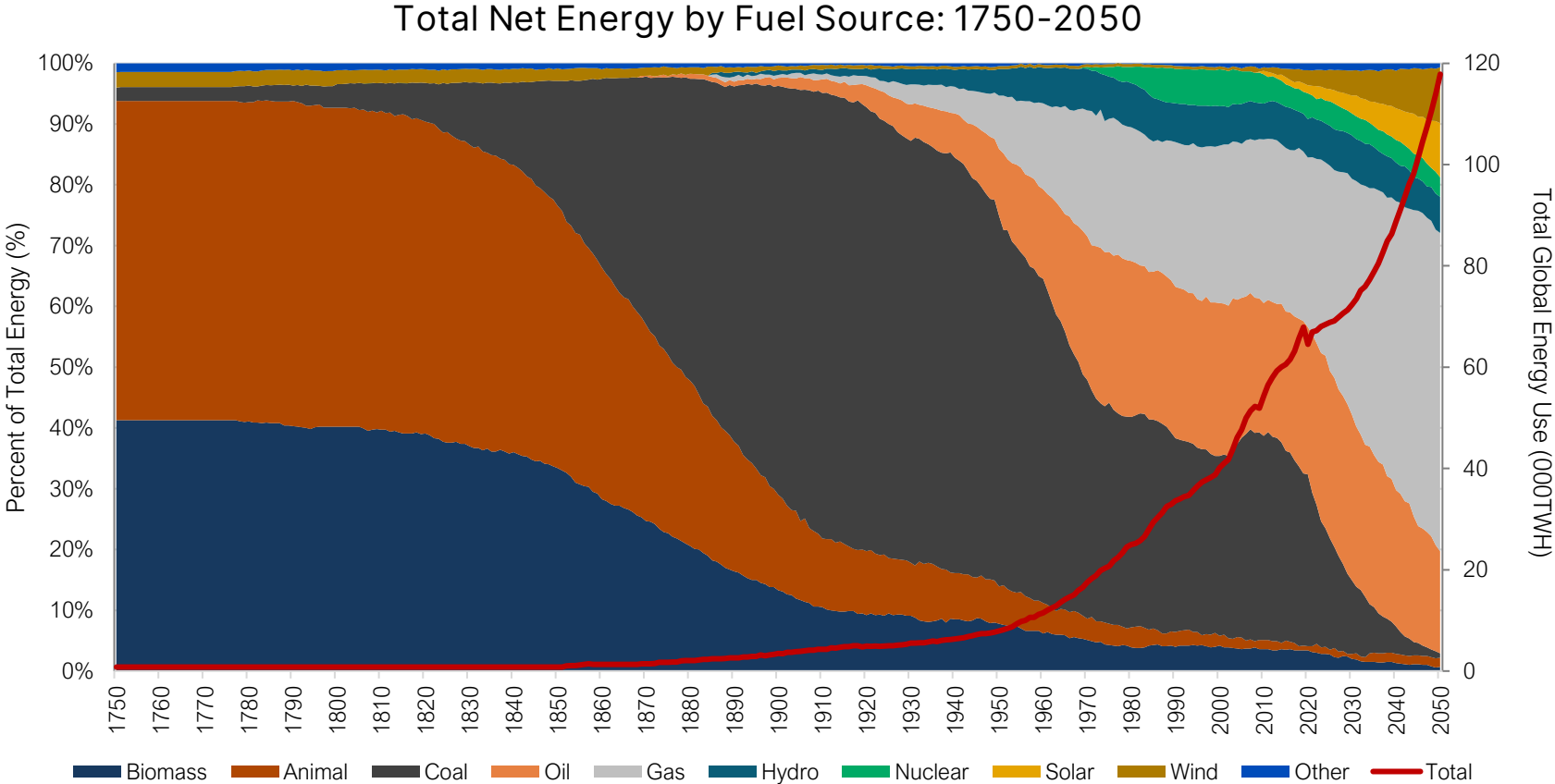


(1) Data pertains to members of PEP's core divisions – excludes corporate and administrative professionals.
(2) Excludes MERGE personnel.
(3) Contracted revenue amount includes broker-vote assumptions.
(4) As of 7/1/2023, includes capital deployed across predecessor firms.




Dumb Thing: We can switch energy sources quickly

What is the future of energy?




1800



Animal

1900



Coal

2000



Oil & Gas

2050





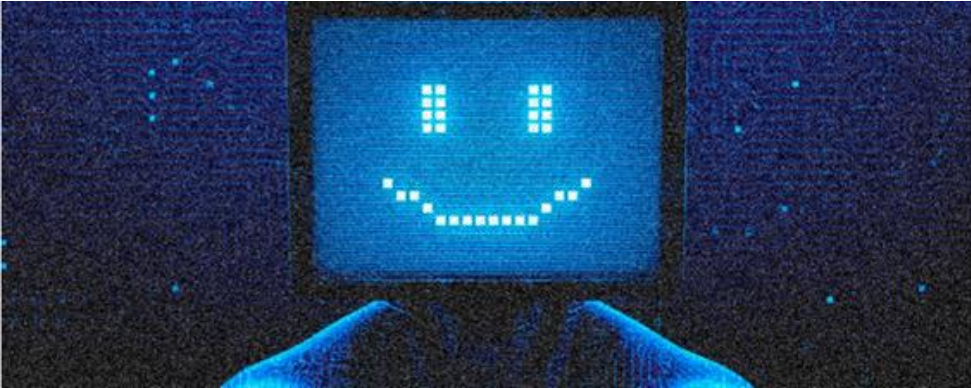
Dumb Thing: We can use LESS Energy

The world needs more energy – not less.

~30% of the world uses wood fire to heat homes.⁽¹⁾



Since 2020, Bitcoin Mining, AI and what's next?



(1) Source: World Health Organization (2022).



