

# What's Market: US Oil & Gas Sector 2024 in Review

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An Article reviewing the US oil and gas sector in 2024, including a discussion of pricing, production, export trends, and recent legal and regulatory developments. This Article also discusses key trends and developments in upstream oil and gas financing, especially reserve-based loans, and includes a discussion of trends and developments that may affect the US oil and gas sector in 2025.

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The US oil and gas sector is at a crossroads. Industry participants are navigating competing stakeholder and regulatory interests: investors' demand for capital discipline and strong shareholder returns, political demands for increased drilling, domestic and international regulations aimed at limiting [greenhouse gas](#) (GHG) emissions, and variable demand for oil and gas. They are managing these competing interests amid geopolitical and trade tensions and commodity price volatility, while at the same time ensuring they are well placed to take advantage of disruptive technologies (such as [AI](#) and clean hydrogen) that have the potential to change the industry.

These efforts are complicated by a tighter credit market that has seen fewer large financial institutions willing to extend financing to smaller producers, focusing instead on larger, diversified oil and gas companies or their long-term clients. This is causing many oil and gas companies to turn to regional banks and to explore alternative sources for the capital they need for their operations.

Many of these issues were highlighted in 2024. US producers pursued a strategy of managed growth through disciplined drilling policies to improve their financial performance and generate returns for investors. While this still resulted in record oil production (largely due to operational efficiencies and innovative drilling techniques), OPEC+ supply cuts helped maintain the stability of crude oil prices despite short periods of volatility. By contrast, natural gas prices were lower in 2024 amid reduced demand and other issues, resulting in a more challenging year for gas-weighted producers.

Declining public pressure to [decarbonize](#) coupled with underperforming renewable energy assets and investments is causing most oil and gas companies to pivot away from energy transition efforts. Several prominent European based oil companies are canceling clean energy projects, including Shell who recently took a [\\$1 billion write-off](#) for a cancelled wind project and BP which announced a strategic reset, significantly shifting away from clean energy projects and towards [fossil fuels](#). Only a minority of producers remain committed to managing their GHG emissions and reducing the [carbon intensity](#) of their operations. A few with more robust balance sheets are investing in [carbon capture and sequestration](#) and AI technologies to better track and mitigate their emissions, but these projects may be called into question depending on whether government subsidies for these projects remain available.

To improve efficiency and reduce costs, producers of all sizes are electrifying their operations. While this also has the effect of reducing their emissions, that is not the primary motivation. Industry leaders and market watchers have come to accept that the move to renewable sources will not be immediate or total as these sources are far from being sufficient to meet global energy needs (both as fuel and to create products that can only be developed from crude oil).

With fossil fuels expected to remain a key component of the global and domestic energy mix for some time, oil and gas companies are pursuing strategies that increase their market share in the highest producing basins, investing in new basins in search of growth, and consolidating their operations by offloading non-core assets to generate more cash flows and make them more attractive to investors and lenders.

This Article explores how these competing interests and underlying industry tensions played out in 2024, including:

- Crude oil and natural gas pricing trends.
- US oil and gas production trends.

- US oil and gas export trends.
- Financing trends, including loan terms in [reserve-based loans](#) (RBLs), and the increased appetite for alternative capital sources, including private equity and [family offices](#).
- M&A and other consolidation activity.
- Key legislative and regulatory developments that will have ongoing implications for the industry.

This Article also considers the outlook for the sector in the near and medium terms, particularly considering the changed political climate. This Article considers these changing policy initiatives and regulations, as well as other geopolitical developments that may arise in 2025.

## 2024 Overview

The US oil and gas sector was remarkably resilient in 2024 despite a challenging macroeconomic and geopolitical environment and a significant decline in natural gas prices. The industry is adapting to changing market dynamics and trade flows caused by Russia's invasion of Ukraine, hostilities between Israel and Hamas, and a global trend to develop more clean energy sources. Producers are also grappling with inflationary pressures and supply chain issues that have increased project development and drilling costs.

Although oil prices were lower in 2024 than in 2023, they were generally higher than the break-even thresholds of most producers and generally ranged within a narrow band (see [Pricing Trends](#)). This price stability was maintained despite record US oil production, largely due to the continuation of OPEC+ production cuts (see [Production Trends](#)). Operational efficiencies and synergies from strategic acquisitions enabled many producers to preserve cash flows that they used to reward investors with generous dividend payouts and buyback programs. According to [data](#) from Deloitte, the sector issued roughly \$213 billion in dividend payouts and \$136 billion in buybacks through mid-November 2024. For example, ConocoPhillips [announced](#) in the third quarter that it planned to boost its quarterly dividend by 34%, while ExxonMobil [delivered](#) \$9.8 billion back to shareholders and bumped its dividend up 4%.

Consolidation activity among oil producers continued in 2024, especially in the Permian Basin, driven by the relative stability in crude oil prices and the need to reduce costs, diversify asset portfolios, and bolster their presence in high producing basins, although activity increased in other basins as inventory decreased in the Permian (see [Article, Expert Q&A on Oil & Gas M&A in 2024 and the Outlook for 2025](#)).

This consolidation has resulted in larger, more resilient companies that are better equipped to navigate oil price volatility, respond to market disruptions, and implement risk management strategies to future-proof their operations in an evolving energy landscape. However, this has also led to a bifurcation of the upstream industry between larger and smaller producers, which may give larger producers significant negotiating leverage in their dealings with oilfield services and midstream companies with potentially significant effect on contractual terms and pricing (see [Article, Expert Q&A on Upstream Oil & Gas in 2024 and the Outlook for 2025](#)).

By contrast, natural gas prices were more volatile in 2024, falling as low as \$1.21 million [British thermal units](#) (MMBtu), leading to a more challenging year for gas-weighted producers. According to data from the [Energy Information Administration, Henry Hub](#) natural gas spot price averaged about \$2.20 MMBtu, the lowest average annual price in inflation-adjusted dollars ever reported (see [Pricing Trends](#)). Significant production (including [associated gas](#) from

increased oil production in certain basins) combined with reduced demand and limited pipeline capacity to transport gas, put downward pressure on US prices (see [Production Trends](#)). While there was some M&A involving natural gas and gas-weighted producers, price instability and uncertainty in the natural gas sector resulted in fewer deals involving these companies versus oil producers (see [Article, Expert Q&A on Oil & Gas M&A in 2024 and the Outlook for 2025](#)).

[Liquefied natural gas](#) (LNG) was a bright spot in the natural gas market, with significant exports to Europe and Asia (see [Export Trends](#)). The US continues to be a leader in this space, with exporters taking advantage of the liquid gas market and low prices to offer competitive terms to offtakers (see [Article, Expert Q&A on Midstream Oil & Gas in 2024 and the Outlook for 2025](#)). Despite the suspension of the Department of Energy (DOE)'s review of LNG exports to countries with which the US does not have a free trade agreement (non-FTA), and Freeport LNG being offline for significant parts of the year, US LNG exports remain significant, including to non-FTA countries. According to a recent DOE report, 89.1% of total LNG exports through November 2024 went to non-FTA countries (see [DOE: Office of Fossil Energy and Carbon Management: U.S. Natural Gas Imports and Exports Monthly \(November 2024\)](#)).

