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The Benefits of U.S. Crude Exports

IPAA Annual Meeting
Ryan Lance, Chief Executive Officer
November 13, 2014





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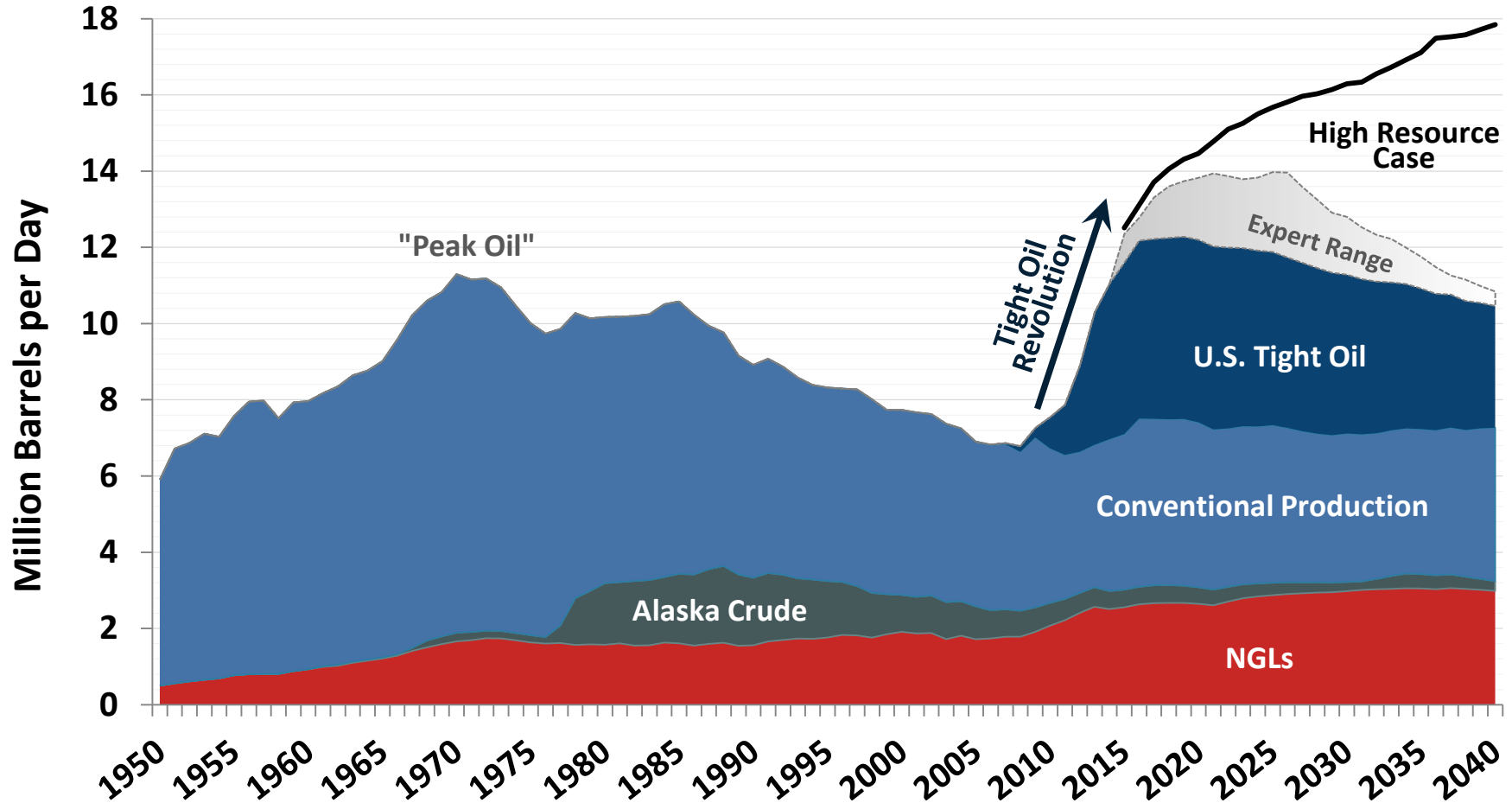
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Substantial Growth in Total U.S. Oil Production Projected

