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2024 year-end oil & gas report — A new beginning

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Needless to say, it has been a turbulent regulatory climate for E&P over the past three to four years, with the GOP supporting fossil fuels, whereas the Dems have been vigilant pushing renewables in support of the Green Deal. Notwithstanding what side you may be on and the banter back and forth from our D.C. leaders on national energy policy, what is evident from the day he took office is that the Trump administration is poised to make the U.S. a friendlier environment for E&P development through the following initiatives:

- The liquid natural gas export pause is gone. Last year, approvals of new liquefied natural gas (LNG) export terminals were paused. The pause didn't stop projects already under construction, but it delayed consideration of new projects. In late January 2025, Trump reversed that pause, and in doing so, the U.S. is now expected to play a major role in meeting natural gas demand on a global scale, with its export capacity expected to double before 2030, according to the U.S. Energy Information Administration (EIA).
- More land has been opened for oil and gas lease sales. This development is expected to facilitate drilling in certain areas of the Mid-Continent (i.e., Permian and Anadarko Basins), as well as other lands controlled by the Bureau of Land Management.

In addition to the above-mentioned policies, and from our viewpoint, Trump's reelection should help to support a continuing presence of favorable income tax rules in respect to intangible drilling cost (IDC) expensing and oil/gas depletion allowances (which are major selling points for retail-oriented drilling programs). Barring an unusual future change in Trump's energy priorities, these tax provisions should remain unchanged over the next four years.

Natural gas demand picture

We believe that natural gas prices are positioned to move to a higher stabilized level over the next few years. This development is mentioned in the EIA's natural gas demand estimates for 2025 and 2026, which estimates gas demand to grow from 102 billion cubic feet (bcf) per day in 2024 to 105 bcf per day in 2025 and 106 bcf in 2026.

Acknowledging the EIA's sentiment for slight consumption growth, there is an emerging sentiment that longer-term consumption need for natural gas will actually fall somewhere between 120 bcf to possibly 130 bcf per day on an annualized basis over the next few years from LNG exporting, auto electrification, and from the construction of data centers

We would be remiss not to acknowledge the recent developments surrounding DeepSeek Artificial Intelligence (AI), the technology that is expected to significantly increase the efficiency of AI, while also reducing the need for natural gas usage, particularly in the power generation sector. DeepSeek's capabilities can reportedly optimize energy consumption and potentially lessen the demand for new natural gas power plants due to their efficient processing of power. Certain publications have reported that DeepSeek's model uses roughly 10 to 40 times less energy than similar U.S. AI technology, a reduction that, if true, would cut the substantial need for energy-consuming data centers. As such, and while our firm continues to feel positive about the direction of natural gas, the overall power demand effect of the recent data center construction explosion presents an element of risk as to how much natural gas will be required to support data center needs in the next few years.

Retail capital trends

In 2024, we covered 14 sponsor companies that operate within the upstream oil/gas sector and raised money from retail investors. This group collectively funded 24 private oil/gas programs that raised $1.441 billion to support drilling and E&P infrastructure, mineral interest acquisitions and related projects. This represented a 17.5 percent year-over-year increase in capital funding from what was reported by these sponsors in 2023 (i.e., $1.226 billion). This also resulted in the highest capital raise year from the E&P sponsor group that we cover (i.e., since 2005).

Leading the way in terms of fundraising was U.S. Energy Development Corp. at $678 million, which was followed by MDS Energy at $197 million, and Mewbourne Development Corporation at $180.0 million. Collectively, and as was the case in 2023, these three sponsors accounted for approximately 73 percent of the capital raised by the E&P sponsor group we cover.

In terms of funding growth, about 50 percent of the sponsors from the E&P group reported either year-over-year gains in fundraising or stayed at about the same capital-raising level as compared to 2023, which helped to continue the capital-raising momentum that was established in

