EQUITY RESEARCH

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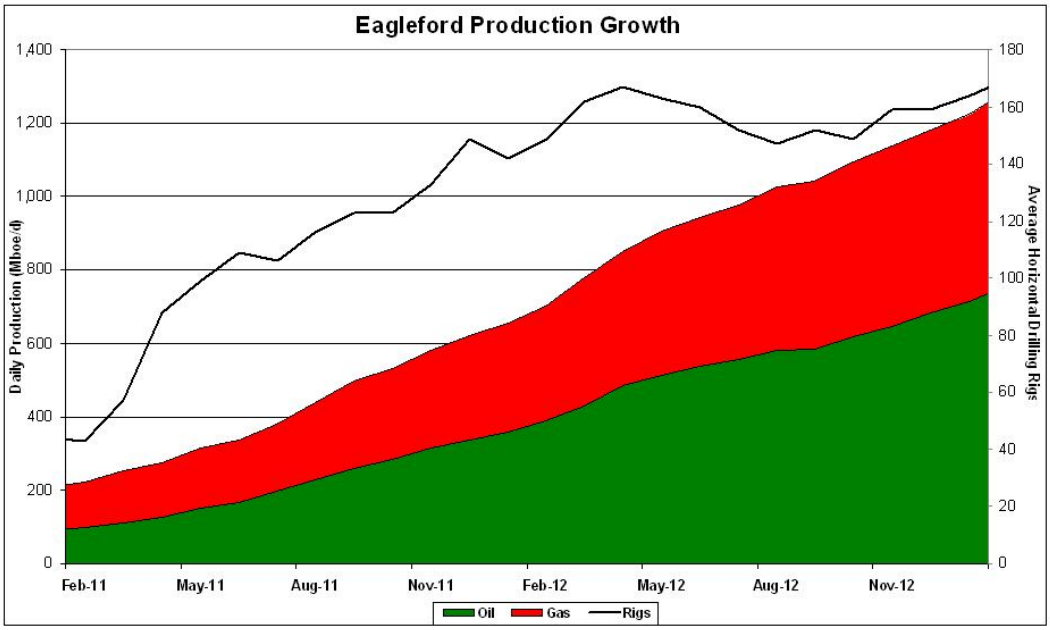
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Eagleford Oil Volumes Nearing the Bakken

Eagleford Oil Production Outpacing the Bakken

- Yesterday, the Texas Railroad Commission released preliminary 2013 March and revised February Eagleford Shale oil production rates of 529.9 Mbbl/d and 511.4 Mbbl/d, respectively, representing a 77% increase from March 2012 production. February data was revised up from its prior report of 471.2 Mbbl/d. While the trend is correct, we believe actual production in the Eagleford is higher than what is being reported. Well-by-well production data obtained from our proprietary database has current oil production from February nearing 760 Mbbl/d, up 94% from year-over-year levels. Our preliminary March data is not fully updated, but recent month-over-month production has increased on average 5% a month. We project that March production could reach 790–800 Mbbl/d.
- The growth of the Eagleford has been impressive and we think it will likely pass aggregate Bakken oil production in the near term. The most recent statistics from the North Dakota Oil and Gas commission have North Dakota production at ~782 Mbbl/d in March, up 35% from March 2012 levels but lagging the growth of the Eagleford on a relative basis.
- We think the current pure horizontal oil rig count is around 174 rigs, down from its high of ~200 rigs in April 2013. While the rig count has fallen, operators are moving toward pad development, likely fueling the continued growth. In addition, formations such as the Buda, Edwards Limestone, Austin Chalk, and Pearsall Shale are being tested and could unlock additional reserves in the future.

Exhibit: Eagleford Production



RBC Capital Markets and IHS data

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