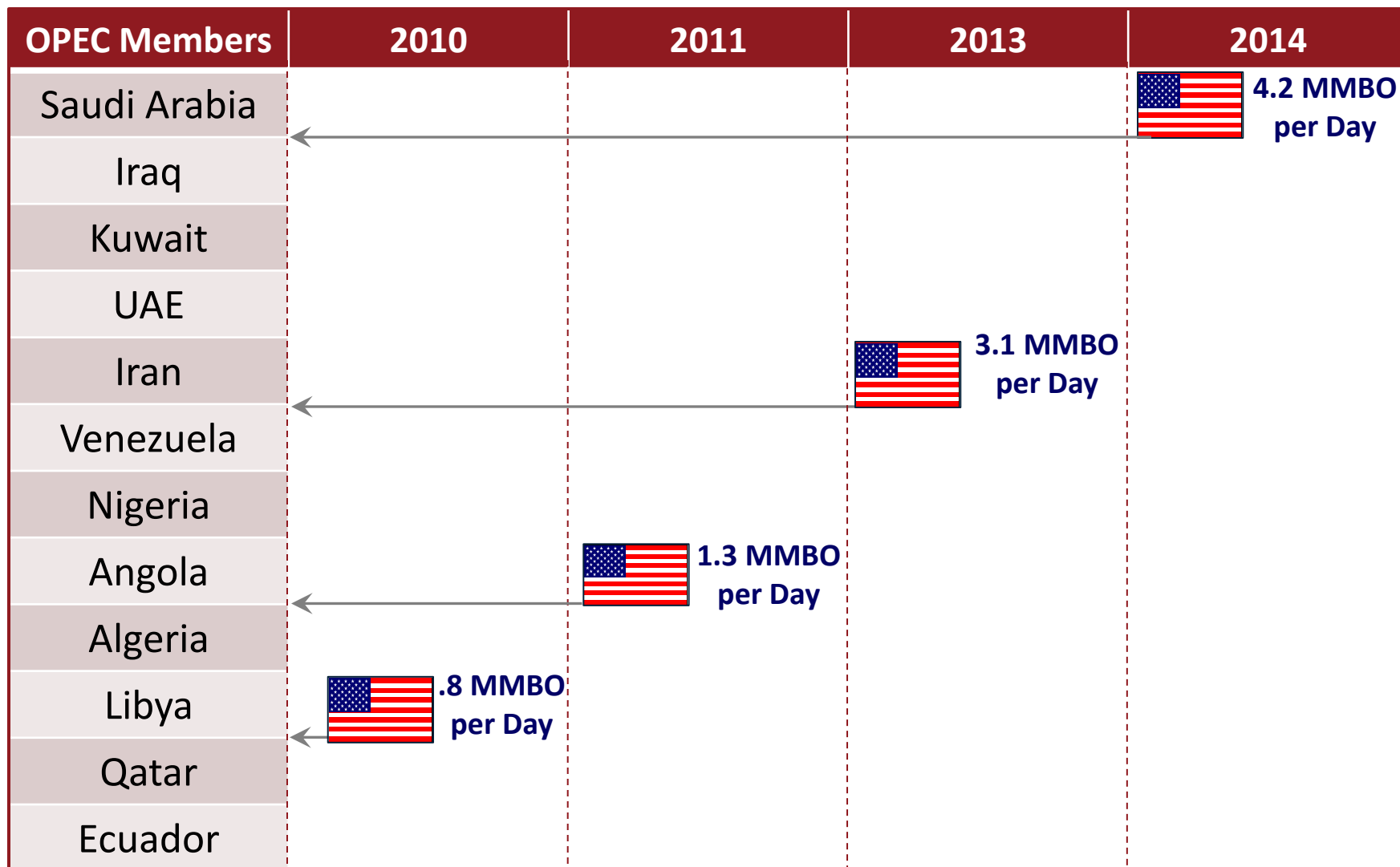
U.S. Crude, Condensate and Natural Gas Liquids Production

