



Oil Market Volatility, Investment and Spare Capacity

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Presented at IEF-KAPSARC Meeting

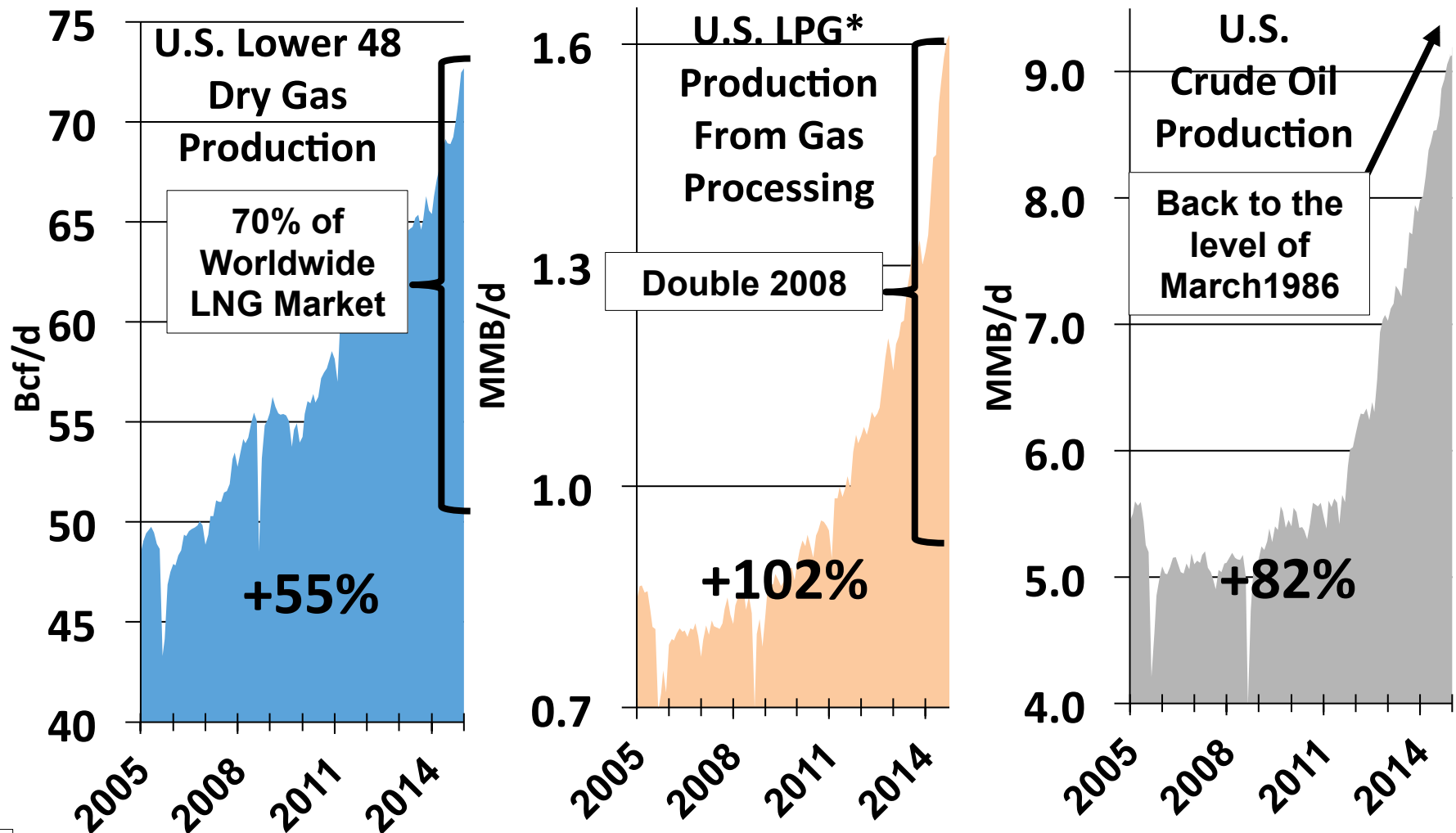
24 March 2015

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U.S. Production of Gas, NGLs and Crude Oil

