

Weekly E&P Update

January 28, 2025

Vol. 4

Private Capital in Energy: Challenges, Strategies, and Trends

By Steve Hendrickson
President of Ralph E. Davis Associates



The [IPAA Private Capital Conference](#) provided a compelling look at the evolving landscape of energy investment, framed by shifting federal policy, changing private equity dynamics, and a tightening capital market. While not every discussion point can be covered, a few key themes stood out.

View from Washington

The political landscape remains fluid following the administration's recent declaration of a "national energy emergency." The full implications of this move are still unclear, and the IPAA is actively working to interpret its language. Significant changes are expected at regulatory agencies, including the EPA, the Department of the Interior, and the Department of Energy—many of which will likely face legal challenges.

Newly confirmed Treasury Secretary Bessant has floated a goal of increasing U.S. oil production by 3 million barrels per day, but the feasibility of such a target remains in question. Policy changes will likely rely on budget reconciliation, which can only be used twice—a limitation that forces prioritization. Industry efforts will focus on preserving percentage depletion and intangible drilling cost (IDC) expensing, while also advocating for permitting reform and revisions to the methane emissions tax.

Driving Success: Companies Effectively Raising Capital and Executing Exits

The private equity model that once depended on a robust acquisitions and divestitures (A&D) market has had to adapt. A more constrained deal environment and a stalled IPO market have led to longer investment hold times. This shift has pushed operators to prioritize efficiency, returns, and sustainability, giving rise to the phrase "sticks and scale"—a reference to the critical importance of both drilling inventory (the "sticks") and operational efficiency.

Undeveloped locations, which were not getting much valuation just a few years ago, are now seeing renewed interest. On the limited partner (LP) side, the emphasis on governance and social responsibility within ESG investing appears to be waning, though environmental concerns remain a factor in capital allocation decisions.

The State of Traditional Private Equity

Private equity investment in upstream oil and gas remains active but has contracted, both in terms of available dollars and institutional participants. While capital is still being raised, fewer dollars are needed as companies increasingly fund drilling through internal cash flow rather than external investment. The slowdown in the A&D market has further reduced the need for capital inflows.

Family offices have emerged as a more significant funding source following the departure of many institutional investors after 2020. However, many of these family offices prefer direct investment over traditional fund structures. As for regional interest, the Permian remains the top basin for investment, but other plays—including the Eagle Ford, Bakken, Haynesville, and mature gas fields like the Piceance and Fayetteville—are drawing attention as well.

A Banker's Perspective on How to Get Deals Done in Today's Market

Commercial banks are demonstrating a renewed willingness to lend as private credit firms gain traction and more companies reduce their bank debt. However, lending standards remain tight, with coverage ratios typically ranging between 1.0 and 1.5 times. While hedging remains a priority, banks are showing greater flexibility than in previous cycles. Due diligence on gas processing and takeaway infrastructure has intensified, even in regions with historically reliable midstream assets. To bridge the funding gap between bank debt and equity, second-lien loans and volumetric production payment (VPP) structures have become more prevalent.

Private Credit: The Alternative Debt Providers

Private credit lenders offer a diverse suite of financing solutions, though 2024 posed challenges for many in the space. Optimism for 2025 is growing as several private equity firms have successfully closed new funds. Panelists acknowledged the highly competitive environment for deploying capital but pointed to three potential drivers of activity: asset divestitures by major producers, a pickup in M&A transactions, and an expected rebound in natural gas prices. However, with inflationary policies likely to persist under the current administration, interest rates could remain elevated. Despite these concerns, oil and gas investments continue to outperform many other sectors, making the industry an attractive option for private credit.

Family Offices and International Equity: The Hottest Trends in Energy Investing

Family offices are playing an increasingly important role in energy investment, with an estimated 350 offices managing over \$1 billion in assets, including approximately 70 to 80 actively pursuing oil and gas deals. These investors typically target opportunities in the \$20 million to \$200 million range, with a preference for assets that do not require a clear exit strategy—allowing them to invest in plays with limited A&D activity. While each family office has unique criteria, producing property (PDP) transactions remain a common focus. A notable trend is the recruitment of seasoned professionals from private equity firms, leading to a convergence in compensation models and investment strategies between family offices and institutional funds.

Table Of Contents

[This Week in Oil & Gas](#)

[Commodity Futures](#)

[Industry Headlines](#)

[Recent Transactions](#)

[Rig Activity by US Region](#)

[Deal Value by US Region](#)

[Total US Rig Count by US Region](#)

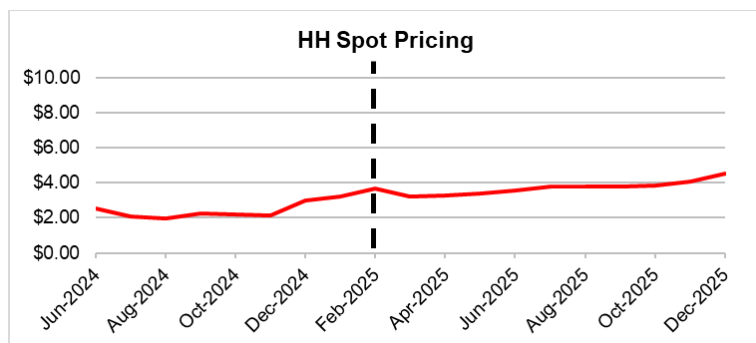
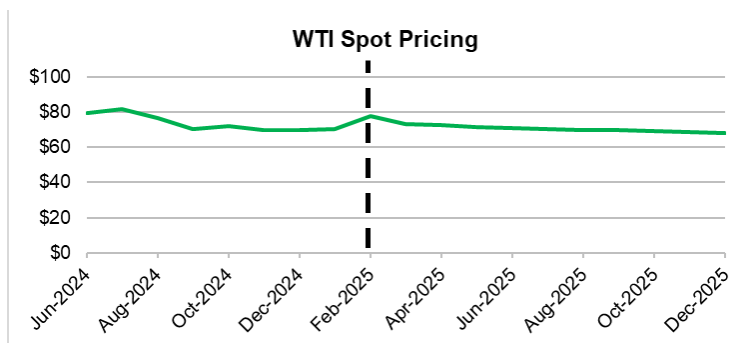
[US Daily Crude & Dry Natural Gas Production](#)