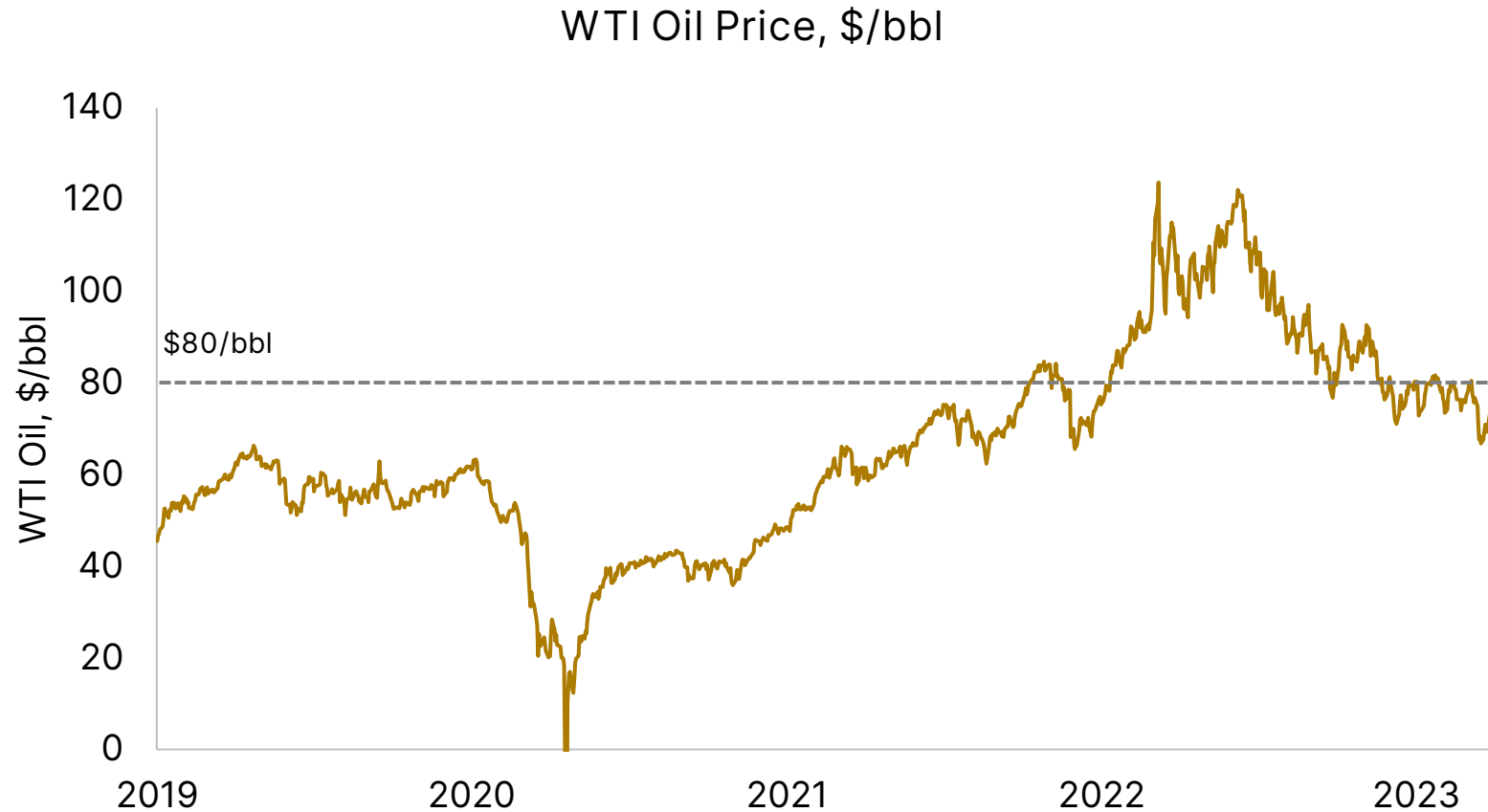
Dumb Thing: Coal is dead

Global coal consumption hit all time high in 2022.⁽¹⁾



(1) Source: <https://www.reuters.com/markets/commodities/global-coal-consumption-reach-all-time-high-this-year-iea-2022-12-16/>
(2) Source: IEA

Oil Market Thoughts



\$80 WTI Through 2027

- Mild Recession, not 2008 Repeat
- Constrained Supply
- Price-Focused OPEC
- Atrophy of Russia
- Slow Energy Transition Impact

Supporting Anecdotes

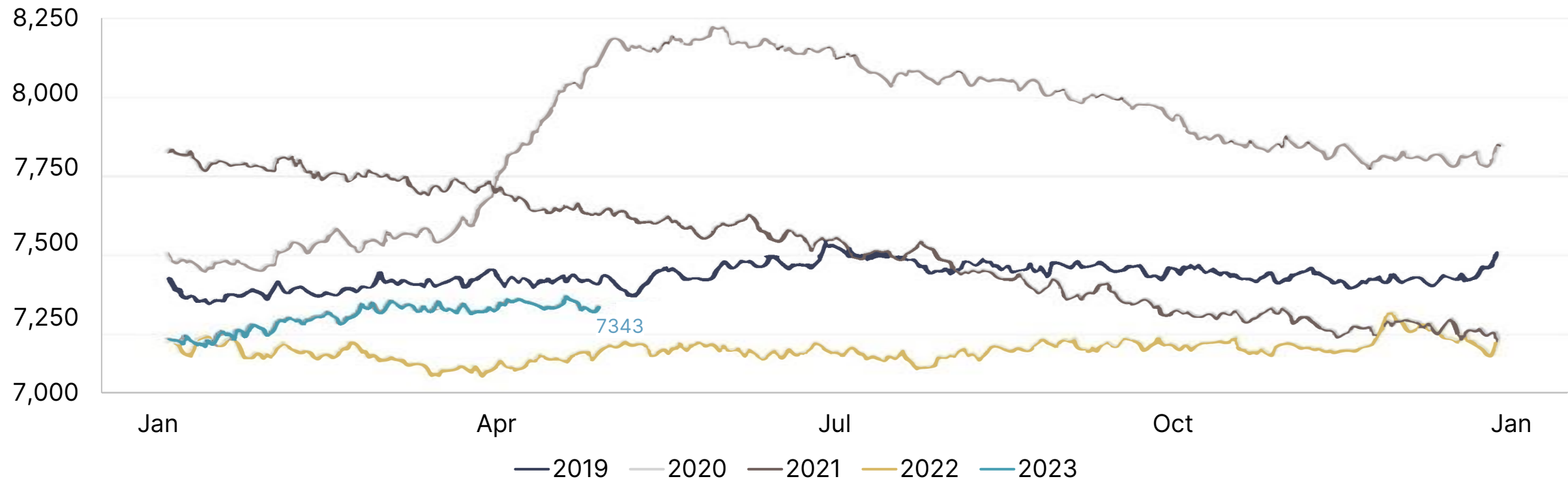
- Resilient Global Consumers
- China COVID Recovery
- US E&P = Alligator Arms
- SPR Bullet Expended
- OPEC Production Cuts

WATCH DEMAND!

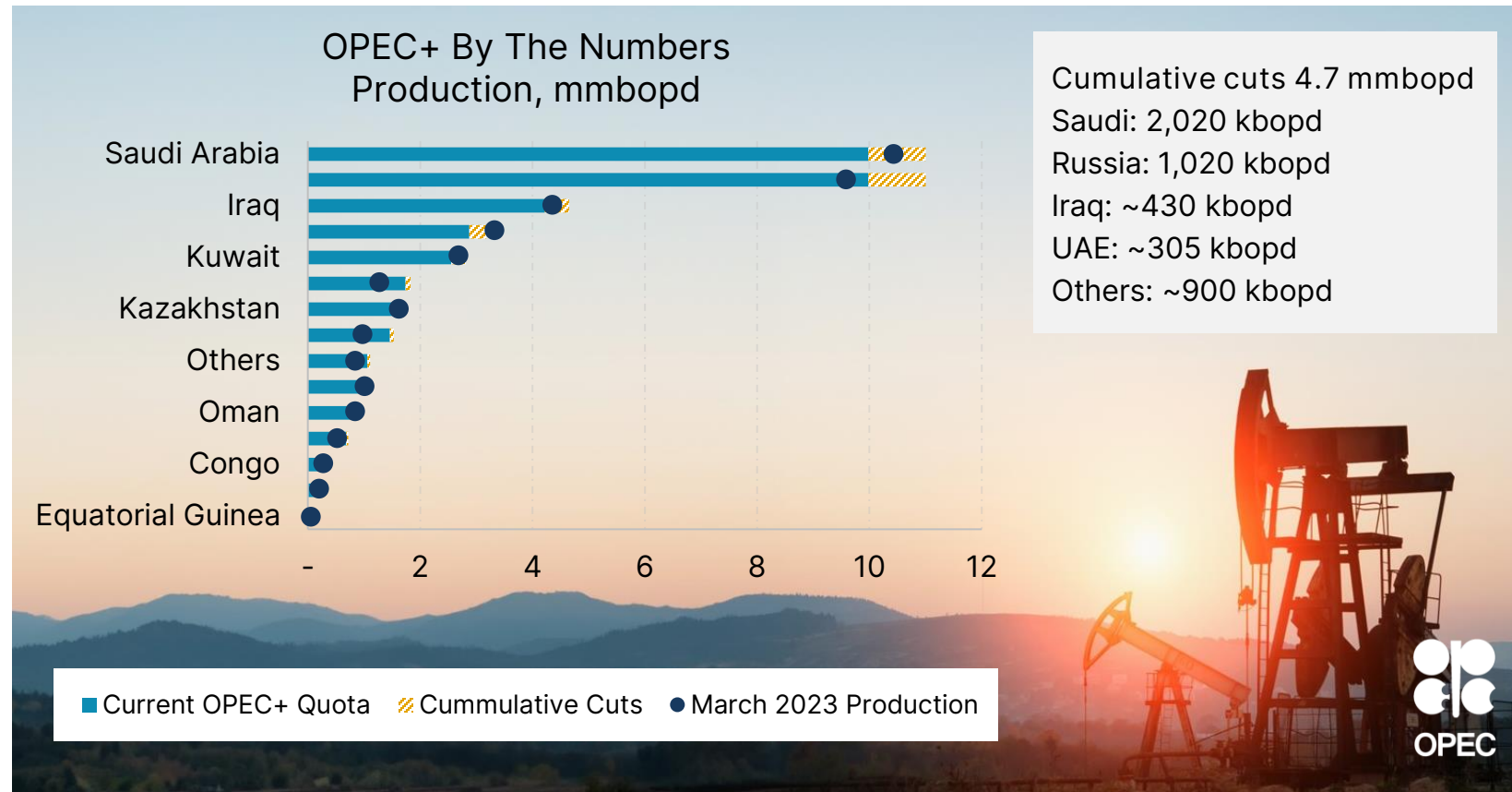


Inventories Show Weakish 1H'23 Fundamentals

Observable crude oil and oil products inventories
On land, at sea and in-transit (mln bbl)

