

# Oil & Gas Industry Overview:

*Four Trends to Watch in 2024*

January 2024







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# Foreword & Overview





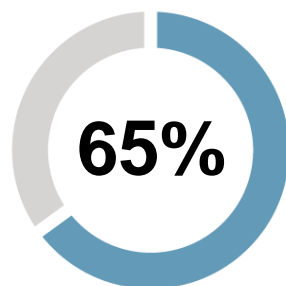
# Foreword

This is Lathrop GPM's fourth annual Oil & Gas Market Update/Outlook Report. In this report, Lathrop GPM has analyzed the results of its firm-branded survey, conducted in October 2023, to identify four trends that should be on the industry's radar in 2024. Each trend is supported by publicly-available data as well as the firm's own experience.

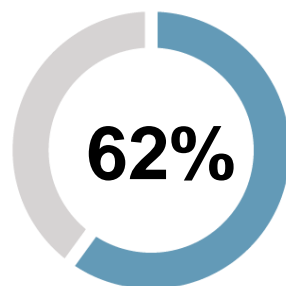
# In 2024, O&G faces production challenges, limited targets and pressure to transition, all at once



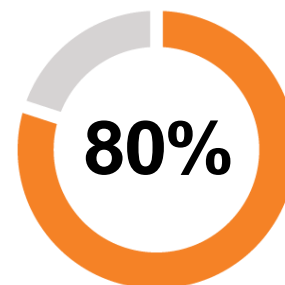
What does your organization's strategic planning look like for 2024?



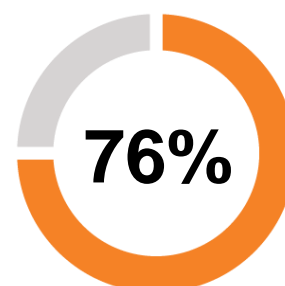
will increase O&G production, versus 72% the previous year, which helps explain why...



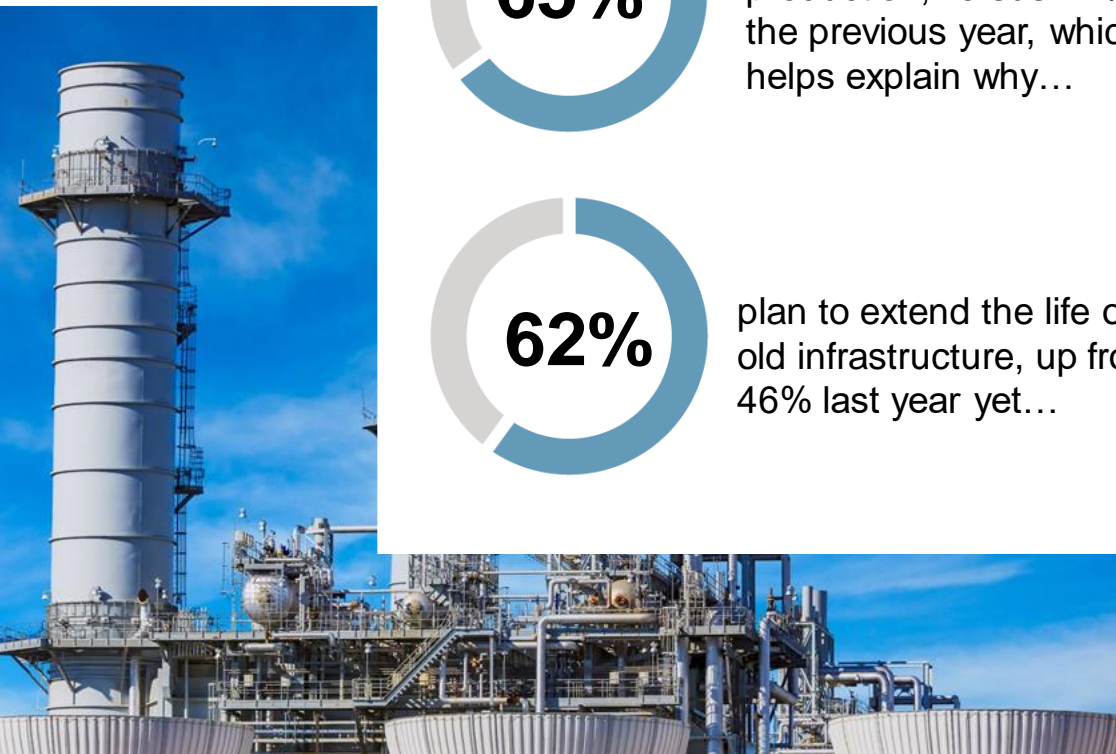
plan to extend the life of old infrastructure, up from 46% last year yet...



will increase focus on renewables as compared to 72% one year ago



will step up their prioritization of environmental initiatives (increase of six percentage points)





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# The CAPEX Conundrum Continues

# CAPEX slowed since 2021 despite revenues increasing, but uptick is on the horizon

Capital expenditure growth has slowed over the past two years.