Traditional bank lending, notably RBLs, remain an important source of capital for producers. However, it is increasingly difficult for smaller producers to access this source. To fill the funding gap, smaller producers are turning to regional and alternative sources of capital and structures, including family offices and securitizations (see [Oil and Gas Financing](#)).

Implementing [generative AI](#) and other AI technologies was a major focus of the sector as industry participants sought ways to use these technologies to better understand their data to gain operational efficiencies, reduce maintenance costs, and identify potential areas for growth (see [Growth of AI](#)).

## Pricing Trends

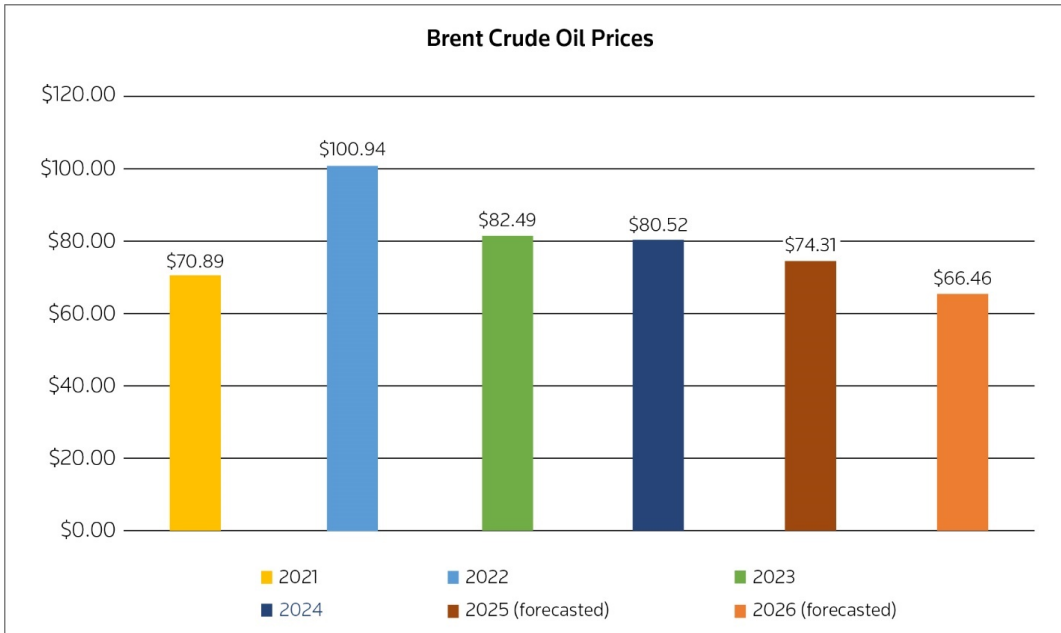
### Crude Oil Prices

Despite periods of volatility, oil prices remained relatively stable throughout 2024, with only modest declines from 2023. According to data from the EIA, Brent crude oil (the global benchmark) averaged about \$80.52 per barrel in 2024, compared to \$82.49 in 2023. Similarly, West Texas Intermediate (WTI) (the US benchmark) averaged about \$76.63 per barrel in 2024 compared to \$77.58 in 2023 (see [EIA: Spot Prices](#)).

However, there were periods of volatility. WTI prices peaked at \$93 p/b in mid-April amid concerns that escalating tensions in the Middle East could disrupt global oil supplies. In September, prices fell below \$70 p/b for the first time since December 2021 due to soft Chinese demand and an oversupplied crude oil market, before climbing back in the last few months of the year and hovering around \$74 p/b in late December (see [EIA: Cushing, OK WTI Spot Price FOB](#)).

Going forward, the EIA appears to have adopted a more bearish stance amid slower demand growth and surplus inventory levels. The EIA forecasts Brent prices to average \$74 p/b in 2025, and expects prices to make a significant shift downward in 2026, forecasting an average of \$66 p/b. See [EIA Short-Term Energy Outlook \(January 2025\)](#). However, these forecasts may change depending on the Trump administration's policies on oil and gas development, approach to tariffs, and sanctions on Iran, Russia, and Venezuela that may impact demand and supply (see [Practice Note, Oil and Gas Price Fundamentals: Crude Oil and Refined Products Market Fundamentals](#) and [Legal Update, President Trump Issues Day One Executive Orders to Promote Oil and Gas Development](#)).

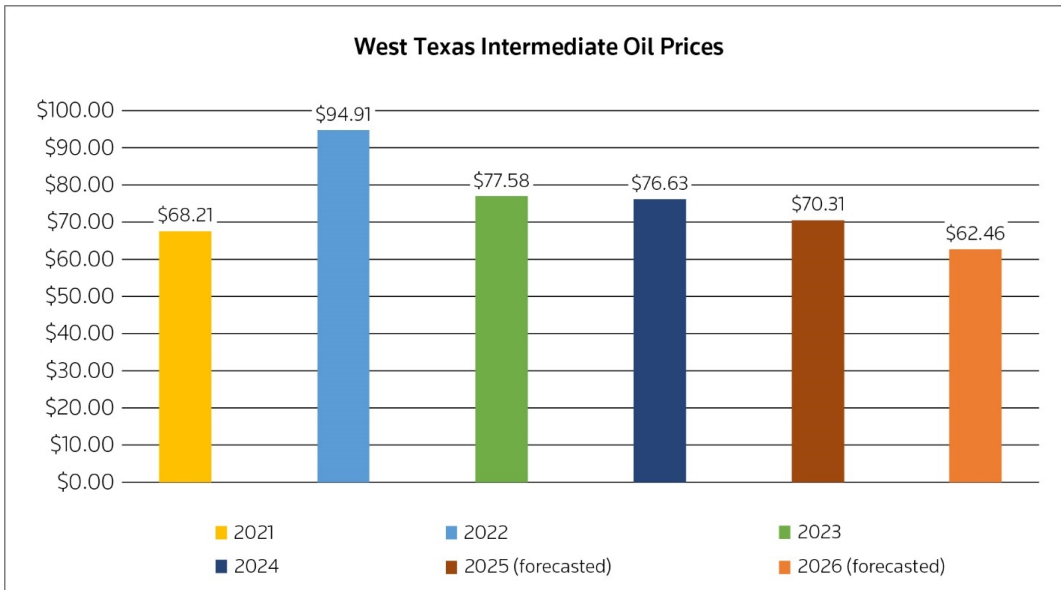
The following chart shows Brent crude oil prices since 2021 (and estimates as of January 2025).



**Figure 1:** Price (US dollars per barrel) of North Sea Brent crude oil, the international benchmark, since 2021 (Data from the Energy Information Administration as of January 2025).