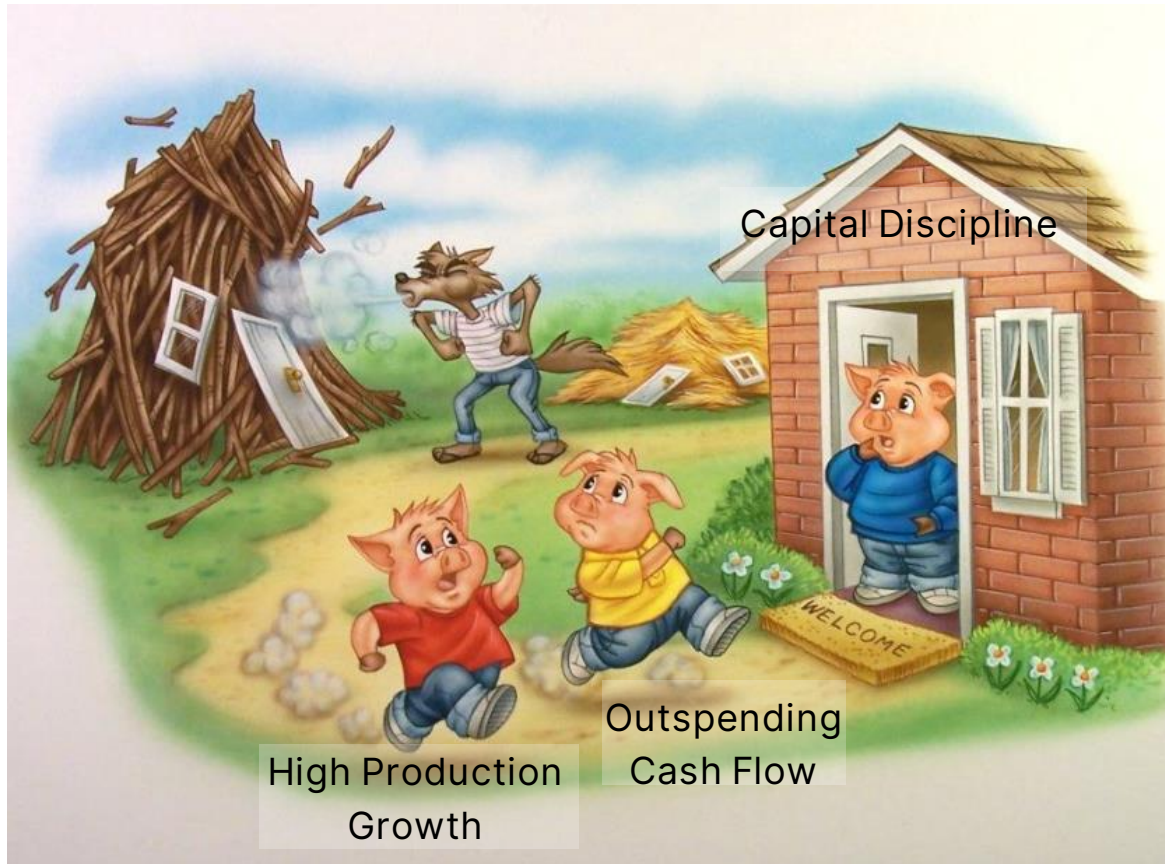


OPEC Thoughts



- Hello BOSS!
- Unequivocally THE Incremental Barrels
- Non-Threatening US Shale
- Price-Focused Actions
- “Keep ‘Em Guessing” Strategy
- Excess Capacity Deters Non-OPEC Supply
- Recent Cuts – Strength or Weakness?
- Geopolitical Overlay – US/Saudi/China

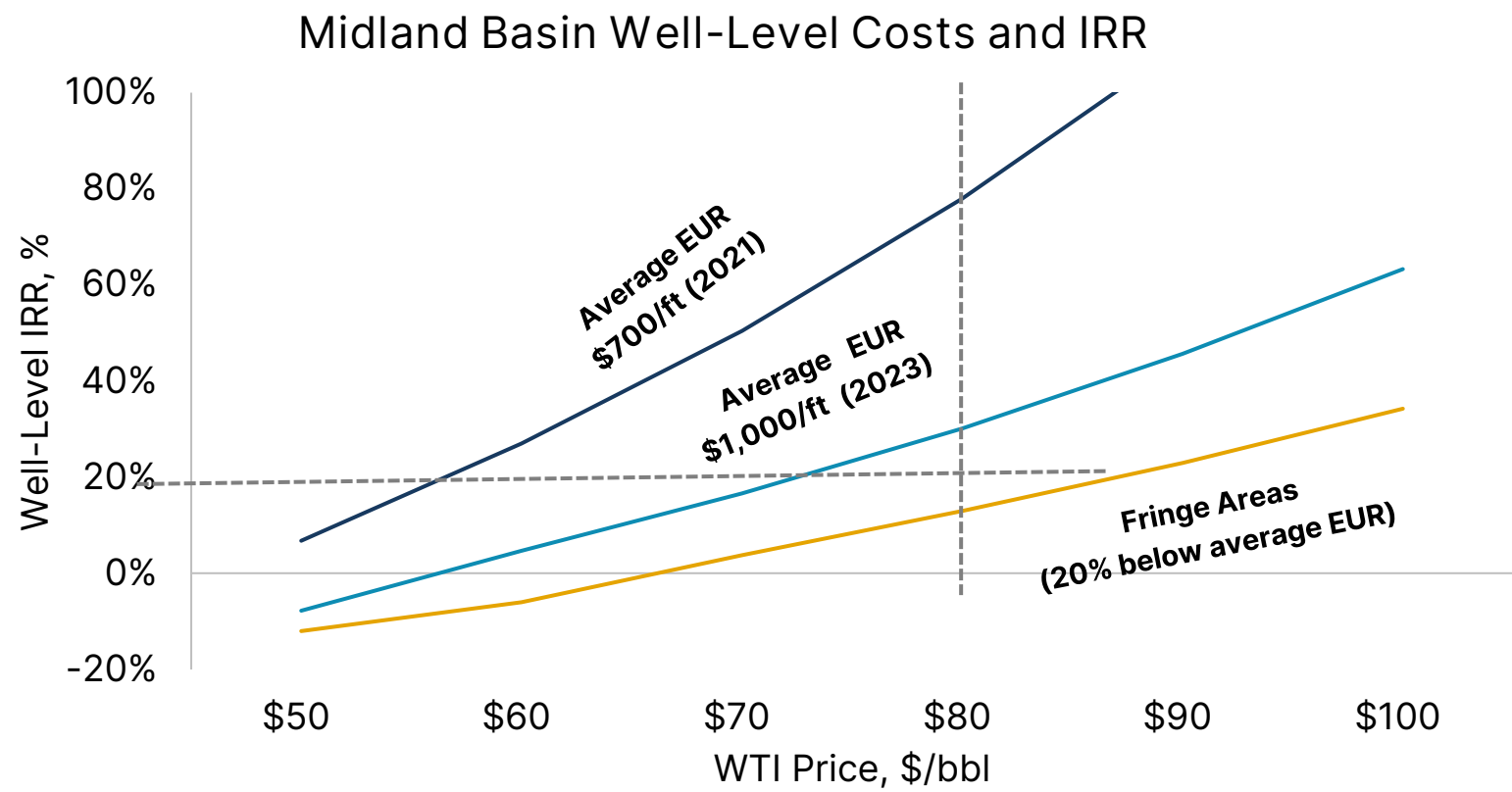
US Producers No Longer The Swing/Incremental Barrel



- Capital Discipline Being Ingrained
- Deaf Ears to Political Requests
- Higher Costs (Cyclical)
- Harder Reserves (Secular)
- Uncertainty Abounds
- Investors Will Lead Behavioral Changes from Here



\$80 Ain't What It Used To Be!

