

Global Petroleum Trends: 2012 and Beyond

Houston Producers Forum

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Topics

- The Geopolitical Backdrop
- Oil Sector Trends
- Natural Gas Issues
- M&A Patterns
- Summary Observations

The Geopolitical Backdrop



The Geopolitical Backdrop



New and evolving resource priorities are trumping historic relationships

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Oil Sector Trends

Petro Commodity Outlook - Brent Crude vs. WTI Crude Oil Pricing (2009 – 2011 YTD)



Source: Bloomberg pricing as of November 11, 2011.

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Oil Sector Trends

Brent Crude Oil Median High vs. Low Pricing

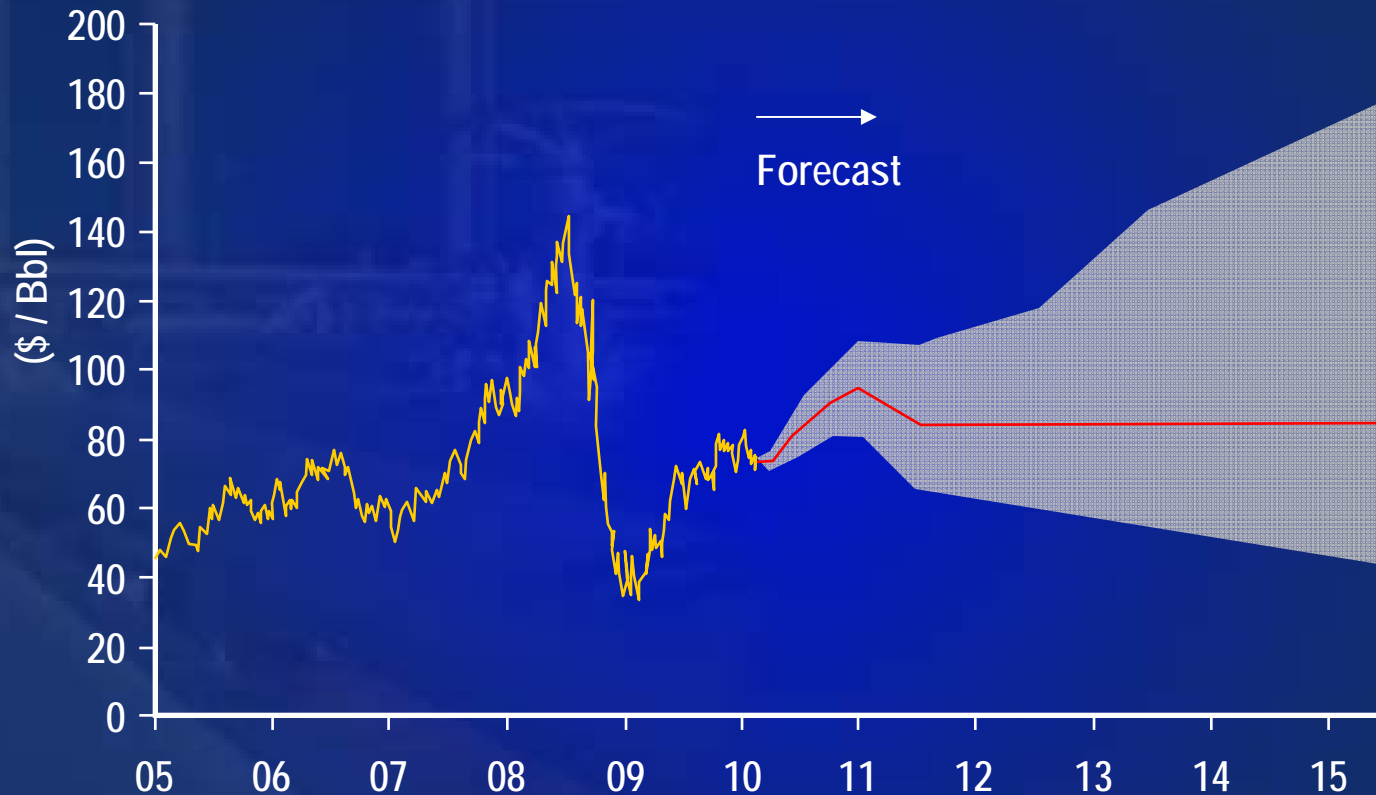


Source: Bloomberg pricing as of November 11, 2011.

