



Why resilience requires a strategic shift for US oil and gas

2025

EY

Shape the future
with confidence

■ ■ ■
The better the question. The better the answer.
The better the world works.

Operational efficiency and capital discipline levers like integrated planning are vital for US oil and gas companies

In brief:

- 01** Geopolitical tensions, trade policy challenges and rising capital expenditures are prompting companies to reassess their strategies.
- 02** While major companies have successfully increased reserves through exploration, they face difficulties in delivering value to shareholders.
- 03** To thrive in this environment, companies should adopt integrated planning frameworks that align operational strategies with long-term growth objectives.

Co authors

- 01** [Herb Listen](#)
EY Americas Sustainability Leader – Audit Services
- 02** [Regina Balderas](#)
EY-Parthenon Americas Oil & Gas and Chemicals Sector Leader
- 03** [Andrew Morrison](#)
EY Americas Professional Practice Oil and Gas Sector Resident

The US oil and gas sector stands at an inflection point. Geopolitical conflicts, heightened trade tensions and tariff policies, and downgraded economic outlooks are adding to the challenges companies in the US oil and gas space face as they navigate their short-term strategies. This market and investment uncertainty is exacerbating trends that emerged last year, signaling needed changes to ensure that unconventional sources of oil and gas not only sustain increases in US energy production and exports but also provide a foundation for growth among leading oil and gas companies operating in the US.

Somewhat surprisingly, geology has not yet emerged as one of those constraining factors. According to the [2025 EY US oil and gas reserves, production and ESG benchmarking study](#), the leading 40 companies added more reserves through extension and exploration drilling than the volumes they produced, leading to an organic reserve replacement ratio (RRR) exceeding 100%. Continuing to find new oil reserves is not the issue.

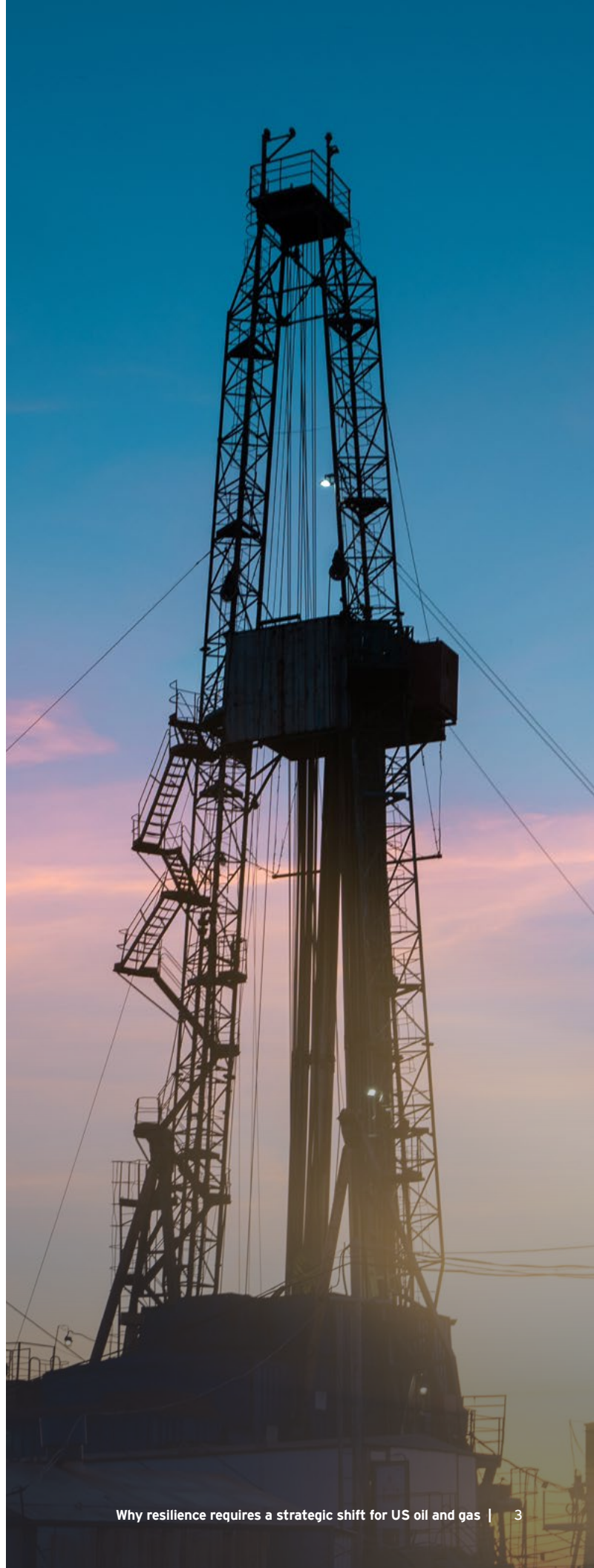
However, continuing to return value to shareholders from those resources presents a different challenge. In 2024, total capital returned to shareholders through dividends and share buybacks declined for the first time since 2020. This was partly driven by price declines, which helped push pretax results of operations to under \$13/barrel of oil equivalent (BOE) – a level reminiscent of post-2020 lows, but not a wholly worrisome figure. Rather, the pull-back in returns to investors was prompted by a doubling of capital expenditures (capex) by these companies – up from \$140 billion in 2023 to \$292 billion in 2024. This surge was primarily due to a tripling of costs associated with acquiring new acreage through M&A deals, which were heavily equity-based acquisitions. While elements of the recently passed H.R. 1 may provide some tax relief to US oil and gas producers and increase the overall profitability, improving pretax financial performance will require redoubled efforts on cost control.

