



Trust Company Oklahoma

INVESTMENT PERSPECTIVES

January 2019



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Vice President

“Drill, Baby, Drill”

“Drill, Baby, Drill” was a campaign slogan first used at the 2008 Republican National Convention by former Maryland Lieutenant Governor Michael Steele. Over ten years later, depressed oil prices made drilling (profitably) a challenge. But if you listen closely, many in the energy sector are beginning to embrace this slogan again.

After several years of oversupply and prices in the \$40-\$50 per barrel range, West Texas Intermediate crude prices rose to over \$75 per barrel in early October, fostering a feeling of guarded optimism by producers and mineral interest owners alike. But after the rapid rise, prices plummeted to the \$40-45 range again during the last three months of the year.

Here’s where the 2008 campaign slogan makes an appearance: the U.S. is now a net exporter of oil – for the first time in nearly 70 years. The combination of high production and low prices has forced U.S. energy companies to develop technology to make production much more efficient and profitable in the long-term.

As with the stock market, we are experiencing volatility in the energy market as well. OPEC production changes, Iranian sanction changes, and geopolitical issues in countries such as Venezuela affect the market quickly and sometimes with little warning. Global capital expenditures, which have dropped nearly 45% in the past few years, are forecast to rise 6% annually in the short to medium term.

Globally, rig counts are up and energy exploration rose for the first time in three years. Guyana led the way in 2018 followed by Russia, and the United States, specifically the Permian Basin in West Texas. U.S. production prowess changed the structure of global supply and demand, and we’ve taken the admonition to keep drilling to a whole new level. Listen closely and you will hear the chanting.

Continued on page 2

WEEKLY U.S. FIELD PRODUCTION OF CRUDE OIL



TCO manages over 16,000 mineral assets in 23 states. In 2018, gross revenues exceeded \$12 million, an increase of more than 8% over 2017 and our highest revenue year since 2014.