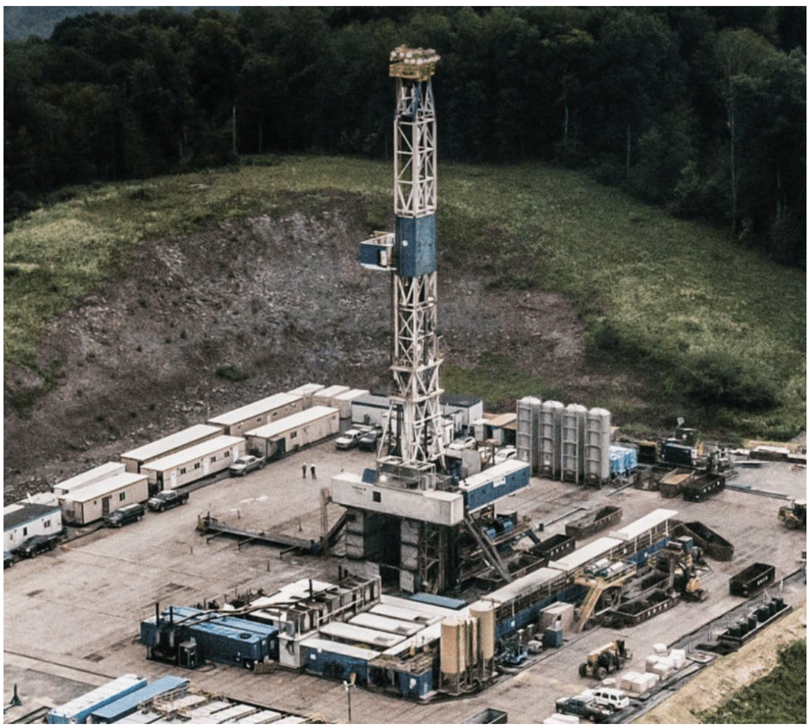
U Can't Touch This – A Banner Year for Upstream Acquisitions

Permian E&P Deals Dominated, But the Reshuffling Was Broad-based



- **Larger producers sought to gain additional scale and position themselves for an increasingly competitive era.**
- **Oil-focused E&Ps led the consolidation charge, but Chesapeake/Southwestern combo created the largest U.S. gas producer.**
- **The Permian's Midland and Delaware basins were targeted, but so were the Bakken, Eagle Ford and Uinta — and Guyana.**
- **The deal-making isn't over, but the M&A pace in 2024 suggests it's likely to slow in 2025.**

1. Introduction

Four-plus years after the start of the oil and gas industry's biggest consolidation in a quarter century, new M&A announcements keep coming. The primary drivers of these deals — many of which are valued in billions of dollars — are clear. Among other things, E&Ps seek scale and the economies of scale that come with it. They also have come to believe that it makes more sense to grow production through M&A than through aggressive capital spending. And, for some producers, buying another E&P lock, stock and barrel is the best way to either expand in the all-important Permian or diversify into other plays like the Bakken, the Eagle Ford, the Denver-Julesburg (DJ) and the Uinta. (Offshore Guyana too, for Chevron.)

As we said in our last Drill Down report on E&P M&A in late 2023, the 2020s have been a period of almost unprecedented consolidation within the oil and gas industry. Not since the late 1990s has U.S. merger-and-acquisition activity among producers been so frenetic. Back then, a plunge in crude oil prices spurred mega-deals that helped to form many of today's supermajors and large E&P independents: Exxon joined with Mobil, BP with Amoco and ARCO, Chevron with Texaco, Anadarko with Union Pacific and Kerr McGee, ConocoPhillips with Burlington Resources, and Devon with Mitchell Energy and Ocean Energy.

Another wave of M&A might have come with the oil price crash in 2014-15. After all, many producers had been massively outspending cash flow in the early years of the Shale Era to build acreage inventories in multiple unconventional plays. But the tsunami didn't happen. Instead, most E&Ps turned inward, shedding non-core assets to concentrate on core plays.

Then came early 2020. In just a few weeks' time, OPEC+ coordination on oil production collapsed, COVID lockdowns were initiated, and other factors pushed the U.S. E&P sector to the brink of insolvency. Crude oil prices had crashed to $20/bbl — one-third the level at the start of that fateful year — and producers had shifted to survival mode, slashing capex, canceling infrastructure projects, and eyeing new, more dire worst-case scenarios. Somehow, out of that hell emerged a new — and still ongoing — frenzy of M&As.

A slew of 10- and 11-figure deals announced in 2021, 2022 and 2023 have already closed, the largest being ExxonMobil's $64 billion acquisition of Permian pure play Pioneer Natural Resources, which closed in May. [Note that Pioneer had previously purchased Parsley Energy (for $7.6 billion) and DoublePoint Energy (for $6.4 billion).] Also, as we discuss in this report, Diamondback Energy — another Permian-centric producer — in September closed on its $26 billion acquisition of Endeavor Energy Resources, one of the largest remaining privately held E&Ps in the basin.

Three other major, previously closed deals — ConocoPhillips's $13.3 billion acquisition of Concho Resources, Chevron's $13 billion purchase of Noble Energy, and Cabot Oil & Gas's $9.3 billion buy of Cimarex Energy (the combined company is now known as Coterra Energy) — are noteworthy in that all three acquirers were at it again in 2024. ConocoPhillips just a few weeks ago closed on the $22.5 billion purchase of Marathon Oil, while Chevron has been working to advance its plan to acquire Hess Corp. for $60 billion and Coterra is preparing to close on not one, but two purchases in Q1 2025: Franklin Mountain Energy and Avant Natural Resources.

This report doesn't list or discuss every upstream acquisition — there simply have been too many — nor does it discuss any of the post-acquisition divestitures and acreage swaps that a number of companies have undertaken since closing on their deals. Instead, the report focuses on 10-billion-dollar upstream M&A deals that were announced in 2024, plus the Chevron/Hess deal, which was announced in late 2023 but is not expected to close until sometime next year. (Many of the 2024 deals have already closed, but a few others won't do so until Q1 2025).

This representative sample indicates that while an expanded presence in the Permian remains a primary focus of some E&Ps, many others — like ConocoPhillips, which we discussed just above — are looking beyond the Permian at other domestic shale plays, including the Bakken, the Eagle Ford, the DJ and the Uinta.

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