[Historical Production of US Shale Regions](#)

[Upcoming Events](#)

[About Us/Key Contacts](#)

NYMEX FUTURE PRICING



MONDAY'S MARKET CLOSE

NYMEX WTI CRUDE OIL FUTURES as of January 27, 2025 Close (\$/bbl)

Period	Current	WoW Change	Last Week	1 Yr Ago
2025	\$70.59	(\$3.02)	\$73.61	\$71.16
2026	\$66.73	(\$1.33)	\$68.06	\$67.84
2027	\$64.89	(\$1.05)	\$65.94	\$65.68
2028	\$63.93	(\$0.86)	\$64.79	\$64.45
2029	\$63.31	(\$0.71)	\$64.02	\$63.94

NYMEX HH NATURAL GAS FUTURES as of January 27, 2025 Close (\$/MMBtu)

Period	Current	WoW Change	Last Week	1 Yr Ago
2025	\$3.73	(\$0.14)	\$3.87	\$3.43
2026	\$3.98	(\$0.02)	\$4.00	\$3.74
2027	\$3.84	\$0.03	\$3.81	\$3.75
2028	\$3.72	\$0.06	\$3.66	\$3.71
2029	\$3.58	\$0.08	\$3.50	\$3.55

INDUSTRY METRICS—QUICK SNAPSHOT

	Current	Last Week	WoW Change	%Change
Crude Oil Near-Month Price (\$/bbl)	\$74.54	\$78.75	(\$4.21)	(5%)
Natural Gas Near-Month Price (\$/MMBtu)	\$3.79	\$4.28	(\$0.50)	(12%)
Weekly Upstream-Deal Transaction Value (\$MM)	\$0.00	\$306.00	(\$306.00)	(100%)
Weekly Number of Upstream-Deal Transactions	1	2	(1)	(50%)
Current Total US Rig Count	576	580	(4)	(0.7%)
US Field Crude Oil Production (MMbbl/day)	13.5	13.5	(0.0)	(0.0%)
US Field Dry Natural Gas Production (Bcf/day)	110.2	110.5	(0.3)	(0.3%)
Commercial Crude Oil Stocks-Excluding SPR (MMbbl)	412	413	(1)	(0.2%)
Natural Gas Stocks-Working Gas Underground Storage (Bcf)	2,892	3,115	(223)	(7%)
All Basin Drilled But Uncompleted Wells (DUC-Last Quarter)	5,238	5,238	0	-

*Source—Energy Information Administration (EIA), Bloomberg LP

*Source—Baker Hughes North America Rotary Rig Count & Enverus M&A Database

COMMODITY FUTURES - MONDAY'S MARKET CLOSE

	Current	1-Month Change	3-Month Change	6-Month Change	Year Ago Change
WTI					
Prompt	\$73.17	+2.18 [3.07%]	+5.79 [8.59%]	-2.64 [-3.48%]	-3.61 [-4.70%]
Bal25	\$70.59	+1.38 [2.00%]	+3.21 [4.76%]	-3.98 [-5.34%]	-4.93 [-6.53%]
Cal26	\$66.73	+0.53 [0.81%]	+0.67 [1.01%]	-4.66 [-6.53%]	-4.43 [-6.22%]
Cal27	\$64.89	+0.37 [0.57%]	+0.16 [0.25%]	-3.50 [-5.11%]	-2.95 [-4.34%]
Cal28	\$63.93	+0.35 [0.55%]	-0.10 [-0.15%]	-2.41 [-3.63%]	-1.75 [-2.66%]
Cal29	\$63.31	+0.35 [0.56%]	-0.43 [-0.67%]	-1.67 [-2.57%]	-1.14 [-1.77%]
Brent					
Prompt	\$77.08	+2.69 [3.62%]	+5.66 [7.92%]	-2.70 [-3.38%]	-5.32 [-6.46%]
Bal25	\$74.21	+1.54 [2.12%]	+2.79 [3.91%]	-4.58 [-5.81%]	-6.19 [-7.70%]
Cal26	\$70.61	+0.55 [0.79%]	+0.44 [0.62%]	-5.39 [-7.10%]	-5.55 [-7.28%]
Cal27	\$69.05	+0.30 [0.43%]	-0.05 [-0.07%]	-4.15 [-5.67%]	-4.15 [-5.67%]
Cal28	\$68.35	+0.20 [0.30%]	-0.37 [-0.54%]	-2.95 [-4.14%]	-2.99 [-4.19%]
Cal29	\$67.93	+0.10 [0.14%]	-0.66 [-0.96%]	-2.08 [-2.97%]	-2.40 [-3.41%]
Henry Hub					
Prompt	\$3.70	-0.24 [-6.07%]	+1.39 [60.11%]	+1.79 [93.86%]	+1.21 [48.47%]
Bal25	\$3.73	+0.08 [2.16%]	+1.14 [44.22%]	+1.34 [56.40%]	+1.18 [46.49%]
Cal26	\$3.98	+0.03 [0.73%]	+0.86 [27.60%]	+0.76 [23.48%]	+0.55 [15.98%]
Cal27	\$3.84	-0.01 [-0.14%]	+0.27 [7.53%]	+0.25 [6.96%]	+0.10 [2.66%]
Cal28	\$3.72	-0.02 [-0.59%]	+0.04 [1.18%]	+0.04 [1.16%]	-0.03 [-0.76%]
Cal29	\$3.58	-0.01 [-0.24%]	-0.01 [-0.14%]	-0.04 [-1.15%]	-0.13 [-3.63%]
Heating Oil					
Prompt	\$2.46	+0.05 [2.63%]	+0.06 [3.14%]	-0.39 [-16.03%]	-0.20 [-8.99%]
Bal25	\$2.32	+0.08 [3.85%]	+0.19 [9.62%]	-0.11 [-4.70%]	-0.18 [-7.93%]
Cal26	\$2.23	+0.06 [3.12%]	+0.02 [0.94%]	-0.14 [-6.45%]	-0.13 [-5.91%]
Cal27	\$2.18	+0.03 [1.68%]	+0.03 [1.80%]	-0.09 [-4.46%]	-0.11 [-5.36%]
Cal28	\$2.15	+0.03 [1.62%]	+0.03 [1.68%]	-0.05 [-2.56%]	-0.07 [-3.40%]
RBOB					
Prompt	\$2.03	+0.16 [6.98%]	+0.33 [15.57%]	+0.09 [3.58%]	-0.37 [-13.19%]
Bal25	\$2.13	+0.08 [3.52%]	+0.19 [8.75%]	-0.08 [-3.29%]	-0.30 [-11.58%]
Cal26	\$2.00	+0.04 [1.78%]	+0.08 [3.49%]	-0.14 [-6.07%]	-0.20 [-8.38%]
Cal27	\$1.96	+0.03 [1.33%]	0.00 [0.20%]	-0.14 [-6.21%]	-0.17 [-7.09%]
Cal28	\$1.96	+0.02 [0.86%]	0.00 [-0.18%]	-0.11 [-5.00%]	-0.14 [-6.29%]