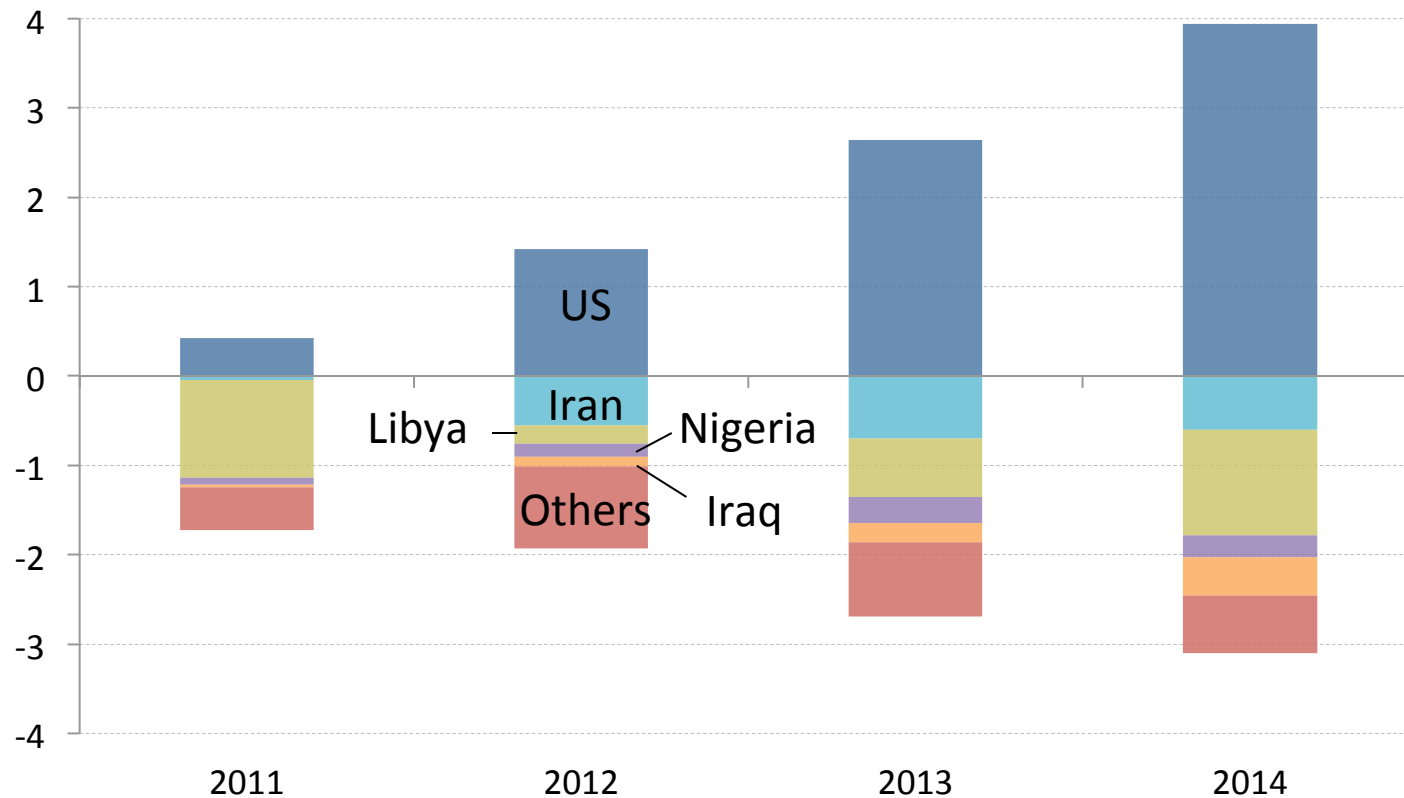


*LPG = Propane & Butane

Source: EIA

U.S. liquids supply growth since 2010 and unplanned supply disruptions

Million barrels per day

