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REGULATORY

Los Angeles to Prohibit Oil, Natural Gas Drilling, Phase Out Existing Production

The Los Angeles (LA) City Council on Wednesday unanimously approved a motion to prohibit drilling new oil and gas wells, phase out production from existing wells, and establish a plan for plugging and remediating all wells in the city.

"From Wilmington to the San Fernando Valley, gas drilling and oil wells have disproportionately affected the health of our working class neighborhoods," said Council President Nury Martinez. "This is yet another example of how frontline communities disproportionately bear the impacts of pollution and climate change."

The city has a total of 5,229 oil wells, including 296 that are idle and the majority within 2,500 feet of homes, schools and hospitals, according to Elected Officials to Protect America (EOPA), an environmental group that supported the measure.

"Oil drilling is and has always been an inherently ...cont' pg. 2

OILFIELD SERVICES

RPC Eyes Upping Fracturing Fleet Count For 2022

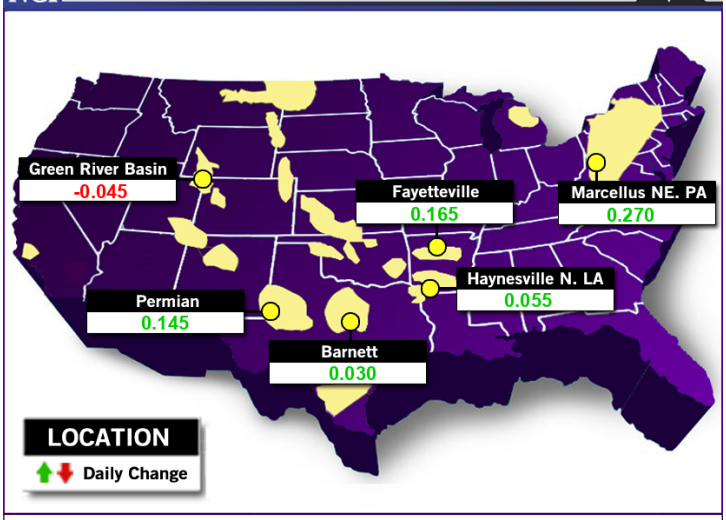
Oilfield services (OFS) and equipment provider RPC Inc. said it might activate another hydraulic fracturing fleet but added that likely would not occur during the first six months of this year.

CEO Richard A. Hubbell said that he sees "many indications of continued growing activity levels and improved pricing" in the new year.

Last spring, Hubbell predicted a "continued modest recovery" as 2021 progressed. Previously, he said that he anticipated growth from private as well as public exploration and production (E&P) companies.

He said the Atlanta-based oilfield services and equipment provider, which serves onshore and offshore E&P firms operating in the United States and internationally, "reactivated idle ...cont' pg. 4

NGI | SHALE NATGAS SPOT PRICE TRACKER



Trade Date: Jan 27; Flow Date(s): Jan 28

Basin/Region	Range	Avg	Chg	Vol	Deals
Gulf Coast					
Barnett	4.000-4.100	4.065	0.030	106	22
Eagle Ford	4.190-4.350	4.235	0.015	566	85
Haynesville - E. TX	4.070-4.350	4.245	0.075	663	110
Haynesville - N. LA	4.150-4.400	4.275	0.055	265	46
Permian[1]	4.000-4.300	4.180	0.145	426	82
Tuscaloosa Marine Shale	4.370-4.560	4.470	0.130	623	68
Midcontinent					
Arkoma - Woodford	4.050-4.200	4.175	0.075	59	10
Cana - Woodford	3.900-4.050	3.970	0.055	119	20
Fayetteville	4.280-4.400	4.375	0.165	138	21
Granite Wash*	4.140-4.350	4.200	0.060	235	56
Northeast					
Marcellus - NE PA[2]	4.250-4.500	4.350	0.270	127	37
Marcellus - NE PA: Other[3]	4.320-4.500	4.390	0.230	73	21
Marcellus - NE PA: Tenn[4]	4.250-4.310	4.290	0.265	54	16
Marcellus - SW PA/WV	4.130-4.400	4.250	0.160	1,579	265
Utica[5]	4.200-4.500	4.385	0.260	379	88
Rocky Mountains / West					
Bakken	3.570-3.670	3.585	-0.165	35	3
Green River Basin*	4.580-4.700	4.625	-0.045	501	108
Niobrara-DJ[6]	4.300-4.400	4.345	0.110	854	148
Piceance Basin*	4.300-4.540	4.430	-0.080	139	42
Uinta Basin*	4.500-4.550	4.515	-0.020	60	6
San Juan Basin*	4.480-4.600	4.560	-0.015	307	70