U.S. Department of Energy Forecast



Liquids production has returned to levels not seen since 1972

U.S. Tight Oil: The Biggest Driver Behind the Oil Renaissance



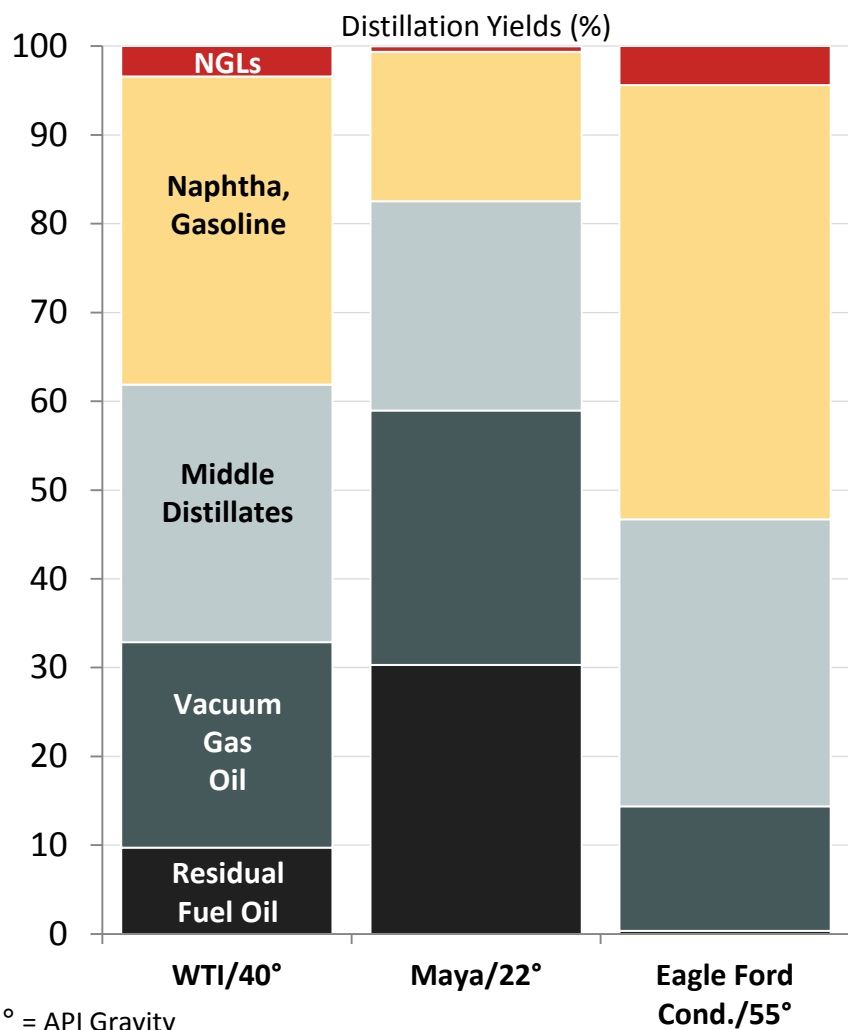
U.S. tight oil production alone is larger than production in most OPEC nations

OPEC Production ranked from highest (Saudi Arabia) to lowest per 2013 IEA reported production volumes. OPEC Neutral Zone production split between Saudi Arabia and Kuwait. Sources: IEA for OPEC production; EIA Annual Energy Outlook and Rystad Energy for U.S. Tight Oil. NOTE: Tight oil production includes liquids from tight natural gas plays.