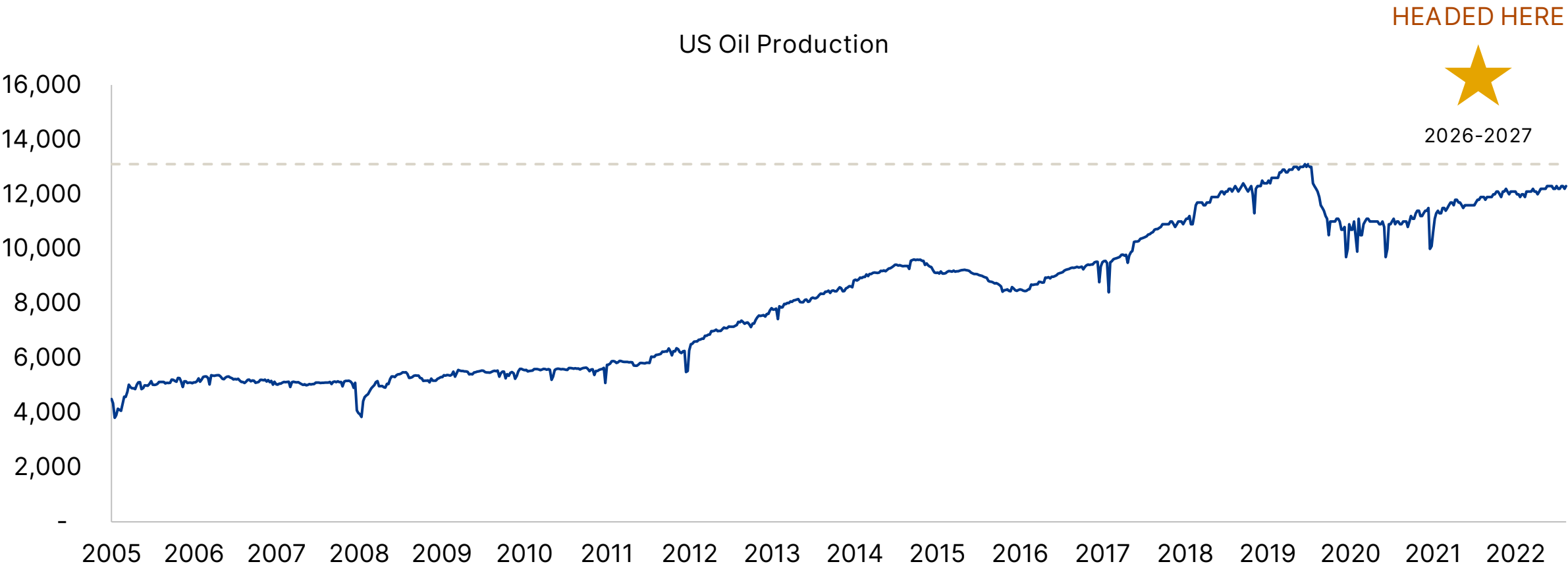


- Breakeven Economics (20% well level) +28% to ~\$73/bbl
- Something has to Give
 - Rigcount
 - Well Costs
 - Oil Price

Source: PEP Note: Illustrative analysis based on 2,362 Hz Midland Basin wells spud in 2021 with over 3,000' of lateral length. Analysis utilizes median actual allocated peak production levels and Enverus' algorithmically generated well-by-well oil and natural gas EURs to create an illustrative median single well analysis. This single well analysis assumes a 25% royalty rate, \$1.00/Bw of SWD expenses, \$1.00/Bo of variable cost, a monthly fixed cost schedule which steps down from \$20k/month to \$10k/month over time, \$1.50/Mcf of transportation expenses, 4.5x GPM, 30% gas shrink, TX production tax rates, 60-day spud to sales timing and certain other assumptions made by PEP. The analysis is meant as illustrative and is not meant to represent any specific capital project or operator.

