

MACROCOSM

The Peak Oil Myth is Back Again (and It's Still a Myth)

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Why is EOG calling the top in shale drilling while buying more shale properties?

President Donald J. Trump's "drill baby drill" agenda to [increase production by 3 million barrels per day, from 13.1 to 16.1, before the end of his second term](#) has been met with much skepticism. But in just the first two-and-a-half years of his first term, production increased by 3.7 million, from 9.2 to 12.9, peaking in November 2019. Who knows what might have been possible if the pandemic had not led to a collapse in both supply and demand.

While Trump 45 was successful at significantly increasing production, a [new consensus](#) seems to be emerging that crude production is peaking, or worse – indeed, headed for an outright collapse – during Trump 47. And key [industry insiders](#) have made comments that can be construed as questioning [how much US shale oil producers have left in the tank](#) (more on this later).

A way of summing up the new consensus is that shale producers have already exploited all the easiest targets. As the targets get harder, it takes higher crude prices than we have now to make production possible.

Calling for a peak in oil production has been a national pastime for decades. We've always pushed back against it, and we've always been right (a couple of relatively recent examples: "[A Bottom in Oil Prices, But No Top in US Production](#)" April 5, 2023 and "[Shale Survives, and May Soon Thrive](#)" December 8, 2020). We're going to push back again now.

Let's look specifically at the Permian Basin, which is the focus of the current peak-production narrative.

- Legacy lost production from 23,294 wells completed since Trump 45 left office has quadrupled lost volumes from total existing wells to [428,100 barrels per day](#) in January 2025. Trump 45 saw lost volumes from existing wells of only [104,646 barrels](#) in January 2016. Four times more new wells are needed now to offset declining legacy production – not because wells are less productive, but because there are just so many more of them.
- The Energy Information Agency of the US Department of Energy has published [decline curves for wells in the Permian Basin from 2019 to 2021](#). The EIA has not updated Permian decline curves since

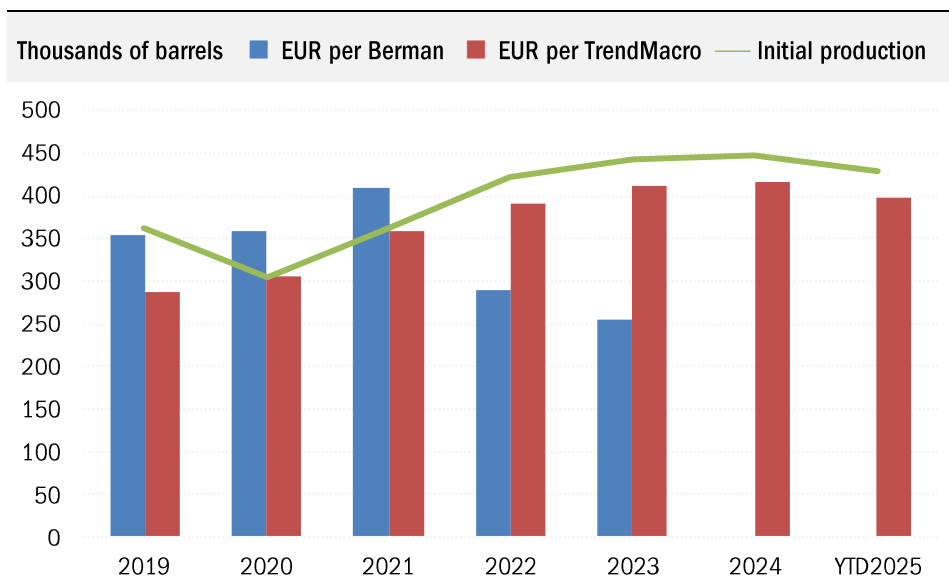
Update to strategic view

OIL, US MACRO: There's a new narrative – peak shale, even in the Permian. The story goes that the easy targets have all been drilled, and the harder targets aren't profitable at today's prices. But today's easy targets were hard targets just a few years ago. Evidence from decline curves shows that working shale plays are as productive as ever. The skeptics, as always, are blind to the roles of operating experience and technology improvement in getting more oil out of rocks profitably. Much has been made of EOG's worries about shale. Its concerns arise from its experience in the Eagle Ford, yet they are being extrapolated to the premier Permian shale play. EOG itself is investing heavily in other shale plays, including the formerly difficult Utica which it now calls a "little Permian" – showing that business and technology dynamism can always reinvigorate the drilling game. Trump's deregulatory policies are lowering costs and increasing demand at the same time. We reiterate our forecast for a price range of \$60 to \$80 Brent.

[\[Strategy dashboard\]](#)

production year 2021, and no update is currently scheduled. The [next best metric to assess estimated ultimate recovery of wells \(EUR\) is one-year decline curves](#). They are much better than 30-day initial production (IP) curves because operators can let pressure build prior to releasing production thereby creating a gusher at abnormally high rates that are detrimental to a wells' lifetime production, or EUR.

