

Oil & Gas Markets Outlook

National Ocean Industries Association

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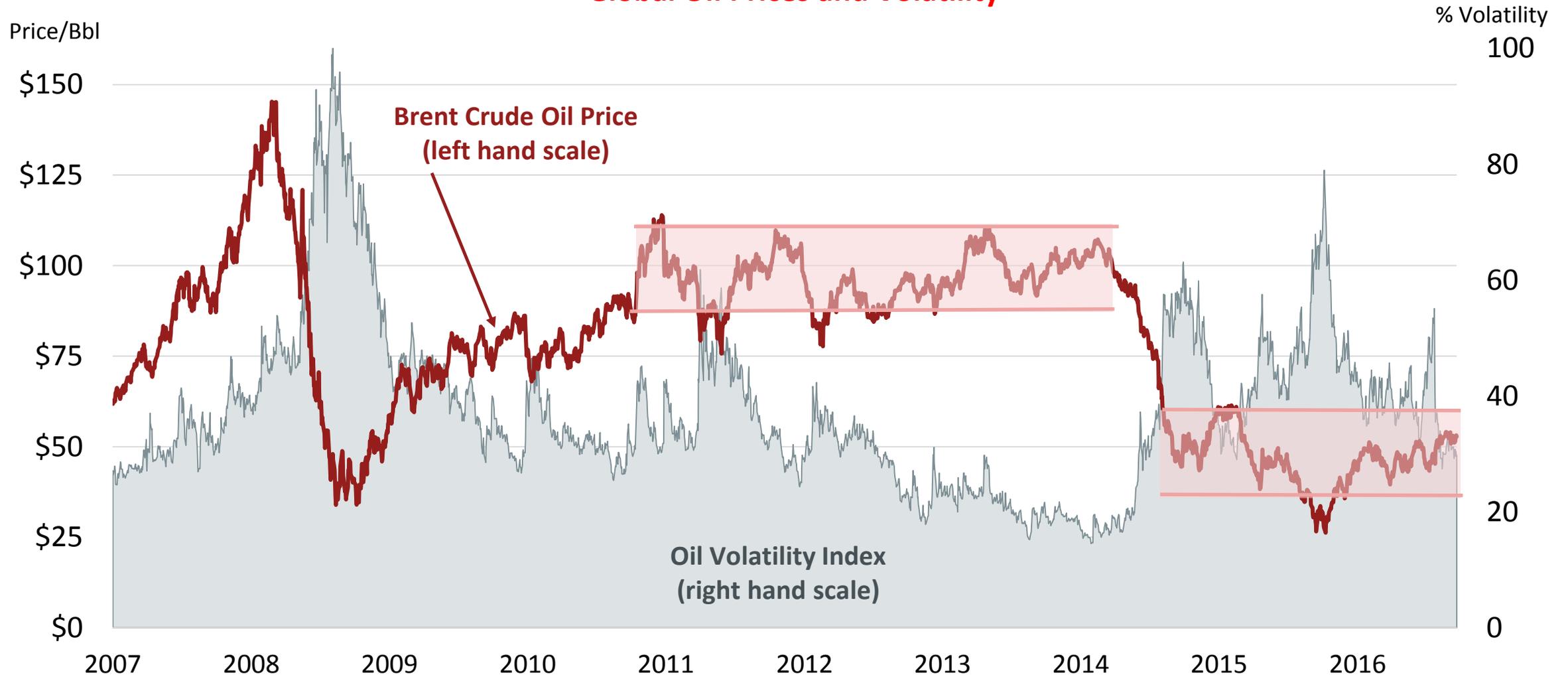
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Oil Market