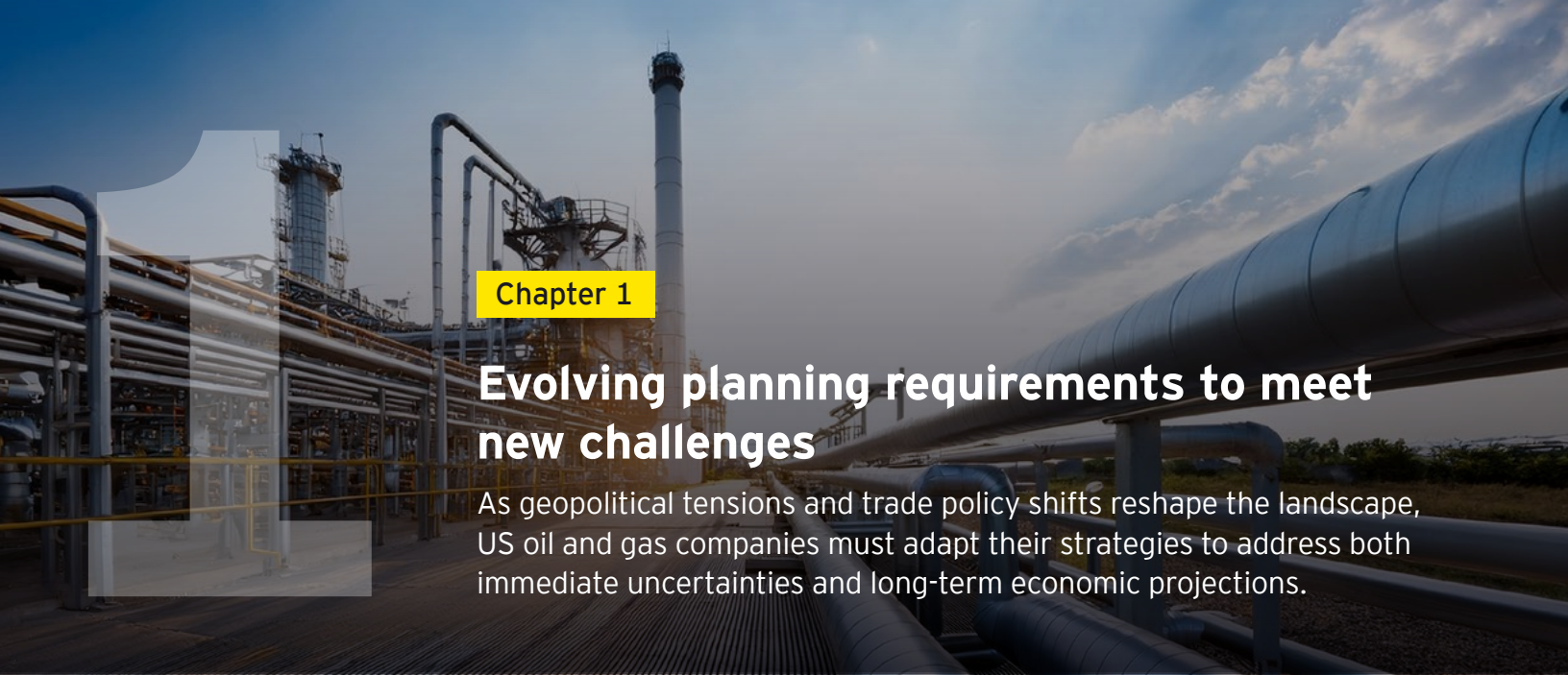
Efforts to achieve such cost efficiencies through M&A synergies are ongoing, but initial results indicate further progress may be needed. In 2024, production costs per BOE rose 1% for the companies analyzed, even as oil and gas prices fell. This marks the first instance in the five-year study period where production cost trends have diverged from commodity spot prices, highlighting some of the operational challenges often seen in the early years post-M&A transaction. Certain peer groups seem to be faring better than others. Large independents (those with worldwide reserves exceeding 1 billion BOE but lacking oil refining and marketing activities) have emerged as leaders in cost efficiency, maintaining the lowest per BOE costs by consolidating core areas and effectively scaling capital allocation.