At the same time, capital expenditure in the first quarter of 2023 was 12% (US\$1.8 billion) higher compared with the previous quarter, totaling US\$16.7 billion.

According to Evercore ISI, North American spending is projected to **increase by 21% over the entirety of 2023**, which represents a significant acceleration of 292 basis points (bps).

## SOURCES:

Statista - Oil and gas industry revenue in the United States from 2010 to 2022

[Oil and gas industry revenue in the United States from 2010 to 2022 \(in million U.S. dollars\)](#)

Statista - Capital expenditure of the oil and gas industry in the United States from 2010 to 2022

[Capital expenditure of the oil and gas industry in the United States from 2010 to 2022](#)

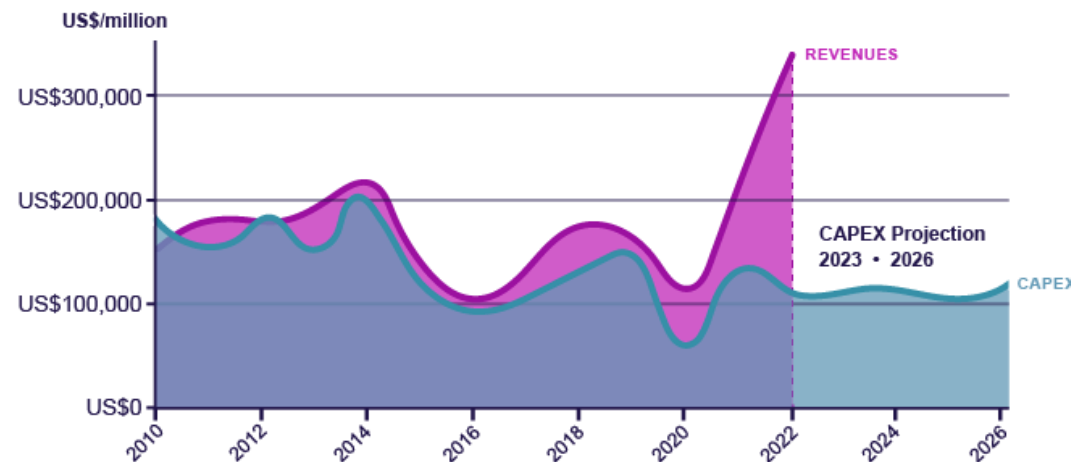
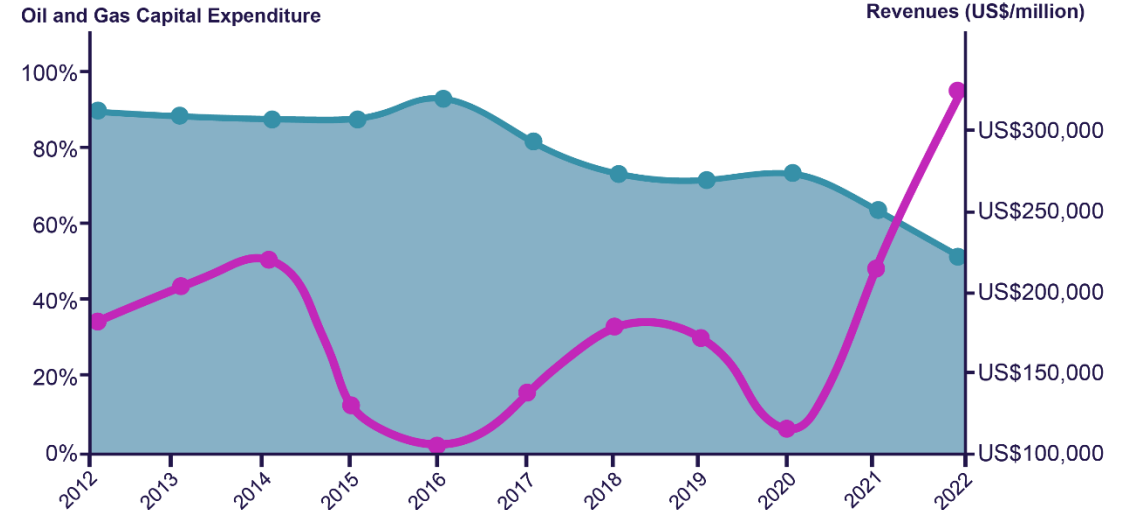
Rystad Energy - U.S. Spending Rebound Sets Stage For Higher Costs

[CAPEX forecast](#)

## Oil and Gas CAPEX Findings

2022 experienced the highest revenues on record in a 10 year span-over US\$330,000 million. This may point towards unsustainable growth.

Revenues (US\$/million) Oil and gas capital expenditure %



Conversely, 2022 had the lowest capital expenditure proportion (48%) with the rest put towards dividends plus buybacks minus issuances (38%) debt repayment (13%), and low carbon capital expenditure (1%)

## Net debt, dividends and low-carbon CAPEX are expanding share versus O&G CAPEX

The proportion of CAPEX fell from 73% to 48% between 2020 and 2022.