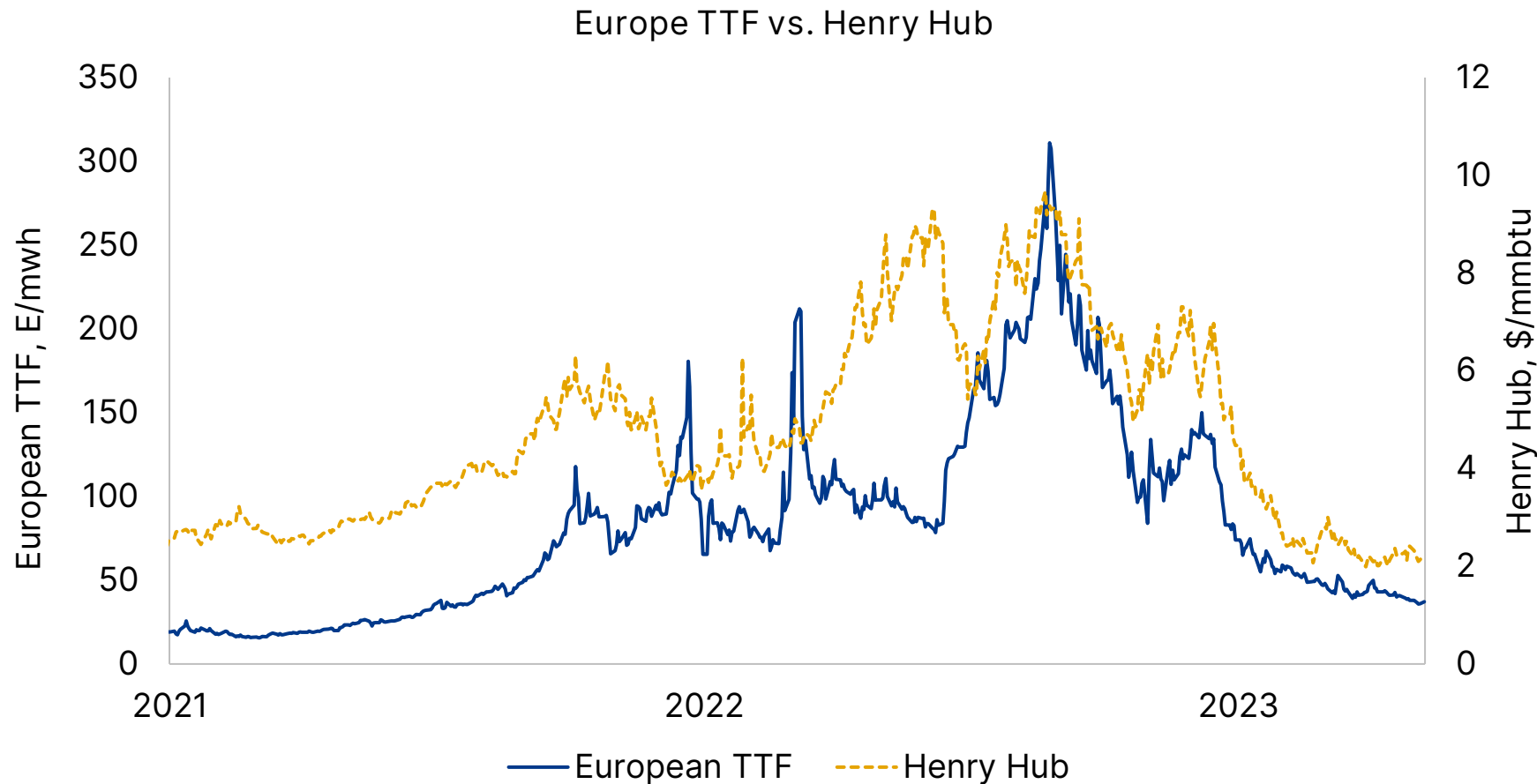


Trustworthy Barrels = US Barrels





Gas Markets Thoughts: Less Evil than Before

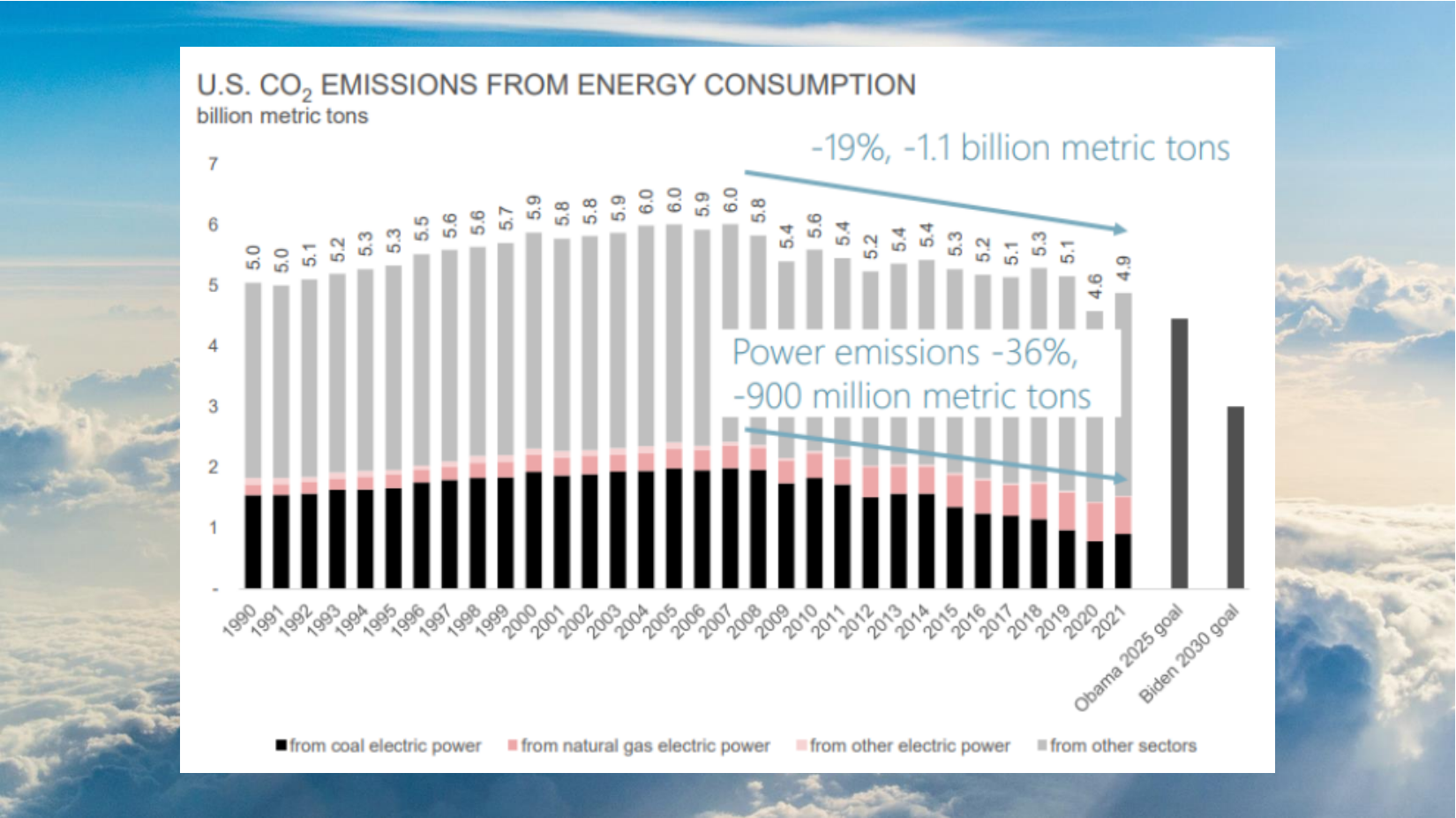


- Europe Driving the Bus
- Europe Situation Lingers
- US Part of the Global Answer
- World Waking Up to Gas as a Bridge Fuel

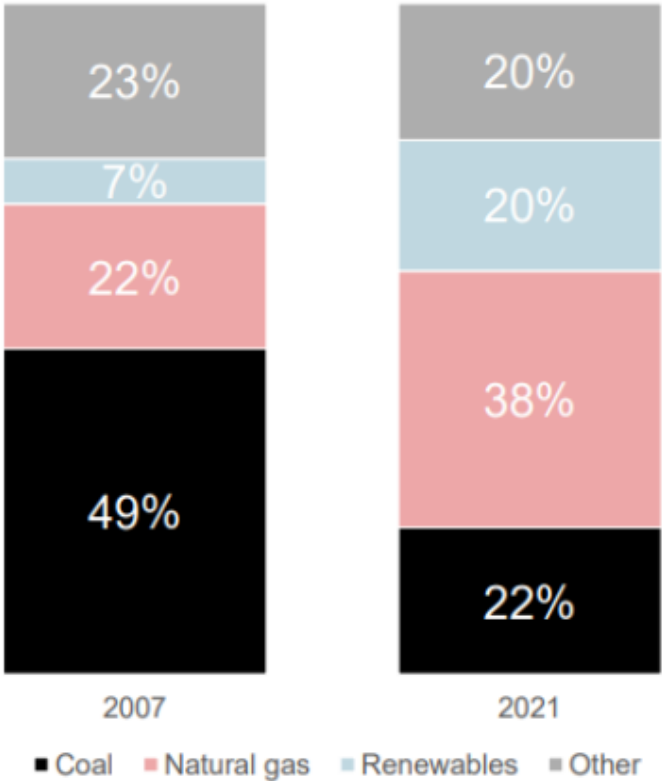
Source: Bloomberg, 5/8/2023
Note: based on Managed Money and Other Reportables in CO, CL, XB, QS, and HO contracts
Source: CFTC Commitment of Traders Data, Morgan Stanley Research



Thank goodness for natural gas.