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Oil Sector Trends

Petro-Commodity Outlook



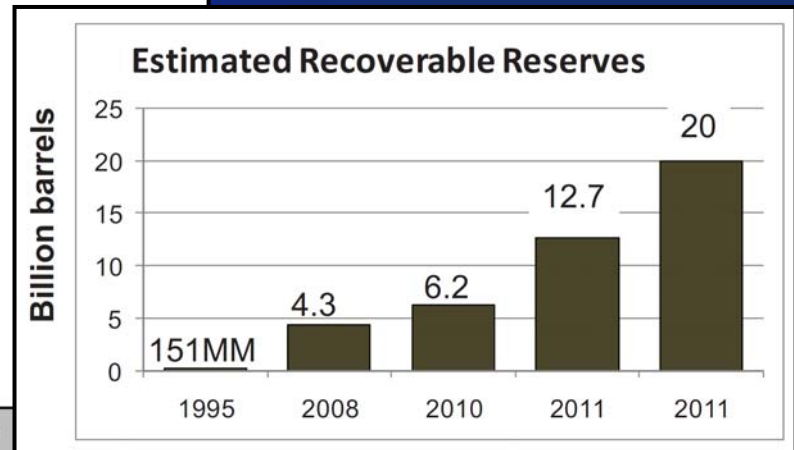
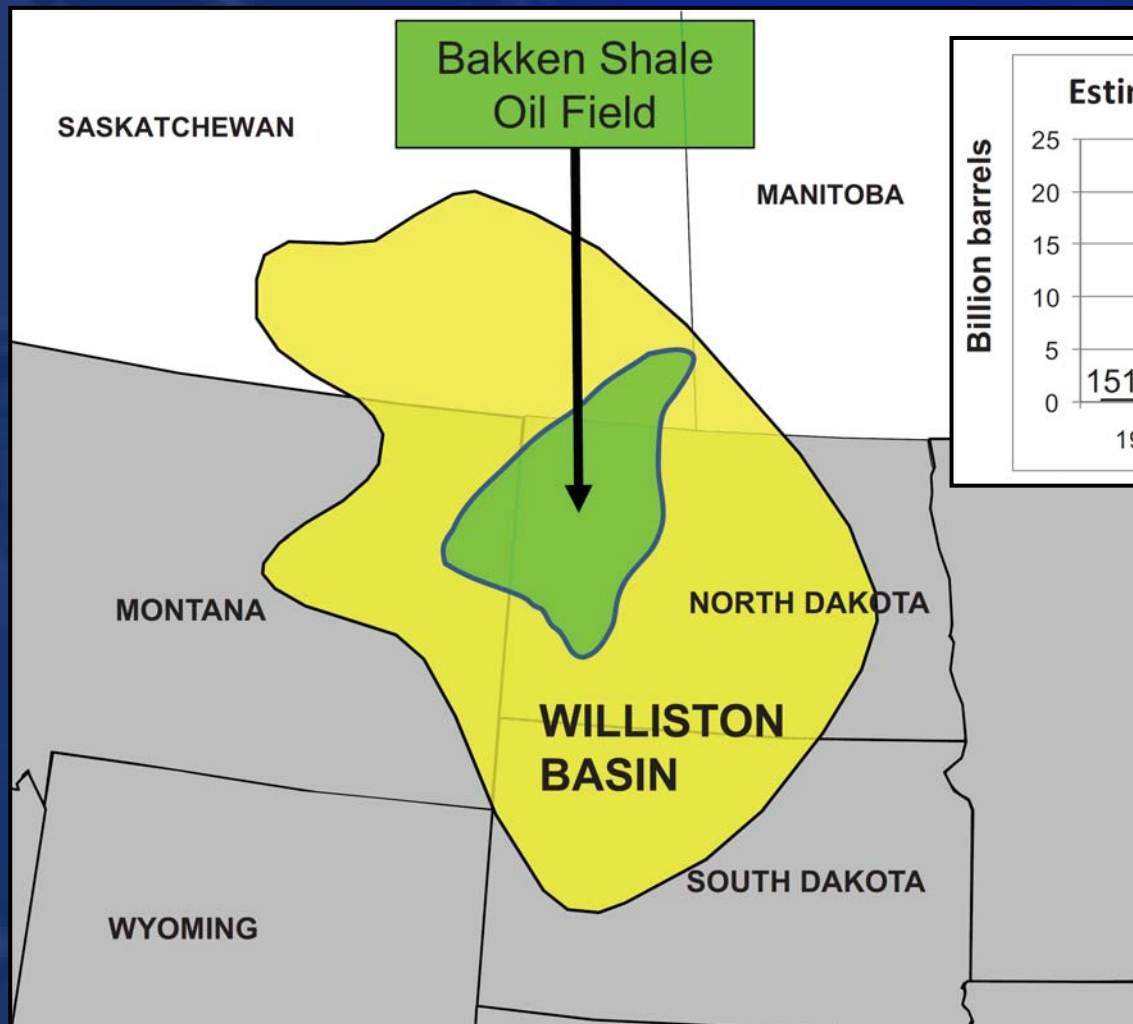
The range of WTI crude oil prices is poised to expand significantly sometime after 2013

Source: Bloomberg and BofAML Global Commodity Research.

