GA GROUP

AUGUST 2025

Monitor

Oil & Gas

OPEC+ PUMPS UP OIL PRODUCTION

OPEC+ FAST TRACKS OIL PRODUCTION INCREASE

The energy-producing group unwinds previous oil production cuts one year ahead of schedule

OIL PRICES STABILIZE AFTER BRIEF WAR SPIKE

The war between Israel and Iran briefly jolts oil market, though prices normalize after ceasefire

NEW EQUIPMENT PRICING ON THE RISE

Uncertainty related to wars, global trade relations, and various costs result in higher equipment prices

In This Issue

MONITOR OIL & GAS
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Deals are a moving target with a constantly shifting mix of people, numbers and timing. We are here to simplify this process for you. Our associates are experts at analyzing situations and quantifying values you need on the most complex deals, so you can leverage our extensive industry knowledge to close the deal.

Trend Tracker - Inventory

Trends (Since Publication of Prior Monitor in February 2025)	
NOLVs	Decreasing ▼
Sales Trends	Decreasing ▼
Gross Margin	Consistent –
Inventory	Consistent –

NOLVS

NOLVs have decreased due to soft demand resulting from lower oilfield activity and companies maintaining a less favorable inventory mix. Oilfield activity is primarily driven by long-term forecasts of oil and natural gas prices, which continue to be negatively impacted by uncertainty related to the global economic outlook and trade policy, geopolitical tensions, elevated interest rates, and a growing supply/demand imbalance driven by rising oil production by international producers. The decrease in NOLVs was partially offset by improved inventory management as well as a more favorable relationship between market price and inventory cost for steel, as steel market prices increased in 2025 after declining throughout most of 2024.

SALES TRENDS

Sales in the first half of 2025 generally trended lower compared to 2024, as capital discipline amid market uncertainty pushed down U.S. drilling and completion activity. The pace of declining sales slowed to start the year as U.S. rig counts stayed relatively flat. In April, U.S. the rig count began to fall, however. By early August, the count was over 10% lower versus the beginning of the year, which highlights the considerable headwinds facing the oil and gas industry. Large consolidations among exploration and production companies and oilfield services companies continue to pose a potential benefit – or risk – to vendors.

GROSS MARGIN

Gross margins remained mostly flat as competitive pricing pressures caused by softer demand and lower utilization rates, resulting in a lower leveraging of fixed costs, were largely offset by companies pursuing initiatives to improve efficiency and profitability. The impact of newly imposed tariffs on margins has been dependent on each company's ability to pass along price increases to customers, with degrees of success varying by company.

INVENTORY

Overall inventory levels remained flat as companies worked to match inventory levels to reflect reduced demand in the current market. This trend was partially offset by increased purchases ahead of anticipated tariff-driven cost increases.

Trend Tracker - Machinery/Equipment

Trends (Since Publication of Prior Monitor in February 2025)	
Used Pricing	Decreasing ▼
Used Trade Movement	Decreasing ▼
OEM Pricing	Increasing ▲
Technological Advancement	Consistent –
Auction Activity	Consistent –

PRICING

- **Used Pricing/Trade Movement**: Used equipment pricing is directly tied to factors such as oil prices, rig counts, geopolitical forces, and other inherent factors such as age, efficiency, and technology. Rig counts have decreased slightly over the past year and many of the same restrictions from the previous presidential administration are still in place, which has continued to put limits on the industry as well as placed downward pressure on the pricing of used equipment.

- **OEM Pricing**: Macroeconomic uncertainty, persistent inflation, and unrest in the Middle East in the first half of 2025 led to OEMs facing challenges related to cost control and meeting sales initiatives. OEMs must adjust to inflationary costs and production quotas, which have increased the cost and pricing of new equipment.

TECHNOLOGICAL ADVANCEMENT

The industry continues to focus on factors such as process automation and the digitization of real-time data. The use of new, ever-evolving systems and efficiencies will continue to grow as this sector aims to cut waste and grow profits.

AUCTION ACTIVITY

Auction activity has continued to primarily center around unused and excess equipment. Activity has been largely consistent versus the prior period, though there have been a number of fairly notable auctions through the first half of 2025. Many larger equipment sales have been conducted through brokers and private treaties, with the equipment being sold often consisting of newer or late-model items.

Overview

International energy producers are slated to increase oil production in the coming months, which is expected to significantly decrease global oil prices and lead to reduced fuel costs for U.S. drivers in 2025 and 2026. U.S. natural gas prices, in contrast, are expected to rise over the next two years, driven by demand for U.S. liquefied natural gas ("LNG"), per data from the U.S. Energy Information Administration ("EIA").