Notes: *Table represents fixed-price delivered-to pipeline transactions in USD/MMBtu. These data are comprised of deals that NGI believe represent trading activity in the respective resource plays and may contain gas that was produced from conventional formations. * Denotes a tight sands formation. Volumes may not total due to rounding. For more information, please see NGI's Shale Price Methodology.*

ANALYSIS

U.S. Petroleum Demand Rising as Travel Escalates; Oil Stocks Also Up

Petroleum consumption increased in the United States last week amid rising gasoline and distillate production, the U.S. Energy Information Administration (EIA) said Wednesday.

Demand hit 22.4 million b/d for the period ended Jan. 21, representing a 2.3% week/week increase. The overall gain stemmed largely from a 3.4% increase in gasoline consumption and a 4.3% jump in distillate fuels, which include diesel, according to EIA's latest Weekly Petroleum Status Report.

Total petroleum products supplied over the last four-week period – EIA's key gauge of demand — averaged 21.2 million b/d, up about 12% from the same period in 2021. During the past four weeks, motor gasoline consumption averaged 8.2 million b/d, up 6.1%, while distillate fuel demand averaged 4.2 million b/d, up 14.5%. Jet fuel product supplied jumped 24.5% to about 1.5 million b/d.

...cont' pg. 5

Los Angeles to Prohibit Oil, Natural Gas Drilling, Phase Out Existing Production

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incompatible land use with neighborhoods and schools and hospitals and homes," said Councilmember Paul Koretz, a co-author of the original motion. "No one should have to wake up in her own bed with a nosebleed caused by toxic oil drilling chemicals. Nor with cancer caused by the same. That said, we must also ensure the affected workers have a secure working future. Today's item will take care of both."

The motion directs the Department of City Planning (DCP) to draft an ordinance to ban new oil and gas extraction, and to make existing wells a nonconforming land use in all areas of the city.

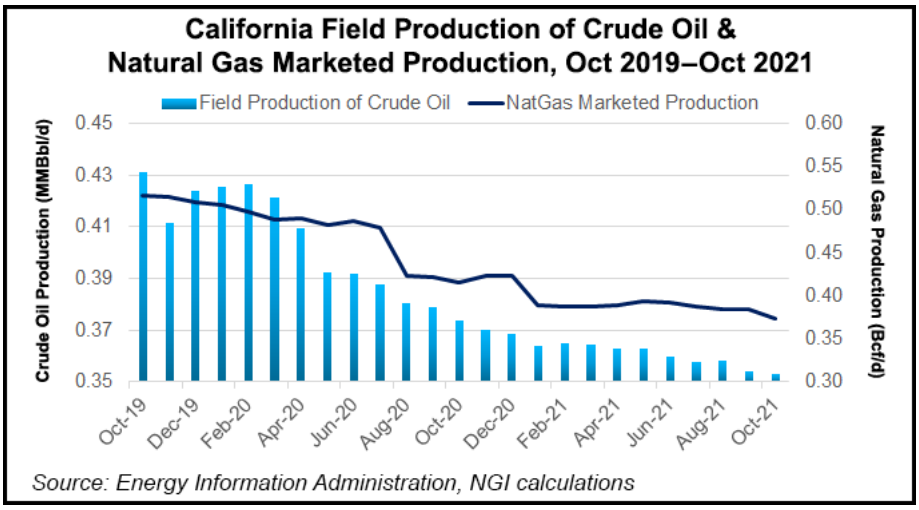
The council also is directing DCP to commission a study to establish a timeline for the phaseout of existing operations.