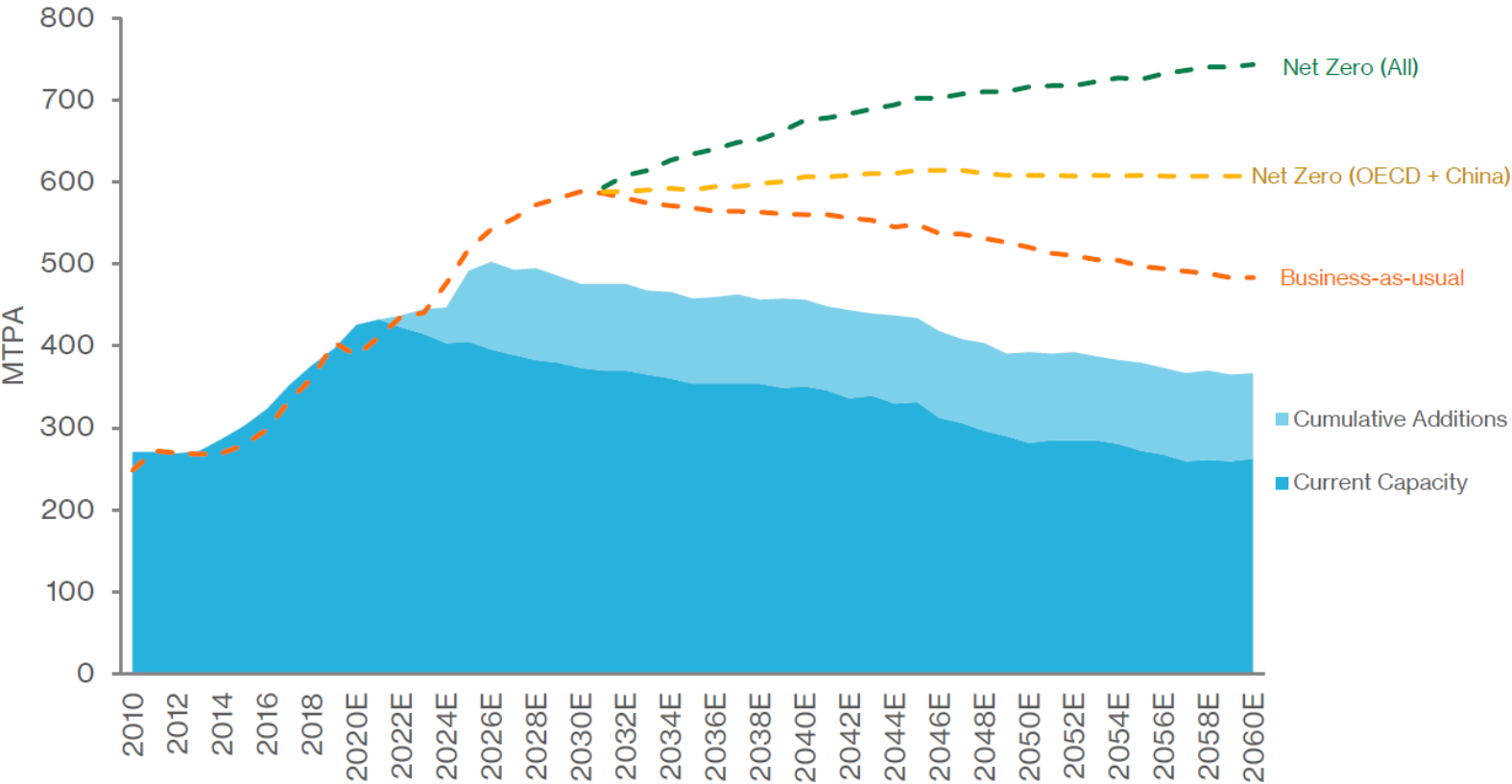


U.S. ELECTRICITY GENERATION MIX
% of total generation





Natural Gas Supply and Demand

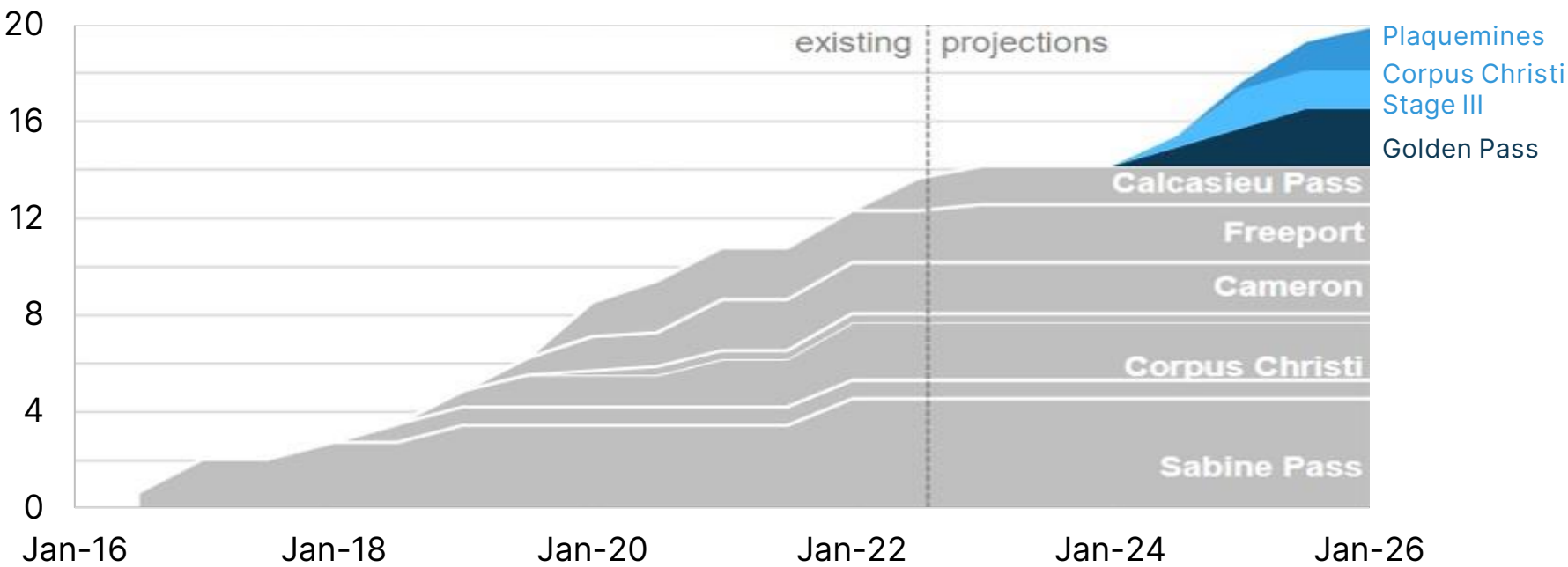




Stay Alive Until 2025

U.S. LNG export capacity to grow as three additional projects begin construction

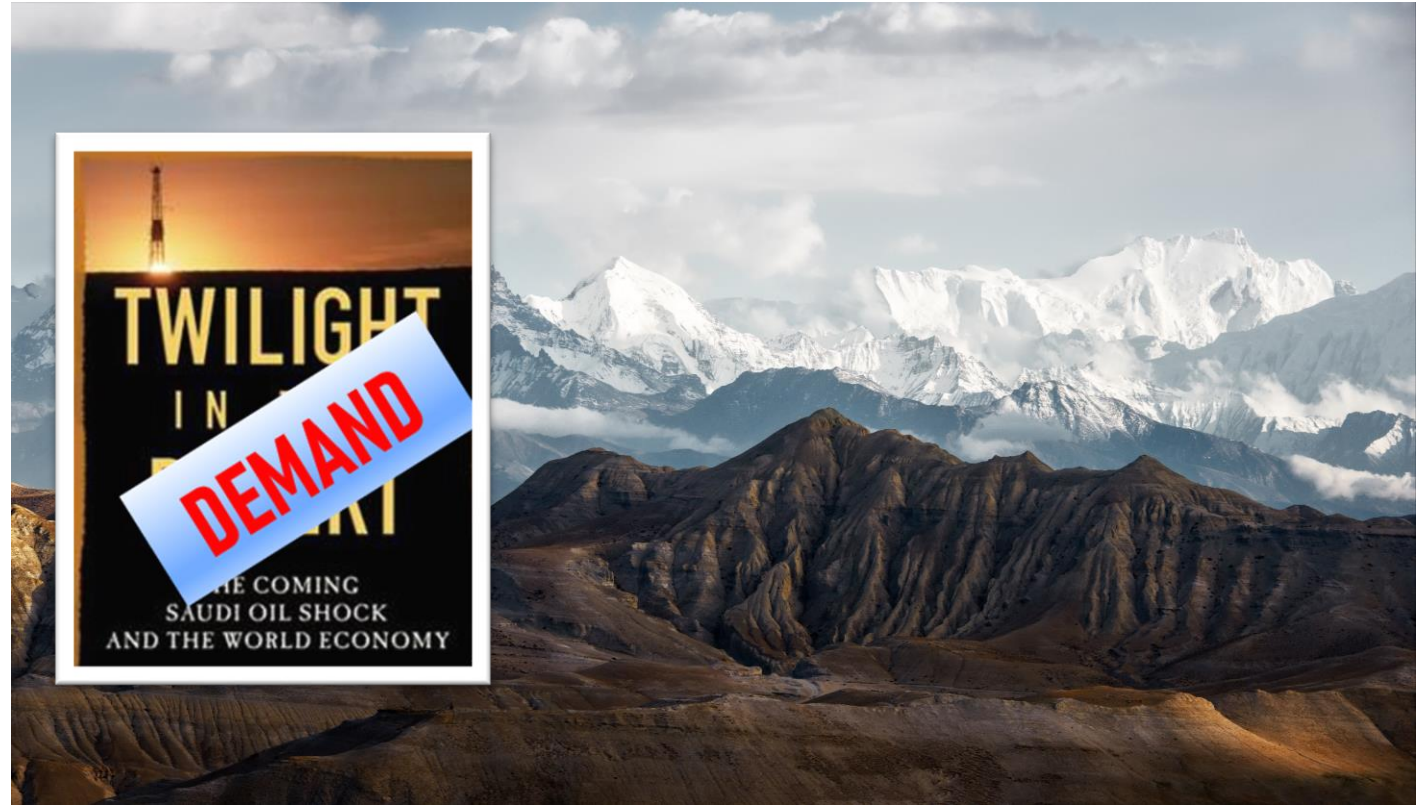
U.S. liquefied natural gas export projects: Existing and under construction (2016-2025)
Billion cubic feet per day