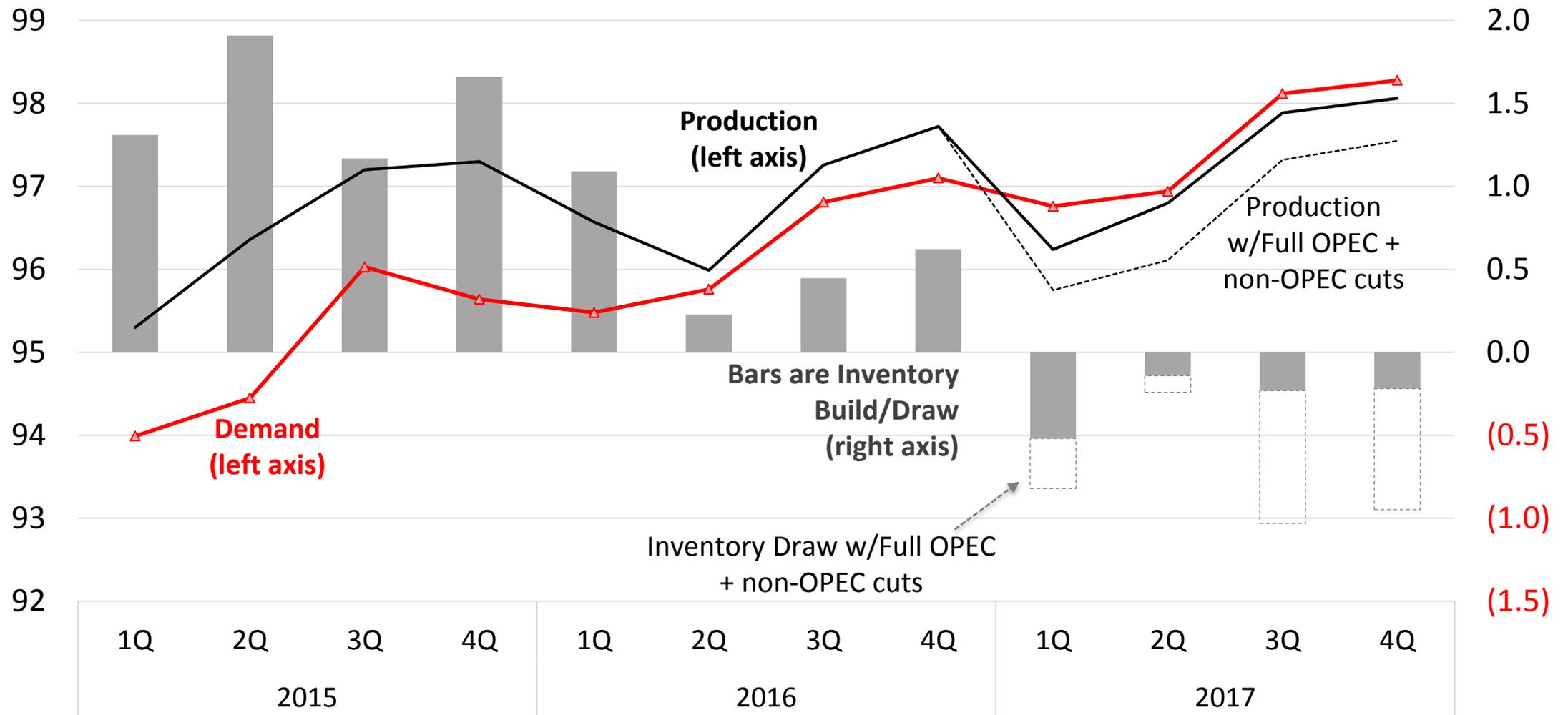
Global Oil Market: The Past Decade

Global Oil Prices and Volatility



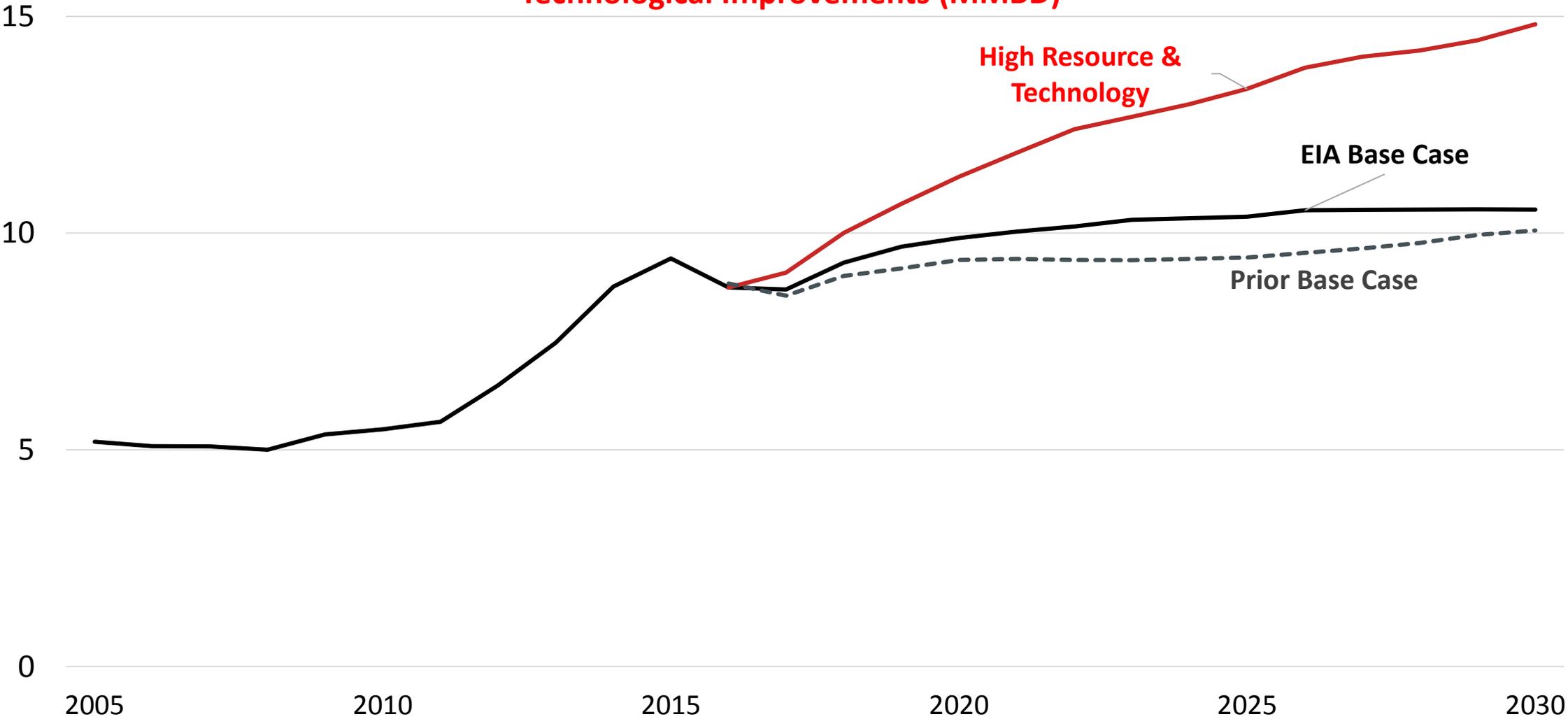
Global Oil Market: Rebalancing and Recovery Imminent?

Rebalancing Begins in 2017: OPEC Cuts Will Help to Lower Global Inventories (MMBD)



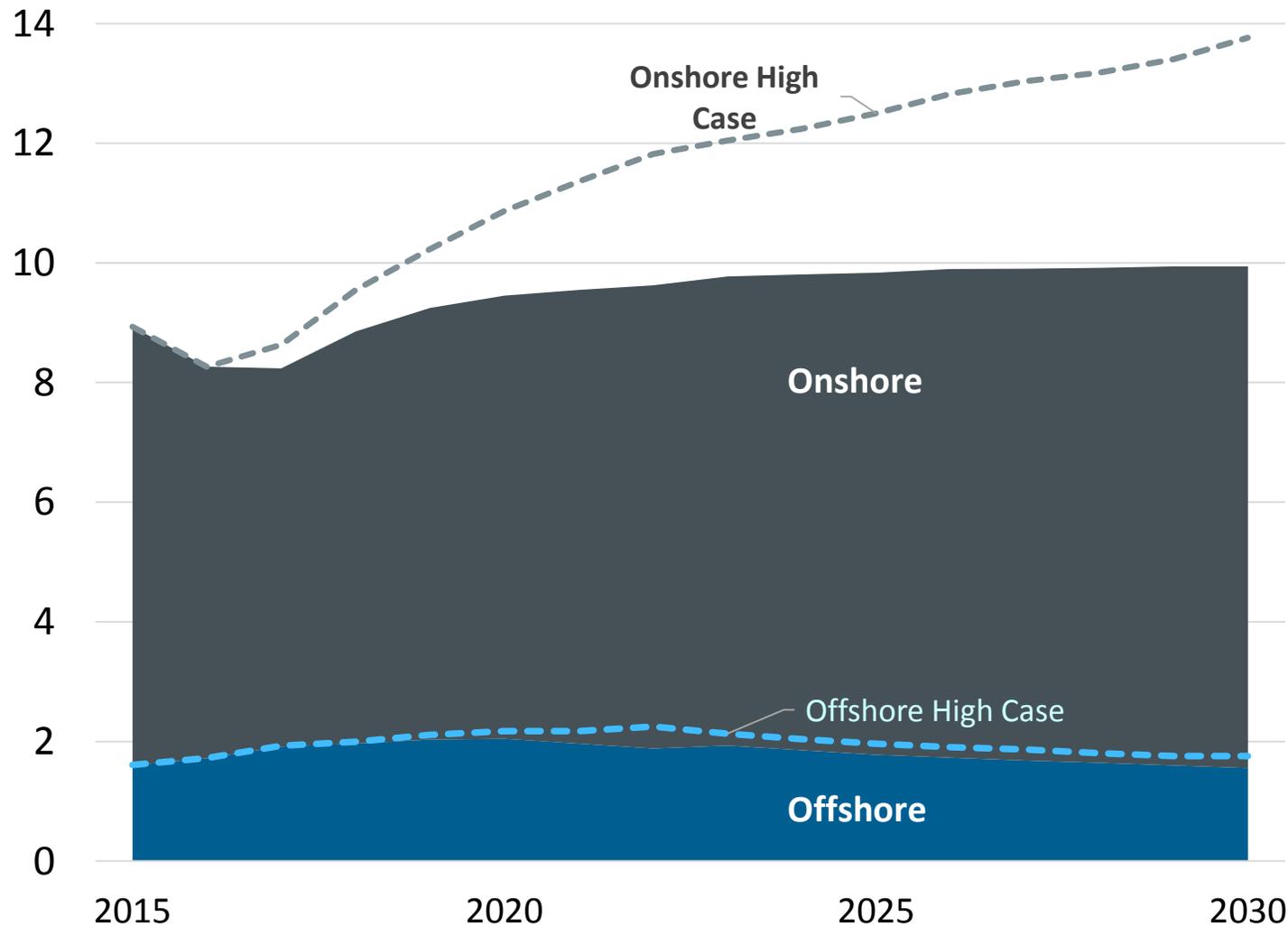
U.S. Crude Oil Production Expected to Grow

EIA Projects Significant Upside to U.S. Oil Production with Additional Efficiency and Technological Improvements (MMBD)



U.S. Crude Oil Production Growth Led by Onshore Fields

Lower-48 Offshore vs Onshore Oil Production (MMBD)