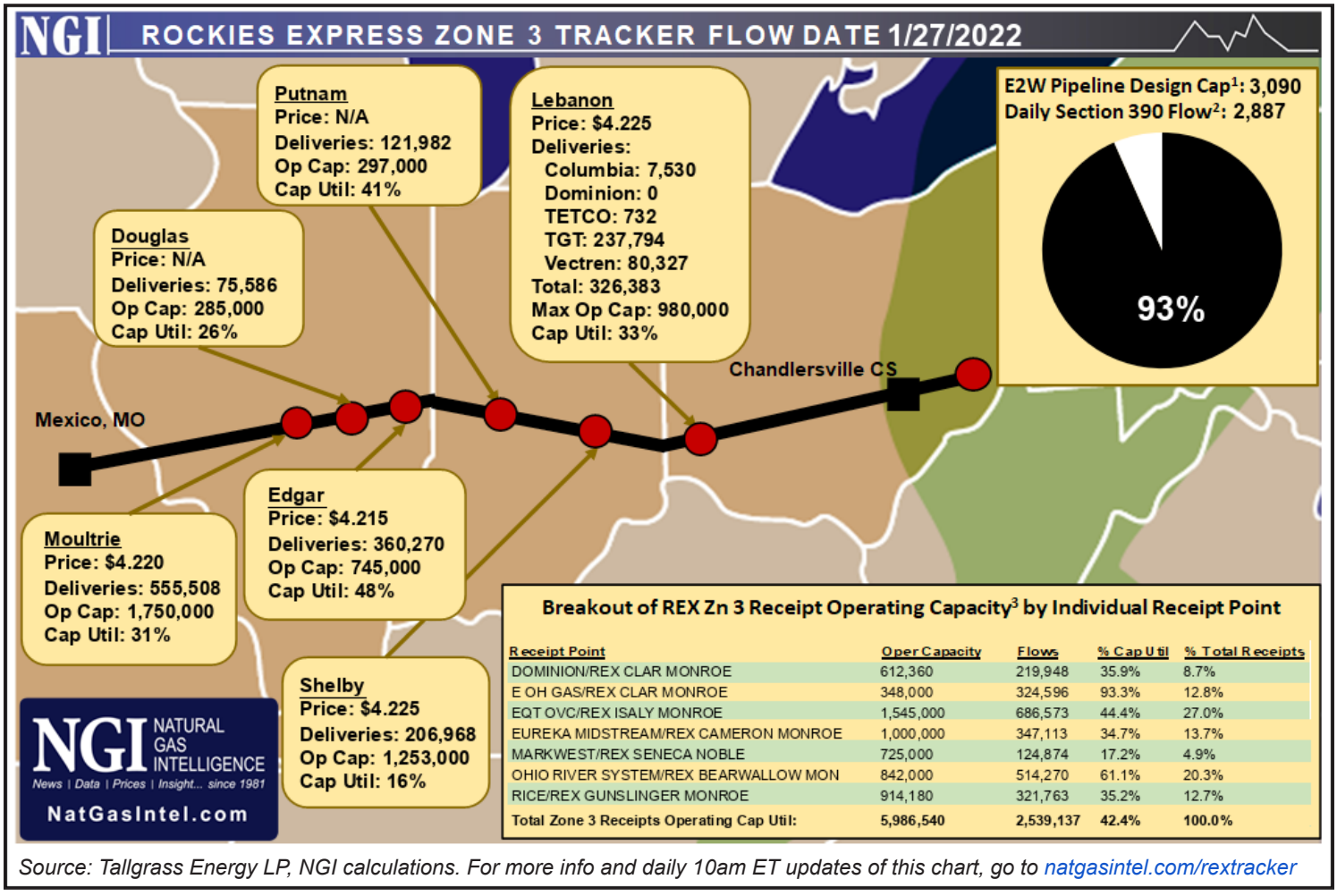
To help ensure an equitable transition for impacted oil and gas workers, the council is directing DCP and to participate in Los Angeles County's Just Transition Taskforce, EOPA highlighted.