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Oil Sector Trends

Bakken Shale Oil Field

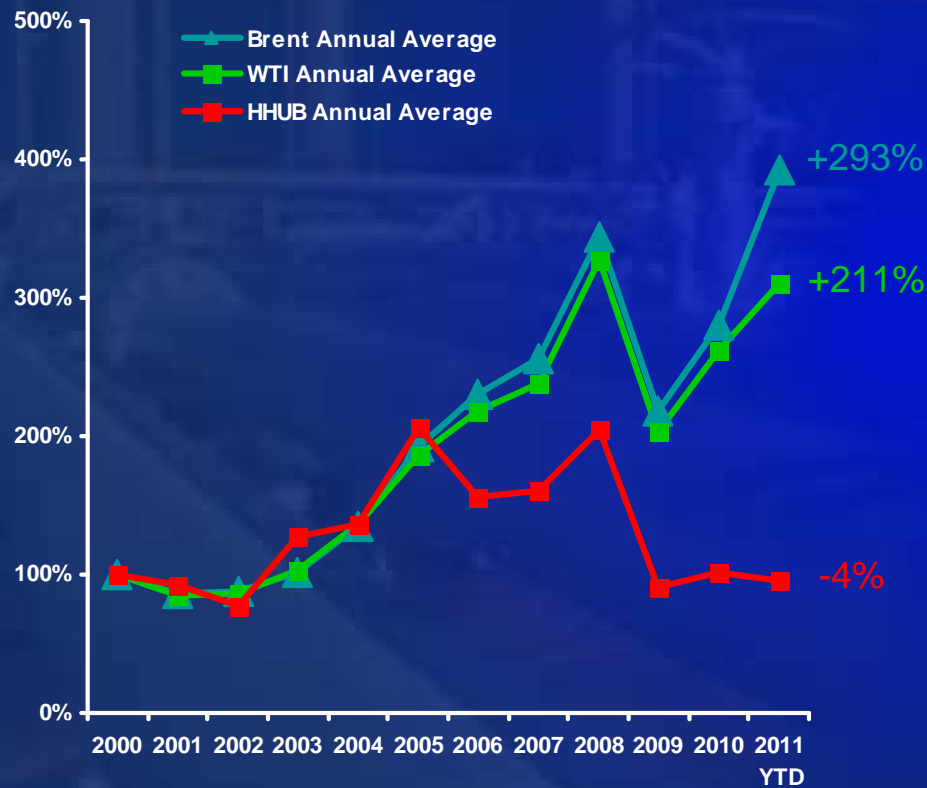


Source: Continental Resources April, 2011 investor presentation.

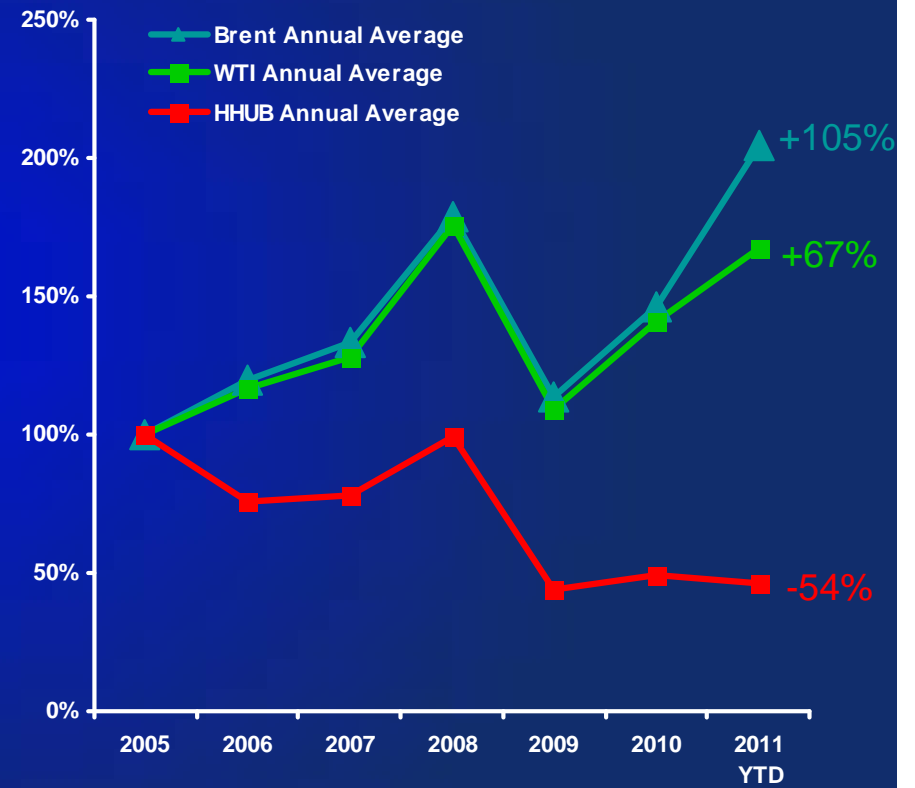
Natural Gas Issues

"A Half Decade of Divergence"