- In 2016, the best independent analysis suggested that [EURs for the top five Permian Basin operators in the Spraberry, Bone Springs and the Wolfcamp produced 265,000 barrels](#) over their lifetime. About 400 completions were needed to offset legacy lost production, or roughly 5% of 8,167 completions that year.
- In 2024, the IEA reported that one-year decline curves were 448,000 barrels, which peaked last year on an annual basis. Again, operators need to replace four times more lost legacy production than in 2016, but that equates to only 1,000 completions – not four times 400, or 1,600 – because of higher well EURs. And while this is roughly 19% of 5,700 completions needed last year, the percentage is higher than it was in Trump 45's first year in office only because the numerator (overall well completions) is much lower.
- This is all very complicated, so let me be simple and clear: the industry is getting better at this, so more targets are easy targets.
- Yes, we've seen the influential [recent report](#) from Art Berman suggesting that EURs have fallen back to 2016 levels (265,000 barrels per well). Yet, EIA's 1-year year IP rate suggests that they are much higher. Moreover, [other credible research](#) suggests that the Permian's EUR was *higher* on average than our estimate of 428,000 barrels per well this year (please see the chart below).
- While EURs may have peaked in *parts* of the Permian Basin, advances in technology could maintain or boost them. Right now,



Source: Art Berman, IEA, TrendMacro calculations

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AI podcast version

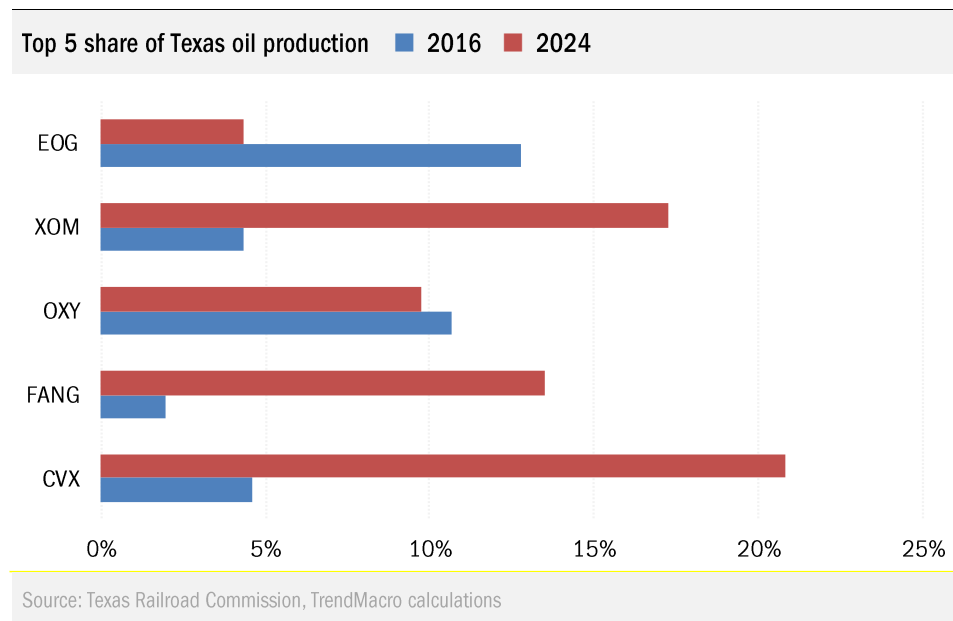


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Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

[Chevron](#) is working on lowering costs by triple-fracking completions. And [ExxonMobil](#) projects that it will lift Permian EURs by 15% with proppant made from refinery coke instead of sand. Even the pessimistic EIA suggests in a recent report that new technology and pipeline construction (see “[Oil’s Bullish Bottlenecks](#)” April 24, 2018) are driving growth in the Permian.

- The gas-to-oil ratio (GOR) has also been cited as a detriment to increased crude oil production. While it has risen by 29% in the Permian, [operators in other basins have seen much higher increases](#). A rising GOR can potentially lower oil production, but it's not a simple, direct relationship. The Permian Basin has developed infrastructure ([pipelines](#) and processing plants) to compensate for a higher GOR by making a virtue of it – sending Y-grade liquids (natural gas liquids) to the coast.
- Since Trump 45, Permian Basin operators have consolidated considerably. According to the [Texas Railroad Commission](#), in 2016, the top 32 operators produced 59% of Texas oil (not including condensate). In 2024, it was 68%. In 2016, the top five producers alone accounted for 34% of total oil output. By 2024, after significant mergers and acquisitions, the top five now account for two-thirds (please see the chart below).



- Let's focus on EOG Resources for a moment, because the current peak shale narrative has been accelerated by recent [comments by its chief operating officer, Jeff Leitzell](#). We have followed EOG for a decade (see “[I Have Seen the Future, and it Fracks](#)” February 24, 2015).
- First, EOG's share of Texas crude oil production has dropped from 13% to 4% as rivals have consolidated (again, please see the chart above). Its core area of operation has always been the Eagle Ford and not the Permian.