Capital raised – The fundraising totals of the E&P sponsors we covered

Company	Strategy	2024 Raise	2023 Raise	2022 Raise	2021 Raise
Mewbourne	Drilling–Horizontal wells in the Permian Basin and Anadarko Basin	$180.0 M	$180.0 M	$250.0 M	$119.80 M
MDS	Drilling–Horizontal wells in the Marcellus Shale Play	$197.0 M	$196.0 M	$225.0 M	$146.92 M
STL	Drilling–Marcellus shale of East Pennsylvania	$25.0 M	$31.0 M	$42.50 M	$29.50 M
U.S. Energy	Drilling–Permian Basin, Powder River Basin and Haynesville Shale Play; the QOF is an Opportunity Fund Seeking to acquire working interests and other upstream assets	$510.67 M drilling; $102.0 M QOF; $12.51 M 1031 program; $53.08 M private credit	$388.0 M drilling; $80.0 M QOF; $15.0 M 1031 program	$267.93 M drilling; $56.65 M QOF; $8.10 M 1031 program	$145.0 M drilling; $45.0 M QOF program
Waveland	Opportunity fund targeting minerals and non-operated working interests in the Bakken Shale	$67.49 M	$94.48 M	$42.64 M	$13.26 M
Resource Royalty	1031 program acquiring minerals and royalties in STACK Play of Oklahoma	$17.15 M	$29.59 M	$32.90 M	$11.07 M
Montego Minerals	1031 programs acquiring minerals and royalties in the Permian Basin and East Texas	$67.49 M	$77.0 M	$62.20 M	$19.73 M
White Hawk Energy	Royalty fund acquiring mineral rights, royalties and overriding royalties	$20.40 M	$21.20 M	$65.70 M	NA
King Operating	Sponsors drilling and leasehold acquisition programs	$81.63 M	Not covered	Not Covered	Not Covered
Texakoma Resources, LLC	Drilling–Granite Wash Play in Tex. Panhandle; Horizontal drilling for Oil/Nat. gas	$26.30 M	$32.0 M	$30.00 M	$20.00 M
Texas Standard Energy	Drilling–Barnett Shale Combo Play in N. Tex.; Horizontal drilling for Oil/Nat. gas	$38.0 M	$40.0 M	$4.0 M	NA
RG Partners Fund	Value-added workover and recompletion of leaseholds and oil production in north and east Texas	$42.0 M	$2.0 M	NA	NA
Unspecified	Two additional Reg. D sponsors also collectively raised equity for Mid Con. Based E&P projects	$1.0 M	$40.28 M	NA	NA
Totals		**$1.442 B**	**$1.226 B**	**$1.088 B**	**$550.27 M**

2024 E&P capital by strategy

Total Capital	$1.442 B.
Contributing Sponsors	14
Drilling	$995 M (69%)
Opportunity Funds	$329 M (23%) (includes a QOZ fund)
Minerals/Royalties	$118 M (8%) (most structured as direct interests)

2021–2022 after the headwinds of COVID began to loosen their grip (i.e., with $273 million being the capital raise from the E&P group in 2020 during the pandemic year).

Eleven Internal Revenue Code (IRC) Section 1031 (§1031) eligible programs were wholly or partially funded in 2024 by Resource Royalty, Montego Minerals and U.S. Energy. These sponsors combined to raise close to $100 million. In addition, White Hawk Minerals LLC continued the syndications of its common and preferred share offerings, raising close to $20 million. Based upon relatively stable oil pricing (2023–2024), as well as longer-term natural gas market developments, we think the royalty sponsor segment will hold steady in 2025.

In addition to the capital raised, as reported above, we reviewed several oil/gas sponsors that are expected to come out with retail products in 2025. These sponsors include Mountain V Oil & Gas (formerly in the retail market from 2004-2009 and now sponsoring an east Kentucky-focused oil recompletions program), Trellis Energy (non-operated drilling program), Rising Phoenix (royalty acquisition program for RIAs), Purified Resources (non-operated drilling program in Bakken Shale Play), and Matrix Petroleum, LLC (operated Eagle Ford Shale drilling program). In addition to these new sponsors, we have entered into agreements in Q1-2 2025 to review Eagle Eye Funds, as well as an RIA-focused leasehold acquisition and drilling program to be sponsored by King Operating. As such, and while we cannot promise you that our sector will hit or eclipse the $1.5 billion capital-raising mark in 2025, the presence of these new sponsors should help to keep capital raising levels at a level consistent with what we have observed over the past three years (i.e., $1 billion plus/minus).

Final thoughts

It should be an interesting year for the sponsors we review in 2025 and 2026, with natural gas markets presently expecting upside as well as oil prices that are expected to remain at or possibly slightly below the levels we observed through most of 2023 and 2024 (with a broader $60 bbl–$80 bbl price range expected by our firm and also by the E&P companies that responded to the Federal Reserve Bank's most recent E&P activity survey in Q4 2024). Regardless of product structure/strategy, cautious underwriting of a program's costs, risks and rewards will be more important than ever going into 2025–2026 based upon the volatility we are likely to see over the next few years. We continue to believe that careful day-to-day market analysis, as well as independent underwriting of targeted oil/gas projects will be key to any future success stories for financial service firms looking to sell non-traded oil/gas securities products this year and beyond.