*Source—Bloomberg LP

SELECTED INDUSTRY HEADLINES

US Oil and Gas Rig Count Falls to Lowest Since Dec 2021, Baker Hughes Says

U.S. energy firms this week cut the number of oil and natural gas rigs operating for a third week in a row to the lowest since December 2021, energy services firm Baker Hughes said in its closely followed report on Friday.

OPEC+ Yet to React to Trump Call for Lower Oil Prices

OPEC+ has yet to react to a call from U.S. President Donald Trump for lower oil prices, with delegates from the group pointing to a plan already in place to start raising oil output from April.

Oil Falls Recording Weekly Decline Amid Trade War Threats

Oil posted its first weekly decline this year after President Donald Trump threatened trade wars and demanded OPEC+ lower crude prices.

Reality Wins Over Perception in Oil Prices

The perception of the impact of President Trump's tariff threats and his call for OPEC to make crude less expensive led to lower prices.

Chevron, GE Vernova, Engine No. 1 Team Up to Power Data Centers (LOGIN REQUIRED)

Chevron, GE Vernova and investment firm Engine No. 1 said they were forming a joint venture to power artificial-intelligence data centers with natural gas-fueled electricity.

EIA Expects Higher Wholesale U.S. Natural Gas Prices as Demand Increases

We expect increases in the Henry Hub natural gas price in 2025 and 2026 as demand for natural gas grows faster than supply, driven mainly by more demand from U.S. liquefied natural gas (LNG) export facilities, reducing the natural gas in storage compared with the last two years.

Natural Gas Futures Extend Slide Early as February Forecasts Dampen Demand Outlooks (LOGIN REQUIRED)

With growing signs of mild weather in February, natural gas futures fell further in early trading Tuesday amid fading volumes for the February contract on its penultimate day as the prompt month.

Trump Says US Will Guarantee LNG Supplies for Europe

President Donald Trump said on Thursday the United States would guarantee supplies of liquefied natural gas to Europe, even amid worries that the booming export industry could boost prices of gas for U.S. consumers.

Trump Says He Will Use Energy Emergency Declaration to Approve More Power for AI

President Trump said Thursday that he will use his energy emergency declaration to approve power stations for artificial intelligence (AI) centers.

With Trump Pivot Back to Pro-Oil and Gas Policies, One Renewable Energy Finds Favor

As promised, President Donald Trump began reversing the country's energy policies his first day in office with a spate of orders largely favoring oil, gas and coal.

Drones Zoom Oilfields to Curb Methane Emissions

The energy industry is going all-out to eliminate methane gas emissions and the Texas Pipeline, Texas Oil & Gas and Texas Independent Producers & Royalty Owners associations say the deployment of squadrons of drones is part of a complex mix of methods

SELECTED RECENT TRANSACTIONS

Diversified to Acquire Maverick, Enter Permian Basin in \$1.3 Billion Deal

Diversified Energy will acquire EIG's Maverick Natural Resources, adding acreage that offsets Diversified's core Western Anadarko position and Permian Basin assets in the northern Delaware.

Amplify Energy to merge with Juniper Capital's upstream Rocky Mountain companies

Amplify Energy has entered into a definitive merger agreement with privately held Juniper Capital to combine with certain Juniper portfolio companies which own substantial oil-weighted producing assets and significant leasehold interests in the DJ and Powder River Basins.

W&T Offshore Secures Settlement and Strategic Asset Sale

The company is making strategic moves by selling a non-core interest in Garden Banks Blocks 385 and 386 for \$12.3 million.