OIL

In August 2025, the Organization of the Petroleum Exporting Countries ("OPEC") and its oil-producing allies (collectively "OPEC+"), agreed to add 547,000 barrels of oil production per day in September. This boost comes on the heels of other monthly production increases implemented by OPEC+ starting in April and represents a total reversal of the group's voluntary production cuts agreed to a few years ago – one year ahead of schedule. The production increases will come via OPEC+ member countries Saudi Arabia, Russia, Iraq, the United Arab Emirates, Kuwait, Kazakhstan, Algeria, and Oman, per a news release from the group. OPEC+ noted that its decision was based on a healthy market outlook but added that its production expectations could change depending on future market conditions.

The earlier-than-expected production boost by OPEC+ prompted the EIA to downgrade its pricing forecast for Brent crude, the benchmark for Europe and much of the world. In August, the EIA revised its pricing forecast for Brent downward 2.4% and 12.0% for 2025 and 2026, respectively, versus the previous estimate issued in July to average $67 and $51 per barrel in 2025 and 2026, respectively.

The EIA now expects the global oil inventory buildup to average more than two million barrels per day in the fourth quarter of 2025 and the first quarter of 2026, which represents 800,000 more barrels per day – or roughly 67% more – than the agency's July estimate.

Lower oil prices could impact oil producers in certain regions in the U.S., where the breakeven price to bring oil to market is often higher than for some OPEC+ countries, many of which are located in the Middle East, giving the foreign producers a competitive advantage. However, U.S. producers often have a number of drilled but uncompleted wells ("DUCs") at their disposal, which represent wells that have undergone the drilling process but are not yet able to bring hydrocarbons to market. DUCs allow producers to bring oil or natural gas production online relatively quickly when commodity market prices are more profitable.

The U.S. has been a powerhouse of oil production in recent years and stepped in to fill the void left in the wake of OPEC+'s former oil production cuts. The U.S. is the world's top oil producer, producing a world record 13.2 million barrels per day in 2024, per the EIA. The U.S. is slated to set another oil production record in 2025, when the country is expected to produce 13.4 million barrels per day. In August, the EIA downgraded its forecast for U.S. oil production in 2026 to 13.3 million barrels per day. By the fourth quarter of 2026, the EIA expects U.S. oil production to decline to 13.1 million barrels per day.

"As crude oil prices fall, we expect U.S. producers will accelerate the decreases in drilling and well completion activity that have been ongoing through most of this year," the EIA stated in its Short-term Energy Outlook issued in August.

Overview

Lower crude oil prices will likely push down average U.S. gasoline prices to approximately $2.90 per gallon in 2026, roughly 6% less than the expected average for this year, the EIA noted.

Some wildcards exist in the marketplace, including ongoing global trade tensions surrounding tariffs – which could exert a bearish influence on oil prices should global economic activity become strained – and war, including a now-paused war between Israel and Iran, which heated up in June and was followed by ceasefire later that month that calmed oil markets, as well as an ongoing war between Russia and Ukraine that started in 2022. Oil prices could spike if these wars escalate.

The U.S. placed various tariffs on foreign goods starting in the spring of 2025, including those from the country's three largest trading partners: Mexico, China, and Canada. The U.S. is also facing various retaliatory tariffs as a result of its recent tariff plan. In recent weeks, the U.S. administration announced it reached trade agreements with the European Union, as well as various countries such as Japan, South Korea, and the U.K., that place some degree of tariffs on goods imported from these areas into the U.S. in exchange for various concessions.

"A break in the Israel-Iran ceasefire and elevated tensions or additional sanctions related to the Russia-Ukraine conflict could affect supply and could offset the supply growth from non-OPEC countries," the EIA stated. "The evolution of ongoing trade negotiations between the U.S. and its trading partners could affect economic and oil demand growth, with implications for oil prices."

The market price of West Texas Intermediate ("WTI") crude oil, the U.S.'s benchmark grade of crude, has been relatively steady in recent weeks, though prices spiked briefly in June following the start of the war between Israel and Iran. WTI prices averaged approximately $68 per barrel in both June and July 2025.

NATURAL GAS

The U.S. is flush with natural gas, which has resulted in prices being lower this year than the EIA's previous expectations. This is due to a high volume of natural gas being placed into storage during the current injection season, which runs from April through October.

The EIA estimates that U.S. natural gas production in 2025 will grow by 3% over 2024 to a record high 106.4 billion cubic feet per day, thanks largely to production growth in the Permian Basin, followed by growth in the Haynesville and Appalachia natural gas regions. The EIA noted that in terms of drilling rig numbers, the Haynesville region has led an increase in natural gas-directed rig deployments since April.