- Currently Oversupplied US Market
- Rigs Dropping...Slowly
- Siren’s Call of LNG Growth
- Soft through 2024
- Watch LNG Announcements
- Everything Above is Massively Consensus
- Buyer Below \$3
- Hedger Above \$5

Peak Demand Is Coming...Eventually

- Decarbonization Momentum
- EV Mandates 2035+
- Demand and Supply Won't Fall in Lockstep
- Long, Long, Long Tail
- Hydrocarbon Players Now Positioning
- Y2K Analogy
- Coal as a Corollary



We'll Buy All Your Reserves If You Want Out!*

Dumb Thing:

Alternatives can power the world now

Decarbonization is a Megatrend

- Multifaceted Support
 - Governments
 - Individuals
 - Companies
 - Investors
- Decades to Accomplish
- Huge Capital Requirements
(\$3+ Trillion per Year)
- Accelerated By Expensive Oil/Gas



Dumb Thing:

You need to be a first mover

Striking a Balance: Accepting Realities


- Europe A Posterchild
 - Fast Net Zero = Volatile
 - Fast Net Zero = Expensive
- Unintended Consequences Are Everywhere
- Energy Poverty Is Relevant
- Natural Gas = “Least Bad”
- All-of-the-Above For Next Decade+





Conventional Energy Will be an Energy Transition Player

- Opportunity and Threats
- Oil/Gas Returns > Energy Transition in the Near Term
- Plenty of Time (Long Energy Transition)
- Fast Mover Vs. Slow Follower
- There IS Opportunity
- Optionality is a Good Thing
- Balance Near Term vs. Long Term



THEN

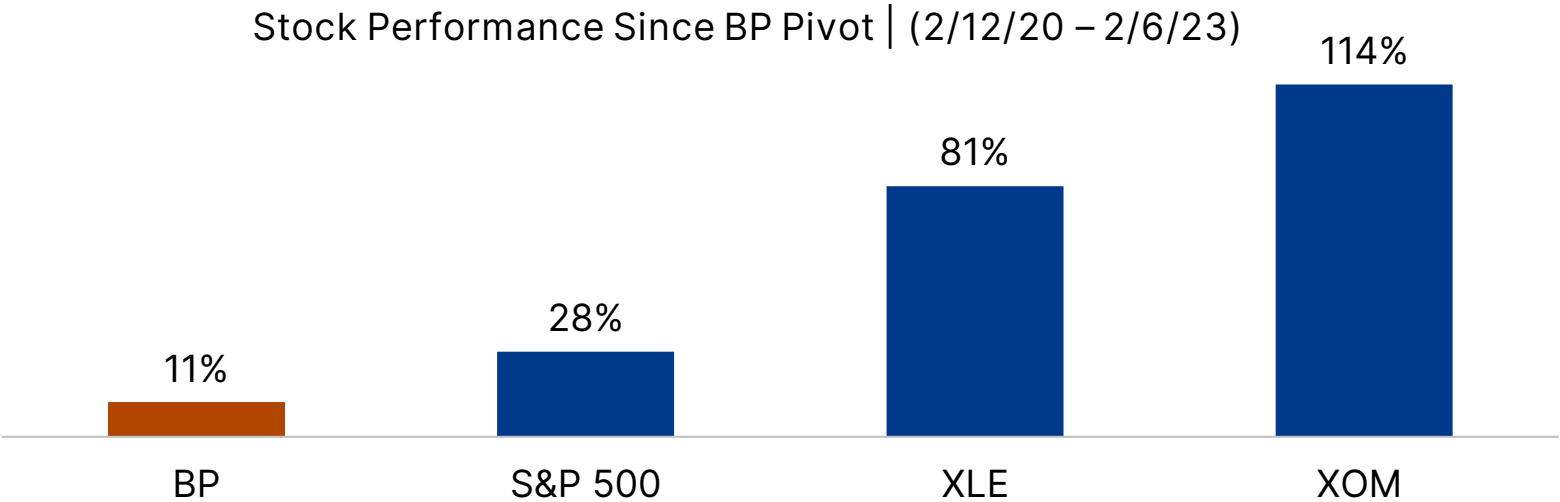
“BP Sets Ambition for Net Zero by 2050, Fundamentally Changing Organisation to Deliver”

BP, February 12, 2020

NOW

“You need to invest in today’s energy system which is still primarily based on oil and gas”.

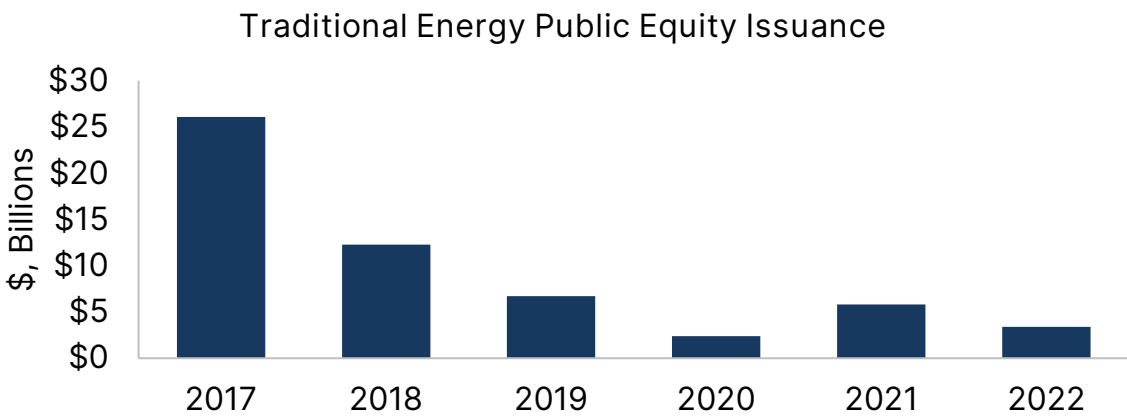
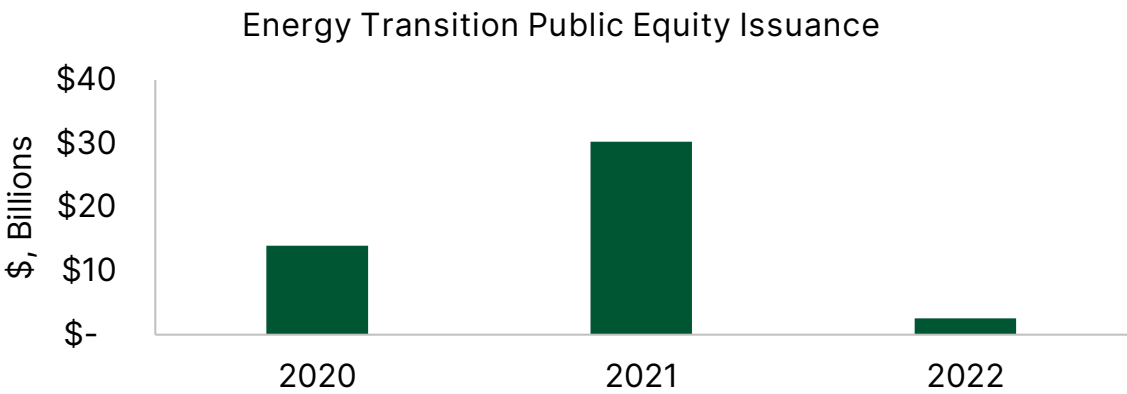
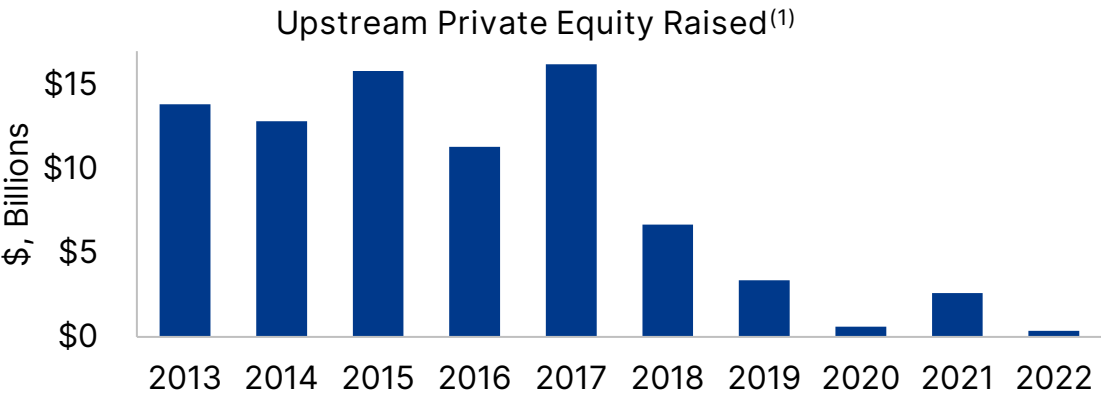
BP, February 7, 2023