Kimbell Royalty Partners Acquires Midland Basin Assets for \$231 Million

Kimbell Royalty Partners, LP an owner of oil and gas mineral and royalty interests in approximately 17 million gross acres in 28 states, today announced that it has agreed to acquire mineral and royalty interests held by a private seller in a cash and unit transaction valued at approximately \$231 million.

Diversified Energy Company to Acquire Operated Properties of Summit Natural Resources LLC for \$45 Million

Diversified Energy Company PLC agreed to acquire operated natural gas properties and related facilities of Summit Natural Resources LLC for \$45 million on January 6, 2025.

Vitesse Inks a \$222 Million Strategic Expansion Deal to Acquire Lucero Energy

Vitesse Energy, Inc. VTS recently announced an all-stock transaction deal to acquire Lucero Energy, an oil and gas producer operating on the North Dakota side of the Williston Basin.

China's CNOOC Sells US Assets to Britain's INEOS

China's CNOOC Ltd has sold its U.S. subsidiary, together with its upstream oil and gas assets in the Gulf of Mexico, to British chemicals group INEOS, according to a CNOOC statement issued on Saturday.

Vitesse Energy to Acquire Lucero Energy

Vitesse Energy is set to acquire Lucero Energy in an all-stock transaction valued at \$222 million, enhancing Vitesse's financial standing and operational scope.

Freehold Royalties Announces Strategic Midland Basin Royalty Acquisition and Bought Deal Equity Financing

Freehold Royalties Ltd. has entered into a definitive agreement with a private seller to acquire mineral title and royalty interests in the core of the Midland Basin in Texas for approximately \$216 million.

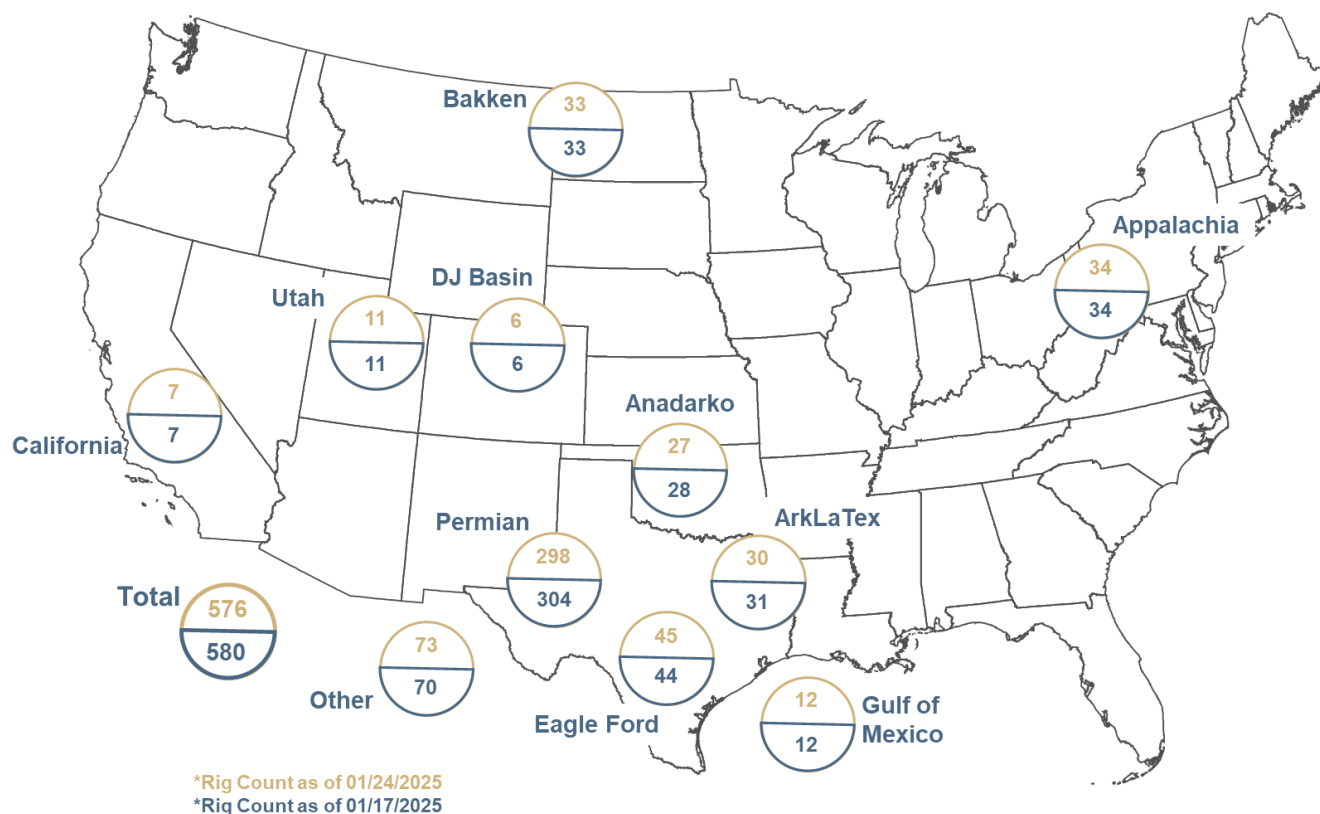
CNX to Acquire Appalachian Basin Natural Gas Business From Apex Energy

CNX Resources Corp., Pittsburgh, has agreed to acquire the Appalachian basin natural gas upstream and associated mid-stream business of Apex Energy II LLC for about \$505 million.