As a result of a rise in natural gas takeaway capacity in recent years, the Permian Basin, the leading oil-producing region in the U.S. located primarily in West Texas and including a sliver of New Mexico, has increasingly become known for its natural gas production. Natural gas is often a byproduct in oil production and is typically burned off in areas where takeaway capacity for the fuel is limited or nonexistent. Lower oil prices will likely lead to reduced production of oil-associated natural gas, particularly in the Permian Basin. However, overall natural gas production levels in 2026 will likely remain steady with 2025 as producers strategically attempt to position themselves to match rising demand from various LNG projects that are expected to become operational in late 2025 and 2026, the EIA noted.

Despite the Permian Basin's growing natural gas presence, the Marcellus natural gas region – which includes parts of Pennsylvania, New York, West Virginia, and Ohio – remains the top natural gas production area in the U.S.

The price of natural gas is slated to average $3.60 and $4.30 per million British thermal units ("MMBtu") at the benchmark Henry Hub in Louisiana in 2025 and 2026, respectively, per the EIA. In comparison, prices averaged $2.20 per MMBtu in 2024.

Overview

The expected price increase in 2026 will be driven by rising exports of U.S. LNG, natural gas cooled into a liquid condensed state, which enables it to be transported via ships overseas. The U.S. has become a major LNG exporter in recent years due to infrastructure investments in the U.S. and abroad as well as geopolitics. Europe has traditionally secured natural gas from Russia. However, following Russia's invasion of Ukraine in early 2022, that figure dwindled as a result of sanctions against Russia and other events stemming from the war. U.S. LNG helped make up for the lack of Russian gas, and the U.S. is now the world's top LNG exporter, a title the U.S. has held for two consecutive years. In recent weeks, the U.S. administration has stated it has inked agreements related to tariffs with certain countries that commit them to purchasing U.S. natural gas or other energy products.

POWER GENERATION

Natural gas remains the fuel of choice used to produce electricity in the U.S. However, renewable energy, such as solar and wind power, continues to take a larger share of the power grid. As a result, natural gas will likely experience stagnant growth in the electricity sector over the next two years, while renewables' collective share of the power grid will grow 13%.

Natural gas was the leading source of electricity production in 2024, accounting for 42% of the power grid, according to the EIA. However, that figure will drop to 40% in both 2025 and 2026.

All renewable categories, which include solar, wind, hydroelectric, biomass, and geothermal power, accounted for 23% of U.S. electricity generation in 2024. Renewables collectively represented the second largest source of electricity production that year, a trend that is expected to continue in the next two years. Renewables are expected to grow to 24% and 26% of the power grid in 2025 and 2026, respectively. Wind, the top renewable energy source, accounts for over 10% of U.S. electricity generation.

Notably, solar power has experienced a tremendous surge in recent years, going from a negligible share of the U.S. power grid several years ago to 5.1% in 2024. This figure excludes small-scale personal solar arrangements, such as solar arrays placed on rooftops by homeowners and businesses. However, when such solar arrays are included, solar power's share of U.S. electricity generation added up to 7.0% in 2024. Nonetheless, solar power's outlook has been clouded by a U.S. spending bill passed in the summer of 2025 that limited renewable energy incentives.

Nuclear power, which represented 19% of U.S. electricity generation in 2024, is expected to decline slightly to 18% in both 2025 and 2026, per the EIA.

Coal represented 16% of U.S. electricity generation in 2024. Once the perennial fuel of choice for electricity production in the U.S., coal has gradually lost ground over the years to natural gas as a result of the latter's cleaner-burning properties and competitive prices. However, coal is expected to see a slight bump in 2025 to represent 17% of the grid as LNG demand drives up natural gas prices, making coal competitive. Coal's share of U.S. electricity production is then slated to drop to 15% in 2026, per the EIA.

Rig Counts

U.S. RIG COUNT - AUGUST 8, 2025

	Current Week	Weekly Change	Prior Week	12-Month Change	12 Months Prior
Location					
Land	524	(1)	525	(45)	569
Inland Waters	2	0	2	2	0
Offshore	13	0	13	(6)	19
Total	539	(1)	540	(49)	588
Type					
Oil	411	(1)	410	(74)	485
Gas	123	(1)	124	26	97
Miscellaneous	5	(1)	6	(1)	6
Total	539	(1)	540	(49)	588
Directional	54	0	54	4	50
Horizontal	471	0	471	(50)	521
Vertical	14	(1)	15	(3)	17
Total	539	(1)	540	(49)	588
State					
Alaska	9	0	9	(1)	10
California	7	1	6	(2)	8
Colorado	12	0	12	(2)	14
Louisiana	34	0	34	(4)	38
New Mexico	95	(1)	96	(12)	107
North Dakota	29	0	29	(6)	35
Ohio	11	0	11	1	10
Oklahoma	43	2	41	8	35
Pennsylvania	18	0	18	(3)	21
Texas	243	(2)	245	(33)	276
Utah	10	0	10	(3)	13
West Virginia	7	0	7	2	5
Wyoming	14	(1)	15	0	14