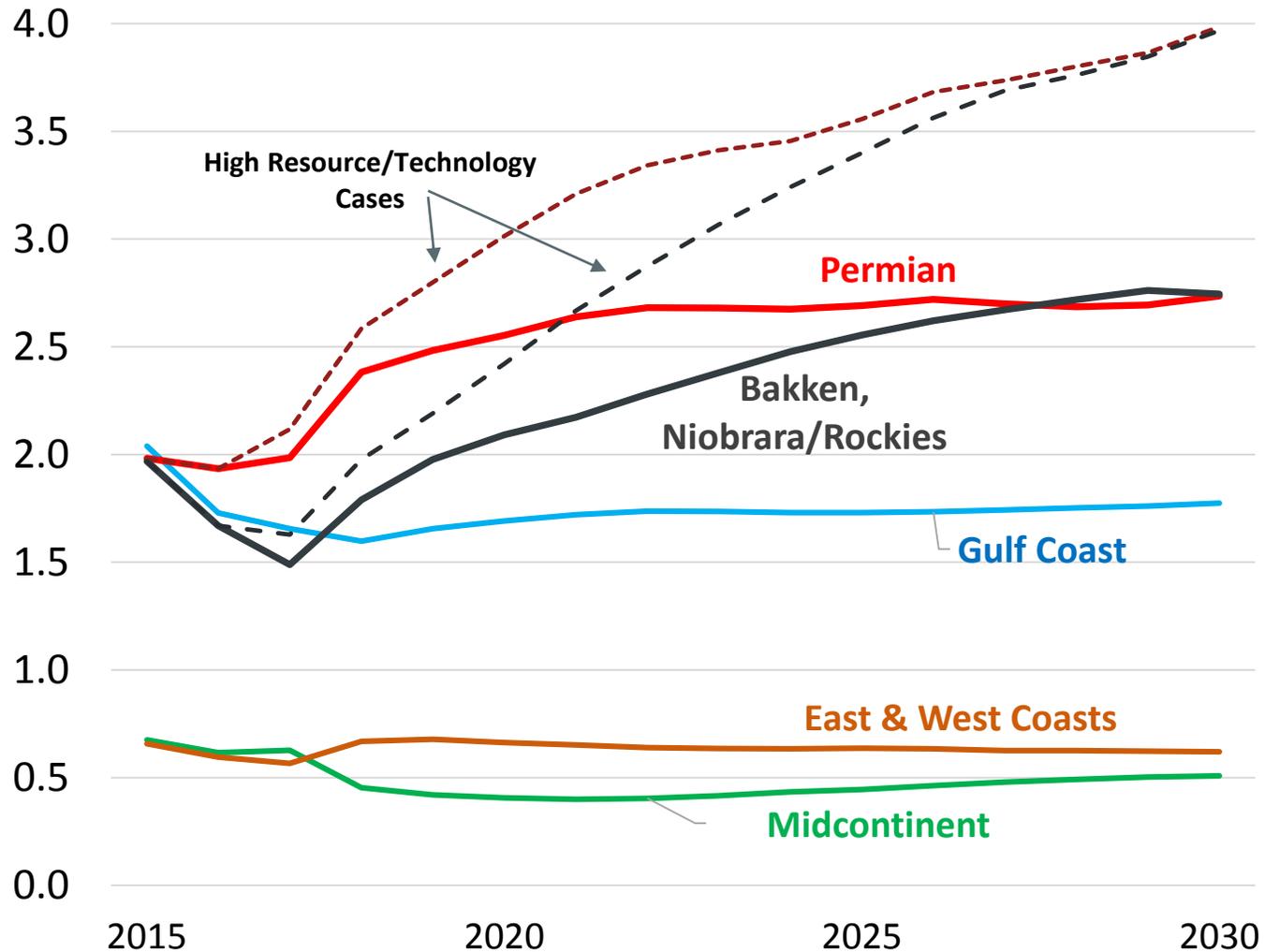


Challenges to Offshore development vs Onshore Unconventional Plays:

- High initial capital commitments
- Relatively long lead times
- Less flexibility
- Greater complexity

U.S. Unconventional, Light Tight Oil Plays Account for Future Growth

Lower-48 Oil Production by Region (MMBD)

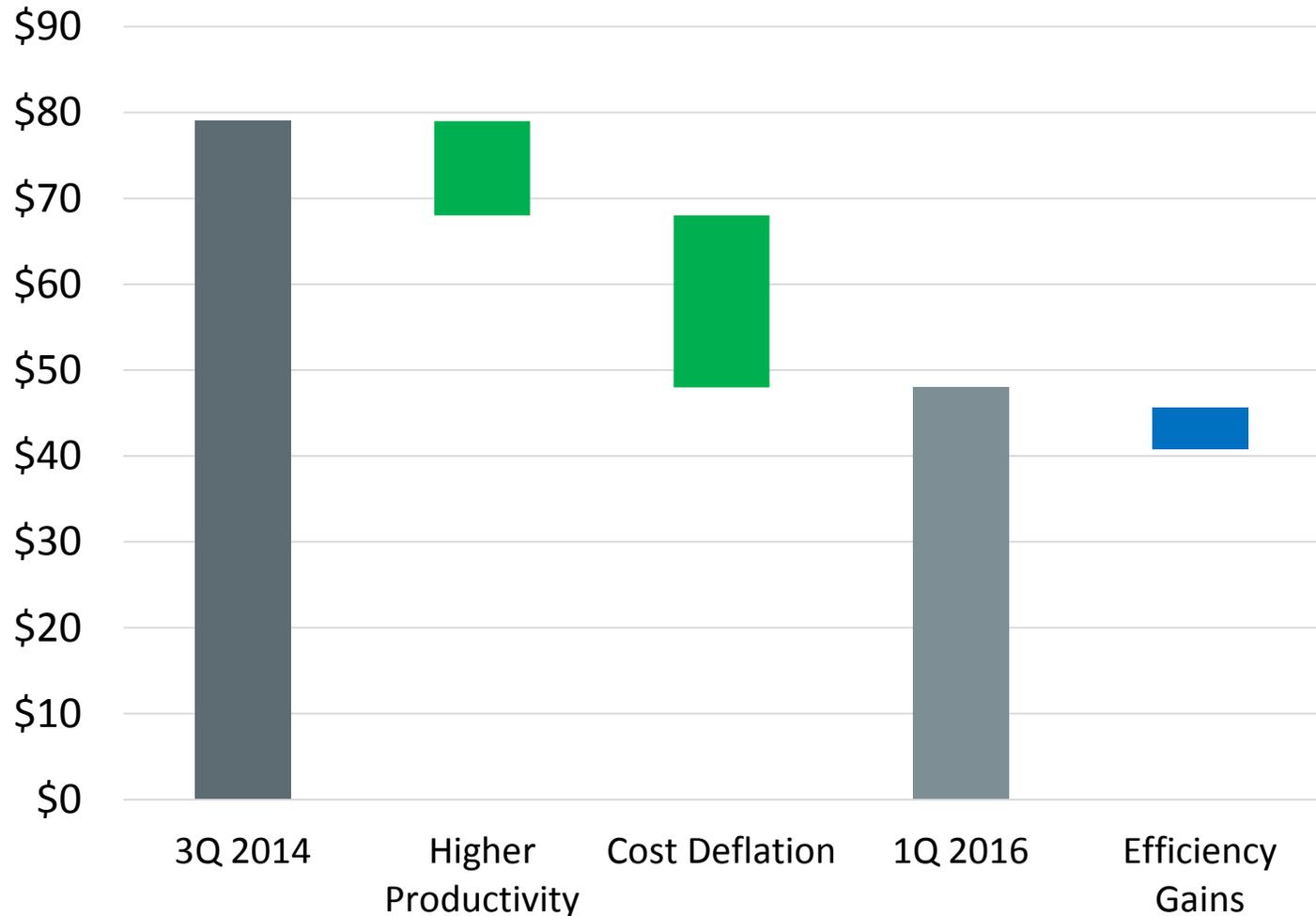


Key Issues in Projecting Future Tight Oil Supply:

- Pace and Magnitude of additional technology & efficiency improvements
- Cost escalation as activity accelerates
- Infrastructure needs
- Environmental compliance

