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2025 Year-End Oil & Gas Report – Pragmatism Prevails

Brad Updike
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2025 was interesting for oil and gas. *Pragmatism* - driven by physics, economics and politics. With a few twists and turns ahead, practical wisdom suggests that the reset that took off about a year ago will carry into 2026. While oil is positioned for lower prices in 2026 due to world supply and demand considerations ($55-65 bbl), many upstream companies with sizable E&P budgets and scale are actually breathing a sigh of relief as the turnabout in energy policy is viewed as positive for infrastructure development, long overdue energy policy fixes, and energy security. While President Trump's policies are dampening crude prices today, the more informed E&P pragmatists view this as a necessary sacrifice for more stable and realistic policies that will help to bolster oil, natural gas and NGL economics long term beyond 2026.

We recently came across several oil/gas-related prognostications for this year, which were published by RBN Energy LLC (RBN) on January 2, 2026. RBN's predictions were accompanied by some cautionary guidance for energy stakeholders, which included the need for investors to follow the path of hydrocarbon molecules to and from major oil/gas markets/hubs (rather than relying upon oversimplistic explanations of energy market developments often found in press releases, headlines and, yes, self-serving presentations offered by wirehouses and operating companies). A few of RBN's favored prognostications for 2026, in our view, included the following:

Permian natural gas prices will remain challenged through much of 2026. As Permian natural gas production continues to grow in the absence of sufficient pipeline egress, gas prices at the WAHA hub have been depressed for years, with the WAHA price being below $0 forty-nine (49) times in 2024. This development, which occurred for the first time in 2019, has led to prolonged depressed natural gas prices within the Permian Basin, with WAHA prices averaging $1.96 mcf in 2025, $0. 77 mcf in 2024, and $2.91 per mcf from 2019-2023 (Source: Reuters). On a better note, the Permian is set for a surge in natural gas egress capacity in 2026, as two greenfield pipelines and one brownfield expansion are due to start service (which are expected to provide 4.5 bcf per day of additional takeaway capacity).

More NGL production growth is coming. Over the past decade, U.S. NGL production grew at a 7.6% CAGR, i.e., more than double that for oil and natural gas. On a related note, and despite its natural gas takeaway issues, the Permian Basin was the primary geographic source for this growth. With the addition of the pipeline projects within the Permian Basin in 2026, coupled with higher natural gas prices on a stabilized basis thanks to consumption growth, the same should look good for NGLs over the next few years.

More hype than mcfs in natural gas for data centers? In our sponsor report last year, we acknowledged the industry sentiment for LNG, AI and data centers to push U.S. natural gas consumption from 102 bcf per day at year-end 2024 to possibly 120-130 bcf per day over the next few years. Of this growth, much was anticipated to come from AI and data center construction. While there remains support for AI and data centers to contribute to the growing consumption for natural gas in 2026 and beyond, some believe that the AI driven power need will also be fed by other power sources such as renewables, coal, nuclear and hydro. Thus, AI's contribution to natural gas growth might not be as impactful as originally contemplated.

Oil rig efficiency will continue. Over the past few years, the number of U.S rigs drilling for oil has been on steady decline, falling roughly 8% per year (2022-2025). Over the same period, oil production in the U.S. has risen from 12.0 million bbl per day in 2022 to about 13.8 million bbl per day presently (and with the U.S. rig count being 400 today vs. 575 in 2022). A key contributor to this development is rig efficiency, an example of which was seen in Season 2, Episode 6 of Landman, in which the cost efficiencies of *automated land rigs* were observed (which is expected to reduce drilling costs 20-50%). Other efficiencies, such as enhanced pad drilling, better completion designs, and improved geo-steering have likewise contributed to higher oil output per rig (which helps to support a lower drilling cap. ex. environment into 2026-2027).

Retail Capital Trends

In 2025, we covered 18 oil/gas companies which operate within the upstream sector and raised money from retail investors. This group funded 38 unique private oil/gas programs that raised approximately $2.019 billion to support drilling and E&P infrastructure, mineral interest acquisitions, workovers and value-added projects, and related assets. This represented a **40.11% year-over-year increase** in raised capital from what was reported in 2024 ($1.44 billion). This also resulted in the highest capital raise year from the E&P sponsor group that we cover (since 2005).