Source: Baker Hughes

	Current Week	Weekly Change	Prior Week	12-Month Change	12 Months Prior
Major Basins					
Ardmore Woodford	1	0	1	0	1
Arkoma Woodford	0	0	0	(2)	2
Barnett	2	0	2	2	0
Cana Woodford	15	2	13	(2)	17
DJ-Niobrara	9	0	9	(1)	10
Eagle Ford	38	(1)	39	(12)	50
Granite Wash	16	1	15	11	5
Haynesville	41	1	40	9	32
Marcellus	24	0	24	(1)	25
Mississippian	1	0	1	1	0
Permian	256	(3)	259	(48)	304
Utica	12	0	12	2	10
Williston	31	0	31	(5)	36

INTERNATIONAL RIG COUNT - JULY 2025

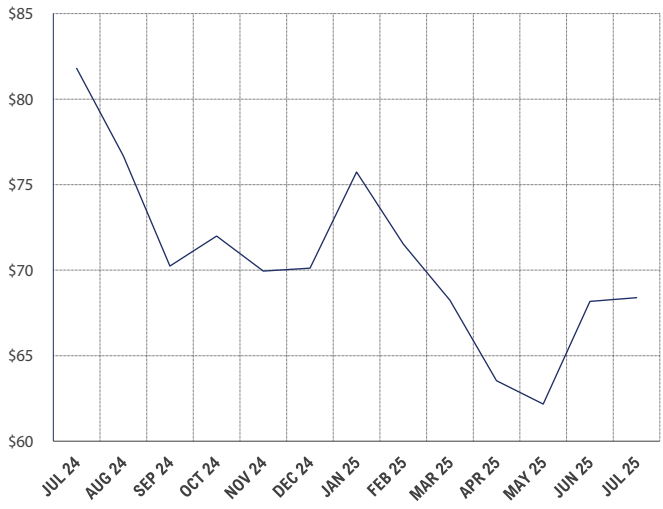
	Current Month	Monthly Change	Prior Month	12-Month Change	12 Months Prior
Region/Country					
Latin America	143	0	143	(11)	154
Europe	129	4	125	11	118
Africa	101	(1)	102	(7)	108
Middle East	334	(5)	339	(11)	345
Asia-Pacific	207	3	204	(2)	209
Canada	167	34	133	(26)	193

Source: Baker Hughes

Despite falling drilling rig counts throughout much of 2025, the U.S. is on pace to set an oil production record this year. However, the country's producers will likely pull back production in 2026 largely as a result of a planned increase in production by various international producers, which will place downward pressure on oil prices.