The EIA also expects WTI prices to decrease over the next two years, forecasting averages of roughly \$70 p/b in 2025 and \$62 p/b in 2026. See [EIA Short-Term Energy Outlook \(January 2025\)](#).

The following chart shows WTI crude oil prices since 2021 (and estimates as of January 2025).



**Figure 2:** Price (US dollars per barrel) of West Texas Intermediate oil, the US benchmark, since 2021 (Data from the Energy Information Administration as of January 2025).

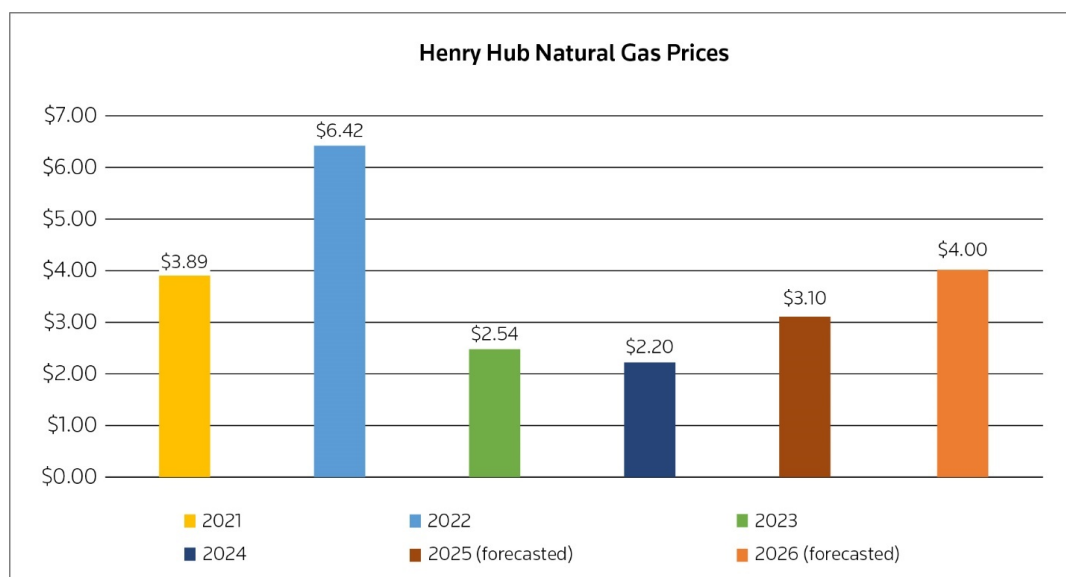
## Natural Gas Prices

Henry Hub natural gas prices were low throughout most of 2024, averaging about \$2.20 per MMBtu, according to data from the EIA (see [Henry Hub Natural Gas Spot Prices](#)). Record production and high inventory levels, coupled with lower demand and milder weather contributed to these low prices.

Prices from February through April hit record lows, falling as low as \$1.38 per MMBtu. Although average monthly prices rose in the middle part of the year and remained relatively steady throughout the second half, there were several record-setting lows in November, including an all-time low of \$1.21 MMBtu on November 8 and 11 (see [Henry Hub Natural Gas Spot Prices](#)).

The EIA estimates that prices will increase over the next two years, averaging \$3.10/MMBtu in 2025 and \$4.00/MMBtu in 2026. See [EIA: Short-Term Energy Outlook \(January 2025\)](#). According to the EIA, lower inventory levels may push prices up, although weather conditions and slower-than-expected LNG production could have an impact. Prices may also rise as demand for natural gas increases to power data centers and reshored manufacturing facilities. Increased LNG exports may also impact domestic natural gas prices if production cannot keep pace (see [Article, Expert Q&A on Midstream Oil & Gas in 2024 and the Outlook for 2025](#)).

The following chart shows Henry Hub prices since 2021 (and estimates as of January 2025).



**Figure 3:** Price (US dollars per million British thermal units) at Henry Hub (the national benchmark) since 2021 (Data from the Energy Information Administration as of January 2025).

## Production Trends

### Crude Oil Production

The US is the world's top crude oil producer and has been since 2018. US crude oil production continued to set records in 2024 despite production cuts from OPEC+ and weakening global economic growth and slower economic activity in China, dampening demand.

## OPEC+ Production

OPEC+ has repeatedly postponed plans to unwind its production cuts amid weaker demand and increased production levels outside of the group, notably the US. These cuts have been in place since 2022 to boost oil prices (see [Pricing Trends](#)).

Although OPEC+ had announced plans to begin gradually phasing out its production cuts in October, the group continued to further extend this date. At the time of this writing, OPEC+ planned to start increasing oil output in April 2025, with a complete unwinding expected at the end of 2026 (see [Reuters: OPEC+ Delays Oil Output Hike Until April, Extends Cuts Into 2026 \(December 5, 2024\)](#)). Together with prior agreements, OPEC+ members have pledged total cuts equal to 5.86 million bpd, or roughly 5.7% of daily world demand.

According to the EIA, OPEC+ crude oil production averaged 36 million b/d in 2024. The EIA anticipates levels will remain relatively steady over the next two years, estimating an average of 36 million b/d in 2025 and 2026. See [EIA: Short-Term Energy Outlook \(January 2025\)](#).

Saudi Arabia appears to be less interested in increasing production to squeeze out high-cost US producers and maintain market share versus keeping prices relatively high for OPEC+ members that are heavily reliant on oil revenues to maintain their economies (see [IMF: Regional Economic Outlook: Middle East and Central Asia](#) (statistical app. tbl.6) and [Practice Note, Oil and Gas Price Fundamentals](#)). A return to 2014 prices, caused in part by high Saudi production, seems unlikely, therefore. Moreover, the market in 2024 and 2025 is very different than in 2014. Due to the consolidation that has taken place in the last 24 to 36 months, US oil producers are larger and more able to navigate price shocks. Although inflation and supply chain issues have increased the costs of drilling new wells, operational efficiencies have also reduced drilling costs of existing wells.