Dividends, buybacks, and debt repayment continue to factor as top priorities for O&G.

Large players in the industry have placed some emphasis on [low carbon capital expenditures](#).

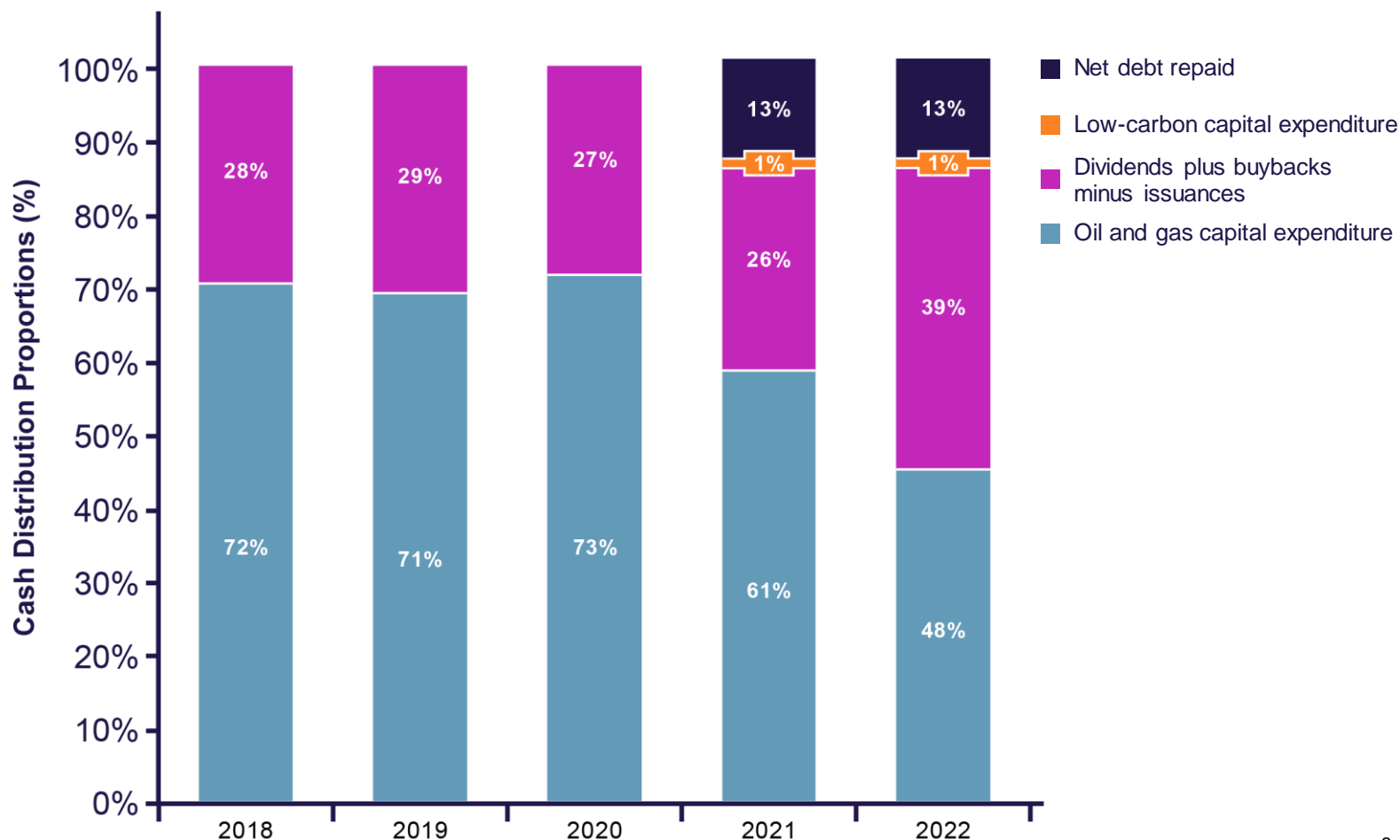
The preoccupation with [debt repayment](#) by the oil and gas industry will continue to shift in tandem towards [dividends and buybacks](#).