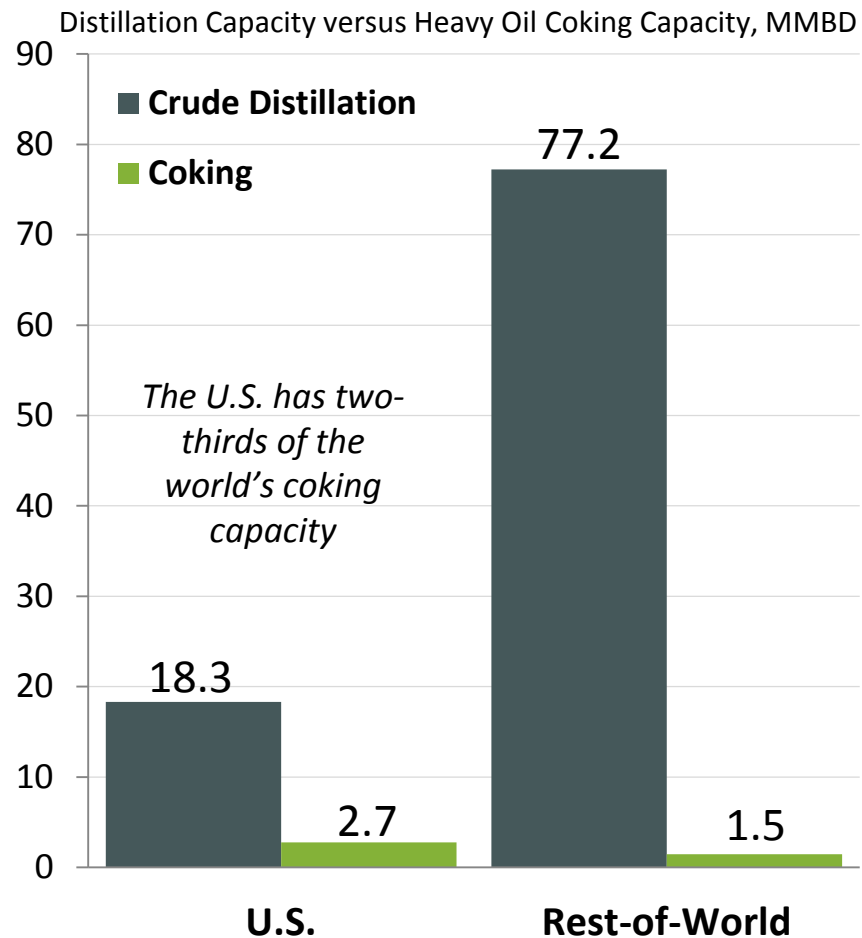


Tight Oil Quality vs. U.S. Refining Configuration: The "Mismatch"

Product yields differ significantly



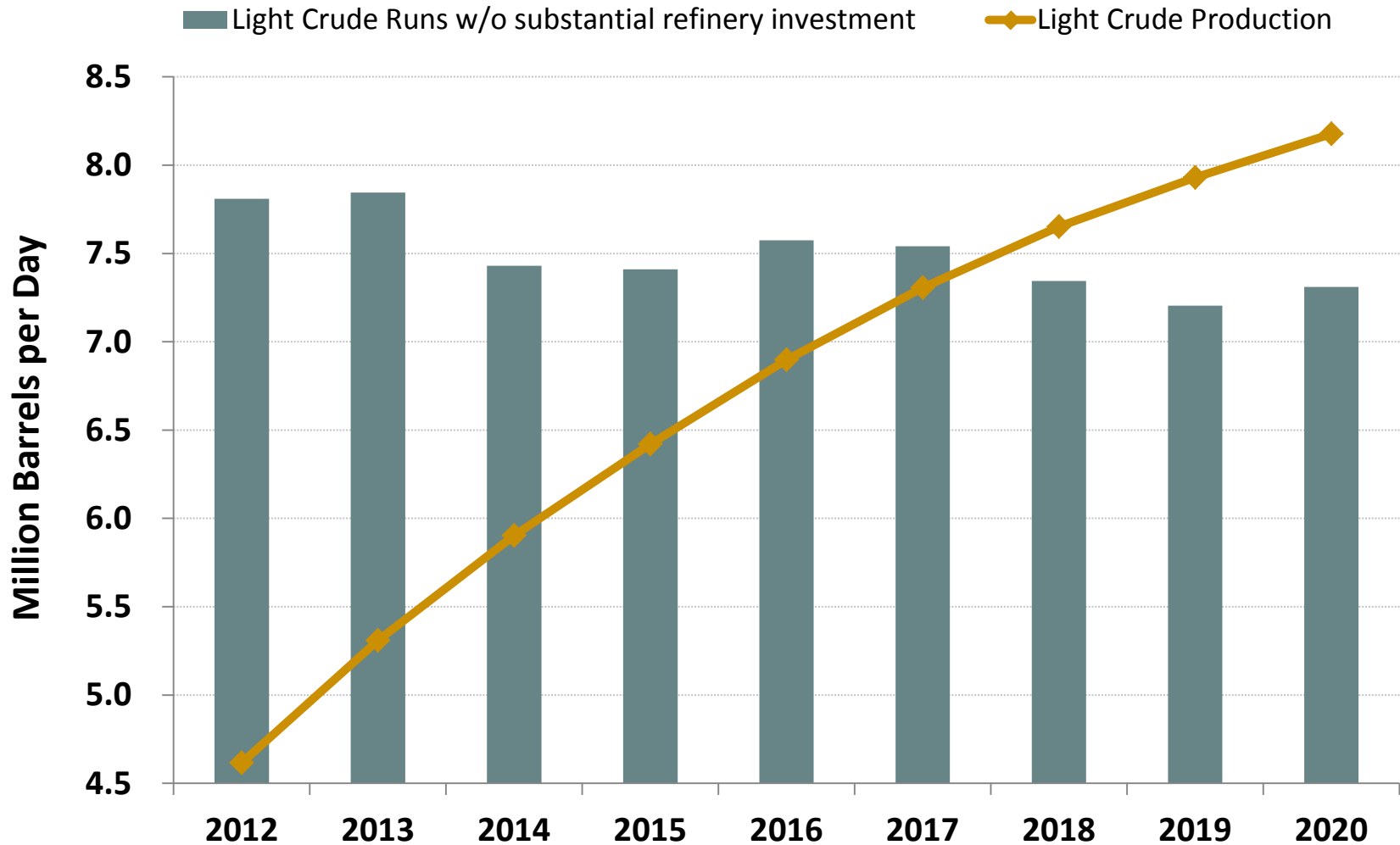
Blending U.S. tight oil into larger world pool is a more efficient allocation