## US Production

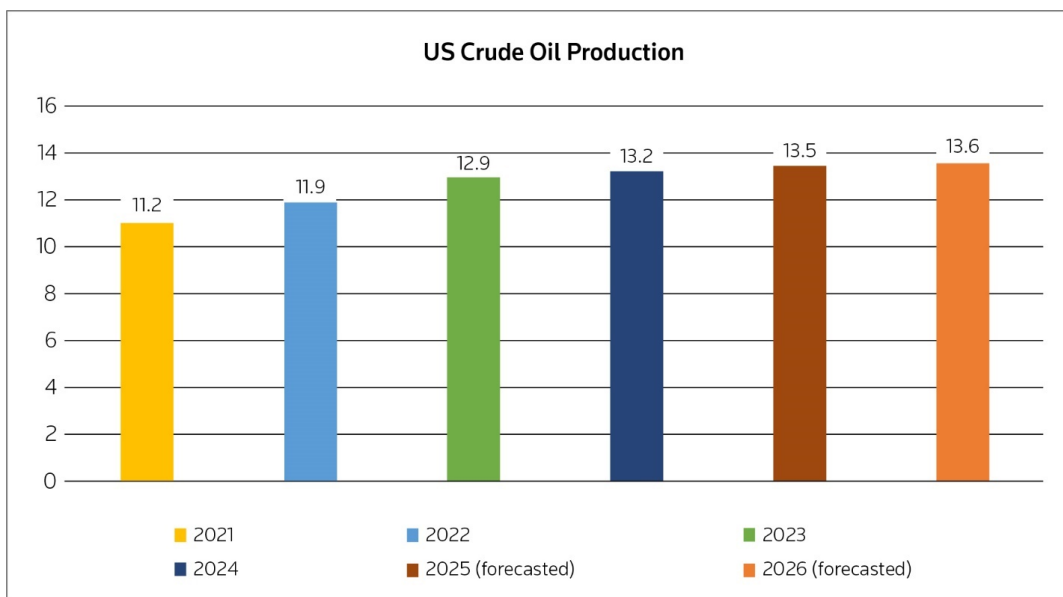
The number of active drilling rigs continues to decrease in the US; according to the EIA, active rig count declined from the November 2023 to November 2024 period in all the lower 48 primary crude oil producing regions, with the exception of the Bakken Basin. In the Permian, rig count decreased from 310 rigs to 303 rigs year-over-year, while the active rig count for the Permian, Eagle Ford, and Bakken Basins fell to 389 rigs, an 18% drop (see [EIA: Improved Efficiency Is Enabling Record U.S. Crude Oil Production From Fewer Rigs \(December 23, 2024\)](#)).

Despite these lower rig numbers, US crude oil production continues to break records. In August, the US produced an average of 13.4 million b/d of crude oil, surpassing the previous monthly record of 13.3 million b/d set in December 2023 (see [EIA: U.S. Crude Oil Production Established a New Record in August 2024 \(November 26, 2024\)](#)). Production levels rose to record highs once again in October, topping 13.4 million b/d (see [Reuters: US Oil Production Rose To Record High In October, EIA Data Shows \(December 31, 2024\)](#)). The 2024 crude oil production average was 13.2 million b/d, according to the EIA. See [EIA: Short-Term Energy Outlook \(January 2025\)](#).

More efficient drilling techniques and technologies have helped spur US production despite a lower rig count. The use of AI, electronic hydraulic fracturing technologies, automated drilling processes, and other digital solutions have boosted drilling and decreased rig downtime.

Production over the next two years is expected to remain robust, with the EIA forecasting totals of about 13.5 million b/d in 2025 and 13.6 million b/d in 2026. See [EIA: Short-Term Energy Outlook \(January 2025\)](#).

The following chart shows US production trends since 2021 (and estimates as of January 2025).



**Figure 4:** US crude oil production (million barrels per day) since 2021 (Data from the Energy Information Administration as of January 2025).

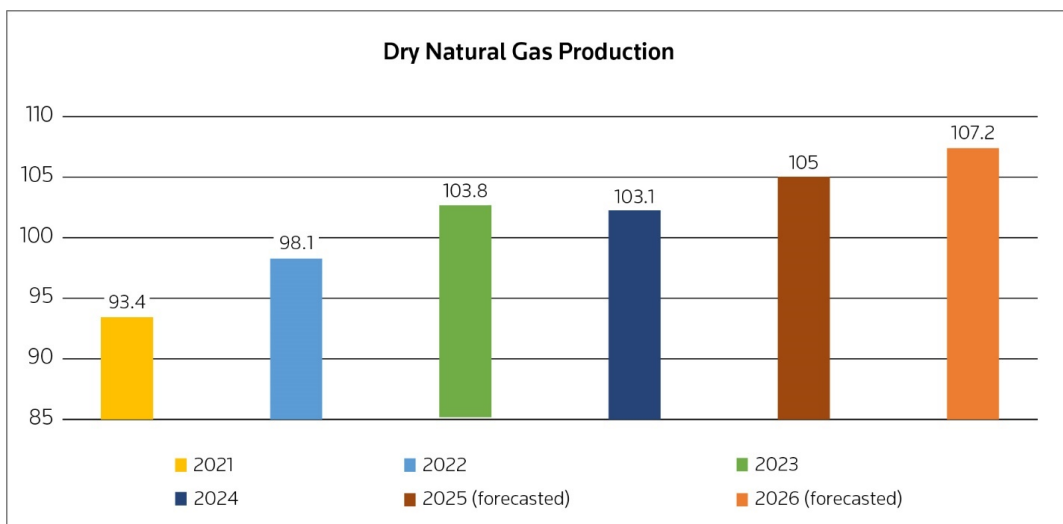
## Natural Gas Production

US [dry natural gas production](#) was relatively flat in 2024. In the first three quarters of the year, production fell by a modest 1% compared to the same period in 2023 as levels pulled back in the Haynesville and Utica Shales (See [EIA: U.S. Shale Natural Gas Production Has Declined So Far in 2024 \(October 24, 2024\)](#)). Overall, 2024 production averaged about 103.1 billion cubic feet per day (Bcf/d), compared to 103.8 Bcf/d in 2023. However, the EIA estimates an uptick in production over the next two years.

The Permian Basin is expected to be a big driver of growth in 2025, with the EIA forecasting an average of about 105 Bcf/d. In addition to the Permian, levels are expected to pick up in the Haynesville Shale in 2026 amid an increase in natural gas prices and greater demand from several new LNG export projects on the Gulf coast (see [Natural Gas Exports](#)). According to the EIA, these factors will help push the 2026 average up to 107 Bcf/d. See [EIA: Short-Term Energy Outlook \(January 2025\)](#).

The following chart shows US natural gas production since 2021 (and estimates as of January 2025).



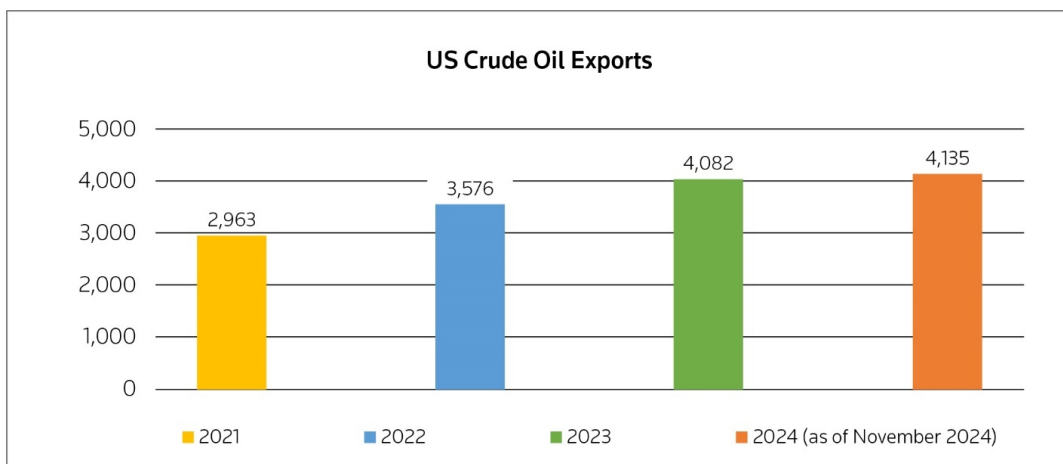


**Figure 5:** Dry natural gas production (billion cubic feet per day) since 2021 (Data from the Energy Information Administration as of January 2025).

