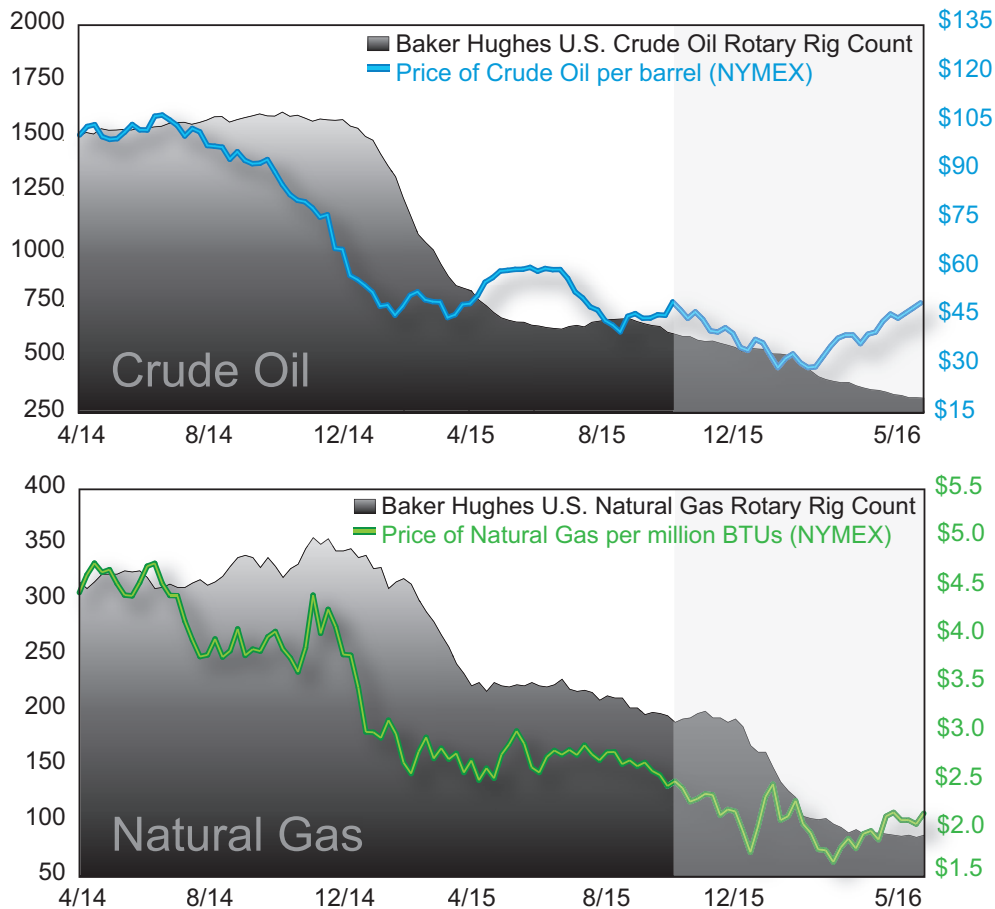


U.S. Crude Oil & Natural Gas Rig Counts Are Still Falling



Source: Bloomberg. Weekly data from 4/4/14 through 5/27/16.

View from the Observation Deck

1. Today's post is an update to previous posts made on 4/7/15 and 10/13/15. As indicated in the chart, crude oil and natural gas producers in the U.S. have dramatically cut the number of active rigs over the past couple of years.
2. From 4/4/14-5/27/16, the number of active crude oil rigs tracked by Baker Hughes declined by 78.91% to 316, while the number of natural gas rigs declined by 72.47% to 87, according to Bloomberg.
3. Over that same period, the price of crude oil fell 51.23% to \$49.33 per barrel, while the price of natural gas declined by 51.13% to \$2.17 per million British thermal units, according to Bloomberg.
4. Crude oil and natural gas producers in the U.S. continue to reduce the number of active rigs in an effort to curb production, in our opinion. The rig cuts have been more successful with curbing crude oil production than natural gas output.
5. Data from the U.S. Department of Energy indicates that U.S. crude oil producers pumped 840,000 less barrels per day on 5/20/16 than on 6/5/15, which marked the recent peak in production at 9.61 million barrels per day, according to Bloomberg.
6. Data from the U.S. Department of Energy indicates that total estimated U.S. natural gas storage stood at 2,825 billion cubic feet on 5/20/16, considerably higher than where it stood around the same date in 2014 and 2015, according to Bloomberg.

The chart and performance data referenced are for illustrative purposes only and not indicative of any actual investment.