Indexed from 2000 ⁽¹⁾



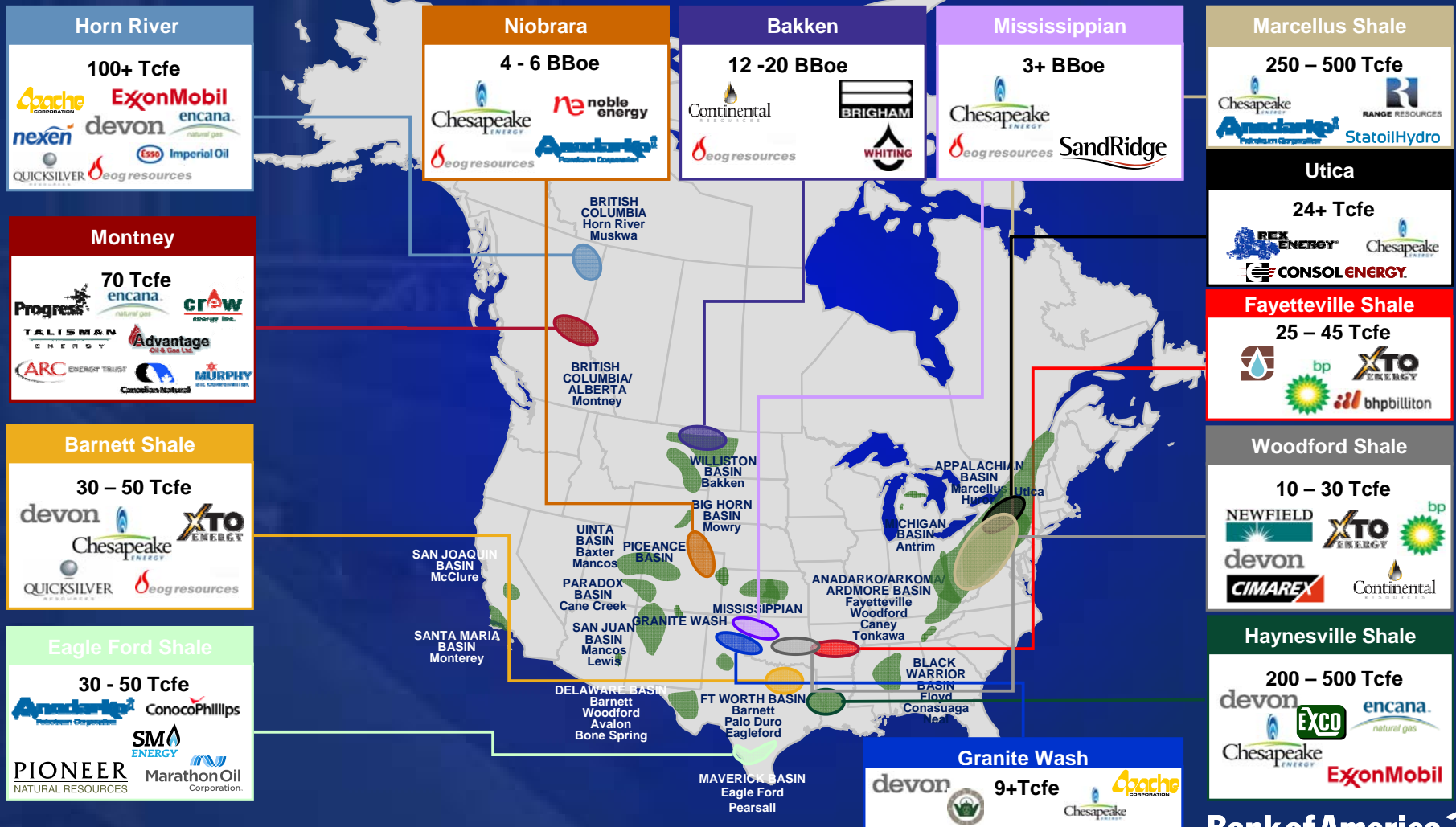
Indexed from 2005 ⁽¹⁾



(1) Bloomberg pricing as of November 11, 2011.