Lower-48 Unconventional Oil Breakeven Costs

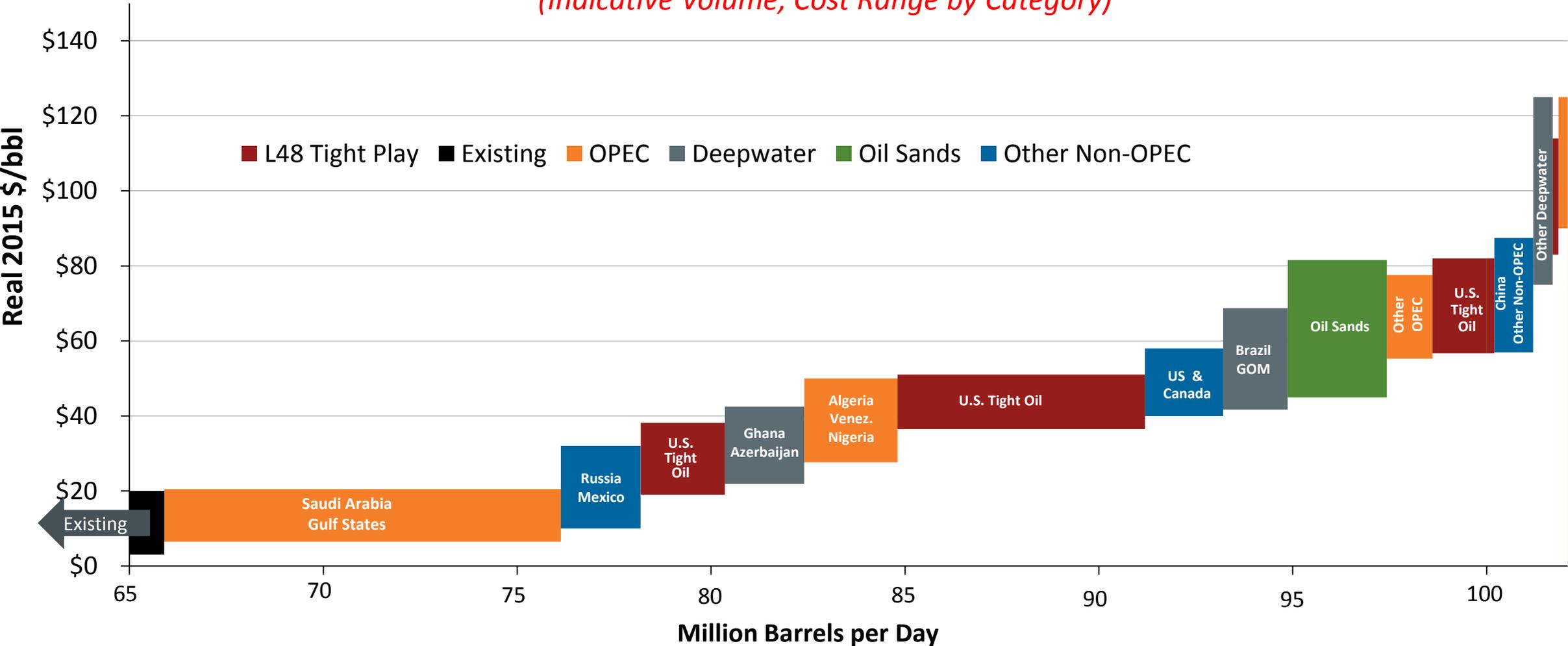
Contribution to Drop in Median Breakeven Cost of Five Major U.S. Unconventional Plays (\$WTI/bbl)



- Higher well productivity
 - High-grading
 - Well design (lateral length, proppant intensity)
- Cost deflation
 - Equipment
 - Labor
- Efficiency gains
 - Less waste in materials and equipment downtime
 - Better integrated supply chain

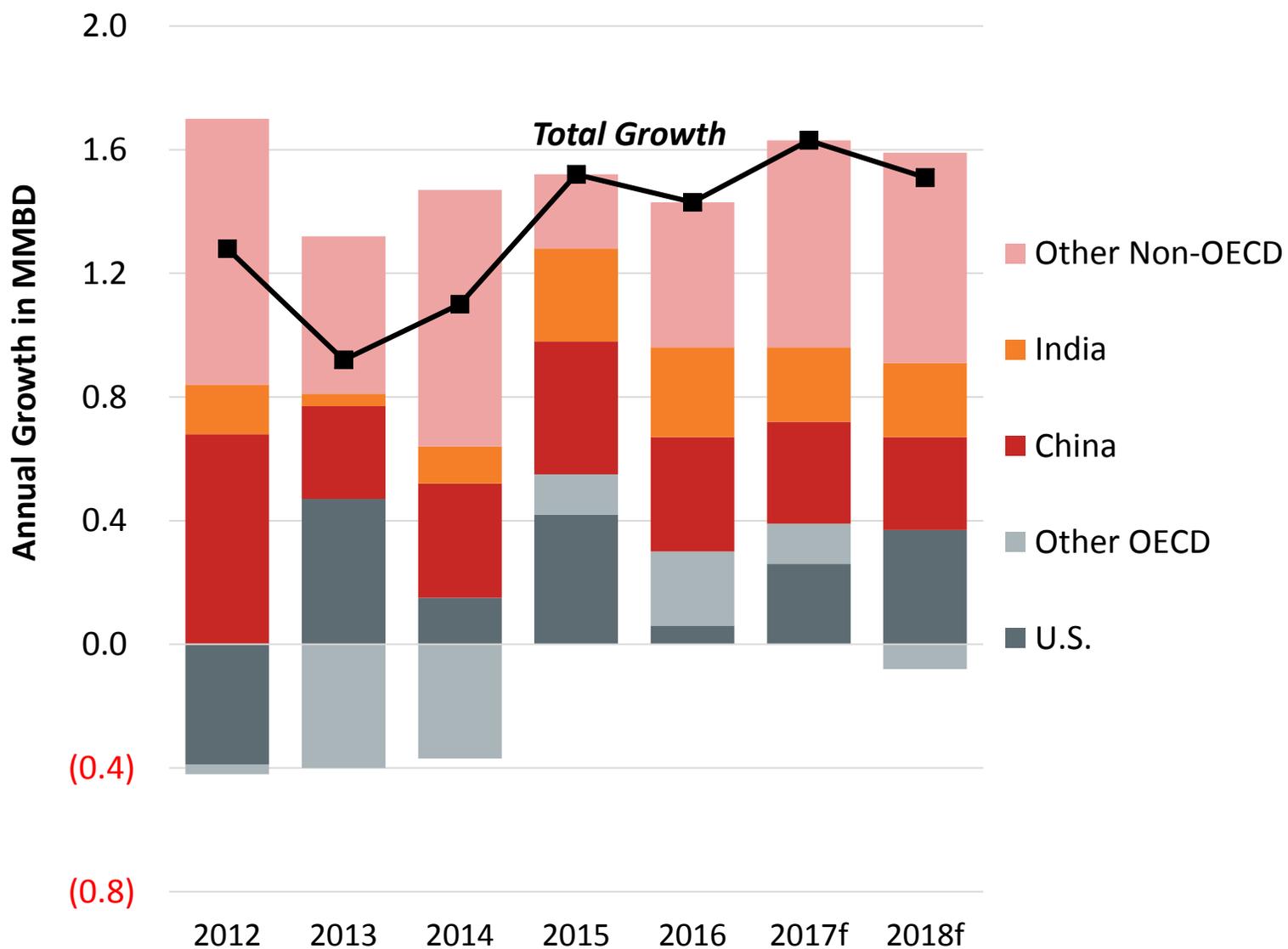
Incremental Global Oil Supply for 2020

Higher Cost Supplies Must Compete with Relatively Low Cost U.S. Tight Oil
(Indicative Volume, Cost Range by Category)