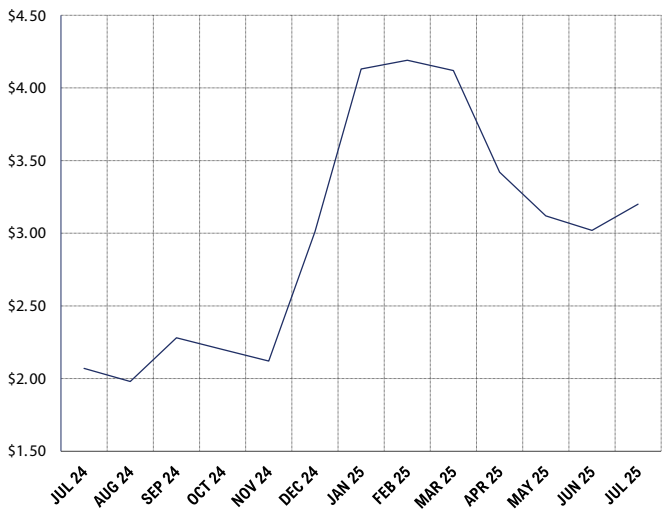
Oil and Natural Gas Prices

1 Average Monthly WTI Crude Oil Prices
July 2024 to July 2025
($ Per Barrel)



Source: EIA

2 Average Monthly Henry Hub Natural Gas Prices
July 2024 to July 2025
($ Per MMBtu)

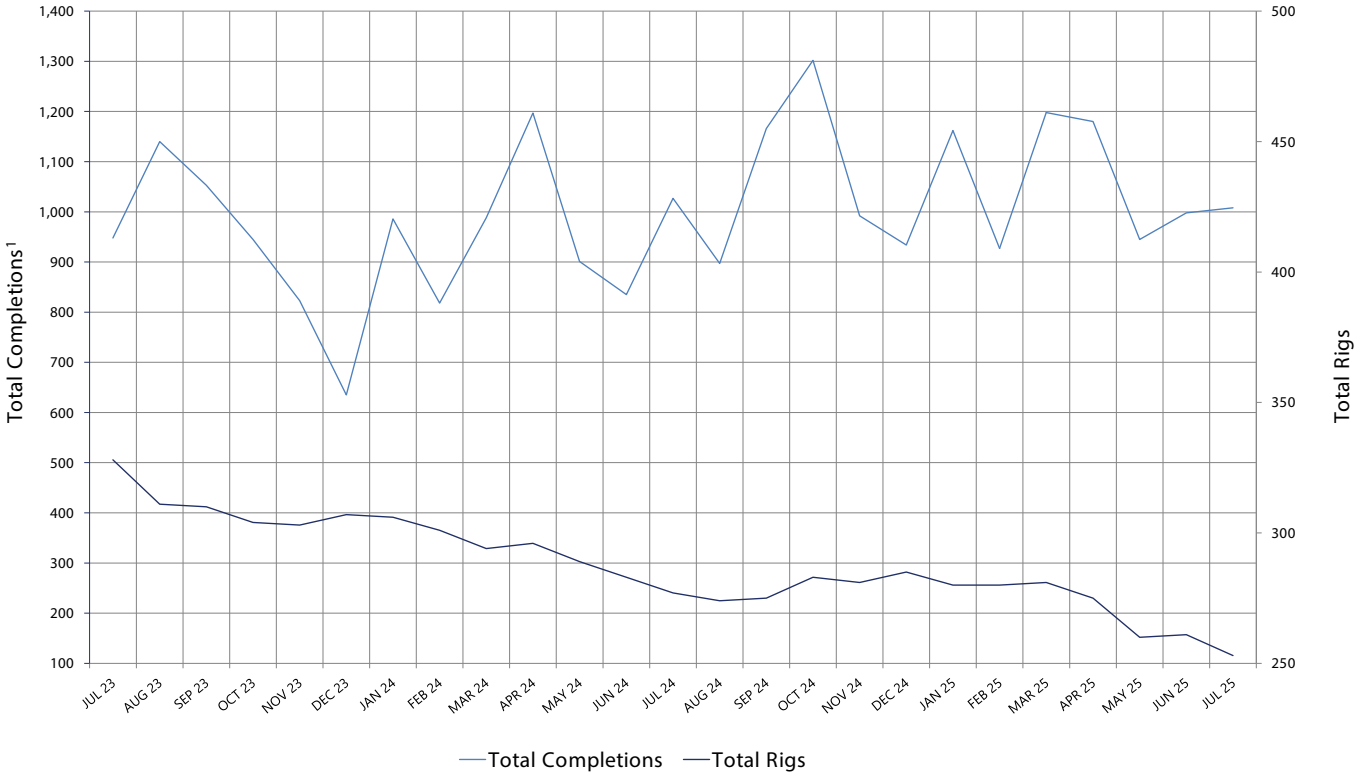


Source: EIA

Texas Drilling Activity

Drilling rigs in Texas have decreased versus a year ago, while completions have been mixed. Completions typically reflect actual energy production increases, while the number of active rigs is more indicative of actual drilling activity and future production potential due to the lag time between when drilling occurs and production comes on line. The vast majority of the Permian Basin, the U.S.'s leading oil-producing region, is located in Texas.