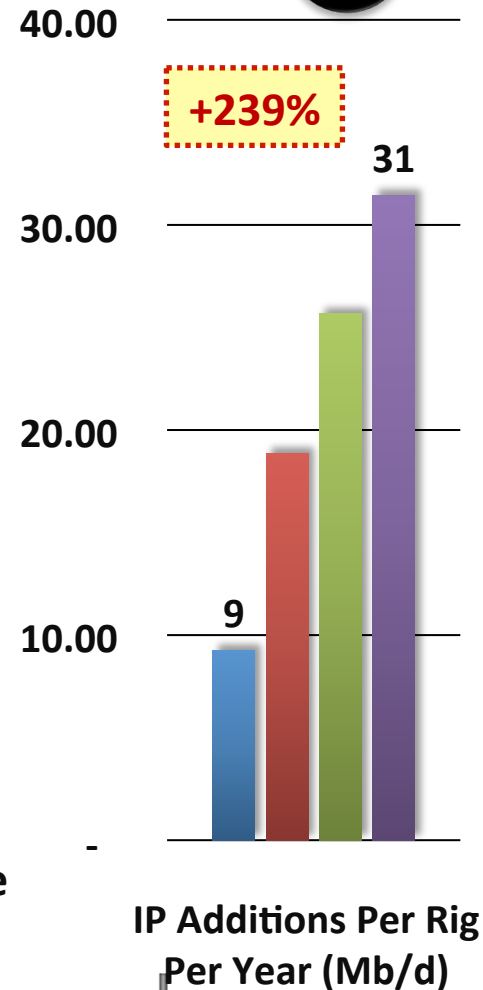
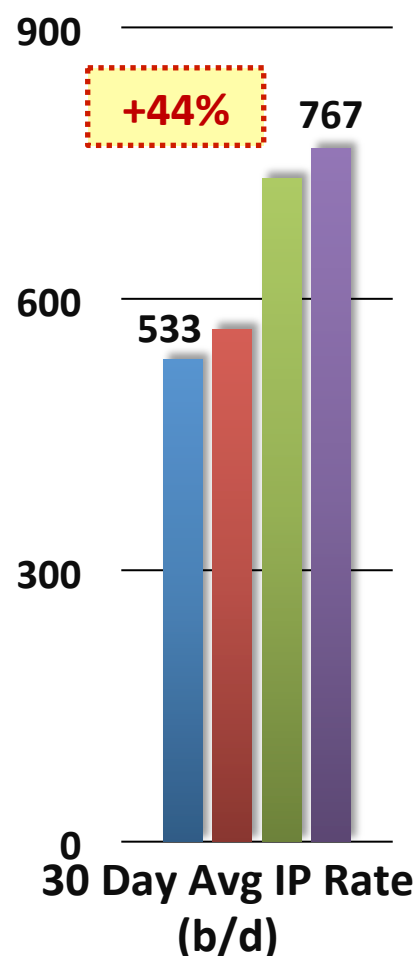
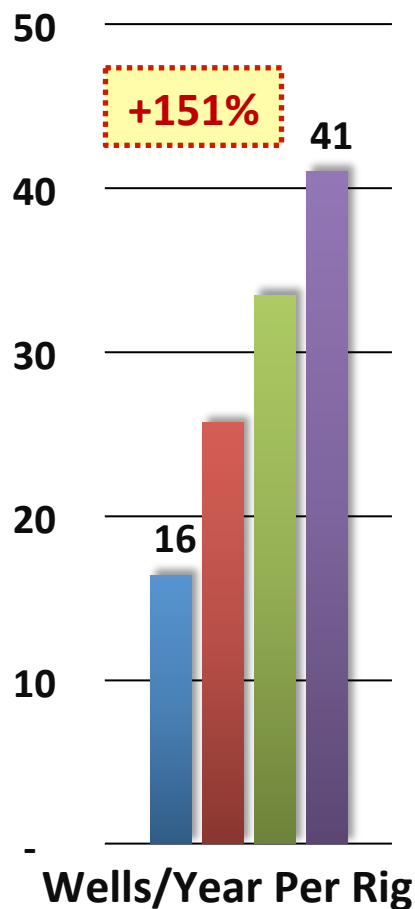
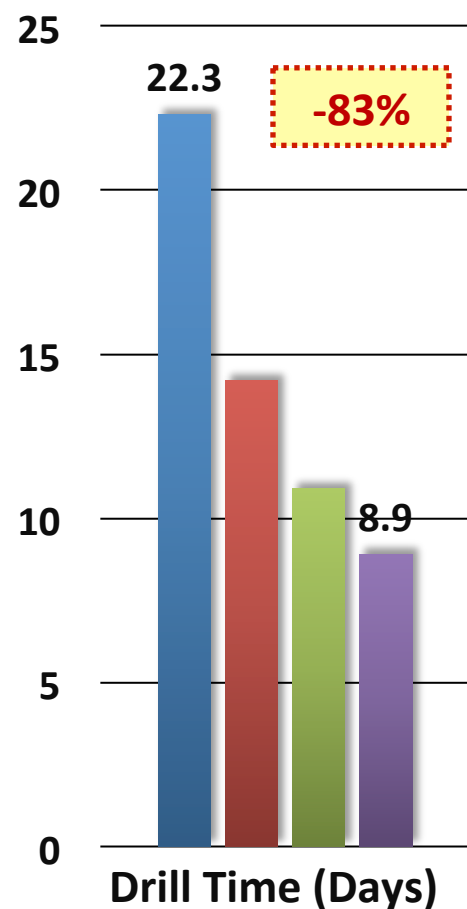