### SOURCES:

IEA - *Distribution of cash spending by the oil and gas industry, 2008-2022*

[Distribution of cash spending by the oil and gas industry, 2008-2022](#)

Oil and Gas Industry's Cash Distribution Proportions – 2018-2022

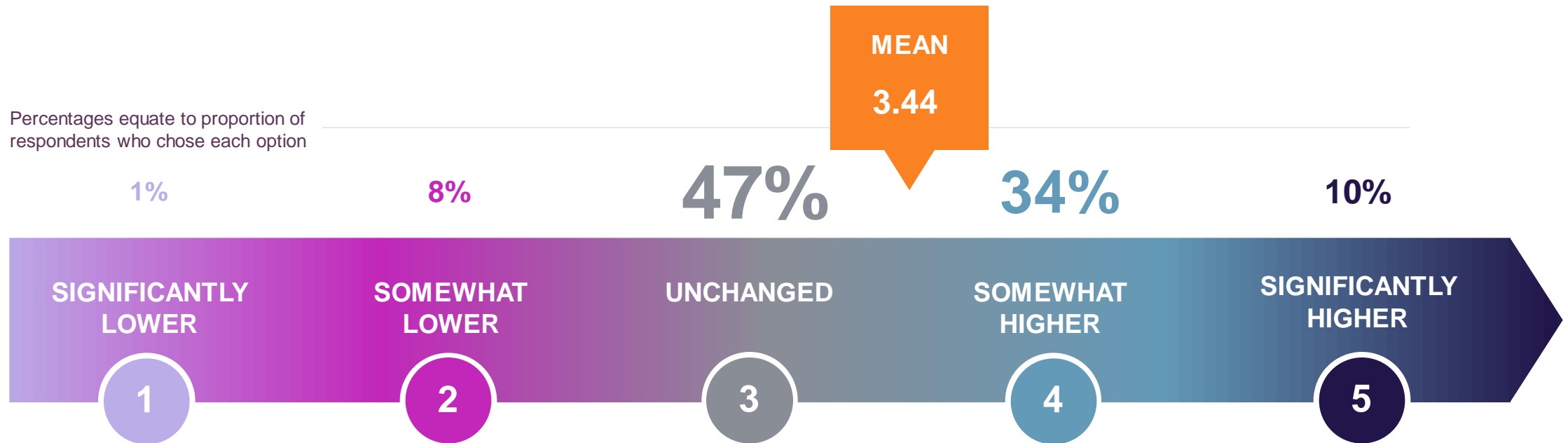




## But oil and gas execs support the notion of a CAPEX increase, as inventory runs scarce



What is the outlook for CAPEX expectations over the next 12 months versus the previous 12 months?



## The confluence of low inventory and rising CAPEX arguably contributed to two blockbuster deals in Q4 2023

US \$59.5B ►

**ExxonMobil**

PIONEER  
NATURAL RESOURCES

On October 11, 2023, Exxon Mobil Corporation and Pioneer Natural Resources jointly announced an all-stock transaction for the former to acquire the latter at a valuation of nearly US\$60 billion

**\$253** per share purchase price

US \$40B ►

Including this deal, Exxon and its partners thus far invested US\$40 billion on offshore projects – including lucrative reserves in Guyana – and will spend tens of billions more on new ones within this decade

### OUTCOMES

Doubles Exxon's footprint in the Permian Basin, significantly increases the company's inventory, with double-digit returns expected

US \$53B ►



John Hess agreed to sell his family's stake in Hess to US oil producer Chevron Corporation. On October 23, 2023, Chevron announced it would acquire Hess in an all-stock transaction

**\$171** per share purchase price

US \$42B ►

Since January 2022, Chevron has paid shareholders a total of US\$42 billion in dividends of US\$19.5 billion and repurchased shares, an amount that is 20 times higher than its entire 2022 investment in renewable energy

### OUTCOMES

Expands Chevron's US oil footprint and gives the company a stake in Exxon's Guyana reserves