3 Texas - Total Completions versus Rigs[1]
July 2023 to July 2025

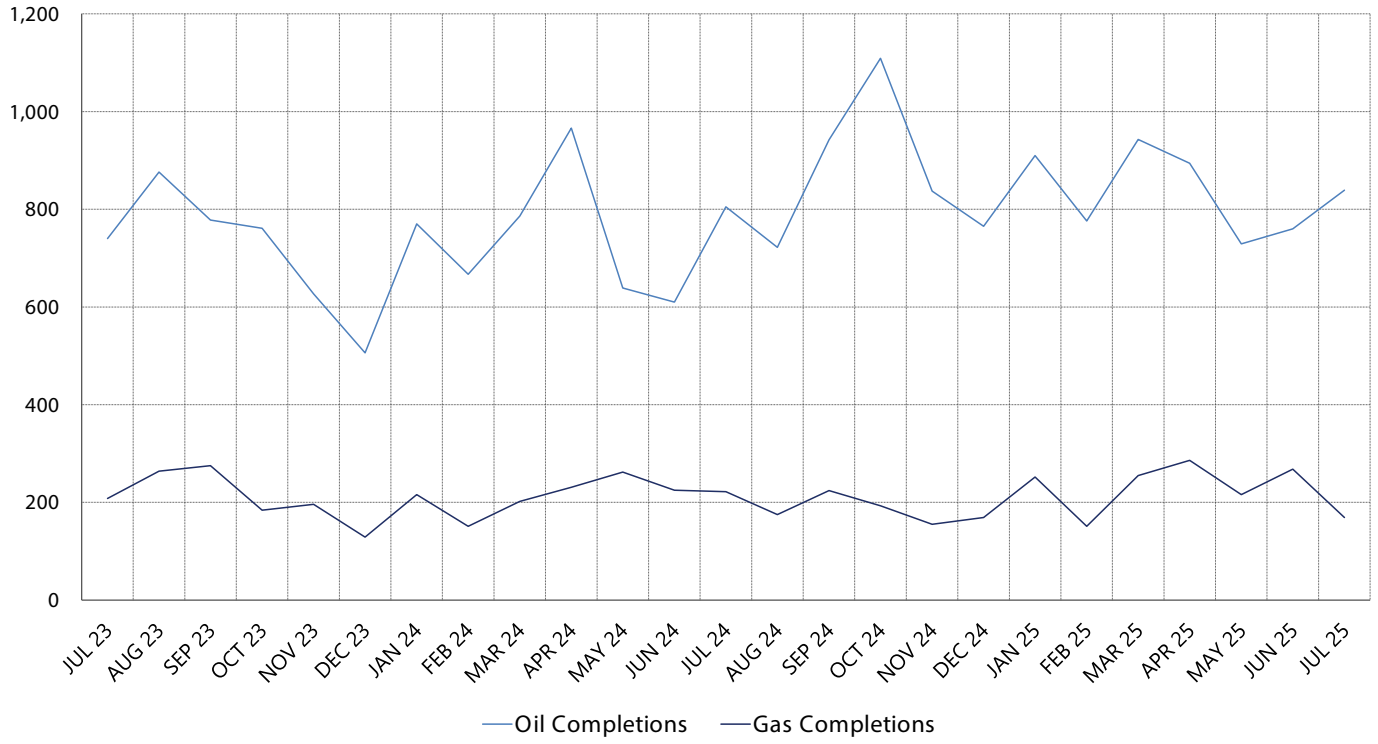


Note:
(1) Includes new drill, re-enter, and re-completions

Sources: Railroad Commission of Texas, Baker Hughes

Texas Completion Activity

4 Texas - Oil versus Gas Completions[1]
July 2023 to July 2025



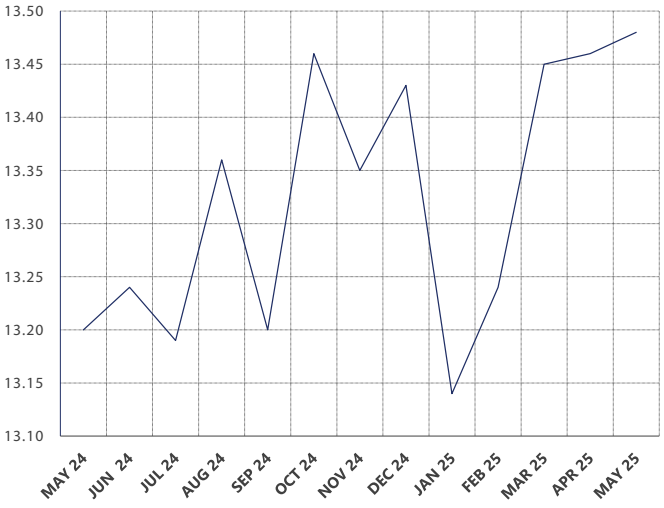
Note:
(1) Includes new drill, re-enter, and re-completions