- Second, EOG looks for organic growth and usually does not tap into the merger and acquisition market. The historical exception was EOG [acquiring Yates Petroleum Corporation \(a private company with significant Permian acreage\) in 2016](#) during Trump's first term. Since then, the majors have bought Permian assets and overtaken EOG as Texas's leading oil producer. Diamondback has been the only independent to significantly acquire Permian acreage and production.
- Third, in May 2025, [EOG paid \\$5.6 billion for 675,000 acres in the volatile oil window in the Utica shale play – geologically similar to its familiar ground at the Eagle Ford Shale](#). So EOG isn't giving up on shale as Leitzell's statements have been interpreted to imply. This very savvy firm went shopping for oil-prone acreage out of the Permian at a lower price in its second major acquisition – a far cry from claiming "peak shale". Indeed, the company calls its new acreage in the Utica the ["little Permian."](#)
- Technology leaders like EOG understand that while the consensus is worrying about the industry running out of easy targets, those very same easy targets were called hard targets just a few years ago. EOG's Utica acreage is just that (why couldn't Chesapeake, its one-time owner, do anything with it before?).

Production dynamics aside, another factor is economics.

- Oil prices are a big determinant of profitability, which itself is a key determinant of production – higher is better. But high prices have a dark side – they suppress demand.
- Another big determinant of profitability is cost. If the cost of production falls, then profitability can be maintained or even increased despite lower oil prices (see ["The Shale Boom Shifts Into Higher Gear"](#) WSJ, June 1, 2015) – and, better still, there's no hit to demand. Indeed, at lower prices there will be an increment to demand. If producers hold their margins and move more units, they are more profitable.
- The Biden administration erected regulatory barriers to raise the cost of production, doing everything in its power to push prices higher to get traction for its green energy agenda. West Texas Intermediate crude averaged \$80 per barrel during Joseph R. Biden's presidency. To be sure, Biden had to reverse course after the invasion of Ukraine when oil prices got too high too fast. He drained more than 250 million barrels of crude oil from the US Strategic Petroleum Reserve – that helped consumers, but did nothing to lower the industry's cost function.
- Trump's agenda is to reduce producer costs by reducing their regulatory burdens (see ["Deregulate, Sanction and Tariff, Baby, Deregulate, Sanction and Tariff!"](#) March 26, 2025). The strategy appears to be working. WTI is averaging only \$68 per barrel this year. Despite this lower price, crude oil production is averaging 200,000 barrels per day more than the comparable period last year.

- There are other economic factors at work. Some [observers](#) say high interest rates will make capital more scarce to operators, forcing them to reduce CAPEX and forgo future production. Trump 47 started his term with 4-3/8 % fed fund rate – while Trump 45 had enjoyed an average funds rate of 1-5/8% before it collapsed to zero in the pandemic. But today, many oil and gas companies finance a significant portion of their operations using free cash flow generated from existing activities. [Industry debt has fallen by 34% since 2019](#). An interest rate cut (see [“Stocks at New Highs as Trump Turns the Fed – and Our Hot Take on This Morning’s Supreme Court Ruling”](#) June 27, 2025) will help on the margin, but the industry isn’t dependent on funding its operations with a near-zero funds rate.
- Trump 47’s energy deregulation policies will yield significant cost reductions over the coming year (see [“Oil Under Trump: War and Peace, but Mostly Deregulation”](#) November 20, 2024). But at this moment, many operators are dealing with rising steel prices due to Trump’s tariffs. That at least works in the direction of offsetting the cost benefits of deregulation. In the Permian several companies have cited rising costs at the [local level](#), but some [CEOs](#) think the tariff impact will be modest. Countries retaliating against US tariffs [might raise duties on US crude oil and petroleum products](#), such as [China](#), but so far, there hasn’t been a noticeable slowdown in US energy product exports.

For all our optimism about the ability to grow US production, you’d think we’d be calling for lower oil prices. But we are sticking with our call made at the beginning of the year, for a range between \$60 and \$80 on the Brent benchmark. That has served us remarkably well so far in a somewhat volatile year.

That is in part because the deregulation initiatives we are so enamored of will operate not only to increase supply, but also to increase demand. With the One Big Beautiful Bill having ushered in one of the biggest tax cuts in history – with much of it retroactive so that it applies right now in the 2025 tax year, and with the electric vehicle subsidies abolished (see [“Video: What you’re not hearing about the One Big Beautiful Bill”](#) July 7, 2025) – and Trump’s tariffs likely to be demolished by the Supreme Court within a short number of months (see [“Video: TrendMacro conversation with Jeffrey Schwab and Sara Albrecht of the Liberty Justice Center, the legal team overturning the Trump tariffs”](#) July 17, 2025) – strong economic growth will support strong oil demand growth.

There will be plenty of supply. And there will be plenty of demand.

Bottom line

There’s a new narrative – peak shale, even in the Permian. The story goes that the easy targets have all been drilled, and the harder targets aren’t profitable at today’s prices. But today’s easy targets were hard targets just a few years ago. Evidence from decline curves shows that working shale

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