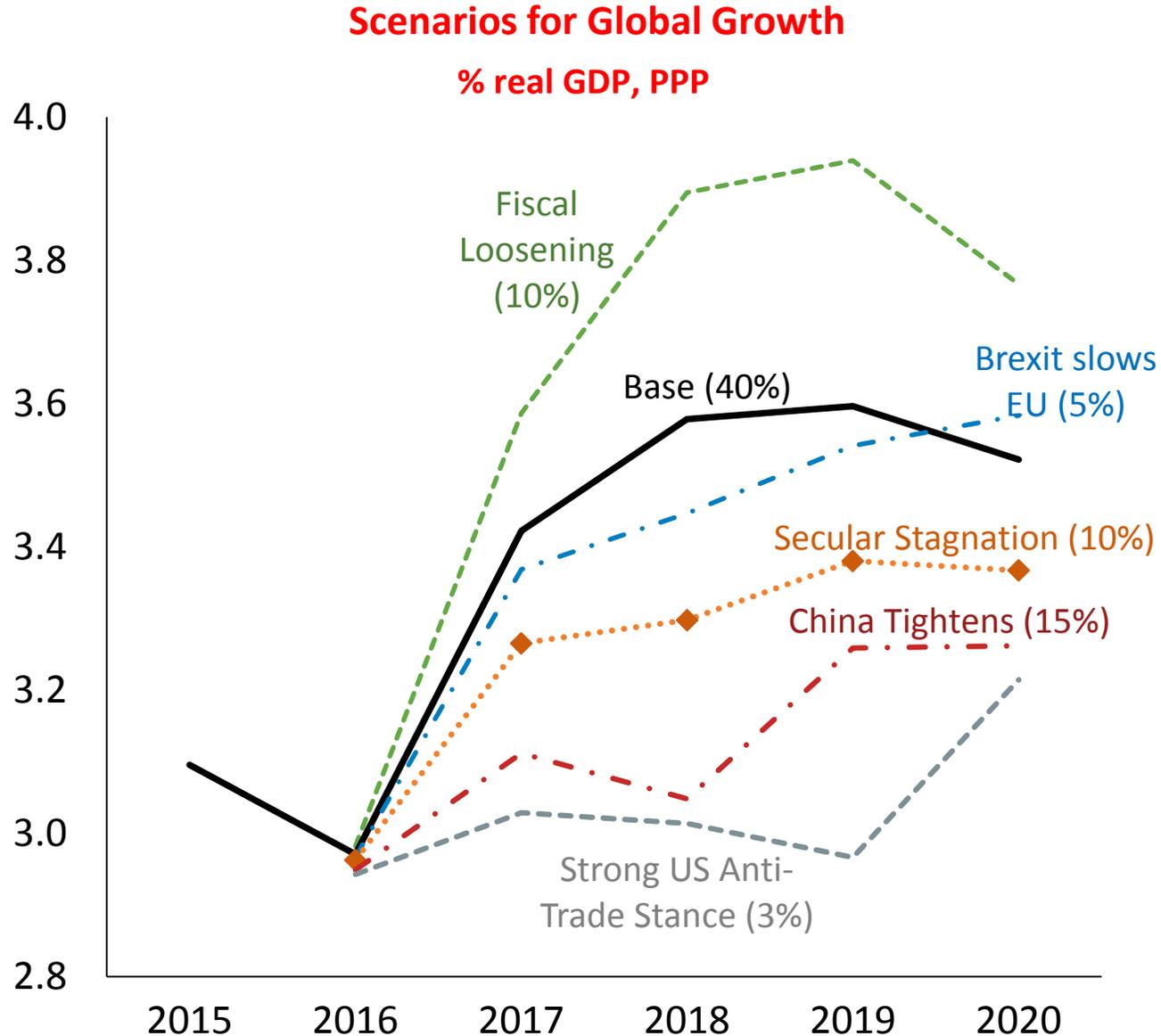
Global Oil Demand

Global Oil Demand Growth



- Global oil demand has responded positively to low oil prices
- Demand grew solidly in 2015-2016
- Ongoing risks to oil demand growth
 - ❑ Decelerating global economy
 - Anti-trade policies
 - ❑ Strong U.S. dollar weakens demand response outside U.S.
 - ❑ Removal of subsidies in many developing countries hurts demand when oil prices recover

Global Economy: Slowing Growth Prospects

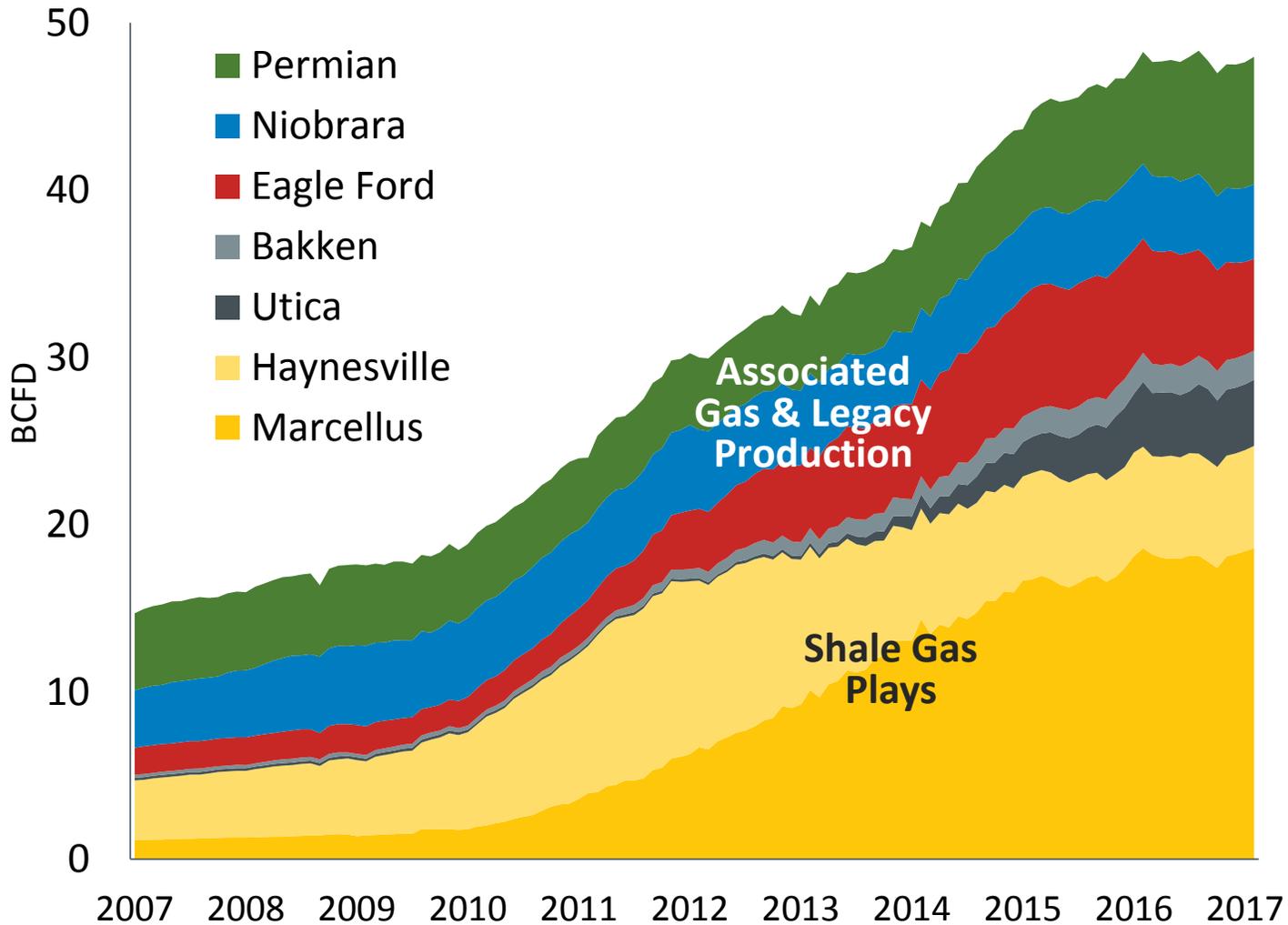


- The IMF consistently lowered growth projections for 2015 and 2016
- The IMF lowered its GDP forecast for 2016 by 0.2% in its January 2016 forecast.
- Downside risks to the economic outlook:
 - Secular stagnation
 - Hard landing in China's slowdown
 - European immigration crisis and Brexit
 - Anti-trade policies