The increased cost of M&A also prompted a decline in exploration and development spending. Investor requirements for fiscal discipline have not been lost, placing limits on capex expansion and a prioritization of investments with shorter payout horizons. As a result, the relatively low-risk nature of US unconventional resource will likely remain central to company growth strategies, even as these rising costs allow deepwater and overseas options to increasingly compete for consideration. But navigating the challenges presented by political and trade confrontations, while adapting unconventional business models to a changing competitive landscape, starts with a truly integrated approach to strategic planning.

US benchmark West Texas Intermediate (WTI) prices in 2023 averaged \$77.58 per barrel, 18% below the 2022 levels of \$94.90 per barrel. The price retraction in natural gas was downright staggering. Henry Hub prices lost 61% of the 2023 price level of \$6.45 million British thermal units (MMBtu) to an average of \$2.53 per MMBtu. Despite these levels, the oil and gas producers covered in this study were able to both increase the aggregate production of both commodities, replace production from exploration and extension drilling, fund additional capital expenditures in the sector and continue returning value to shareholders.

Oil and gas companies in the US are showing the results of several years' efforts to improve performance for the general economy, as well as for shareholders, but these accomplishments should not engender complacency. Economic, regulatory and geopolitical uncertainties in the short term and longer term raise questions about the dynamics of demand clouding the market outlook. The competitive landscape is undergoing deep transformation with a continuing wave of consolidation. And demands on environmental, social and governance (ESG) reporting continue to evolve, both in terms of formalization of regulated reporting requirements and from shareholders to shape future strategies with consideration around greenhouse gas (GHG) emissions management. These durable trends mean that companies will need to redouble their efforts to keep costs under control, seek opportunities to grow through M&A in their core areas, and elevate emissions concerns in strategic planning to drive synergies between financial and environmental performance.





Chapter 1

Evolving planning requirements to meet new challenges

As geopolitical tensions and trade policy shifts reshape the landscape, US oil and gas companies must adapt their strategies to address both immediate uncertainties and long-term economic projections.