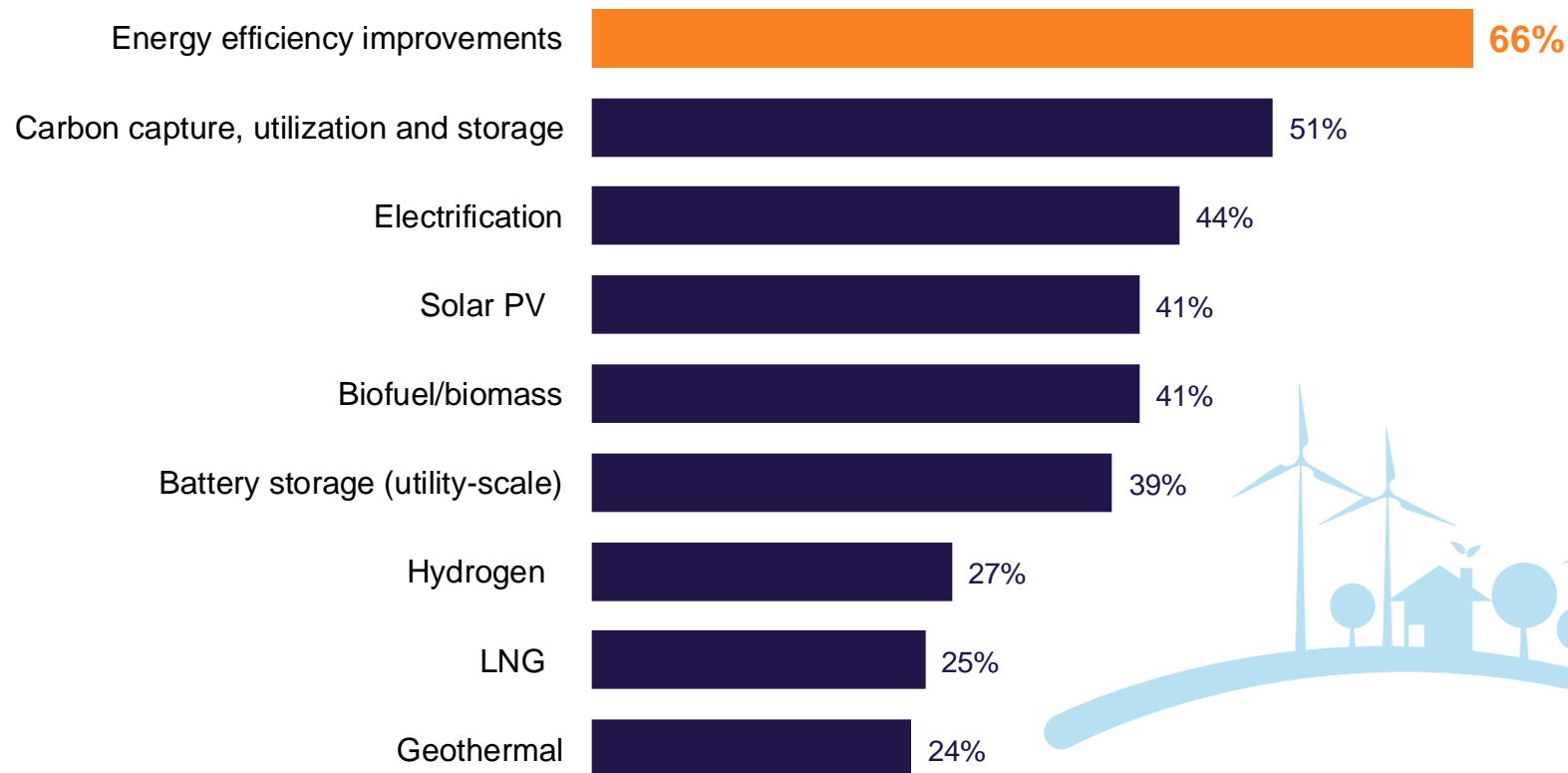
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# Energy Efficiency Matters

# Energy efficiency is a top operational or investment opportunity for approximately two-thirds of execs heading into 2024



What does your company consider as top operational and/or investment opportunities heading into 2024?












## Along with cost and tax incentives, supply chain issues are cited by nearly half of execs in exploring diversification opportunities



As your company considers these types of diversification/investment opportunities, what are the chief challenges involved, beyond sheer cost/availability of capital?  
*Please select all that apply:*

CHALLENGE	SELECTING
 Tax incentives/subsidies	47%
 Supply chain challenges	45%
 Lower returns versus O&G	41%
 Lack of regulatory consistency and clarity	39%
 Transmission shortcomings	38%
 Immaturity of technology	37%
 Grid capacity/flexibility	32%

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# Carbon Capture Has Arrived



# Planned CCUS projects have shown a sharp uptick over the past two years

2021 set the stage for large undertakings of carbon capture, utilization, and storage (CCUS) projects in the US.