Source: U.S. Energy Information Administration; 2014 includes data through September

EOG Eagle Ford Productivity Gains

■ 2011 ■ 2012 ■ 2013 ■ 2014 YTD

IRR* = 40%

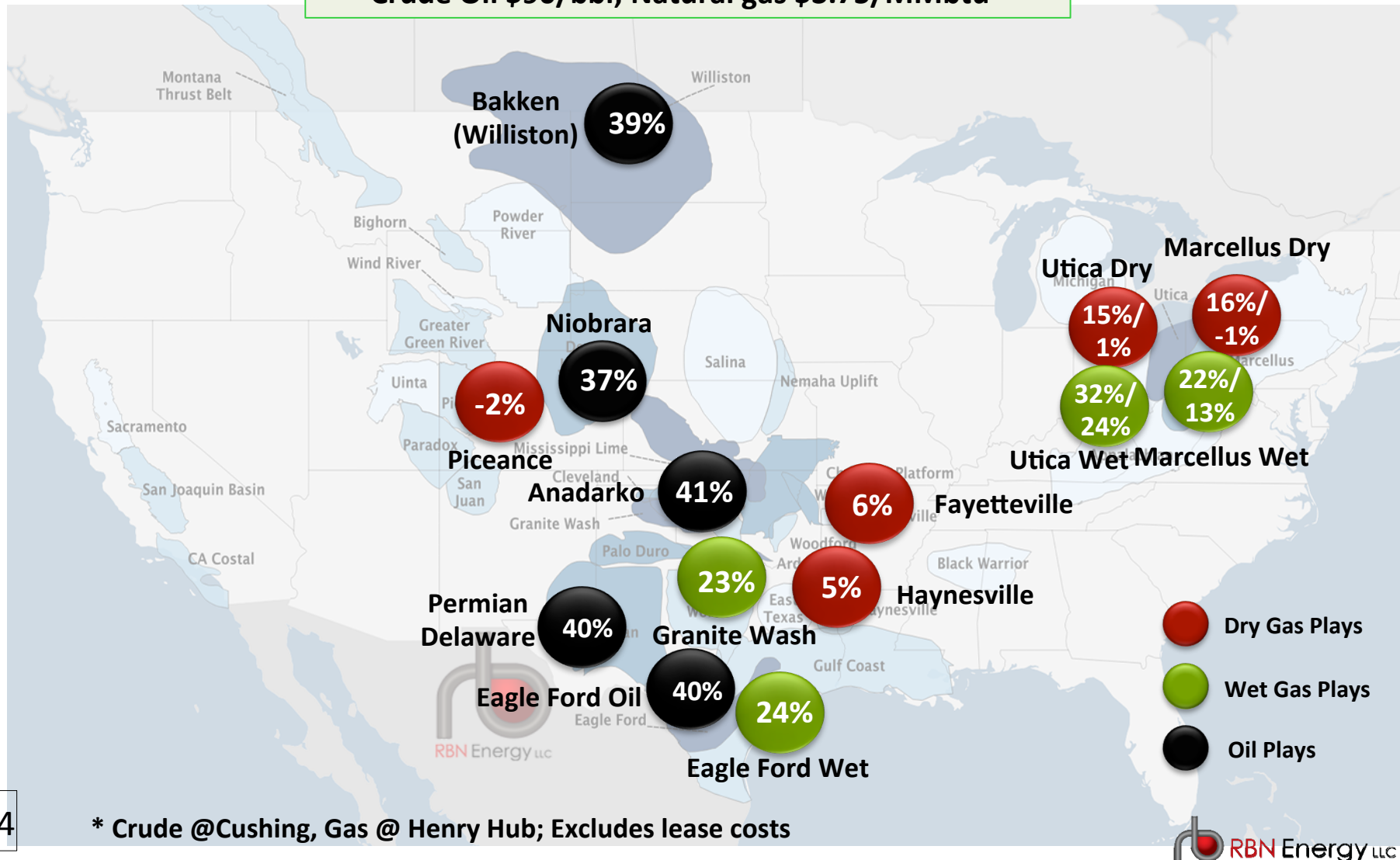


* \$90/Bbl Crude, \$3.75/MMbtu Gas

RBN Energy LLC

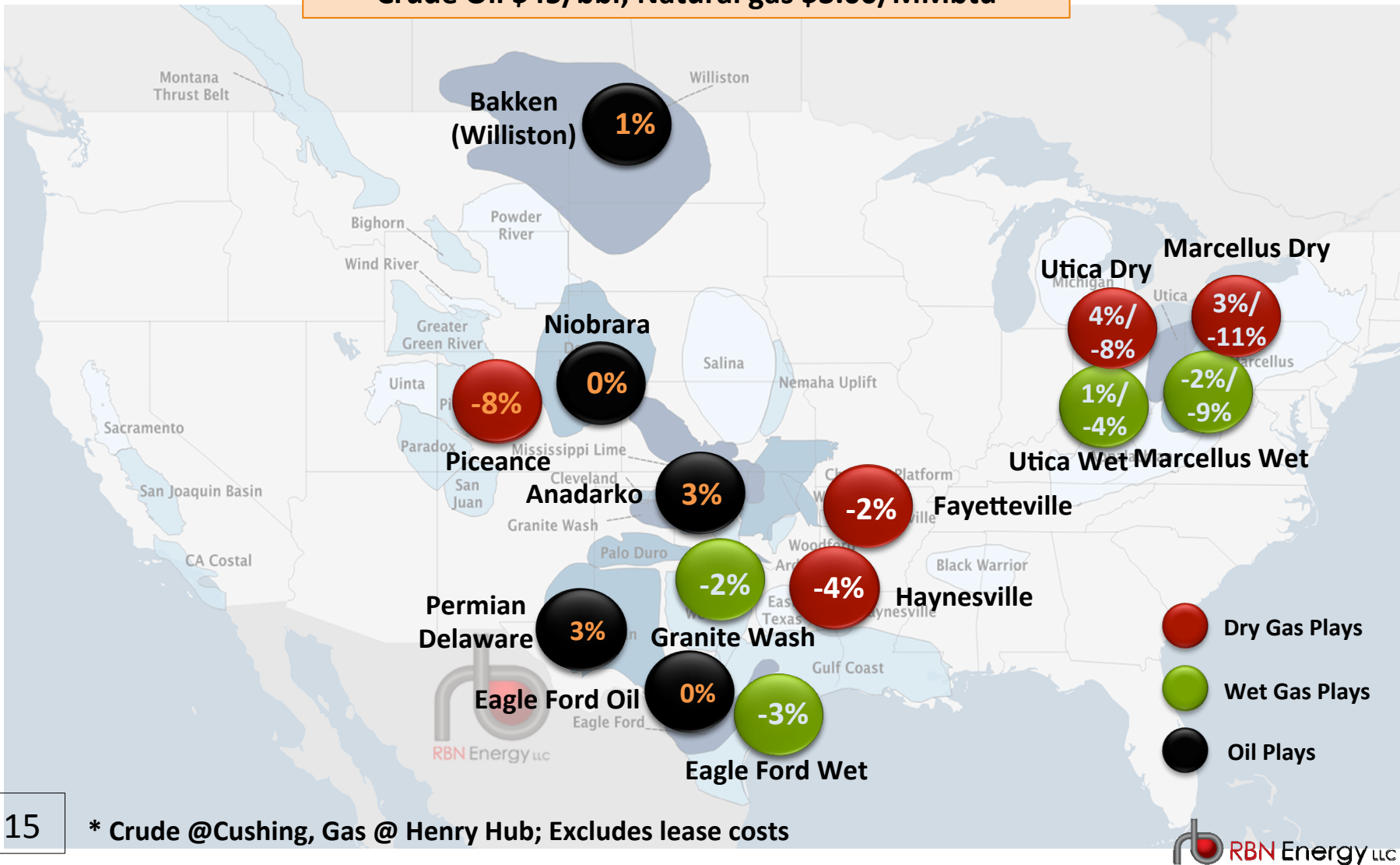
Producer Rates of Return – Fall 2014

Crude Oil \$90/bbl; Natural gas \$3.75/MMbtu*



Producer Rates of Return – January 2015

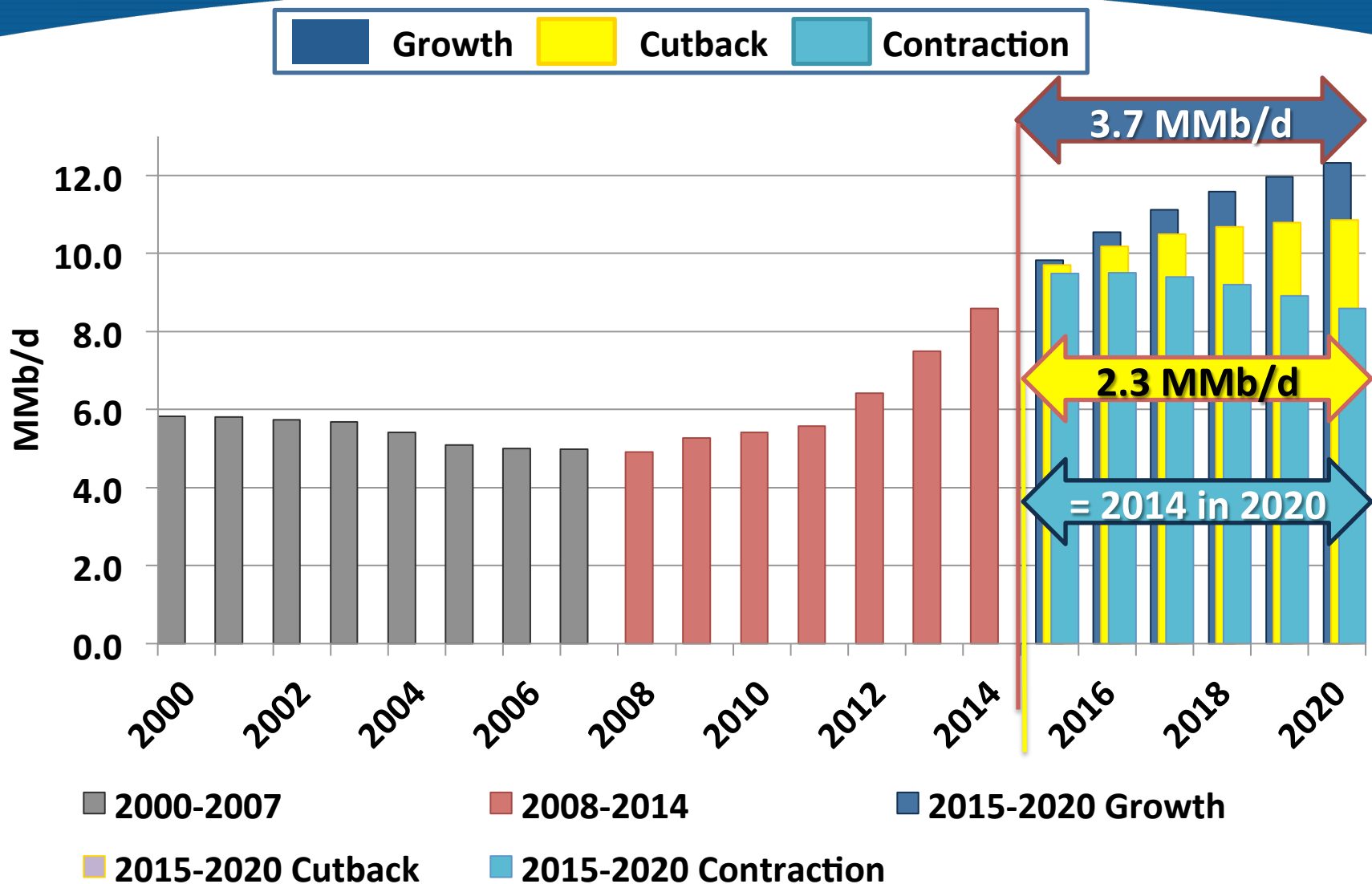
Crude Oil \$45/bbl; Natural gas \$3.00/MMbtu



Five Year Crude Market Scenarios

- » ***Growth Scenario*** – Resilient production keeps volumes growing for the next two years; At which point demand responds to low prices and WTI prices return to the \$80/bbl range by 2017
- » ***Cutback Scenario*** - Resilient production keeps volumes growing in a few basins, but production in many basins is flat; Modest demand response; WTI returns to the \$70/bbl range by 2020.
- » ***Contraction Scenario*** - Resilient production keeps volumes growing in 2015, but production eventually declines back to 2014 level; Demand does not respond and WTI prices trade in the \$50 to \$60/bbl range through 2020

U.S. Oil Production Scenarios



Conclusions

- Continued downward pressure on crude oil prices into 2 Q 2015
- US Supply Growth Slows CAPEX Declines
- Global Oil Demand Sluggish in 2015