The headlines this year have likely caused many C-suites to heavily revise or completely redraw their strategic plans. These have included military confrontations in the Middle East and surprise announcements from OPEC+. But the most durable concern has been the continued high trade tensions and new tariffs threatened by the United States. This assertive US approach to trade policy has not only directly targeted US oil and gas costs – [notably through steel tariffs – but has also contributed to the dampened economic projections.](#)

Corporate planners are now faced with changes and uncertainty in the short term – especially in adjusting to the flurry of headlines – while also needing to reassess strategies and capital allocation based on adjusted economic expectations. The planning challenge lies in reorienting the enterprise around new baseline expectations centered on general economic prospects and providing the flexibility to respond appropriately to shorter-term changes.

The leading companies during this period will be those that develop a robust and transparent enterprise planning process, one that clearly identifies and proactively mitigates how external disruptions impact the strategic plan. A well-structured, data-enabled planning system not only enhances response times to disruption but also allows an easier flow to business unit or asset-level planning, positioning the company to effectively navigate these challenges.

At the asset or business unit level, strategic considerations become blended with operational concerns. “The pace of M&A and consolidation in the US unconventional space means that individual companies or business units are responsible for a growing magnitude of drilling programs,” says Greg Duffy, EY Americas Integrated Capital and Asset Planning Leader. “Companies are beginning to appreciate the need for greater granularity on both subsurface and surface characteristics for planning.”

To better optimize their planning and operations, leading companies are grouping wells and areas across a drilling plan into meaningful and coherent geospatial units with shared characteristics. This facilitates quicker optimization of drilling plans by clearly demarcating not only the subsurface treatment of wells but also the permitting requirements and any infrastructure constraints that need to be mitigated.

Linking subsurface potential with surface permissibility leads to a significant increase in the duration of reliable schedules, with more credible scenario planning. This extension of schedules and optionality not only boosts the near-term flexibility in executing drilling programs but also opens up additional opportunities for adapting the program and adopting new technologies.



Chapter 2

Differentiated deal thinking drives better value creation

By adopting a holistic approach to M&A that integrates value capture from the outset, oil and gas companies can achieve successful post-close transformations and enhanced operational synergies.

These benefits of embedded planning can also extend to M&A, both in the ability to identify better targets or valuations, but also in helping to realize accretive value through growth and cost synergies realized through the combination. As the costs of acquiring both proven and unproved acreage continue to rise, there is an increasing need for companies to realize these post-close transformations.

Given the complexity of these deals – especially the requirement to quickly integrate different systems and processes into a cohesive, effective and efficient unit – traditional approaches to M&A are showing their limits.

“Rather than a segmentation between deal execution and post-close integration, companies are discovering that the vision and articulation of value to be achieved in the newly combined company is now a required part of the deal thesis up front,” explains Bruce On, EY-Parthenon Strategy and Transactions Energy Partner, Ernst & Young LLP.

On explains that leading companies develop an end-to-end road map to drive value capture from the start of the process and use due diligence to validate key assumptions and align stakeholders around critical points of the strategy.

The post-close transition also becomes an opportunity for truly transformational change. By starting with an end-state concept of a novel operational model for the combined entity, companies that can realize the best value from inorganic growth can leverage organizational design, processes and technology that are fit-for-purpose for the combination, rather than adapted from either entity.

One of the most significant challenges faced by oil and gas companies is maintaining alignment on shared objectives across business units and support functions that often have differing objectives. This complexity is compounded even

further when combining legacy business units and functions with those of a newly acquired company.

Each department has its own priorities – procurement seeks the lowest prices, operations aims for the shortest lead times, and supply chain focuses on resiliency. In theory, these objectives are complementary and reinforcing, but challenges can arise in de-conflicting priorities. For example, procurement’s prioritization on cost savings over lead times can lead to operations incurring unexpected downtime if critical materials are received late. The evolution of corporate culture, legacy strategies and key performance indicators (KPIs) from prior capital acquisitions complicate the smooth resolution of these conflicts, as do differing visions from shared assets with other companies or stakeholders.