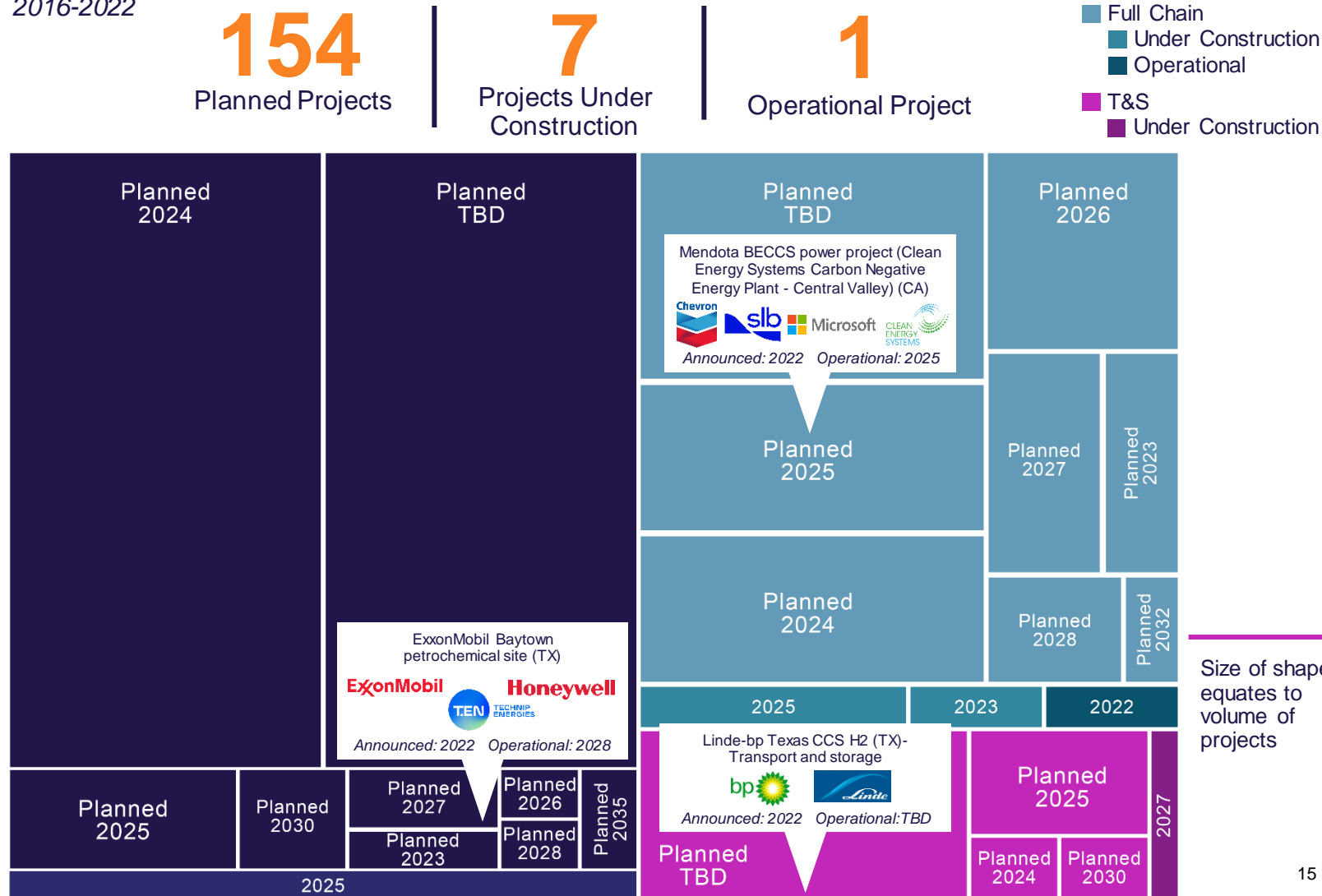
Eighty-four percent of the projects since 2016 have been announced on or after 2021. *Additionally, five of the seven projects under development occurred during this period.*

Carbon capture projects are prioritized by organizations over full chain (projects involving transportation of CO<sub>2</sub> from capture facility to injection site with a single operator), with the exception of the natural gas processing space.

## SOURCE:

IEA - CCUS Projects Explorer  
[A worldwide database of CCUS projects](#)

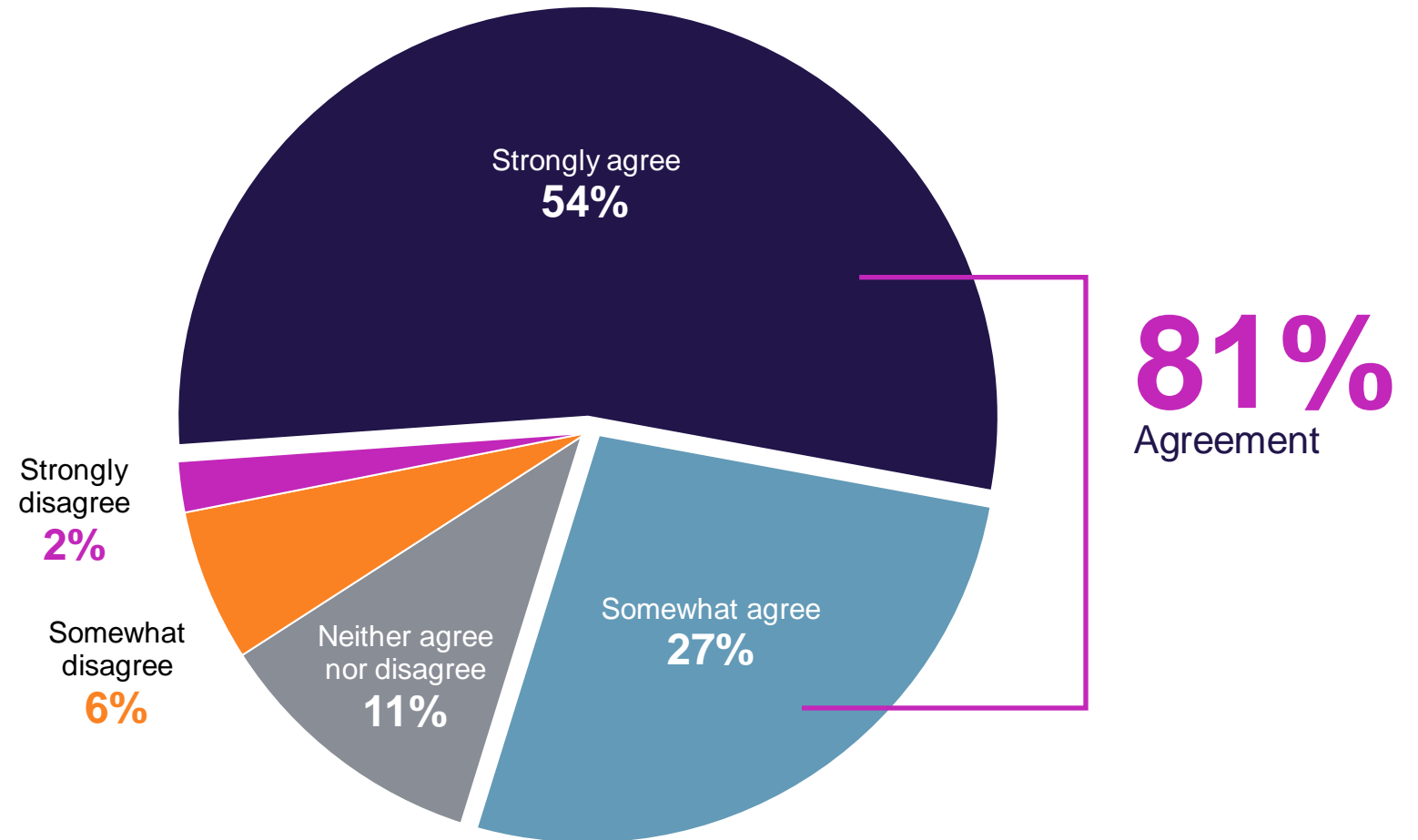
## Carbon Capture, Utilization, and Sequestration (CCUS) Projects in the United States 2016-2022



