

Bakersfield Real Estate Forecast Breakfast

What is the Outlook for 2017?

Oil and Gas

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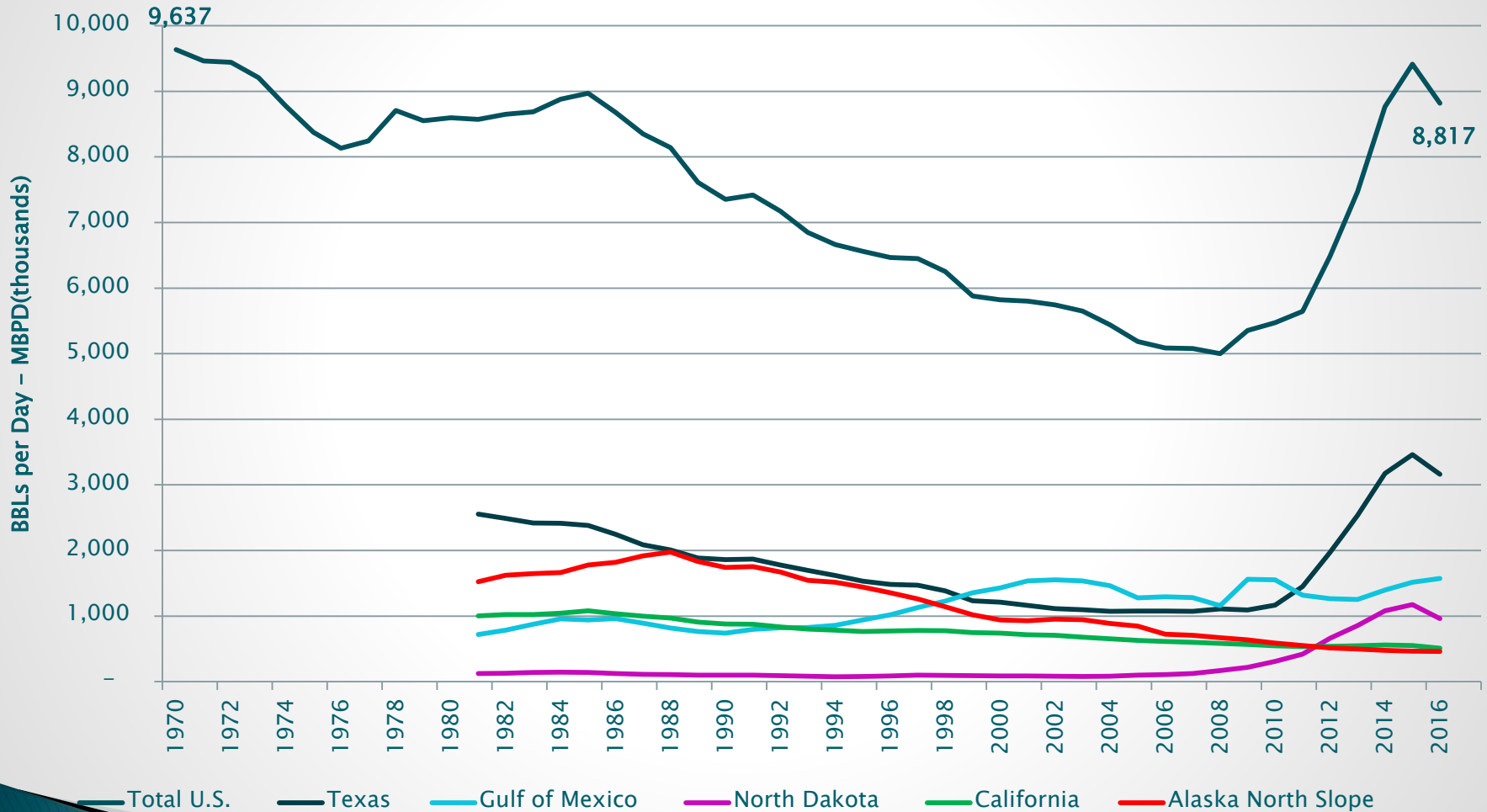
IREM Institute of Real Estate Management

Two Most “Accurate” Oil and Gas “Forecasting” Tools



Where we have been...