Crescent Energy Expands in Eagle Ford Basin With Ridgemar Energy Deal

Crescent Energy said on Tuesday it would acquire Carnelian Energy Capital-backed Ridgemar Energy's assets in the Eagle Ford basin in Texas for a cash-and-stock deal of \$905 million, further strengthening its position in the basin.

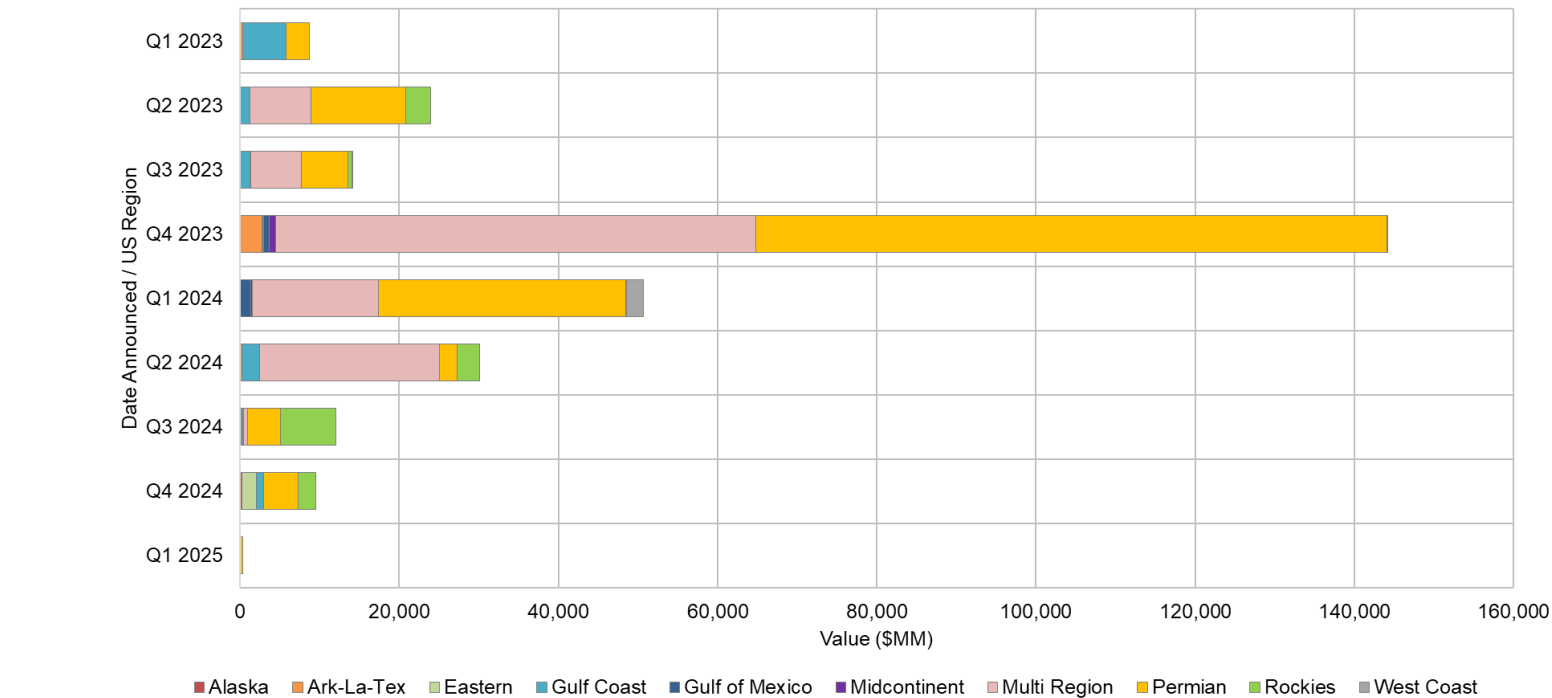
RIG ACTIVITY BY US REGION



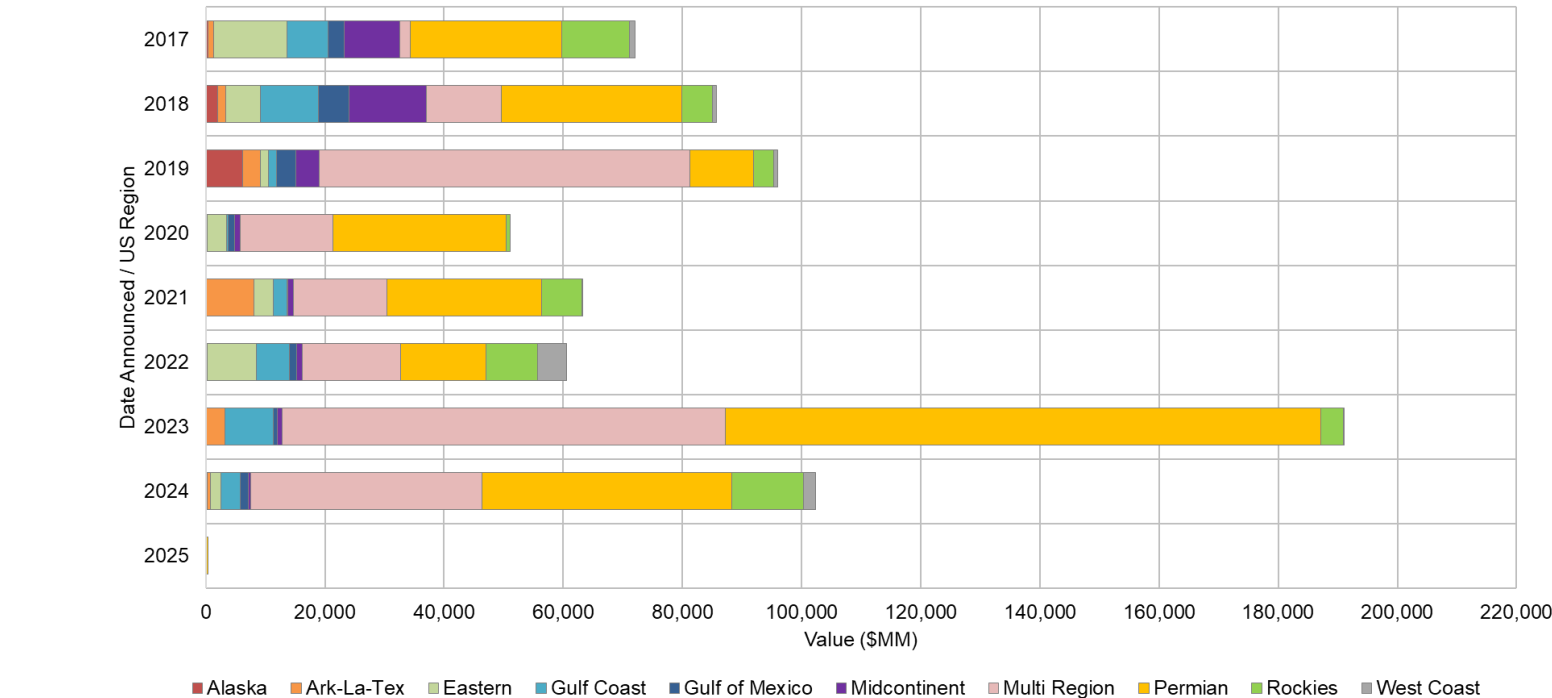
	Week Ending 01/24/2025		Week Ending 01/17/2025		Week Ending 01/26/2024