## Export Trends

### Crude Oil Exports

US crude oil exports have increased dramatically since the 40-year federal ban on these exports ended in 2014, growing every year except 2021 during the height of the pandemic. However, overall gains appeared to have levelled off in 2024 (see [Reuters: US Oil Export Gains Slow as Output, Global Demand Turn Tepid \(August 21, 2024\)](#)). Crude oil exports averaged roughly 4,135 thousand b/d as of November 2024 (data from the EIA), on track for a lower percentage increase compared to 2023, when exports averaged roughly 4,082 thousand b/d for the full year and were about 14% higher than the 2022 average of 3,576 thousand b/d. Supply and demand constraints (especially in Asia) contributed to this pullback.

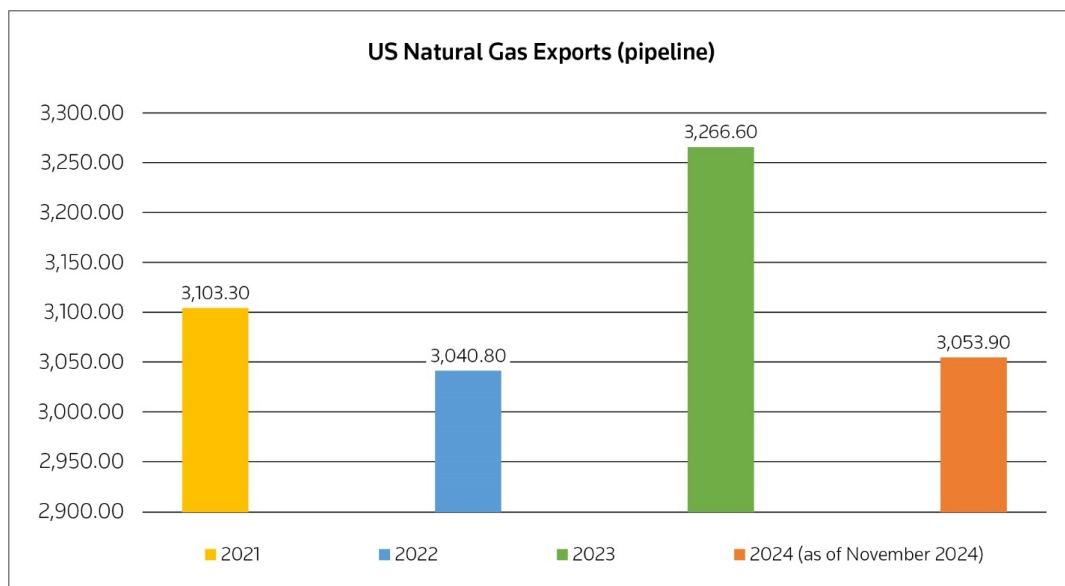


**Figure 6:** US crude oil exports (thousand barrels per day) since 2021 (Data from the Energy Information Administration).

## Natural Gas Exports

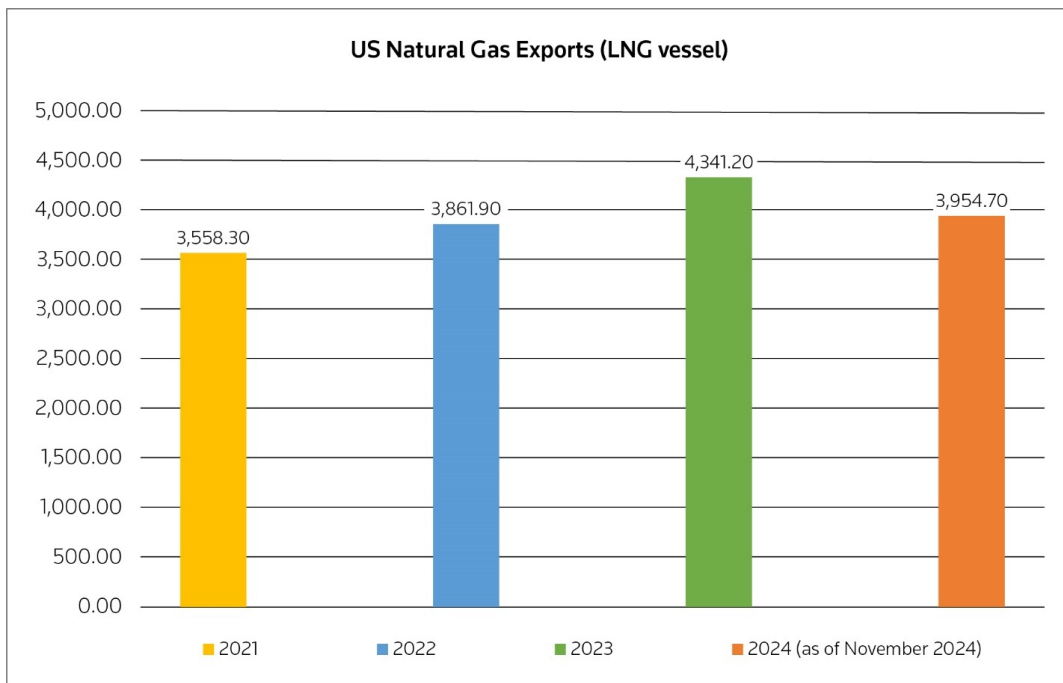
US natural gas exports totaled approximately 7,010.4 bcf through November 2024, an increase of roughly 2% compared to the 6,901.2 bcf reached in the same period in 2023 (see [DOE: US Natural Gas Imports and Exports Monthly \(November 2024\)](#)). Pipeline exports were up 2% (2,980.7 bcf through November 2023 compared to 3,053.9 bcf through November 2024), while LNG exports (by vessel) remained relatively static year-over-year (3,918.4 bcf through November 2023 compared to 3,954.7 bcf through November 2024).

The following chart shows natural gas exports (by pipeline) since 2021.



**Figure 7:** US natural gas exports (billion cubic feet) via pipeline since 2021 (Data from the DOE: US Natural Gas Imports and Exports Monthly (as of November 2024)).

This chart shows LNG exports (by vessel) since 2021.



**Figure 8:** US natural gas exports (billion cubic feet) via LNG vessel since 2021 (Data from the DOE: US Natural Gas Imports and Exports Monthly (as of November 2024)).