To effectively navigate these complexities and realize the full synergies of the combination, it is essential to align the corporate vision – stemming from enterprise planning and developed in the M&A strategy – with a cohesive set of KPIs that foster collaboration and keep all teams focused on common goals.

For example, clearly delineating which organization will own key KPIs aligned with the overall corporate vision, such as production and uptime, is key to determining roles and responsibilities and preventing overlap on value capture initiatives. It’s also equally important to understand which organizations are playing a supporting role and how their contributions to the main revenue center will be measured. One function’s main mandate may be to support another function and meet material needs. Viewed then as an enablement center rather than a cost center, management can better align each function toward supporting the KPIs that hold the promise of enhanced value, which drove the deal-making from the outset.

Chapter 3

3

Land services

Effective land administration is crucial for US oil and gas companies, yet many rely on outdated processes; modernizing this function can unlock significant value and improve operational efficiency.

One of the enablement functions ripe for value creation is land administration, which includes managing leases, contracts, surface rights, regulatory compliance and financial obligations associated with land assets. This is particularly critical as oil and gas companies are responsible for a growing magnitude of drilling programs.

Unlike functions such as procurement and supply chain, which oil and gas companies recognize as critical to realize cost competitiveness and optimal performance, land administration often lacks that same level of attention, despite its criticality to unconventional development.

Too often, land management relies on manual processes, siloed data and outdated systems, making it time-consuming, prone to errors and costly. As a result, many companies are confronted with historical land asset information that is not accessible or actively managed, where title commitments are not clear, and land assets are not geographic information system (GIS) enabled. Enabling GIS allows organizations to visualize land boundaries, ownership, encumbrances and environmental overlays in real time – integrating spatial attribute data to support faster, more accurate decision-making. Inaccessible and spatially non-integrated data not only means investments in land assets can be out of line with the company's operational strategy, but companies often face difficulties in meeting all requirements supporting pipeline operations or in executing a land conservation strategy.

The flurry of land and pipeline acquisition activity further adds complexity to data and operations, highlighting the potential of managed services as a solution for companies seeking to upgrade the land administration function without incurring additional overhead and investment costs. Establishing a harmonized “land data hub” with GIS, production systems,