Sources: Railroad Commission of Texas

Energy Production

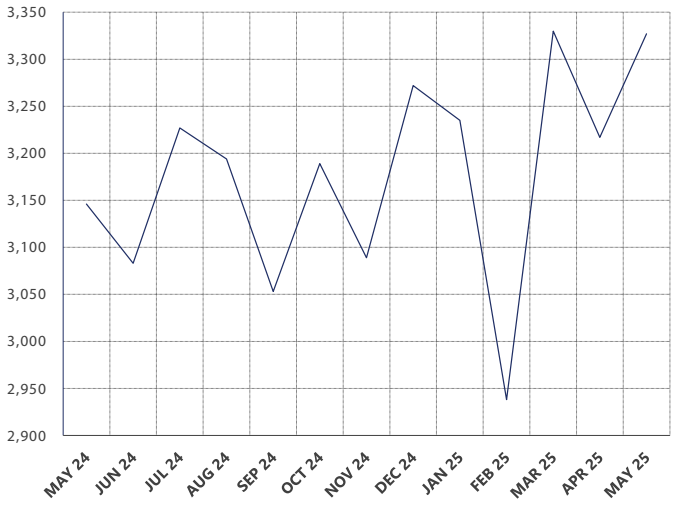
Drilling rigs have been dropping over the past year, but the U.S. remains on pace to set production records for both oil and natural gas in 2025 despite a production dip early this year for both commodities partly due to cold weather. However, the country's production for both commodities is expected to decline in 2026, largely due to expected increases in oil production by OPEC+, which will likely bring down oil prices and spur some producers to pull back. Additionally, as a portion of natural gas produced in the U.S. comes as a byproduct in oil production, any reduction in oil output will lead to a decrease in associated natural gas production. Nonetheless, overall natural gas production in 2026 is not expected to stray far from 2025 levels due to producers working to meet growing international demand for U.S. LNG, according to the EIA. LNG infrastructure investments in recent years and geopolitics centered largely around the Russia-Ukraine war have enabled the U.S. to become the world's top producer of LNG.

5 U.S. Crude Oil Production
May 2024 to May 2025
(Million Barrels Per Day)



Source: EIA

6 U.S. Dry Natural Gas Production
May 2024 to May 2025
(Billion Cubic Feet)



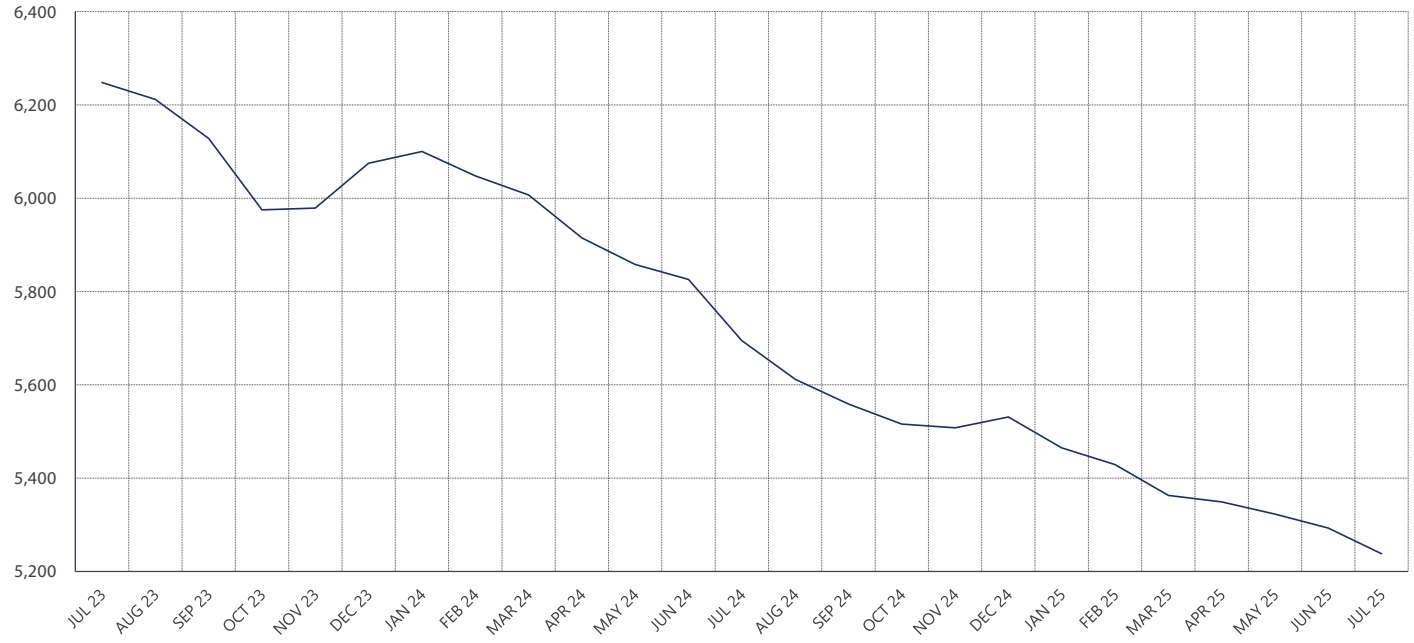
Source: EIA

Drilled But Uncompleted Wells

DUCs continue to decline in the U.S., though the country's oil and natural gas production has risen, suggesting that producers are tapping into their pool of DUCs. DUCs represent oil and natural gas wells that have been drilled but have not yet undergone casing, cementing, and other work necessary to create a fully functional well.