U.S. Rig Breakouts	Count	+/-	Count	+/-	Count
Oil	472	(6)	478	(27)	499
Gas	99	1	98	(20)	119
Not Specified	5	1	4	2	3
Directional	51	(1)	52	2	49
Horizontal	511	(4)	515	(48)	559
Vertical	14	1	13	1	13
Land (Inc Others)	560	(4)	564	(42)	602
Inland Waters	2	0	2	2	0
Offshore	14	0	14	(5)	19
US Total	576	(4)	580	(45)	621

*Source—Baker Hughes North America Rotary Rig Count

DEAL VALUE BY US REGION (BY QUARTER)

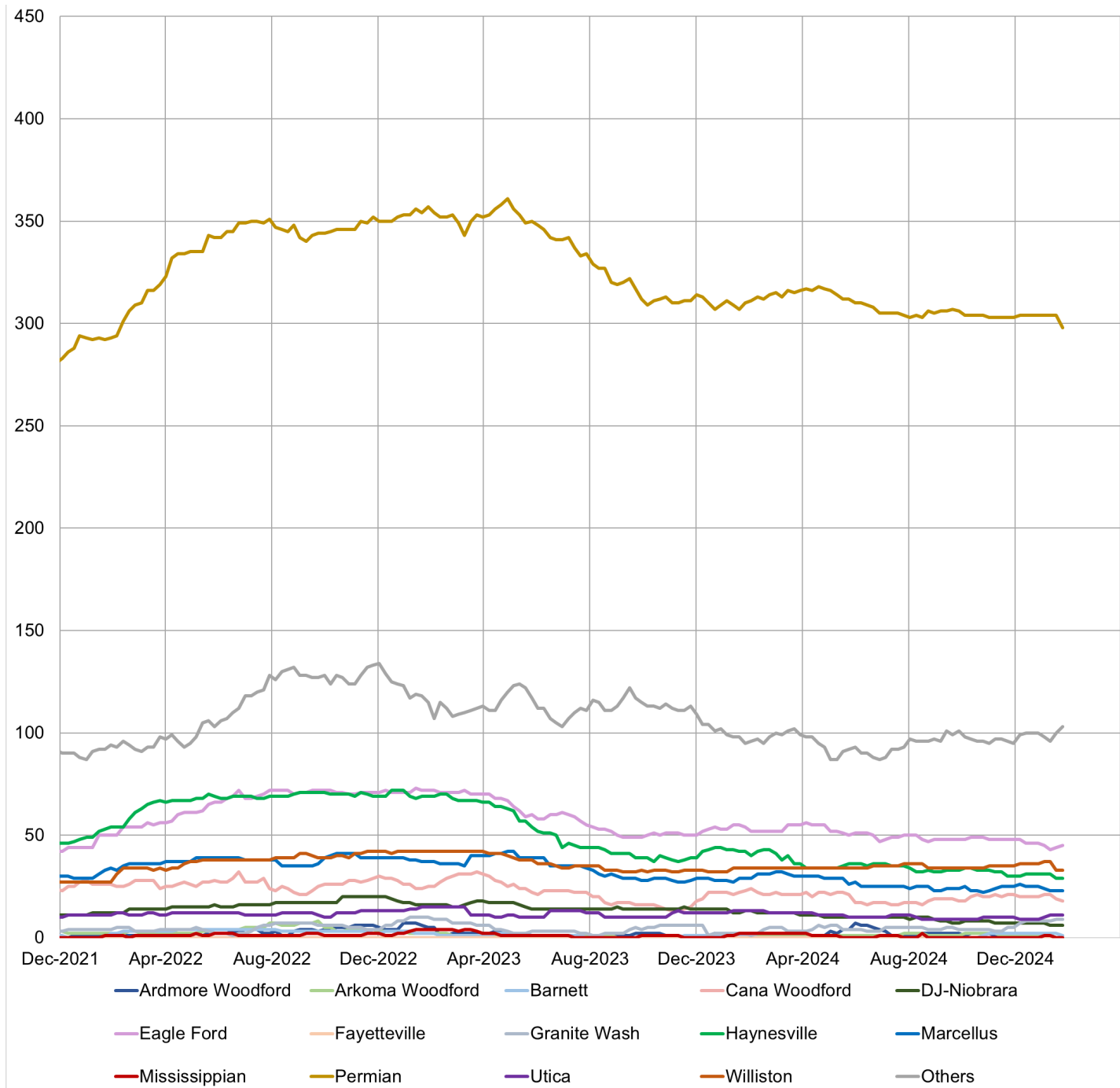


DEAL VALUE BY US REGION (BY YEAR)