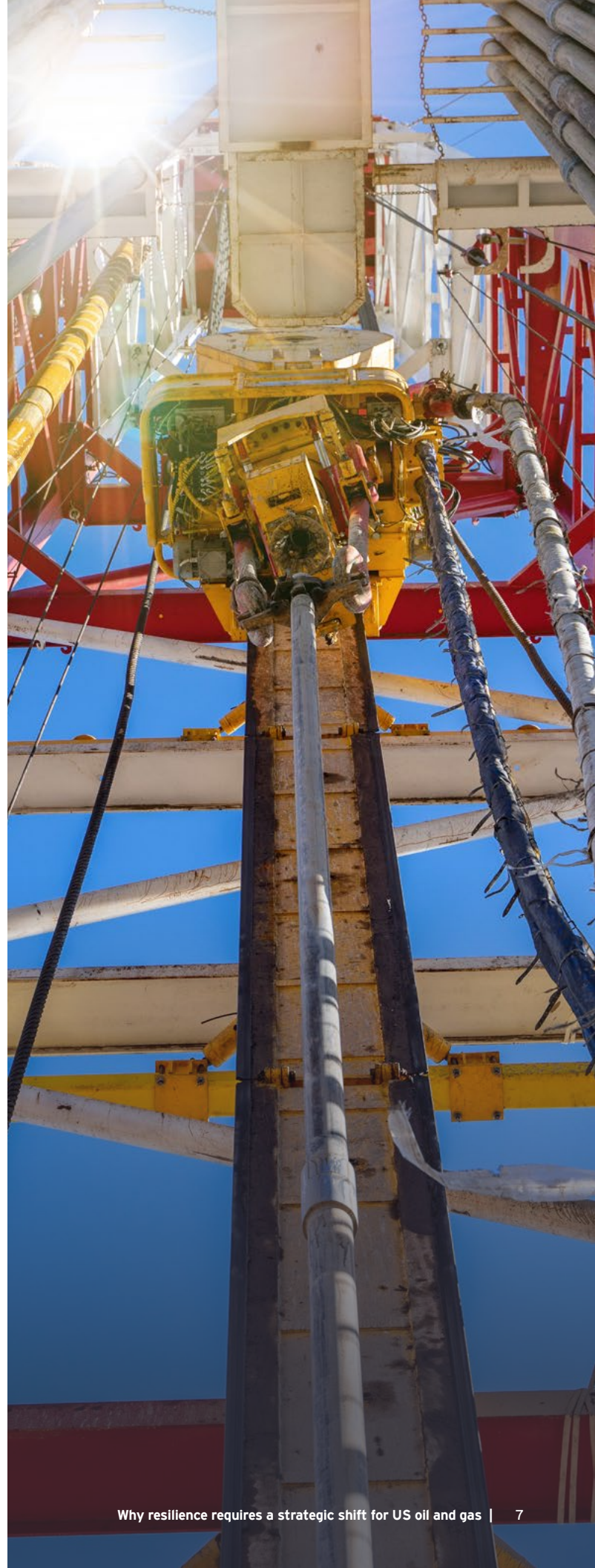


contract data, title, deed and regulatory overlays creates a single source of truth for land assets, enabling smarter, faster and more confident decisions across the enterprise. Many back-end processes involving high-volume, repeatable tasks, such as those involved in lease entry and payment processing, can be significantly reduced through artificial intelligence (AI) and automation, improving quality and lowering risk. Outsourcing foundational data elements can accelerate the integration and processing of information, turning it into actionable insights.

“The benefits of enhanced land administration include enhanced compliance, asset value and data stewardship, leading to an overall reduction in total cost of ownership,” explains Sherry Allen, EY Americas Oil, Gas and Chemicals Managed Services Leader. Continuous innovation leads to streamlined processes and workflows, which decreases manual effort, reduces errors and accelerates cycle time. Land administration is often not a priority area for investments in either skilled personnel or digital tools within companies, but the benefits can be realized through outsourcing or co-sourcing approaches.

Leading companies in this area realize not only smarter land operations but also increased visibility into their operations and future options through integrated land platforms that bring together spatial, financial and operational data. The modernized land administration function not only provides a better foundation for regulatory compliance and audit readiness but also allows for adaptability to portfolio changes as M&A activity proceeds.

Ultimately, a modernized land administration function – whether developed in house or outsourced to lower internal investments – returns clean, structured and well-governed data to accelerate the transformational change of integrated planning. This provides that companies can continue to underpin their future growth ambitions on the promise of the US unconventional basins. This foundational task works its way into better and embedded planning, helping corporate strategists navigate emerging risks and uncertainties, and continue to drive profitability to ensure continued effective management of the oil and gas sector.



Summary

Managing increasing uncertainties, rising costs, and meeting investor demands for returns, oil & gas companies in the US need to adopt enhanced approaches to M&A, embed strategic planning to align assets operations with enterprise strategy, and adopt approaches that enhance the value and lower the cost of basic functions like land management.

About this article

Authors



Patrick Jelinek

EY Americas Oil & Gas and Chemicals Leader



David Kirsch

Managing Director, Oil, Gas and Chemicals, Ernst & Young LLP

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

How EY's Global Oil & Gas team can help you

As changing demand and pricing volatility transform the oil and gas industry, companies must reshape to thrive in this new energy world. But how do you balance the immediate cost and regulatory pressures of "now" with investment in what comes "next?" EY's Global Oil & Gas team brings together the breadth of experience and talent needed to approach the entire transformation process. By considering four key pillars of change – structure and culture, customers, technology, and skills and capabilities – we can help you adapt for today and reap the opportunities of tomorrow. And together we can build a better working world.

© 2026 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 00000-000US
2608-10044-CS
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com