Natural Gas Issues

Key North American Resource Plays – Massive Potential

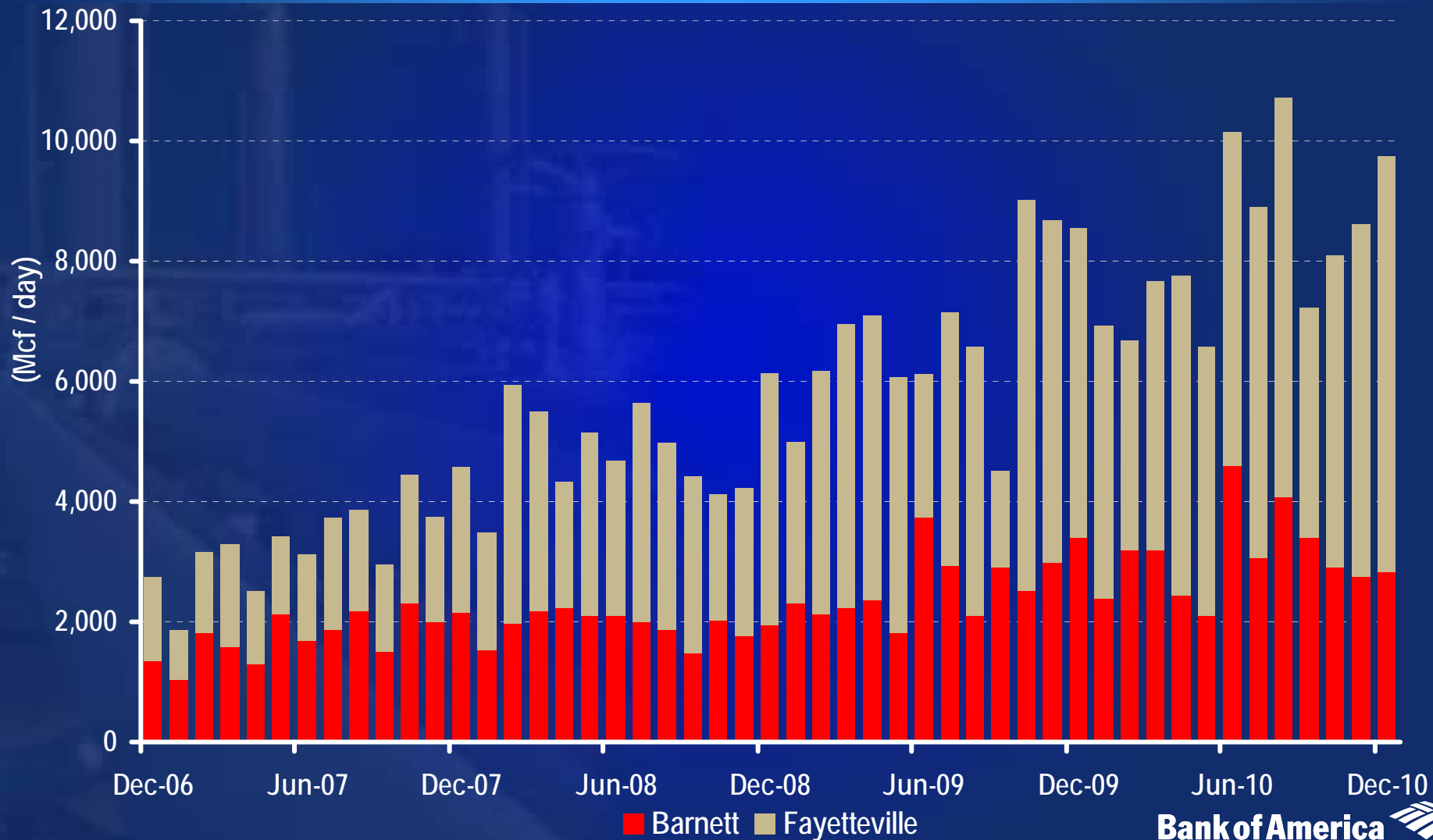


Source: United States Geological Survey, EIA and Select Wall Street Research.