## Eighty-one percent of oil and gas execs believe that CCUS will have utility-scale application by 2034



Our company expects that carbon capture, utilization and storage (CCUS) will have utility-scale applications within 10 years (by 2034).



## This is contingent on pipeline development and system reliability



Which of the following are integral to making utility-scale CCUS applications happen within the next decade?





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# ESG Is Under the Microscope

# ESG implementation has not increased over the past year, and versus 2022, fewer are considering future implementation while 7% say policies are currently under review



Which best categorizes your organization's status in terms of adopting ESG policies?



Not considering at this time

19%

12%

Reviewing/adjusting existing policies

7%

*Not included as an option in 2022*

Considering Implementation

10%

14%

Implementation in process

32%

42%

Have already implemented

32%

32%

■ 2023 ■ 2022

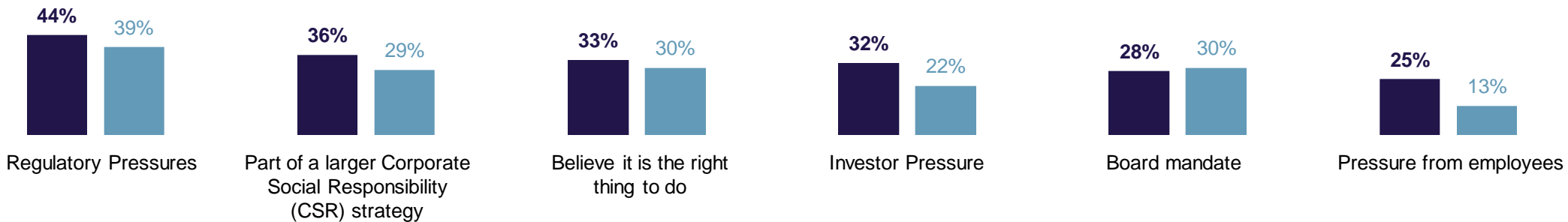
Companies reporting **fully-integrated renewables** as an operational area were more likely to say that they had already implemented ESG or that implementation was in process

# Execs identified an average of two reasons for implementing ESG, suggesting pressure is a catalyst, perhaps trumping relevance

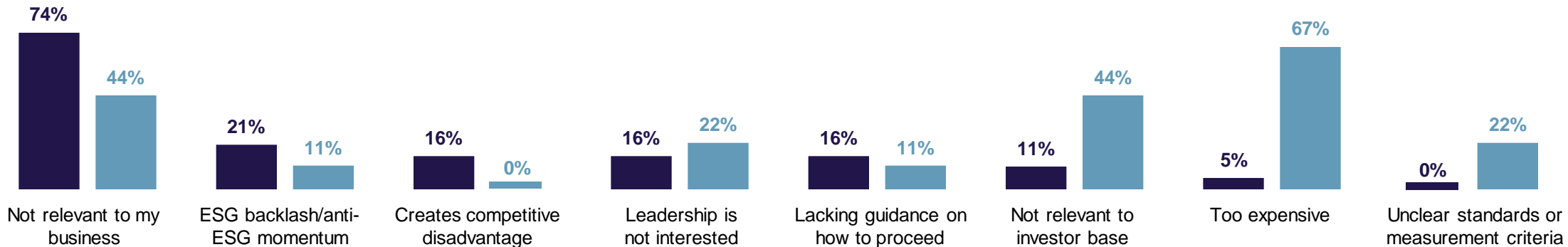
2023 2022



What are the chief reasons your organization has implemented/is considering implementing ESG policies?