Martinez also introduced a motion to create a job quality stabilization program to ensure oil and gas workers can transition to clean energy jobs "while retaining their wages and benefits."

According to EOPA, more than 580,000 Los Angeles residents live within one-quarter mile of a productive oil and gas well.

"On behalf of 430 elected officials from 49 counties working to phase out dangerous oil and gas drilling, EOPA California congratulates the LA City Council for their bold leadership to phase out and end the pumping of dirty fossil fuels that continue to devastate communities of color with toxic pollutants that can lead to premature death," said EOPA's Dominic Frongillo, executive director. "EOPA California is working statewide to do the same as California transi-





Receipt Point	Oper Capacity	Flows	% Cap Util	% Total Receipts
DOMINION/REX CLAR MONROE	612,360	219,948	35.9%	8.7%
E OH GAS/REX CLAR MONROE	348,000	324,596	93.3%	12.8%
EQT OVC/REX ISALY MONROE	1,545,000	686,573	44.4%	27.0%
EUREKA MIDSTREAM/REX CAMERON MONROE	1,000,000	347,113	34.7%	13.7%
MARKWEST/REX SENECA NOBLE	725,000	124,874	17.2%	4.9%
OHIO RIVER SYSTEM/REX BEARWALLOW MON	842,000	514,270	61.1%	20.3%
RICE/REX GUNSLINGER MONROE	914,180	321,763	35.2%	12.7%
Total Zone 3 Receipts Operating Cap Util:	**5,986,540**	**2,539,137**	**42.4%**	**100.0%**

Source: Tallgrass Energy LP, NGI calculations. For more info and daily 10am ET updates of this chart, go to natgasintel.com/rextracker

tions with a just transition for workers to a 100%clean energy future."

Upstream operations in Los Angeles include the Inglewood Oil Field operated by Sentinel Peak Resources California LLC. The asset is "the largest contiguous urban oil field in the U.S., with more than one million people living within five miles of the site," said EOPA, noting that jurisdiction of the field is split between Culver City and LA County.

Gov. Gavin Newsom has called for the state to stop issuing new drilling permits by 2024 and to phase out oil and gas extraction entirely by 2045. In October, state regulators launched a proposal to prohibit new wells and facilities within a 3,200-foot exclusion area, or setback, from homes, schools, hospitals, nursing homes and other "sensitive" locations.

Aliso Natural Gas Leak

In related news, the LA County Department of Public Health (CDPH) is seeking research proposals to study the health impacts on surrounding communities of a massive 2015-2016 methane leak from the Aliso Canyon natural gas storage field.

The blowout at the LA County facility owned by Southern California Gas Co. (SoCalGas) was the largest recorded methane leak in U.S. history.

The study is to be conducted by third-party researchers solicited through a competitive request for proposals process, and guided and evaluated by an independent oversight committee, officials said.

Knowledge gained from the study "may inform community stakeholders on short and long-term health risks, the allocation of public resources and services, and regulatory policies to prevent environmental disasters and minimize adverse public health impacts arising from them," CDPH said.

Although the LA City Council has sought to close Aliso Canyon, for now it remains essential to Southern California's energy security, at least according to state regulators.

The California Public Utilities Commission in November approved an increase in the field's maximum working gas capacity, from 34 Bcf to 41 Bcf. This is still less than half the 86 Bcf allowed prior to the leak.

SoCalGas, a subsidiary of San Diego-based Sempra, agreed in September to pay up to $1.8 billion in three settlement agreements stemming from the leak. The blowout required the temporary relocation of more than 8,000 families in the surrounding area.

"Thousands of health-related reports were received during the disaster, and people in the surrounding communities continue to express concerns about the impact of this disaster on their health," said CDPH.

CDPH is asking researchers to evaluate "relationships between exposures to airborne chemicals and other potential toxicants during and/or following the disaster and adverse health impacts to the community, which could include, but is not limited to, physical and mental health," officials said.

The Aliso Canyon facility is a former oilfield consisting of 114 storage injection wells. The blowout occurred on one of these wells in October 2015, causing an estimated 109,000 metric tons of methane to flow uncontrolled into the atmosphere for nearly four months.