The 8th US LNG export project, Plaquemines LNG, began commercial operation at the end of 2024 (see [EIA: The Eighth U.S. Liquefied Natural Gas Export Terminal, Plaquemines LNG, Ships First Cargo \(January 13, 2025\)](#)). Another export terminal, Corpus Christi Stage 3, also [started](#) LNG production in December 2024. Currently, there are seven LNG export projects under construction in the US, with a combined capacity of 16.93 Bcf/d with many more in the pipeline ([FERC: U.S. LNG Export Terminals – Existing, Approved not Yet Built, and Proposed \(as of January 28, 2025\)](#)).

US LNG capacity is expected to significantly [increase](#) by 2028 as more projects come online, including Golden Pass LNG, Corpus Christi Stage III, and Rio Grande LNG (Phase I), Port Arthur LNG (Phase I), and Woodside Louisiana LNG. For more information on these and other LNG projects, see [Approved US Liquefied Natural Gas Export Projects Chart](#).

In January 2024, the Biden administration announced a temporary pause on authorizing LNG exports to non-FTA countries until the DOE could complete a study to understand the potential effects on these exports. This decision delayed several projects, including Venture Global's CP2 LNG project, the Commonwealth LNG project, and Energy Transfer's Lake Charles LNG project. The DOE released their study in December (the [2024 LNG Export Study: Energy, Economic, and Environmental Assessment of U.S. LNG Exports](#)) which concluded, among other things, that:

- Domestic natural gas supply is sufficient to meet US LNG while meeting domestic demand.
- The price of natural gas at the Henry Hub would increase if LNG exports remained unrestrained.
- Energy costs for the industrial sector would increase as a result of the higher prices.

The comment period for this report extended into the Trump administration and it is unlikely any further action will be taken. The DOE has already [formally lifted](#) the review suspension.

For more information facing LNG project developers and offtakers, see [Article, Expert Q&A on Midstream Oil & Gas in 2024 and the Outlook for 2025](#).

## Oil and Gas Financing

While traditional bank lending, and RBLs in particular, continue to play a pivotal role in the oil and gas sector, the bank lending environment is changing. In response to investor and other stakeholder pressure to reduce Scope 2 financed emissions and the need to de-risk their loan portfolios by limiting their exposure to the volatile oil and gas sector, many lenders have become increasingly selective in the loans they make to oil and gas companies. This shift has resulted in many lenders focusing their lending on larger companies that they view as lower risk.

Closed out of the traditional lending market, smaller companies needing funding for their operations are turning to:

- Regional banks that may have a higher risk tolerance or that are facing less public and investor pressure to decarbonize their operations.
- Family offices that can offer more flexible terms and that have longer investment horizons.
- New structures, such as securitizations, which have been very active and are responsible for billions of dollars of new financing.

For more information on these issues, see [Article, Expert Q&A on Upstream Oil and Gas in 2024 and the Outlook for 2025](#).

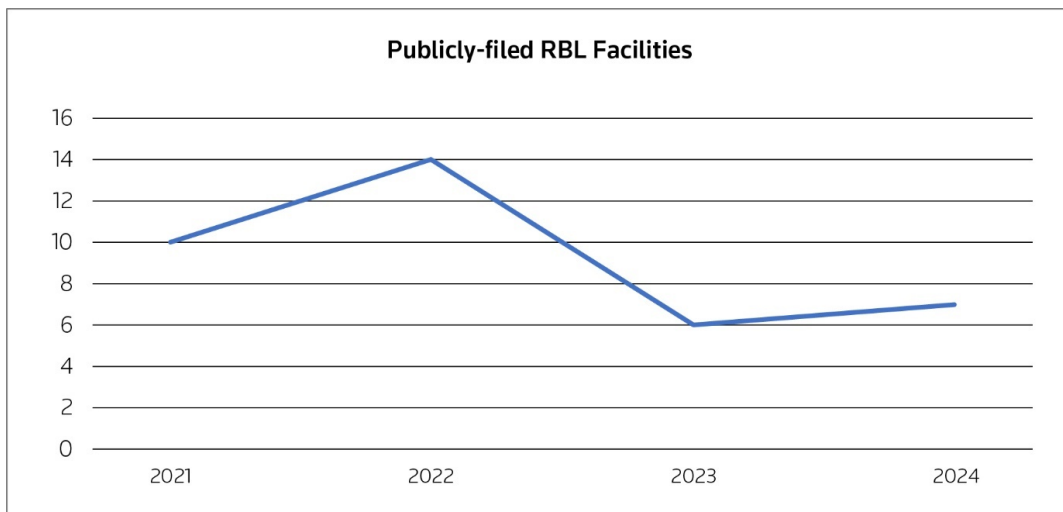
## Reserve-Based Lending

In an RBL, the amount a producer is entitled to borrow under the loan (the [borrowing base](#)) is based on the value of, and is secured by, its oil and gas reserves, as determined from time to time. This determination considers several factors including:

- The banks' assessment of oil and gas prices.
- The size and production profiles of the producer's acreages.
- The producer's general and administrative expenses, operating costs, taxes, and other costs.

Companies with acreages in high producing basins and lower operating costs are better positioned to receive financing from traditional banks.

For more information, see [Practice Note, Reserve Based Loans: Issues and Considerations](#). The following diagram shows RBLs filed since 2021.



**Figure 9:** Publicly-filed RBL Facilities from 2021 to 2024 (based on agreements included in the What's Market, Credit Agreements: Comprehensive Deal Database)

### Borrowing Base

According to the results of the Haynes Boone Borrowing Base Spring 2024 [survey](#), respondents largely anticipated that borrowing bases would be reaffirmed in the early part of the year. This sentiment continued into the fall, where [survey](#) respondents once again indicated that borrowing bases would likely remain static. With oil prices remaining relatively stable and with a sense of cautious optimism regarding natural gas prices, many borrowers had their borrowing bases reaffirmed or increased. Although natural gas prices were more volatile, and were below \$2 per MMBtu for large parts of 2024, lenders remained cautiously optimistic about the sector amid projected higher electricity demand from data centers, reshored manufacturing facilities, and the electrification of many industrial operations (see [Article, Expert Q&A on Upstream Oil and Gas in 2024 and the Outlook for 2025](#)).

For examples of borrowing base redeterminations in 2024, see:

- Amplify Energy Operating LLC, which saw a modest reduction in its borrowing base in the [fall](#) redetermination cycle, decreasing from \$150 million to \$145 million.
- Vital Energy, which had its borrowing base reaffirmed at \$1.5 billion in both the [spring](#) and [fall](#) redetermination cycles.
- Permian Resources Operating, LLC, which had its borrowing base reaffirmed at \$4 billion in the [spring](#) redetermination cycle.
- Granite Ridge Resources, Inc., which saw a bump in its borrowing base in the [spring](#) redetermination cycle, increasing from \$275 million to \$300 million.

### Hedging

Hedging, which protects producers from commodity price uncertainty, remains a key focus for oil and gas companies. Hedges initially appeared to be trending downward in the beginning of the year. According to market reports, many producers reduced the percentage of their production they hedged to take advantage of the upside if prices increased.