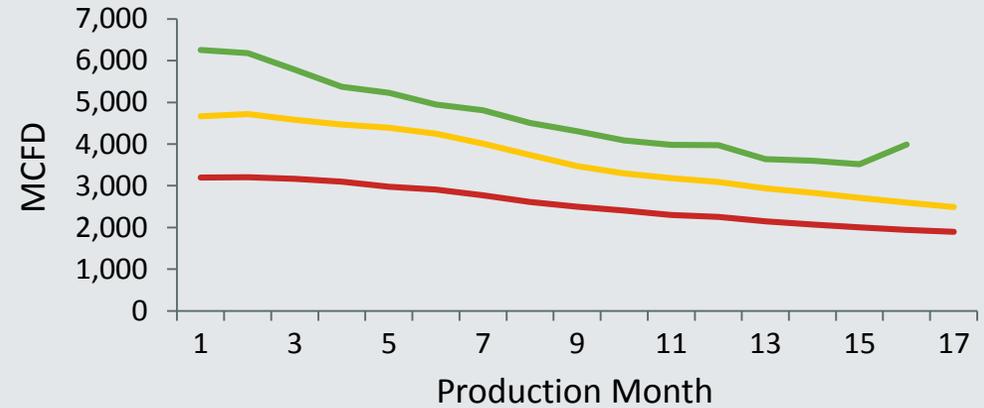
Natural Gas Markets

Resilience of U.S. Shale Gas Production for Major Plays

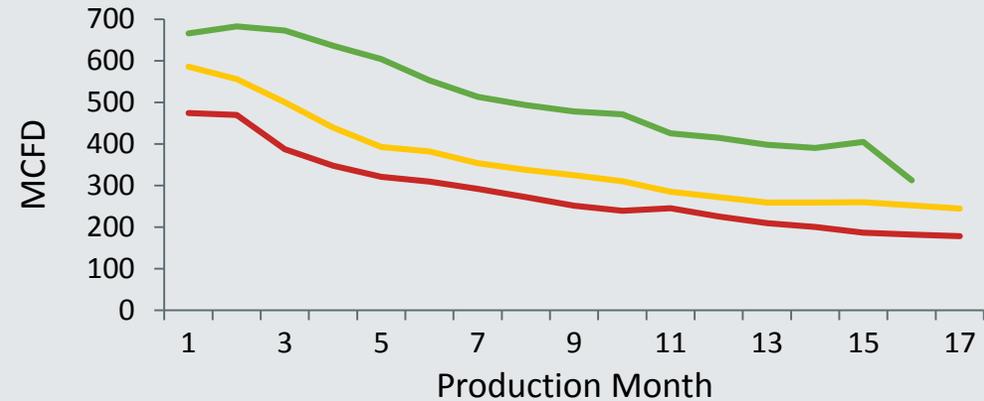
U.S. Shale Gas Production from Top Unconventional Plays



Marcellus Type Curves



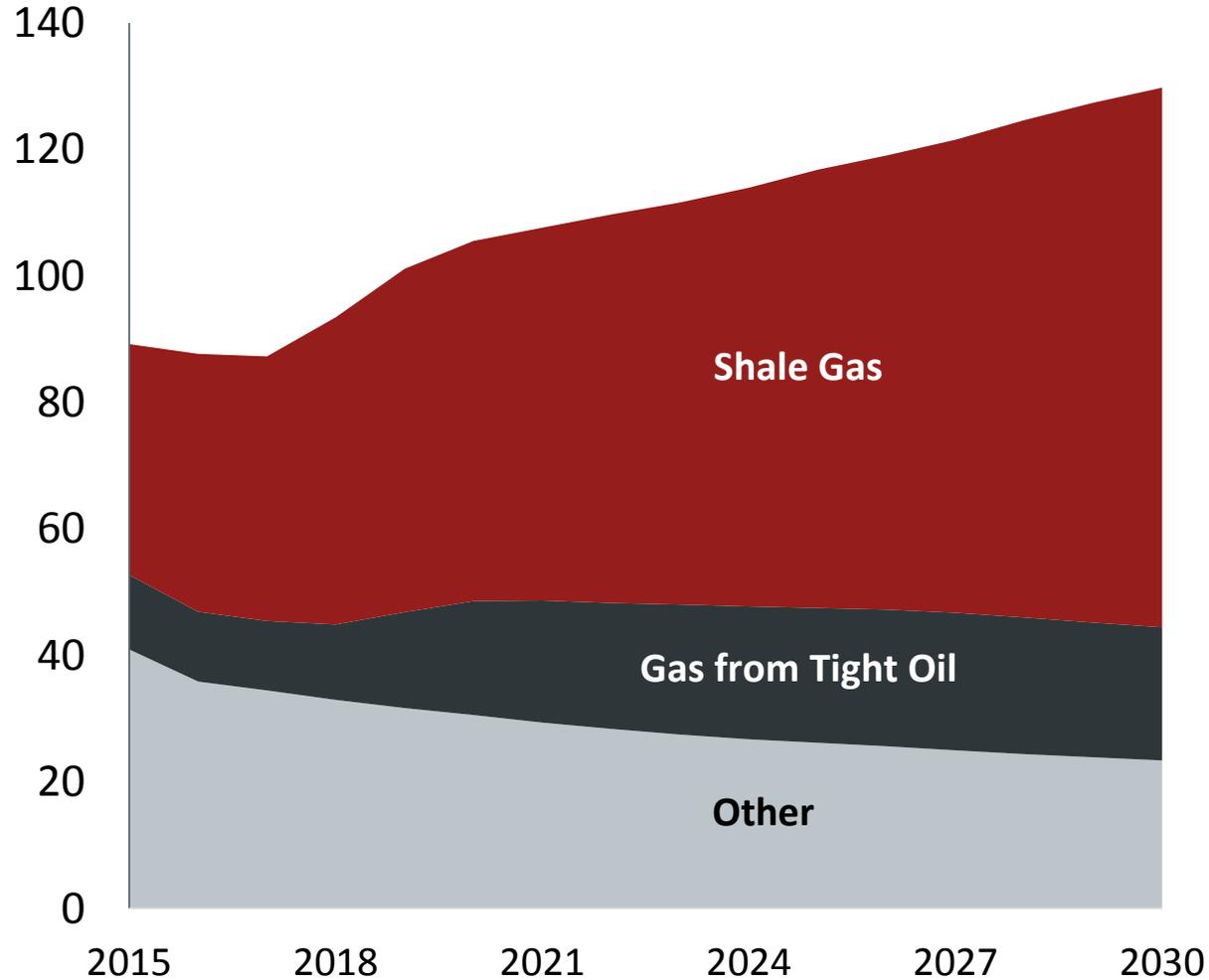
Permian Associated Gas Type Curves



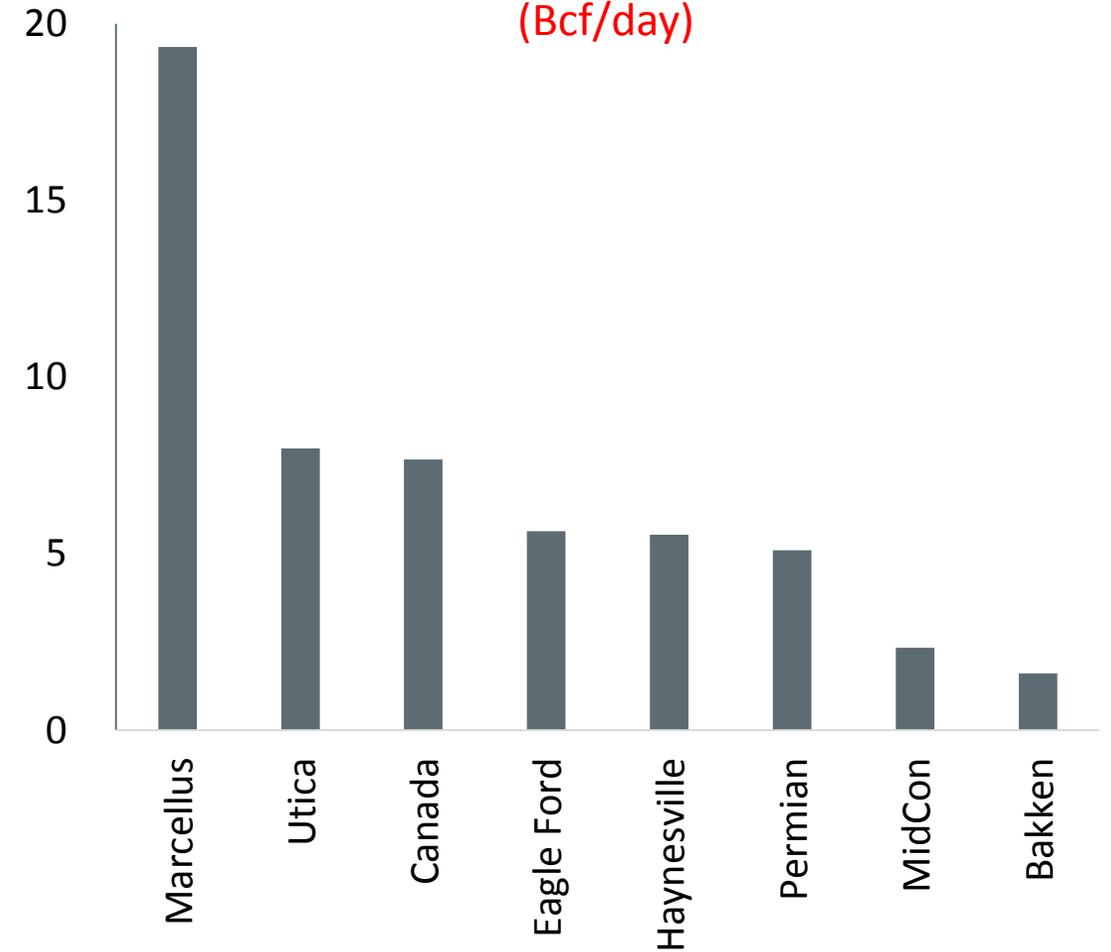
— 2015 — 2013 — 2011

North American Natural Gas Production Outlook

The Future of North American Production is Shale
(Bcf/day)