Methane, the main component of natural gas, is a highly potent greenhouse gas with more than 80 times the warming power of carbon dioxide over the first 20 years after it reaches the atmosphere, according to the Environmental Defense Fund. ■

RPC Eyes Upping Fracturing Fleet Count for 2022

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pressure pumping equipment as market pricing and customer demand has consistently improved.

"RPC's fourth quarter revenues increased as strong current and forecasted commodity prices encouraged our customers to continue their drilling and completion activities," Hubbell said. "In addition, our revenues grew due to higher pricing and the new Tier IV dual-fuel pressure pumping fleet we placed into service late in the third quarter."

Hubbell also acknowledged that "personnel shortages exacerbated by the current Covid surge" are affecting the operational environment for RPC.

"Our industry is also facing materials and parts shortages impacting many essential inputs, as well as price increases for raw materials and components," he said. "While we have been able to stay ahead of these issues, they may impact our utilization and profitability in the near term."

Cost inflation has presented challenges across the board for OFS companies.

During a call to discuss fourth quarter and full-year 2021 earnings, Vice President Corporate Services Jim Landers said that activating another horizontal pressure pumping fleet – bringing the total from the current eight to nine – is one action RPC is contemplating.

When asked about the company's fleet count during the first half of the year, Landers said he "would think of it as being fairly constant to where…we're starting the year. We're assessing a number of things. One of them is activation of another fleet."

Landers noted RPC has "some fairly new and good quality equipment that can be reactivated if demand wants it," but he added the company has no new equipment on order.

If RPC had equipment on order, "we don't know how long it would take for new equipment to be delivered, but we know it would be a little while. So even if you place an order today, you wouldn't see a new additional fleet in the field from us during the first half of the year."

CFO Ben Palmer said RPC "has really been trying to focus more on generating sufficient cash flow on fleets we do activate much more than trying to get as many fleets in the field as possible."

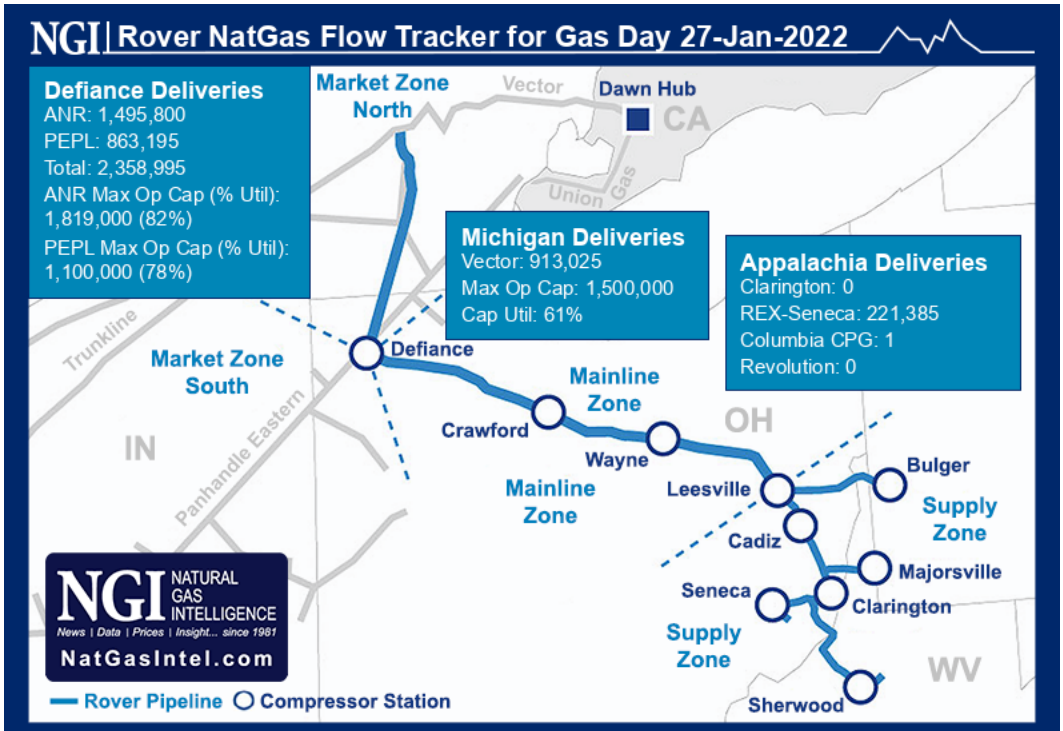
To be sure, Palmer said the company is "very interested in activating another fleet" under continued favorable economic conditions.