Hedging activity did pick up in the fourth quarter, however, as pressures mounted between Iran and Israel and producers looked to lock in more favorable pricing (see [Hart Energy: US Oil Producers Rush to Hedge \(October 15, 2024\)](#)). Further tensions in the Middle East and other factors leading to commodity price volatility could have significant impacts on hedging in the new year. See [Article, Expert Q&A on Upstream Oil and Gas in 2024 and the Outlook for 2025](#).

Below are some recent examples of hedging activity in 2024:

- Northern Oil & Gas, Inc. announced in a [press release](#) that it continued to boost its hedges, adding "additional oil, natural gas and Waha, Midland-Cushing and M2 basis hedges" for 2024, 2025, and 2026. According to the press release, Northern Oil had "over 54,650 Bbl per day of oil hedged and over 195,000 MMBtu per day of natural gas hedged for the fourth quarter of 2024 through a combination of swaps and collars."
- Civitas Resources, Inc. announced in a [press release](#) that it was planning to add a number of new oil hedges in 2025, as well as new gas hedges (including basis swaps) for 2025 and 2026.
- [Infinity Natural Resources, Inc.](#) incorporated hedging requirement covenants in a recent credit facility (see Infinity Natural Resources, Inc. credit agreement (sections 9.17 and 10.10)).

For more general information on hedging, see [Practice Note, Hedging Oil and Gas Production: Issues and Considerations](#).

### Anti-Hoarding

Although not as common as they once were, many lenders do continue to incorporate anti-hoarding provisions in credit facilities as a way to minimize their exposure to the sector (for a recent example, see [PEDEVCO Corp.](#) credit agreement). If market tensions and uncertainty ease, these provisions may fall out of favor once again, but with interest rates still relatively high, continued threats throughout the Middle East, and persistent inflationary pressures, it seems likely they will remain a part of the oil and gas market in the near term.

For more information on anti-hoarding provisions, see [Practice Note, What's Market: Anti-Hoarding Provisions in Reserve-Based Loans](#).

### Mortgage Requirements

RBL facilities typically require borrowers to grant lenders a security interest in a specified percentage of their oil and gas assets. Although this percentage is typically set at 85%, some lenders have been successful at negotiating higher thresholds. For recent examples, see:

- [Infinity Natural Resources, LLC](#), security interest on at least 85% of the total proved value.

- [Magnolia Oil and gas Operating LLC](#), security interest on at least 85% of the total proved value.
- [PEDEVCO Corp.](#), security interest on at least 90% of the total proved value.

## Alternative Sources of Financing

Many producers are also using other sources of capital to fund their operations. As discussed above (see [Oil and Gas Financing](#)), many traditional bank lenders have pulled back from the market and are extending financing to larger diversified companies. While private equity remains a significant source of capital, some retreated from the sector amid pressure from their pensions and endowments limited partners. It is worth noting, however, that the high returns many private equity firms were able to earn in 2023 and 2024 amid the consolidation wave is causing some private equity investors to reconsider this strategy. Political pressure to eliminate [environmental, social, and governance](#) (ESG) requirements may also have some bearing on this strategy.

Many oil and gas companies are turning to family offices and the securitizations market to fill the gap left by the traditional sources of funding. For more information on these, along with other types of capital, see [Practice Note, Upstream Oil & Gas Sources of Capital: Alternatives to RBLs](#) and [Article, Expert Q&A on Upstream Oil and Gas in 2024 and the Outlook for 2025](#).

## Private Equity

Despite the retreat by some private equity investors, private equity funds remain a major investor and source of capital for oil and gas companies, earning significant returns on their investments. These funds are attracted to the potentially high returns available in this sector given the global demand for crude oil and the focus on natural gas as a transition fuel and to power data center infrastructure. Notable private equity exits include:

- EnCap Investments' sale of:
  - XCL Resources to SM Energy and Northern Oil and Gas for about \$2.5 billion (see [What's Market, SM Energy Company and XCL Resources, LLC Purchase Agreement Summary](#)); and
  - the assets of Black Swan Oil & Gas, PetroLegacy Energy, and Piedra Resources to Ovintiv Inc. for \$4.275 billion (see [What's Market, Ovintiv Inc. and Black Swan Oil & Gas, PetroLegacy Energy, and Piedra Resources Purchase Agreement Summary](#)).
- Stonepeak Infrastructure Partners [sold](#) WTG Midstream to Energy Transfer for \$3.5 billion.
- Global Infrastructure Partners sold EnLink Midstream and Medallion Midstream to ONEOK \$ 5.6 billion (see [What's Market, ONEOK, Inc. and EnLink Midstream Manager, LLC and EnLink Midstream, LLC Purchase Agreement Summary](#)).

According to [data](#) from S&P Global, total private equity and venture capital deal value in the sector exceeded the \$6 billion seen in 2023 by mid-August 2024.

For more information on private equity investment in oil and gas, see [Private Equity Energy Tracker](#).

## Family Offices

Family offices (private companies that manage investment and wealth decisions for a family), are very active players in upstream oil and gas. Family offices are filling the gap left by some traditional banks and private equity firms. These firms are investing directly in oil and gas companies (whether in the form of loans or equity companies) and in funds focused on the oil and gas sector.

While these transactions are generally private, the role of family offices in the oil and gas sector has been well documented in the market.

## Securitizations

Producers are also using securitizations to secure the funds they need to finance their operations. In an oil and gas securitization, the producer packages or pools some of its oil and gas assets and transfers them (in a sale or a contribution of capital, or combination of both) in a transaction that constitutes a true sale or absolute transfer for purposes of the Bankruptcy Code, to a newly formed, bankruptcy remote, special purpose entity (SPE). The SPE, concurrently with the transfer, issues notes in a [Section 4\(a\)\(2\)](#) private placement or a [Rule 144A](#) offering to investors and uses the proceeds (net of certain fees and other agreed deductions) to pay the producer for the transferred assets. The SPE pledges its rights in and to the transferred assets to the investors as security for the notes.

Securitizations are typically private, but a few transactions have been publicly announced. For example, Diversified Energy [announced](#) in June that it had closed on an ABS refinancing.

## Other Market Developments

### M&A Activity

2023 was a blockbuster year in the M&A space, marked by several multi-billion-dollar megadeals between some of the largest players in the upstream sector. This trend continued in 2024, with several high-profile deals. These included APA Corporation's \$4.5 billion all-stock acquisition of Callon Petroleum (see [What's Market, APA Corporation and Callon Petroleum Company Merger Agreement Summary](#)) and Diamondback Energy's \$26 billion cash-and-stock combination with Endeavor Energy (see [What's Market, Diamondback Energy, Inc. and Endeavor Energy Resources, L.P. Merger Agreement Summary](#)). The Permian Basin was also a prime M&A spot for midstream producers and family-owned oil and gas companies.