Leading the way in terms of fundraising was U.S. Energy Development Corp. ("**USEDC"**), at $847.8 million, which was followed by MDS Energy ("**MDS**"), at $259.3 million, WhiteHawk Income Corp. (**WhiteHawk**"), at $258.2, Mewbourne Development Corporation ("**Mewbourne**"), at $180.0 million, Montego Energy Partners ("**Montego**"), at $108.2 million, and Renaissance Growth Partners ("**RGP**"), at $97.0 million. Of these sponsors, the capital deployment strategies of them differed, with MDS and Mewbourne raising their capital to support operated drilling projects within multiple shale plays, whereas USEDC raised its capital over multiple program platforms covering operated and non-operated drilling projects and royalty acquisitions.

Also rounding out the top group was RGP, whose program assets included leaseholds and producing wells in north Texas that are going to be redeveloped over the next few years, as well as leaseholds and existing wells in west Texas and New Mexico with operated and non-operated oil production and future drilling opportunities. On a favorable note, we mention that two royalty sponsors rounded out our list of top capital raising companies, with WhiteHawk raising its capital over multiple product offerings for acquisitions of natural gas producing mineral rights and royalties, and with Montego raising its capital through its direct title and partnership platforms to support its acquisitions of mineral rights and royalties in the Permian, as well as in the Haynesville/Bossier natural gas plays in East Texas and Louisiana.

In terms of fund size, the funded capital within the programs we reviewed varied, with several sponsors funding their initial retail programs in 2025. These newer retail sponsors included Trellis Energy Partners ("**Trellis**"), Mountain V Oil & Gas ("**Mountain V**"), and Citizen Energy Ventures ("**Citizen Energy**"), whose capital raises ranged from $4-11 million. We also mention that Resource Royalty, LLC ("**Resource Royalty**") and Purified Resource Partners ("**PRP**") both raised capital for non-op acquisitions toward the end of 2025.

In terms of funding growth, a significant majority of the established retail sponsors reported either year-over-year gains in fundraising or stayed at about the same level as compared to 2024, which helped to continue the capital momentum that was established in 2021-2024 after the headwinds of COVID began to loosen its grip. A summary of the capital raised from 2020 through 2025 and a chart of the fundraising totals of the E&P sponsors we covered in 2025 is provided below:

Year	Sponsors Covered	Capital Raised
2020	9	$273 million
2021	9	$556 million
2022	13	$1.093 billion
2023	14	$1.226 billion
2024	14	$1.441 billion
2025	18	$2.019 billion

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Company	Strategy	2025 Raise	2024 Raise	2023 Raise	2022 Raise
Mewbourne	Operated Drilling-Horizontal Wells in the Permian Basin and Anadarko Basin	$180.0 MM	$180.0 MM	$180.0 MM	$250.0 MM
MDS	Operated Drilling-Horizontal Wells in the Marcellus Shale Play	$259.3 MM	$197.0 MM	$196.0 MM	$225.0 MM
USEDC	Operated and Non Op 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; 1031 Royalty Program has Direct Title Structure; Private Credit is a Diversified E&P Oriented LP Fund	$642.8 MM drilling; $177.4 MM QOF; $0.2 MM 1031 royalty program; $27.4 MM Private Credit	$510.67 MM drilling; $102.0 MM QOF; $12.51 MM 1031 program; $53.08 MM Private Credit	$388.0 MM drilling; $80.0 MM QOF; $15.0 MM 1031 program	$267.93 MM drilling; $56.65 MM QOF; $8.10 MM 1031 program
Waveland	Non-Op Fund Targeting Minerals and Non-Operated Working Interests in the Bakken Shale and Permian Basin	$75.3 MM	$67.49 MM	$94.48 MM	$42.64 MM
Resource Royalty	1031 Program Acquiring Minerals and Royalties in Anadarko Basin in Oklahoma	$18.9 MM	$17.15 MM	$29.59 MM	$32.90 MM
Montego	1031 Programs Acquiring Minerals and Royalties in the Permian Basin and East Texas	$108.2 MM	$67.49 MM	$77.0 MM	$62.20 MM
WhiteHawk	Royalty Fund Acquiring Mineral Rights, Royalties, and Overriding Royalties in Primarily Nat. Gas Plays	$258.2 MM	$20.40 MM	$21.20 MM	$65.70 MM
King Operating	Sponsors Drilling and Leasehold Acquisition Programs	$57.9 MM	$81.63 MM	Not Covered	Not Covered
Texakoma Resources, LLC	Non-Op Drilling in Shale Plays Including the Anadarko Basin in OK	$38.0 MM	$26.30 MM	$32.0 MM	$30.00 MM
Texas Standard Energy	Drilling-Barnett Shale Combo Play in N. Tex.; Horizontal Drilling for Oil/Nat. Gas	$13.0 MM	$38.0 MM	$40.0 MM	$4.0 MM
Eagle Eye Permian	Non Op Drilling- Permian Basin focus	$26.6 MM	First Fund Covered 2025		
John Henry Oil	Operated Drilling-Shallow Oil Formation in Tennessee and Kentucky	$2.3 MM	No Raise	$3.782 MM	$5.00 MM
RGP	Value-added workover and recompletion of leaseholds and oil production in north and west Texas	$97.0 MM	$42.0 MM	$2.0 MM	NA
Trellis	Non-Op Fund Targeting Working Interests in Shale Plays Including the Rockies and Permian Basin	$22.5 MM	First Fund Closed 2025	NA	NA
Mountain V	Value-added workover and recompletion of leaseholds and oil production in East Kentucky	$11.5 MM	$0.80 MM	NA	NA
Citizen Energy	Operated Drilling-Horizontal Wells in the Anadarko Basin in Oklahoma	$3.8 MM	First Fund Launched 2025	NA	NA
Unspecified	Two Reg. D sponsors collectively raised equity for Non-Op E&P projects	$3.0 MM	NA	NA	NA