DUCs allow operators to quickly ramp up production in response to favorable market prices. The EIA notes that the time between the drilling and completion stages of a well is typically several months. The number of DUCs in reserve serves as a gauge of near-term production potential.

7 Drilled But Uncompleted Wells
July 2023 to July 2025



Source: EIA

Monitor Information

GA's *Oil & Gas Monitor* relates information covering the oil and gas sectors, including industry trends and their relation to our valuation process. Due to the dynamic nature of the oil and gas industry, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole. GA welcomes the opportunity to make our expertise available to you in every possible way. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.

The information contained herein is based on a composite of GA's industry expertise, contact with industry personnel, liquidation and appraisal experience, and data compiled from a variety of respected sources believed to be reliable. GA does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this issue. Neither GA nor any of its representatives shall be liable for use of any of the information in this issue or any errors therein or omissions therefrom.

Experience

GA has worked with and appraised a number of companies within the oil and gas industry. GA has built a quality team to deliver both tangible and intangible valuations across the oil and gas platform. GA's extensive experience includes valuations across a broad range of assets including:

MACHINERY, EQUIPMENT, AND OTHER INVENTORY VALUATIONS

- Pressure pumping units
- Drilling and well service equipment
- Frac tank rental/manufacturing
- Well logging tools
- Pipeline equipment
- Compression equipment
- Rental tools
- Transportation assets
- Wire line services
- Saltwater disposal wells
- Valves
- Tubular goods

TRANSACTION ADVISORY SERVICES

- Fairness Opinions and Solvency Opinions
- Buy-side, Sell-side, and Merger advisory services
- Deal Screening and Target Identification
- Quality of Earnings Analysis and Reports
- Market-sizing and Commercial Due Diligence
- Operational, financial, technical due diligence
- Complex financial modeling
- 100-day operating plans
- Interim management (CEO/CFO/CRO/COO)
- Transaction Support ("arms and legs")

Experience

VALUATION SERVICES

- Fair Value Measurements & Disclosures (ASC 820)
- Intangibles, Goodwill and Other (ASC 350)
- Business Combinations (ASC 805)
- Derivatives & Hedging (ASC 815)
- Financial Instruments (ASC 825)
- Long-lived Asset Impairment (ASC 360)
- Stock Compensation (ASC 718)
- Property transferred for services (IRC 83 (b))
- Compensation (IRC 409A)
- Transfer Pricing (IRC 482)

In addition, GA maintains experts within the oil and gas industry, such as Dan Daitchman and Taylour Bennett.

Dan Daitchman is a Director with GA . He has over 12 years of financial advisory and consulting experience helping clients resolve complex financial issues. He specializes in transaction and advisory services related to enterprises, derivatives, fractional equity interests, pre-deal diligence, and intangible assets. These services are used for strategic planning, transaction financing, financial statement reporting, capital raising, tax, litigation, bankruptcy, fairness opinions, solvency opinions, and merger and acquisition advisory. Prior to joining GA , Dan spent four years as a financial analyst with Hilco Valuation Services and one year as an analyst in the Alternative Investment Products group at US Bancorp. Dan earned his BS in Finance and Real Estate from Marquette University and an MBA in Finance from DePaul University. He is also an Accredited Senior Appraiser with the American Society of Appraisers.

Taylour Bennett has valued more than $2 billion in assets and businesses, providing valuation, advisory, and litigation services to clients. Throughout his career, Taylour has specialized in valuing and providing services to firms within the energy complex. Taylour is actively involved in Young Professionals in Energy and is working toward his designation as an Accredited Senior Appraiser, and as a Chartered Financial Analyst. Prior to joining GA , Taylour served as a finance intern at Chick-Fil-A. Taylour received his BA and MS in Finance from Texas Tech University.

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About GA Group

GA Group is a privately-held financial services company offering a comprehensive set of tailored solutions to meet our clients diverse needs. Our teams value, monetize, lend against or acquire assets across a broad range of sectors from both healthy and distressed companies.

GA Group and its predecessors are celebrating 50 years of client service and its current leadership has over 100 years of collective experience in the industry. GA Group is majority-owned by Oaktree Capital Management.

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