For more information on M&A activity in the oil and gas sector, see [Article, Expert Q&A on Oil & Gas M&A in 2024 and the Outlook for 2025](#).

## ESG



The public focus on ESG has vanished amid political and investor pushback, although a few producers remain committed to reducing the carbon intensity of their operations under the guise of health and safety. But even the most committed climate activists seem to have accepted that fossil fuel production is not going anywhere and will likely be a key driver of the energy sector for the foreseeable future, requiring investment to ensure the affordability, reliability, and security of US energy supplies. The high returns from oil and gas investments versus renewable energy assets, is also causing some companies to reconsider their investment strategies.

A few credit agreements in 2022 and 2023 had included a [basket](#) for energy transition investments (for example, see Vital Energy's Limited Consent and Eleventh Amendment to Fifth Amended and Restated Credit Agreement). None of the 2024 oil and gas credit agreements in the What's Market database included this provision, but Practical Law will track this development. However, given the backlash around ESG, any investor or company initiatives on this issue may be far less visible or obvious.

## Growth of AI

Like other industries, the oil and gas sector is looking for ways to implement generative AI into their operations to improve efficiencies and achieve cost savings. Oil and gas companies are using AI to analyze the vast amounts of data these companies generate to identify trends and patterns which they can in turn use to optimize operations, improve decision-making, and drive innovation.

Producers are using AI:

- To forecast demand and price fluctuations.
- For predictive maintenance.
- To interpret reservoir and seismic data.
- To improve drilling operations.

A few publicly filed credit agreements filed before 2024 included a specific basket for AI and technology commercialization (see [Vital Energy, Inc. eleventh amendment to fifth amended and restated credit agreement](#) and [Laredo Petroleum tenth amendment to fifth amended and restated credit agreement](#)). While none of the 2024 oil and gas credit agreements in the What's Market database included this provision, we will track this development as interest in AI continues to grow.

For more information on generative AI, see [Practice Notes, AI and Machine Learning: Overview](#) and [AI Key Legal Issues: Overview \(US\)](#).

## Looking Ahead

US energy and environmental policy is undergoing a change as President Trump pursues a fossil-fuel focused energy policy. Former President Biden had made increasing clean energy investment and decarbonizing the US economy key components

of his agenda and adopted many new energy and environmental regulations during his term, especially regarding GHG emissions in oil and gas activities.

By contrast, President Trump has made increasing onshore and offshore drilling and accelerating federal permitting of energy infrastructure key pillars of his administration's agenda (see [Legal Update, President Trump Issues Day One Executive Orders to Promote Oil and Gas Development](#)). With a Republican majority in both chambers of Congress, the President may also be able to pass legislation supporting the oil and gas industry that may have a longer shelf-life than executive orders.

## Potential Impact of President Trump's Trade Policies

The oil and gas industry has welcomed these initiatives and the reduced regulatory burden they will face, but Trump administration policies do raise issues the oil and gas industry must consider. These include:

- More oil production. Presidential policy of "drill, baby, drill" is unlikely to change producers' focus on capital discipline, managed production growth, and shareholder returns.
- Offshore drilling in the Arctic and [Outer Continental Shelf](#) is expensive and will take time. There is also uncertainty that looser drilling environmental requirements will survive past the Trump administration and a Republican Congress.
- Tariffs on aluminum, steel, and other key inputs and other trade policies that may:
  - increase drilling and project development costs;
  - depress global demand for oil, resulting in oil price volatility;
  - adversely impact the midstream sector, especially refineries that rely on heavier crude oil from Canada; or
  - affect LNG exports. President Trump has made it clear that he intends to use LNG exports as leverage in trade and other negotiations. While this has the potential to increase exports, it may also backfire given the complex nature of supply chains and global trade relationships.

In recent weeks, President Trump has announced tariffs on:

- Goods from Canada and Mexico, including Canadian energy products.
- Goods from China, except for certain de minimis imports.
- Imports of aluminum and steel.

China has responded to the Trump administration's tariffs by placing import duties on American energy commodities, specifically, a 15% duty on LNG and coal and a 10% duty on crude oil and farm equipment (see [Reuters: China Kills Energy Trade With the US, But Initial Impact is Limited \(February 4, 2025\)](#)). China is the world's largest importer of LNG and imported

approximately 4.16 million metric tons of LNG from the US in 2024, according to data from the Institute for Energy Research (IER: [U.S. LNG May Get a Big Boost from Asian Importers Over Trump Tariff Threat \(January 30, 2025\)](#)). According to the IER, Chinese imports of US LNG have almost doubled since 2018.

President Trump has also indicated that his administration wants to increase these exports. However, if US tariffs persist, China may turn to other sources for their LNG, namely Russia. China recently completed and connected the 3,175 mile Power-of-Siberia pipeline, which will allow it to receive gas from Russia's Siberian fields (see [Reuters: China Completes Full Pipeline For Power-of-Siberia Gas \(December 2, 2024\)](#)).

President Trump also issued an [executive order](#) aimed at putting "maximum pressure" on Iran to push its oil exports to zero and make it virtually impossible for Tehran to obtain a nuclear weapon (see [Reuters: Trump reimposes 'maximum pressure' on Iran, aims to drive oil exports to zero \(February 4, 2025\)](#)).

The focus on production coupled with the executive order to provide "Emergency Price Relief for American Families and Defeating the Cost-of-Living Crisis" may also adversely affect producers' bottom line, at a time when they may face higher costs because of tariffs ([90 Fed. Reg. 8245 \(Jan. 28, 2025\)](#)).

For more information on these tariffs and trade issues, see [Practice Notes, Trump Administration Energy and Climate Change Policies and Regulations: 2025 Tracker](#) and [Key Developments Under the Trump Administration Regarding Imports and Tariffs: 2025 Tracker](#).

## Continued Consolidation

Consolidation in the upstream sector is expected to remain robust, although there may be changes in the most active basins and changes in deal structure to respond to market developments and commodity price fluctuations. Midstream consolidation is also expected to pick up as companies look for opportunities among midstream assets. For example, Kinder Morgan recently [announced](#) that it was acquiring a natural gas gathering and processing system in the Williston Basin. M&A activity in the oilfield services sector may also grow, as these companies try to mitigate the greater negotiating power many producers may have following the consolidation of many players in the industry.

## Geopolitical Issues

Geopolitical tensions will likely remain high. Although at the time of this writing Israel and Hamas have agreed to a ceasefire, the Middle East remains a volatile environment, and it is possible that renewed tensions between the two, as well as between other countries in the region, could have a significant impact on crude oil supplies and prices.

## Increased Energy Demand and Impact on Natural Gas

US energy use is also expected to increase significantly to power AI data centers and for other industrial and commercial uses and processes. While many companies are looking to renewable sources to meet this demand, the need for 24/7 energy and the issues with restarting nuclear energy, may cause many to turn to natural gas power plants to meet this demand, increasing demand for natural gas.

Practical Law is continuing to monitor these developments and produce content where appropriate.