Which of the following are reasons why you have not considered implementing ESG policies?





# Survey Methodology & Demographics

# Survey Methodology & Demographics

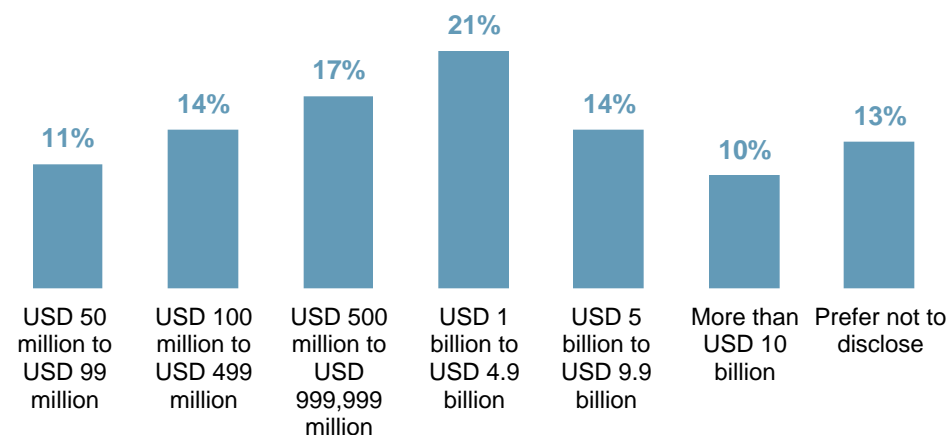
In October 2023, Lathrop GPM conducted a survey of 100 oil and gas executives, 95 of whom were based in the US. They hailed from 22 states, with 21% based in Texas. Titles/roles included CEO (44%), Chief Legal Officer or other in-house counsel role (21%), C-suite titles other than CEO (19%), Business or Operations Managers (11%) and Land Department Managers (5%).

In addition to oil and gas operations, 22% of the executives surveyed are also operating and/or investing in renewables, while 16% have a presence in utilities and 14% indicated activity in mining and minerals. Operations included exploration/production (47%), midstream/pipelines (45%), downstream (35%), fully-integrated renewables (32%) and upstream (26%).

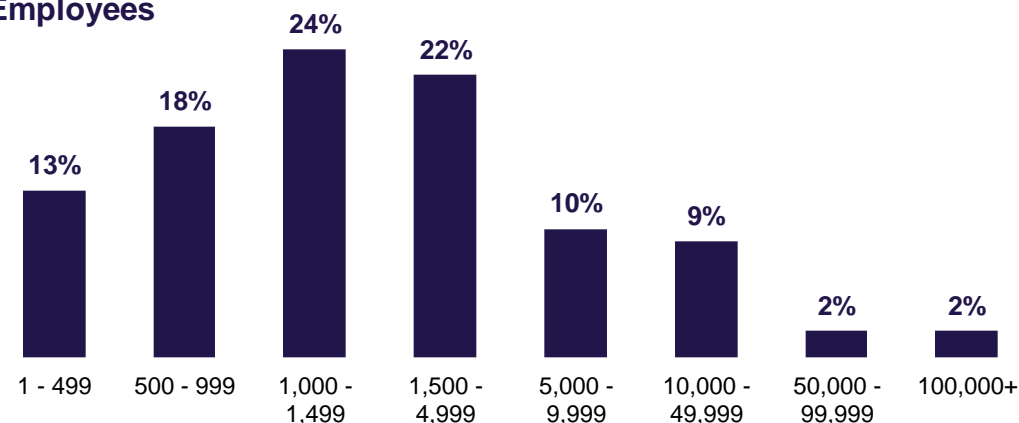
Overall, the demographics of our 2023 survey respondents closely matched the profile our respondents participating in our inaugural survey in October 2022. The only notable difference seen over the one-year lapse in time in our surveying was the incidence rate of O&G businesses that have an additional presence in fully-integrated renewables, with this figure increasing by 14 percentage points (18% in 2022 to 32% in 2023).

Survey responses were anonymous, and data was analyzed in the aggregate.

## 2022 Revenue



## Employees



# Contact Details



# Contact Information



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Patrick represents oil and gas operators throughout Texas, Oklahoma, North Dakota, Montana, Wyoming, New Mexico and Colorado in lease acquisition and related exploration and production issues. Patrick manages a broad range of oil & gas matters for clients including due diligence, acquisitions, title opinions, joint operating agreements, participation agreements, oil and gas leases, confidentiality agreements, purchase and sale agreements. He serves clients that work on fee, state, Bureau of Land Management and Bureau of Indian Affairs lands.