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Natural Gas Issues

Natural Gas Production Per Rig – Barnett and Fayetteville

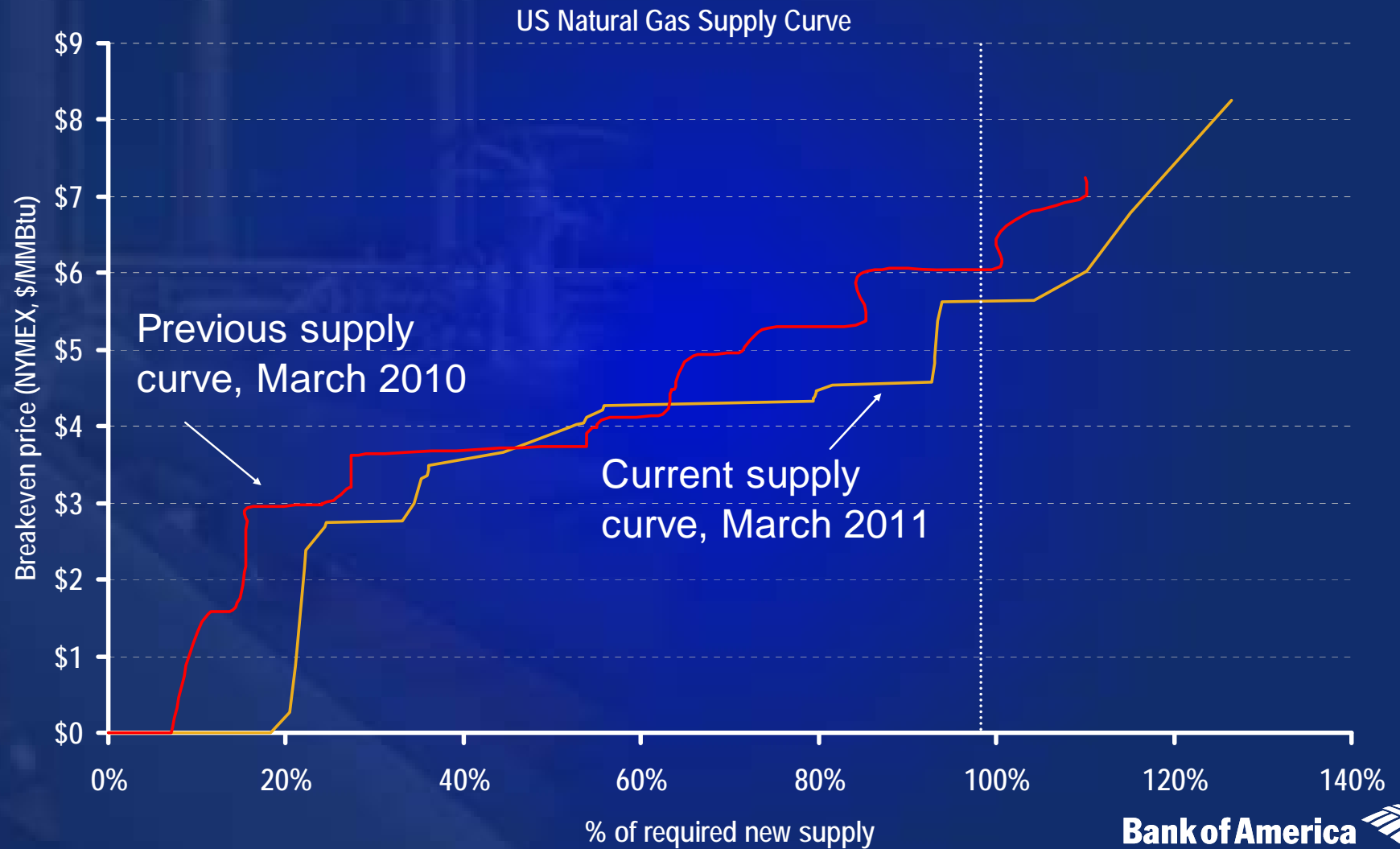


Source: Global Energy Paper by Francisco Blanch (BofA Merrill Lynch Commodities Research), June 20, 2011.

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Natural Gas Issues

Supply Outlook



Source: Global Energy Paper by Francisco Blanch (BoFA Merrill Lynch Commodities Research), February 14, 2011.