"We will continue to evaluate economics to support upgrading our equipment fleet," Hubbell said.

A New Fleet 'Placeholder'

RPC projected 2022 capital expenditures (capex) of about $125 million, up from $67.1 million last year. Palmer said the capex budget likely would go primarily toward "capitalized maintenance for existing equipment and selected growth opportunities."

Landers described the "growth opportunities" capex as "probably a placeholder for a new fleet," which he



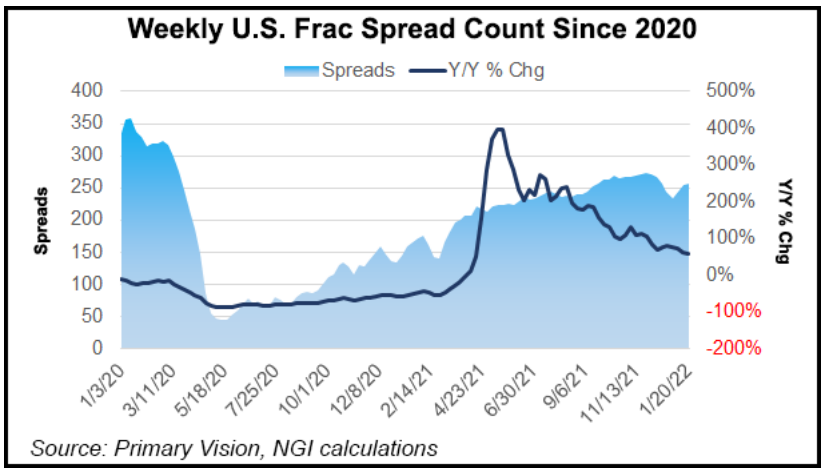
Rover Receipt Points	Op Cap	Receipt Vol	% Util
BERNE	350,000	248,497	71%
CADIZ-MW	300,000	0	0%
CADIZ-ORS	1,070,000	823,040	77%
CLARINGTON-EUREKA	350,000	275,598	79%
CLARINGTON-OVC	300,000	201,969	67%
CRAWFORD-UGS	350,000	60,606	17%
HARMON CREEK	400,000	206,088	52%
MADISON	400,000	184,300	46%
MAJORSVILLE	400,000	400,000	100%
REVOLUTION	525,000	47,000	9%
SENECA	800,000	0	0%
SHERWOOD	840,000	839,919	100%
SUNDANCE	406,000	204,097	50%
	System Cap*	TSQ	% Util
Total Rover Receipts	3,250,000	3,430,508	106%
Total Rover Deliveries	3,250,000	3,493,406	107%

*Represents stated full system capacity. All units in dekatherms.

Source: Rover EBB, NGI calculations & estimates

said would be Tier IV emissions standards-compliant.

RPC, whose operations comprise a Technical Services segment and a Support Services segment, reported $268.3 million in 4Q2021 revenues – an 80.5% quarter/quarter increase. It attributed the jump to "higher utilization of our existing equipment and pricing improvements."



The management team explained that Technical Services include completion, production and maintenance services generally to improve oil and natural gas flow from a well or to address well control issues. Support Services include equipment and tool rentals, pipe inspection and storage, and oilfield training.

For 2021, RPC reported revenues of $864.9 million, which is a 44.6% year/year increase.

The average U.S. domestic rig count was 561 during 4Q2021, up 12.2% from the previous quarter and up 80.4% year/year, RPC said.

The company added that the 4Q2021 average oil price was $77.27/bbl, translating into 9.6% quarter/quarter and 81.3% year/year increases. The $4.73/Mcf average natural gas price during the fourth quarter represented a 7.7% increase from 3Q2021 and an 89.2% increase year/year, the firm said.