*Source—Enverus M&A Data- (Charts exclude terminated deals)

RIG ACTIVITY BY US REGION



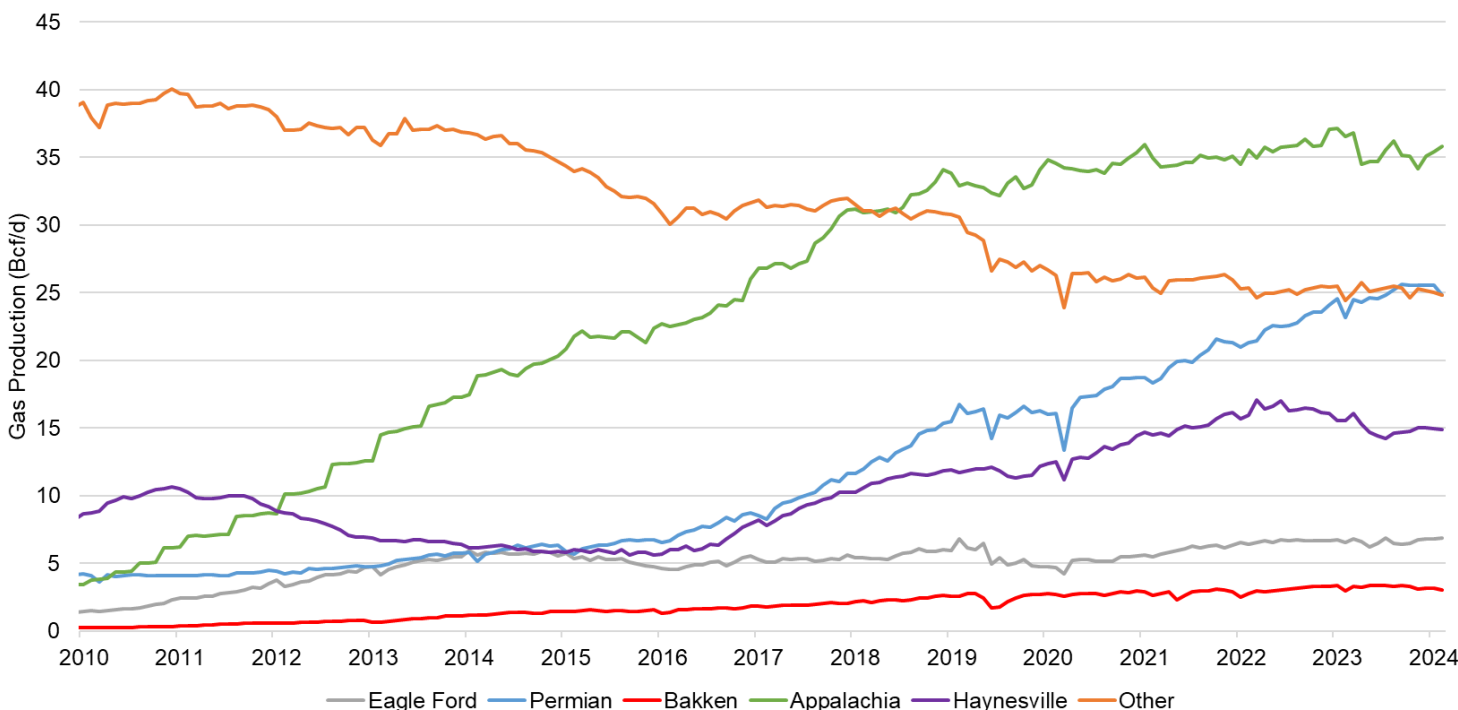
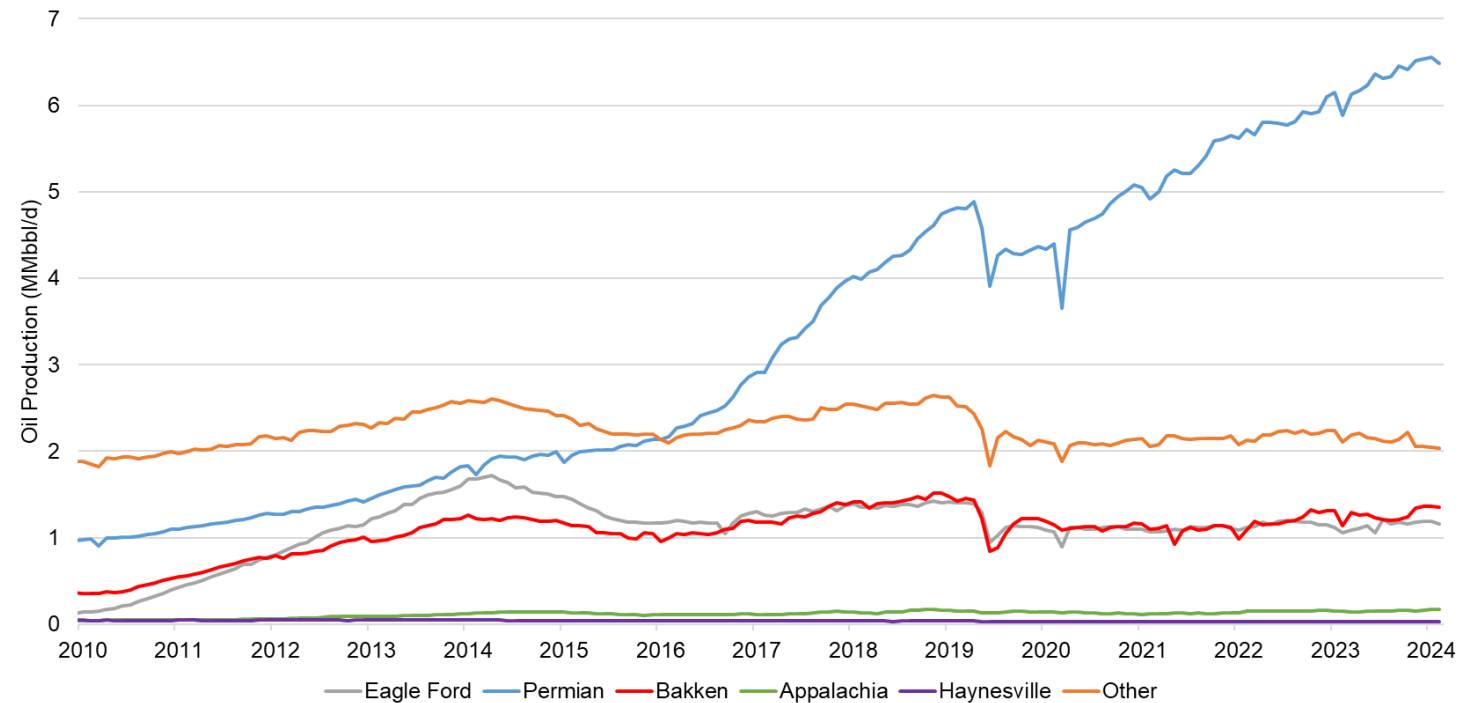
*Source—Baker Hughes North America Rotary Rig Count