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Natural Gas Issues

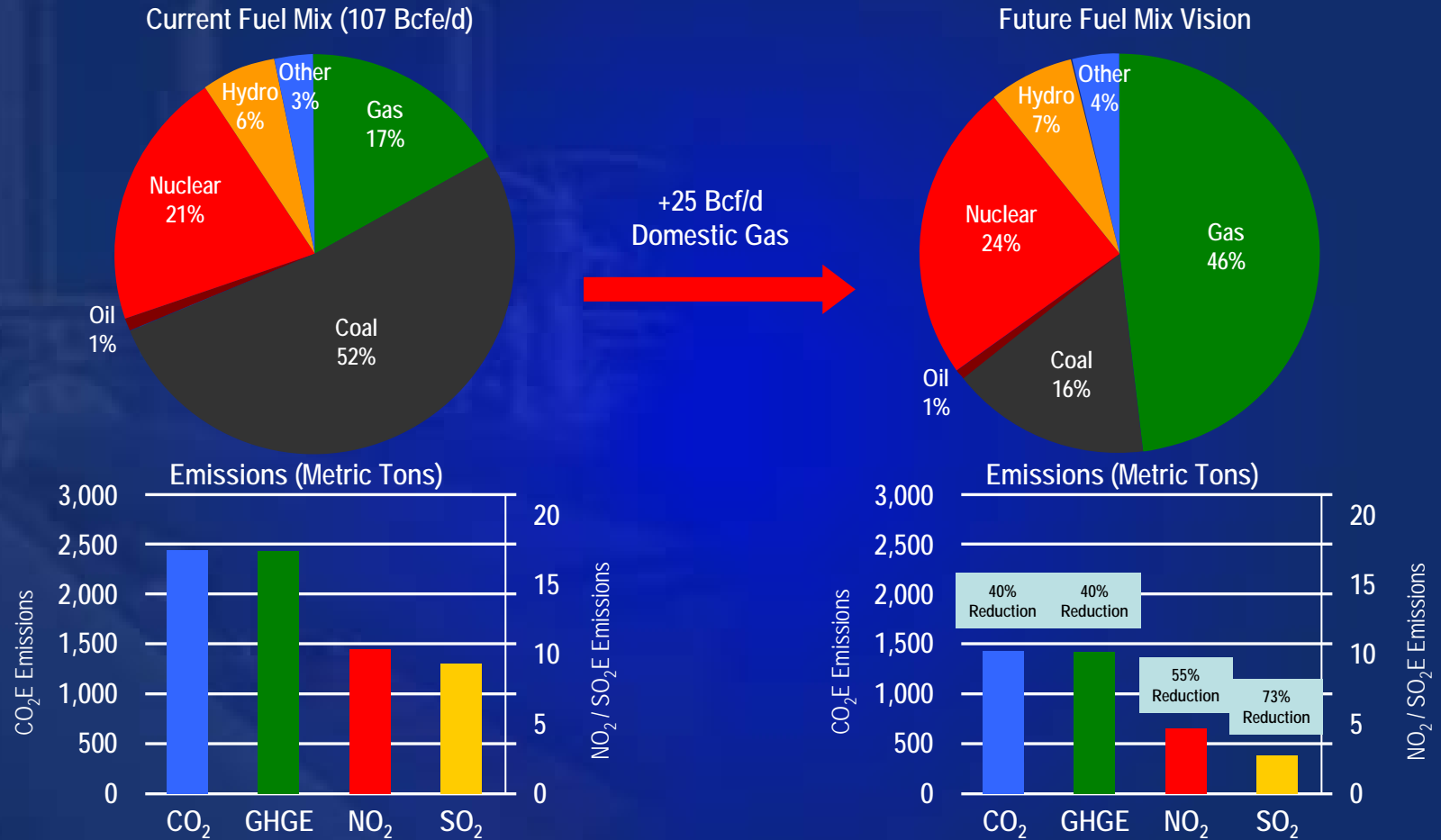
Pipeline Dynamics



Big changes in the evolving U.S. Natural Gas Grid; new bottlenecks are emerging!

Natural Gas Issues

U.S. Electrical Generation Switch (for 25 Bcf/d of Natural Gas)



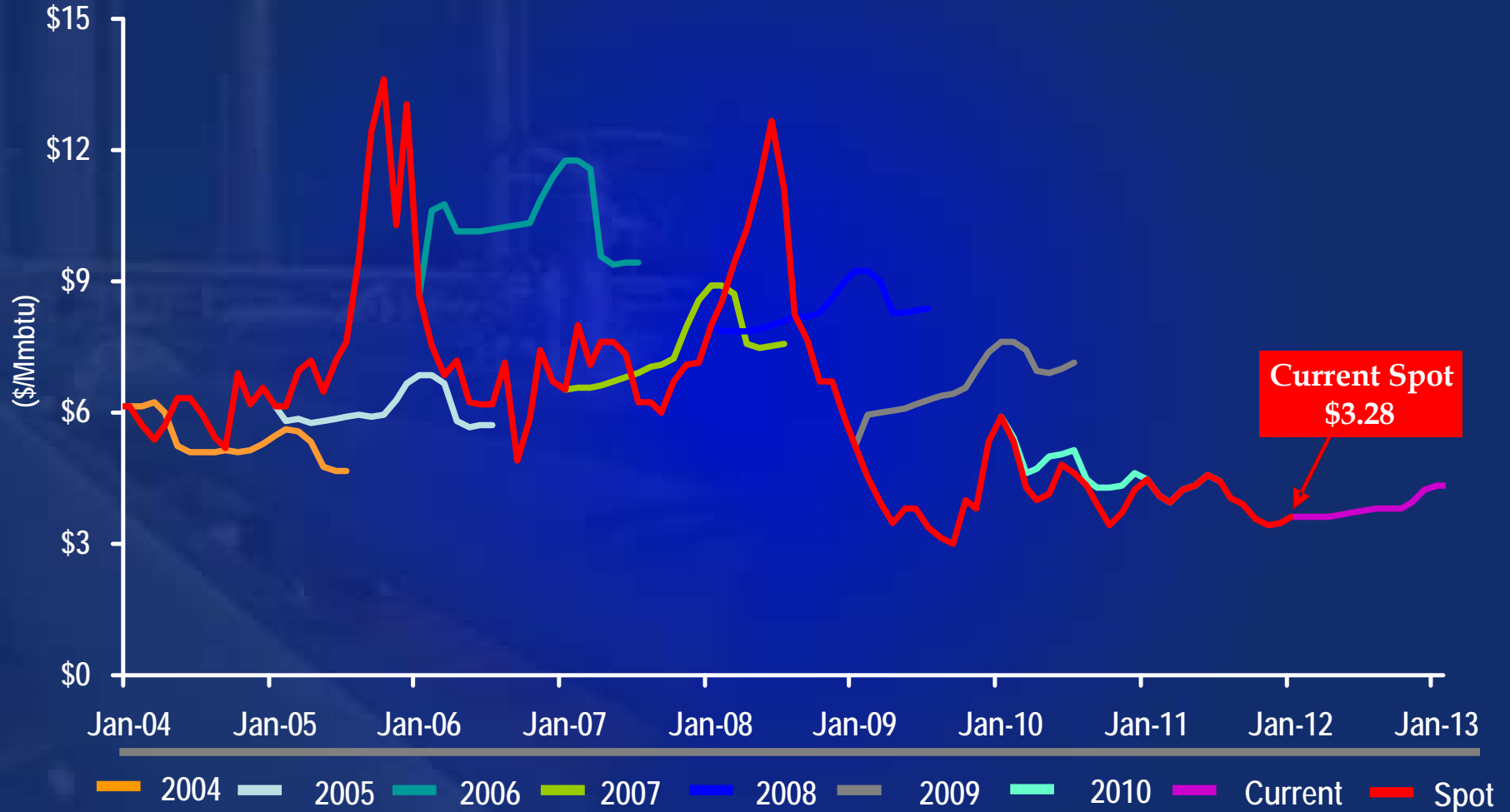
975 MM tons of CO₂ = 16% of U.S. Total CO₂ Emissions in 2008

Source: EnCana and Cirque Resources LP.



