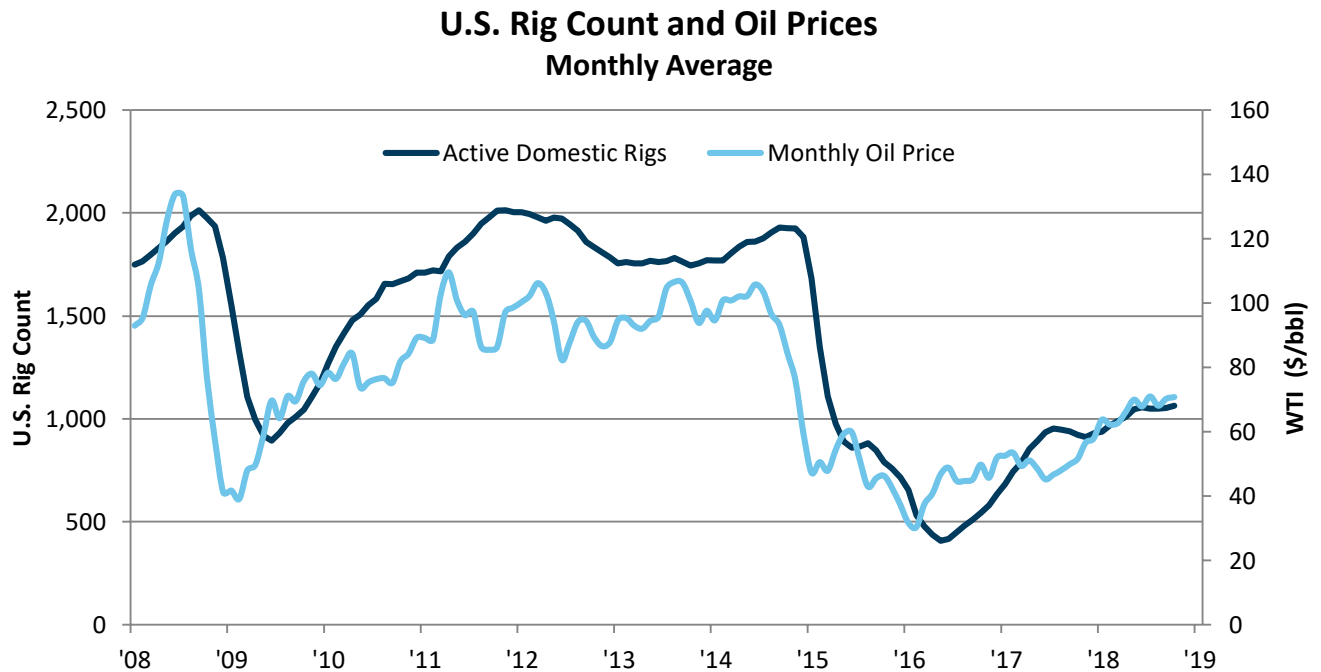


Drilling Activity and Oil Price

The U.S. rig count grew steadily in '18 as oil prices stabilized.



Sources: Baker Hughes, a GE company; U.S. Energy Information Administration

- Drilling activity increased significantly in the first 10 months of '18, topping out at 1,063 rigs in October, as West Texas Intermediate (WTI) oil prices averaged \$71 per barrel. The weekly rig count through the first 10 months of '18 averaged 1,023, up 18.0 percent from 867 rigs during the same span in '17. During the downturn, the rig count dropped from a high of 1,930 in September '14 to a low of 407 in May '16, a 78.9 percent decline.
- The rise in exploration activity has led to an increase in U.S. production. Domestic crude production averaged 10.7 million barrels a day through October '18, up 15.3 percent from 9.2 million over the same period in '17.
- The Permian Basin accounts for the majority of the rig growth. Of the 159 rigs added in the U.S. since October '17, 110 went to the Permian. As of October '18, the Permian was home to 45.8 percent of the U.S. drilling fleet, up from 41.7 percent the same time last year.
- Barclay's Midyear Upstream Spending Survey forecasts North America exploration budgets to increase 15 percent in '18, up from 9 percent in April.