US DAILY CRUDE (MMbbl) & DRY NATURAL GAS PRODUCTION (MMcf)



*Source—Energy Information Administration (EIA)

HISTORICAL PRODUCTION OF SELECTED US SHALE REGIONS



*Source—Energy Information Administration (EIA)

UPCOMING EVENTS

February 2025		
SPE Hydraulic Fracturing Technology Conference	February 4-6	The Woodlands, TX
NAPE Summit	February 5-7	Houston, TX
KIPP Better Together Breakfast	February 11	Tulsa, OK
SPE GCS - A&D Symposium	February 26	Houston, TX
March 2025		
U.S. Men's Clay Court Championship	March 29 - April 6	Houston, TX

*Denotes an Oppertune Sponsored Event

ABOUT RALPH E. DAVIS ASSOCIATES

Ralph E. Davis Associates LLC (RED) is an industry-leading petroleum engineering and geosciences firm committed to satisfying the individual needs of clients. We accomplish this by holding ourselves to the highest standards of integrity and professionalism to deliver honest, direct and actionable insights to help clients achieve their strategic objectives. We distinguish ourselves by combining reservoir engineering, geoscience evaluation techniques and advanced data analytics with economic analyses to provide our clients with individual, customized solutions.

Banks, bondholders, private equity firms, financial institutions and law firms around the world trust in RED's diverse services and unrivaled upstream oil and gas expertise to deliver comprehensive solutions that help clients make informed decisions. We add value to every engagement by employing a team approach, leveraging Oppertune LLP's experienced bench of experts in transactional due diligence, tax advisory, investment banking, restructuring and valuation.

We offer technical and economic analyses to deliver our clients a complete, independent, accurate and detailed assessment of the value of their assets. We apply a robust set of technical capabilities to assist our clients. Our capabilities include:

- Reservoir engineering and geosciences
- Economic forecasting and reporting
- Data analytics and geospatial analysis

KEY CONTACTS



Steve Hendrickson is the President of Ralph E. Davis Associates, an Oppertune LLP company. Steve has over 35 years of professional leadership experience in the energy industry with a proven track record of adding value through acquisitions, development and operations. Steve is a licensed professional engineer in the state of Texas, and holds an M.S. in Finance from the University of Houston and a B.S. in Chemical Engineering from The University of Texas at Austin. He recently served as a board member of the Society of Petroleum Evaluation Engineers (SPEE) and is a registered FINRA representative.



John Beaird is Vice President of Ralph E. Davis Associates, an Oppertune LLP company. John has 39 years of oil and gas management, reservoir engineering, and petroleum economics evaluation experience. Recent relevant experience includes the Permian, Western Gulf, Tx-La-Miss Salt, Mid-Continent, Denver-Julesburg, Wind River, Williston Basin, and Appalachian Basins. John is a registered Petroleum Engineer in the State of Texas and holds a B.S. in Petroleum Engineering from Louisiana Tech University. He is also an active member of the Society of Petroleum Evaluation Engineers (SPEE).



David Edwards is a Petroleum Engineer at Ralph E. Davis Associates, an Oppertune LLP company. David has over four years of reserves engineering experience in conventional and unconventional reservoirs. Before RED, David was a Petroleum Engineer at a lower middle market A&D advisory firm where he handled the technical processes for marketed assets. He began his career with an operator in Dallas, where he contributed to its engineering, operations, and A&D teams. David holds an M.B.A. from The University of Texas Permian Basin and a B.S. in Petroleum Engineering from The University of Oklahoma.