Natural Gas Issues

Price Trends

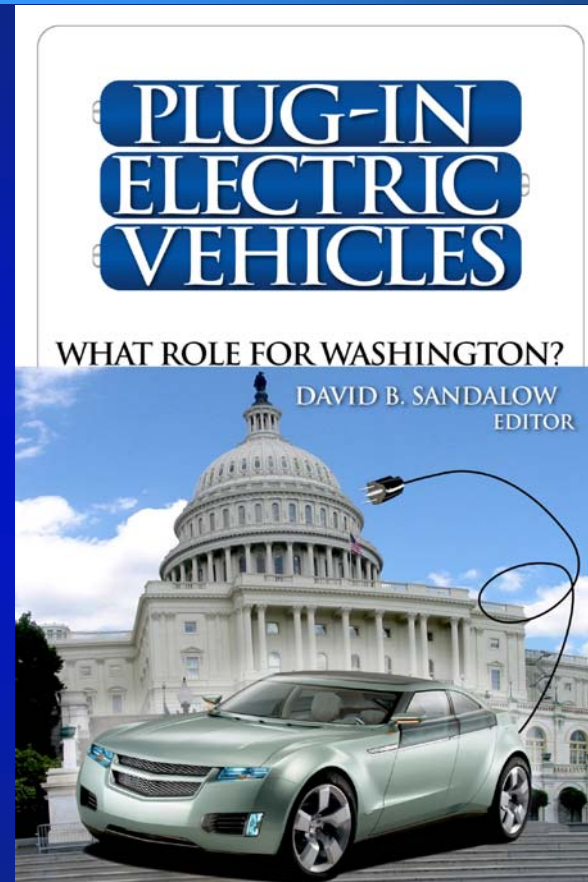
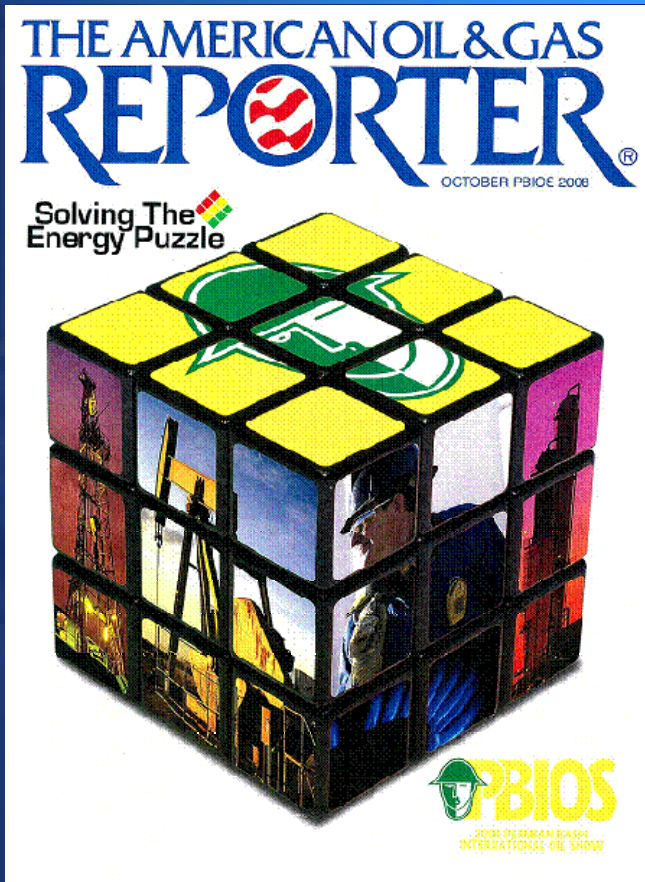


(1) Bloomberg as of November 11, 2011.

M&A Patterns and Drivers

- Late 1990's – Large asset transactions
- Early to mid-2000's – Substantial E&P corporate consolidation
- Second half of 2000 decade – Major rationalization of upstream asset ownership
- 2010 to current – Focused unconventional resource joint ventures
- Next?

Summary Observations



Appropriate sequencing of policy initiatives matters

Plug-In Electric Vehicles cover provided by the Brookings Institution Press.

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Summary Observations

- The petroleum sector has morphed into a "New Era" best characterized by both "New Rules" and a "New Ballgame."
- The new rules still remain undefined due to deliberation delays involving the Commodity Futures Trading Commission ("CFTC").
- The rapidly transforming geopolitical picture and the expanding unconventional oil resource projects are the primary drivers of the "New Ballgame."
- Governmental policymaking continues to lag regarding pursuing the prospective benefits of new supply elasticity.