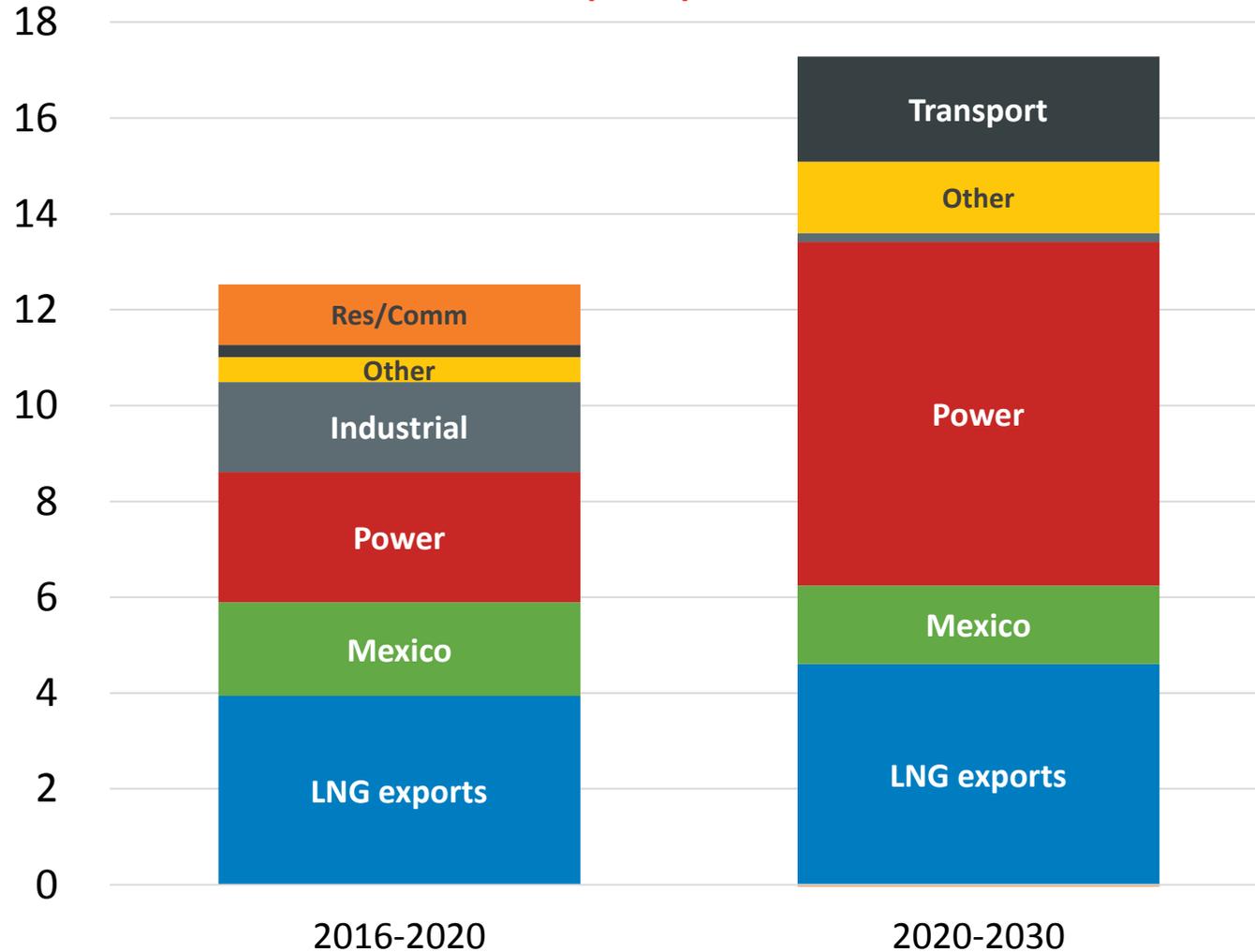


Marcellus is the Growth Leader
Growth in production 2016-2030
(Bcf/day)

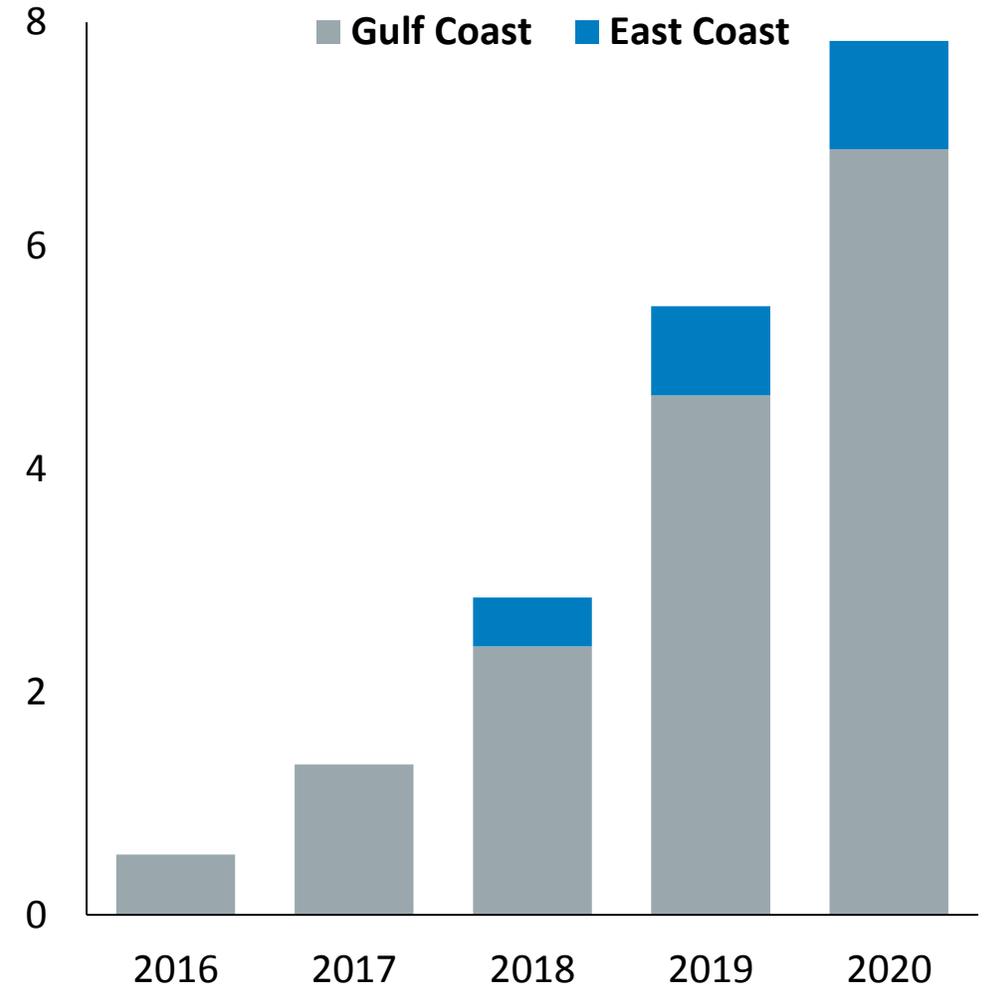


U.S. Natural Gas Demand Outlook

Demand Growth Led by Export Markets and Power (Bcfd)