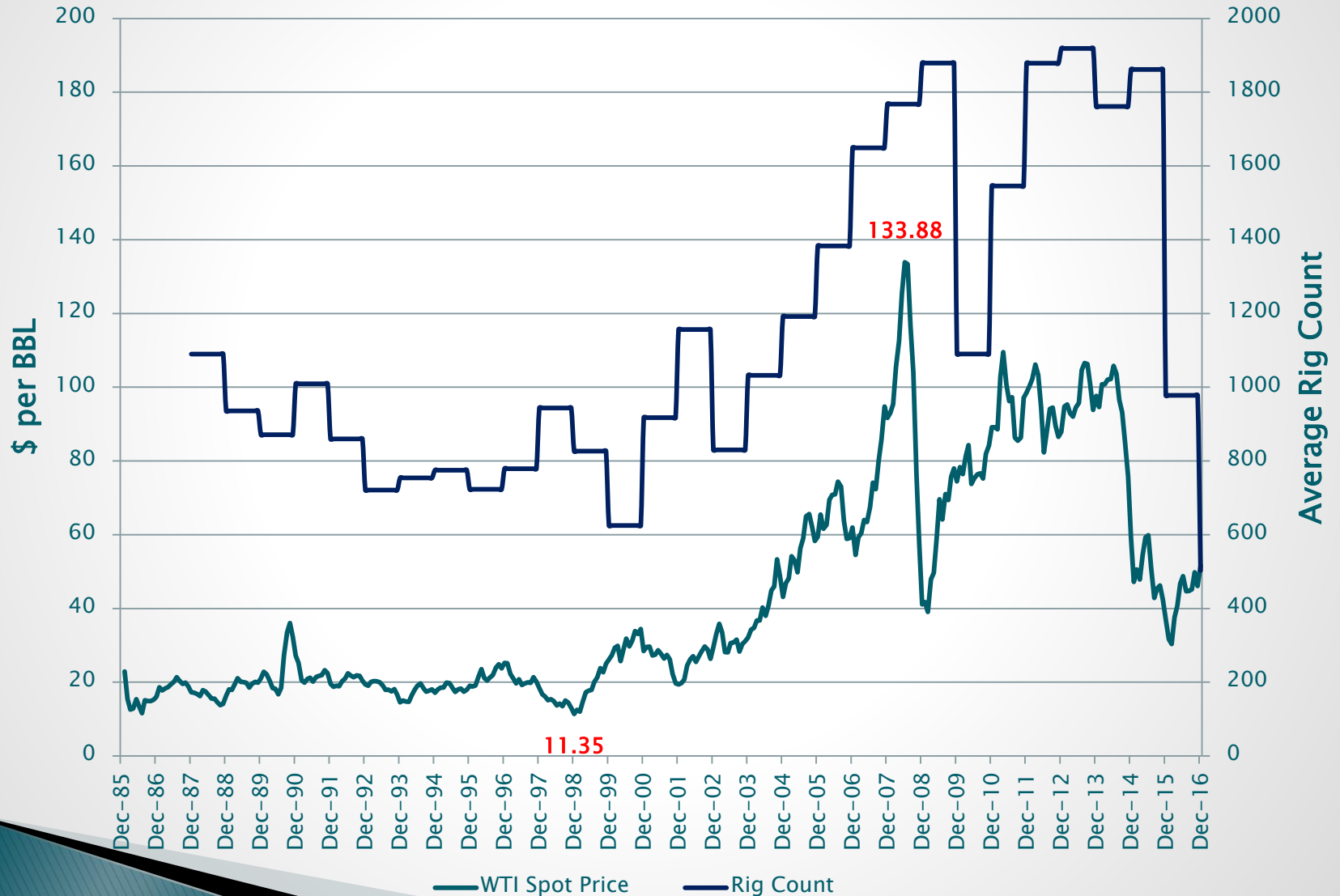
U.S. Oil Production by State (Top 5)



Where we have been...

- ▶ Domestic Rig Count – Annual Average
 - 2010 – 1,546
 - 2011 – 1,879
 - 2012 – 1,919
 - 2013 – 1,761
 - 2014 – 1,862
 - 2015 – 978
 - 2016 – 503 (12/16/2016 – 637)
 - Lowest Level – 407 in May 2016 – 79% reduction from 2012)
- Baker Hughes Rig Count (Dec 2016)

Where we have been...



Where we are headed... 2017

▶ Permian Basin – Texas

◦ Wolfcamp Formation

- Considered the largest oil discovery in the U.S.
- Estimated – 20 billion bbls of oil and 1.9 billion bbls of natural gas liquids
- 3000 wells drilled to date just in the Midland Basin alone
- 2nd largest budget in 2017 for Chevron worldwide
- New well oil production per rig is up – 3x
 - 2015 – 200 bbls/day
 - 2016 – 611 bbls/day
- Easier environment to work in
 - Permian Basin – Average High/Low January Temp – 60/28
 - Bakken (ND) – Average High/Low January Temp – 22/0
- One of the lowest \$/bbl to produce in the US (All in cost)

Where we are headed... 2017

- ▶ Price Forecast 2017 for Brent Crude
 - OPEC and Non-OPEC countries have agreed to slow production
 - EIA \$52, World Bank \$55, Goldman Sachs \$60
- ▶ New U.S. Administration will be a positive influence on the price of oil
 - Increase in infrastructure budget
 - Lower corporate taxes
 - Lower regulations (or at least no new ones)
- ▶ Increase in U.S. Domestic Drilling
- ▶ Slight decrease in overall U.S. production due to lower drilling activity in 2016 (6 month lag)

Fun Fact

- ▶ The Oil Industry is actually a safe place to work. The OSHA statistics prove it. “To really put safety in perspective, the average 2.1 TRIR for rig operations is lower than [OSHA’s] 3.3 TRIR for real estate. You are safer statistically on the rig floor than driving around with a real estate agent.” [10]

- Forbes Magazine April 3, 2013