Sponsors covered by Mick Law in 2025 – note that certain sponsors included in prior reports were omitted if either not covered by Mick Law in 2025 or if the sponsor was covered last year but did not report its numbers.

2025 E&P Capital by Strategy	
Total Capital	$2.019 billion
Contributing Sponsors	18
Operated Drilling	$762.4 million (38%)
Non-Op Drilling	$735.5 million (36%)
Value Add E&P	$108.2 million (5.5%)
Opportunity Funds	$27.4 million (1.5%) (includes a QOZ fund)
Minerals/Royalties	$385.5 million (19%) (structured as direct interests or as fund programs)

Of the retail E&P capital raised in 2025, approximately 74% will be used to fund operated and non-operated drilling projects. Of the drilling capital raised last year, about $762.4 million is expected to be used to fund operated drilling, whereas the remaining $735.5 million is expected to fund non-operated drilling (with about a 50/50 split between operated and non-operated drilling). Making a comeback in terms of raised capital in 2025 was value-added E&P ($108.2 million, 5.5% of the total capital raised), with RGP and Mountain V both raising capital to acquire assets/project requiring field redevelopment, such as workovers, recompletions, and in-fill drilling.

2025 was a decent year for royalty programs, with **close to** $400 million raised by four sponsors (which is something we have not seen since Noble Royalties raised retail capital 15 years ago). Thirteen (13) Internal Revenue Code ("**IRC**") Section 1031 ("**§1031**") eligible programs were wholly or partially funded in 2025 by Resource Royalty, Montego, and USEDC. These sponsors combined to raise close to $120.0 million within the §1031 eligible royalty programs (with Montego also raising capital within its partnership-structured royalty program). In addition, WhiteHawk continued the syndications of its common and preferred share offerings, raising $258.2 million in both. Based upon the relatively stable cap. ex. cost environment for drilling wells, as well as the favorable longer-term natural gas market developments, we think the royalty sponsor segment will hold serve in 2026 (**and with a DST-structured royalty product anticipated to launch its first syndication in Q1 2026**).

Final Thoughts

It should be an interesting year for the oil/gas sponsors we review in 2026-2027, with natural gas markets presently expecting upside. Acknowledging oil is down from its five-year average (i.e., $59 bbl WTI vs. the $71 bbl avg. for five years), we mention that cost inflation within the upstream sector has waned considerably over the past few years, which should help to enable sponsors to put their retail sourced capital to work at a time when drilling and completion costs are stable (with a broader $55-70 bbl price range expected in 2026 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 2025). As we stated in our last few reports, and regardless of product wrapper/strategy, **cautious independent underwriting by a firm with petroleum engineers** of a program's **mineral value, costs, risks, and structure** will be more important than ever going into 2026-2027 based upon the volatility we are likely to experience.