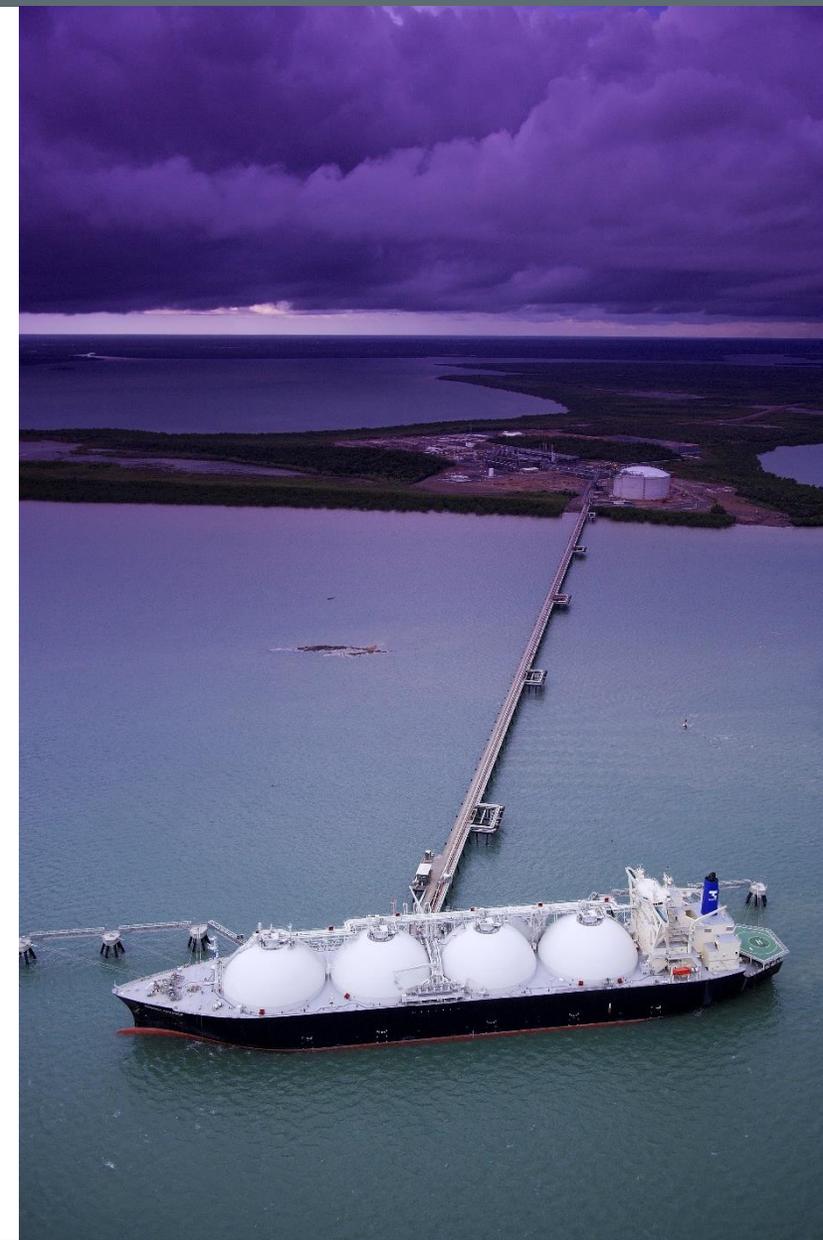
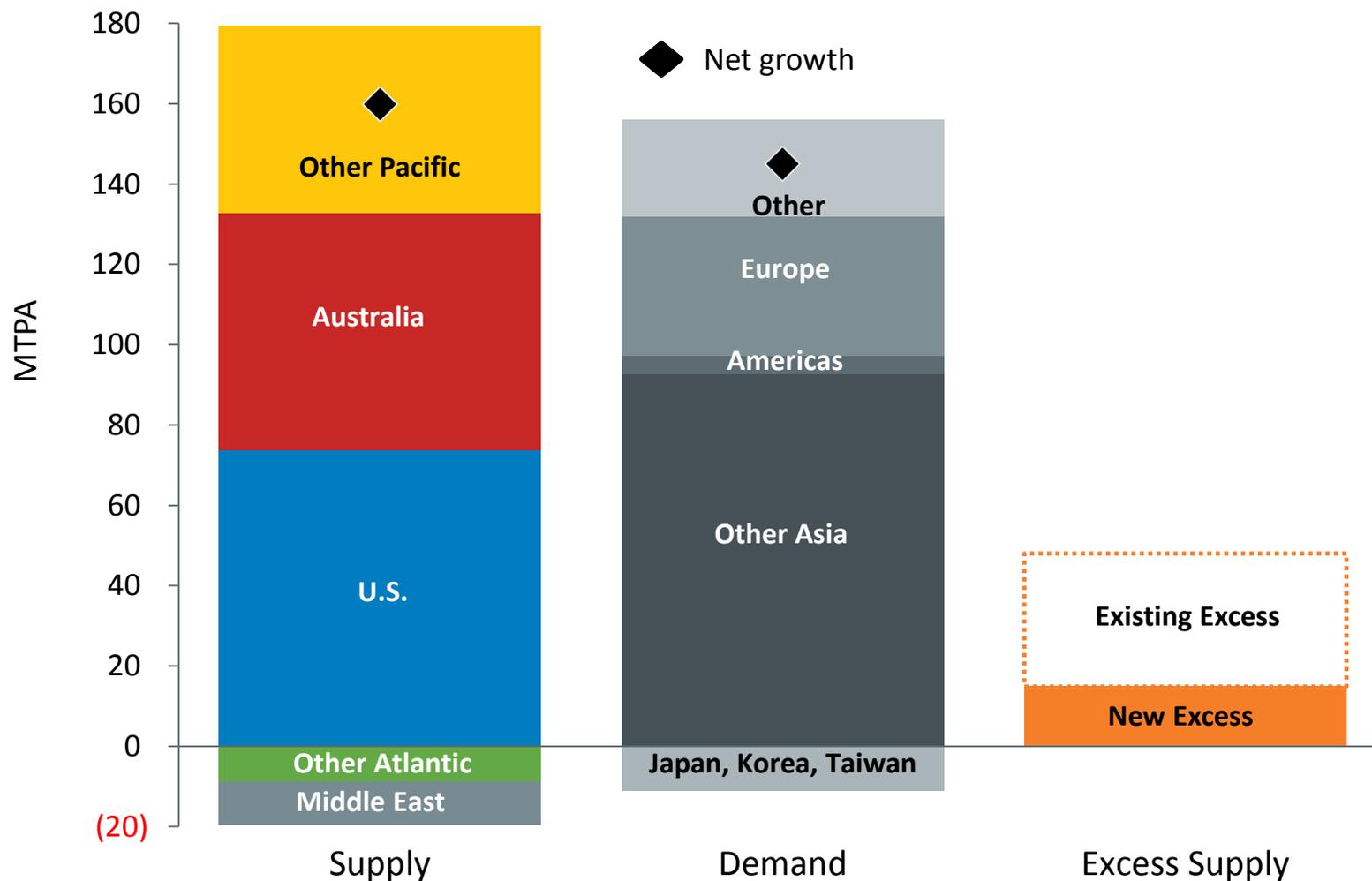


Almost 9 Bcfd (70 MTPA) Lower-48 Liquefaction Capacity Online by 2020 (Bcfd)



Global LNG Supply-Demand Balance

Global Cumulative Growth 2015-2025



Summary

Oil

- Prices may continue to experience elevated volatility
 - Uncertain government policies create headwinds for oil markets
- U.S. production growth expected to be focused onshore
 - Ongoing improvements to technology, productivity and costs will drive growth in U.S. Light Tight Oil

Natural Gas

- Shale gas will continue to be a game-changer
 - U.S. and Canada will continue to be well supplied by shale resources
- Global gas markets will be more highly linked as LNG trade grows