RPC posted a 4Q2021 profit of $12.3 million (6 cents/share), up from $5.27 million (2 cents) quarter/quarter and swinging from a $10.2 million loss (minus 5 cents) year/year. The company also reported full-year 2021 net income of $7.2 million,(3 cents) compared to a $212.2 million net loss (minus $1) for 2020. ■

U.S. Petroleum Demand Rising as Travel Escalates; Oil Stocks Also Up

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and Chicago Citygate prices? Check out NGI's daily natural gas price snapshot now.]

The West Texas Intermediate oil price was $85.16/bbl on Jan. 21, or $1.34 above the previous week's price and $32.88 more than a year ago, EIA said.

"The argument for higher prices tends to get a bit sloppier as storage builds challenge the low stockpile story," said Mizuho Securities USA's Robert Yawger, director of Energy Futures.

For the Jan. 21 period, U.S. crude oil production edged slightly downward by about 100,000 b/d to 11.6 million b/d. Domestic production remains more than 1 million b/d below pre-pandemic highs.

EIA data showed a 2.4 million bbl week/week build in U.S. commercial crude oil inventories, which finished last week at 416.2 million bbl. Domestic crude stocks ended last week about 8% below the five-year average for this time of year.

Last week's build bucks an overall downward trend in crude stocks that EIA has observed.

Some oil bulls have predicted that oil prices will cross the $100/bbl threshold this year.

On a global scale, the International Energy Agency recently revised its 2022 oil demand outlook upward.

"The bullish momentum is primarily driven by military tensions and uncertainty in the Middle East and Eastern Europe, where the continued uncertainty surrounding Russia and Ukraine could jeopardize a significant portion of Russian oil flows should diplomatic talks break down and energy exports sanctions materialize," said Rystad Energy's Louise Dickson, senior Oil Markets analyst .

She added that oil benchmarks are rising, showing some "inflation immunity," despite news that the Federal Reserve (Fed) may increase interest rates in March, a move that normally would place downside pressure on prices.

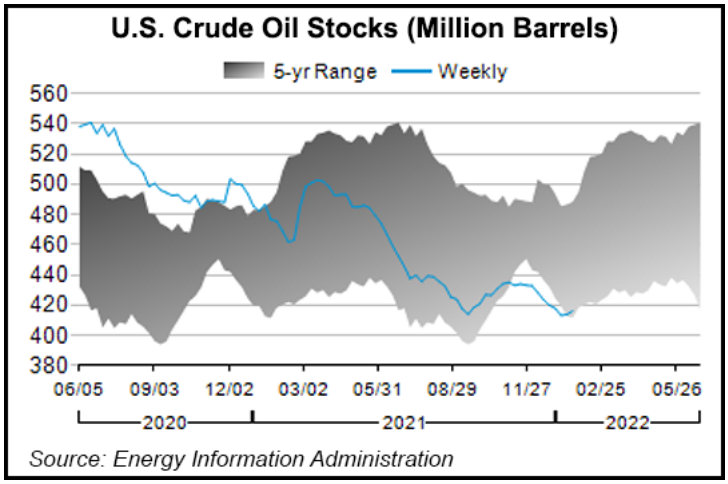
"The Fed's announcement of a minor tweak to U.S. monetary policy is unlikely to drag down rising commodity prices immediately or even impactfully, as other supply-side constraints outweigh its impact," Dickson said.

The oil market's attention should shift from the Fed to the

Organization of the Petroleum Exporting Countries and its allies, aka OPEC-plus, said Dickson. She explained OPEC-plus will meet next week, and the market will look for signals from the gathering regarding lifting supply tightness and easing oil prices.

OPEC-plus "has underdelivered against its stated production targets by hundreds of thousands of barrels and has committed to a passive role in the conversation despite external pressures primarily from the U.S to increase production and ease fuel prices," Dickson said.

She also noted that OPEC-plus would need to provide the "supply impetus that could calm markets and quell the demand for more production" when it meets as planned on Wednesday (Feb. 2), with top spare capacity producer Saudi Arabia taking the commanding role. ■



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