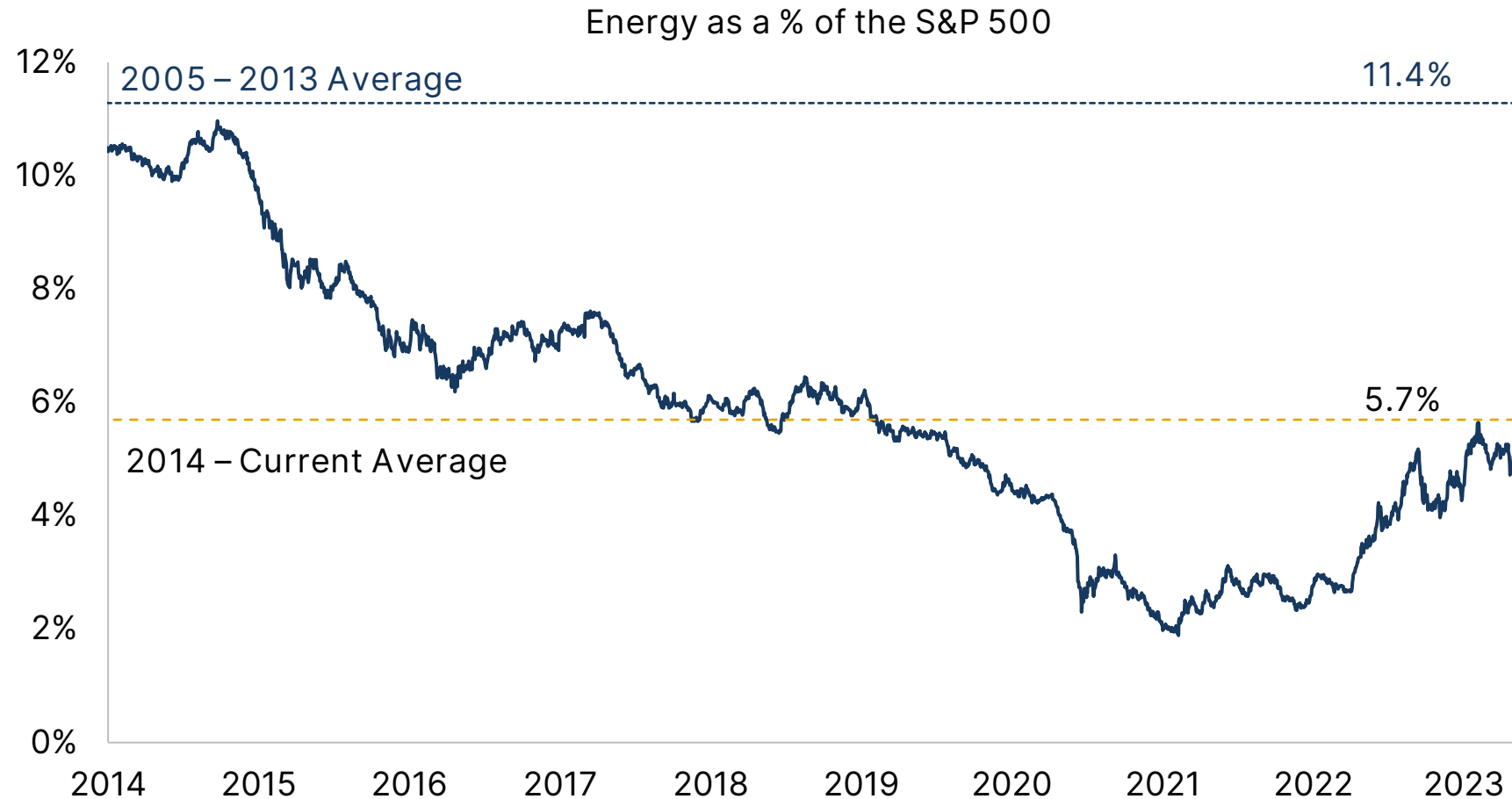
Capital Environment

Dumb Thing: Traditional Energy is uninvestable



- Less PE Dry Powder
- Public Equity Green Shoots
- Infrastructure \$ Plentiful
- Public Debt Accessible
- Bank Debt Demise Overstated
- Higher Cost of Capital
- Defacto Self-Financing

Investing Thoughts



- Healthy Public Markets Make Private Markets Better
- Two Years at the Top
- Institutional Hatred Now Only Apathy
- Safer To Own
 - Better Balance Sheets
 - Embedded “Discipline”
- ESG Focus Plateauing
- FOMO On The Horizon?

2022 M&A Environment: It Sucked

- Inflation/Interest Rates
- War in Ukraine
- Pandemic/China
- Sticky/High Wages
- Crypto Fraud
- Weak Stock/Bond Markets
- High Gasoline/Energy Prices
- Tax Burdens/Changes
- Political Disarray



Any Surprise That Deal Activity Has Been Soft?

2023 M&A Dynamics: Low Bar, but Better than Last Year

- Should Be Better
- Fewer “Big Surprises”
- E&P Balance Sheets Repaired
- Gnawing Inventory Concerns
- Flatter Curve = Helps Psychology
- Improving Buyer Interest



Activity Level Higher – Back from the Dead

How Cycles End...

- Enthusiasm
- Predictions of Forever
- Capital Inflows – Public & Private
- Cheap and Plentiful Debt
- Big Institutional Investors/Overweight
- Retail Investor Attention
- Capex >> Cash Flow
- Meaningful Consolidation

...This Ain't It!

2026 TIPRO Annual Meeting?





Review of Dumb Things

Switching Sources
Can Happen Fast



(It Happens, but with Time)

World Can Use Less
Energy in Future



(Technology is a Consumer)

Coal is Evil
and also Dead



(Consumption All Time High)

Alternative Energy can
Power the World NOW



(Long Runway)

Be a First Mover in
Energy Transition



(Can Afford to be Slower)

Traditional Energy
is Uninvestable



(Great Returns Available)



Q&A

Metric	2023 YTD	2022
Dow Jones	1.4%	-8.8%
S&P 500	7.8%	-19.4%
Front Month WTI	-8.8%	6.7%
Front Month Henry Hub	-50.0%	20.0%
S&P 1500 Energy (S15ENRS)	-8.7%	57.4%
OFS Sector SPDR (OIH)	-13.8%	64.5%
E&P Sector ETF (XOP)	-11.2%	41.7%
iShares Global Clean Energy (ICLN)	-6.4%	-6.2%





Walker Moody
President



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Walker Moody is the President of Pickering Energy Partners (PEP), and he has overall operational responsibility for the business. Prior to PEP, he served as a Partner and President of TPH Asset Management, the predecessor to PEP. Walker was previously with Goldman, Sachs & Co., within its Investment Management Division and was a Captain in the US Air Force with international affairs and strategic planning duties in the Middle East, the Pentagon, and was a Social Aide-de-Camp at the White House.

He is an appointee to the Governor's University Research Initiative (GURI), which aims to help Texas public institutions of higher education in recruiting distinguished researchers from around the world to Texas. Additionally, he is on the Executive Committee of the MD Anderson Cancer Center Board of Visitors and the Advisory Board of biotech venture capital fund, Altitude Ventures Texas. Previously, he was a member of the Oversight Committee of the Cancer Prevention and Research Institute of Texas, the \$3 billion dollar state program to fund cancer-related programs and companies.

He holds an MBA from Auburn University and earned both a BS and BA, *magna cum laude* and Phi Beta Kappa, from Texas Christian University.



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We're Inside Energy

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