Exporting U.S. LTO enables a more optimal global allocation of crude oils among refiners

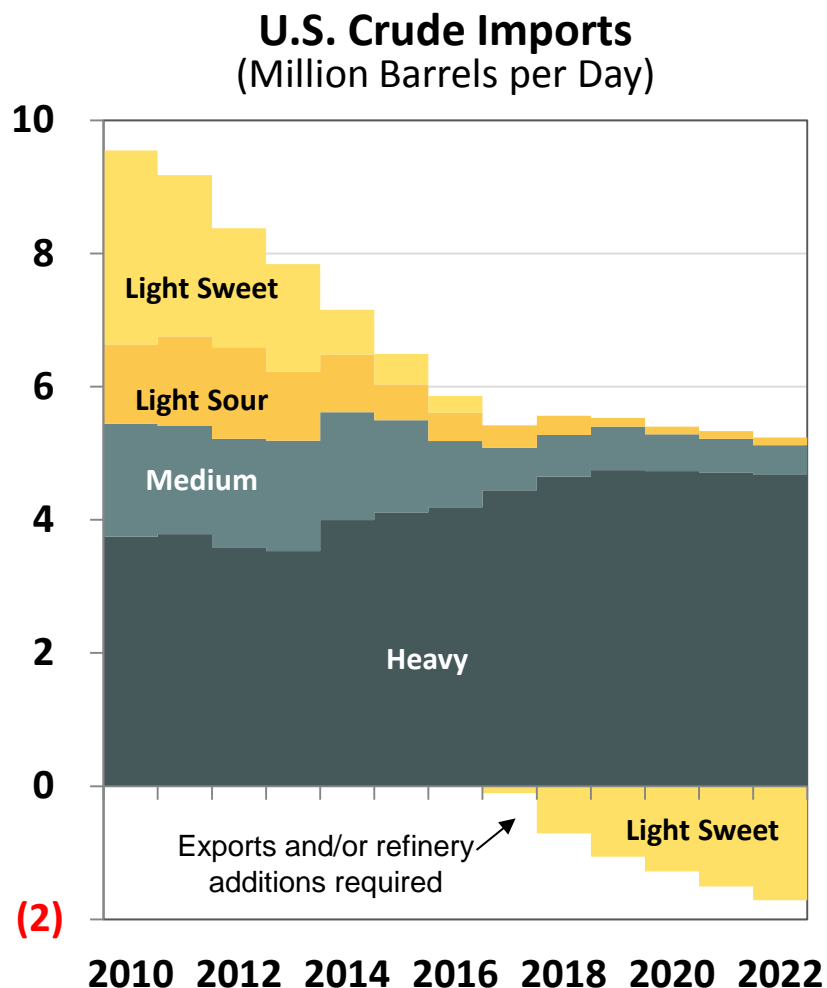


U.S. Light Crude Oil Production vs. Light Refinery Runs



Light crude production will eventually exceed refiner ability to process it without substantial refining investments or crude exports

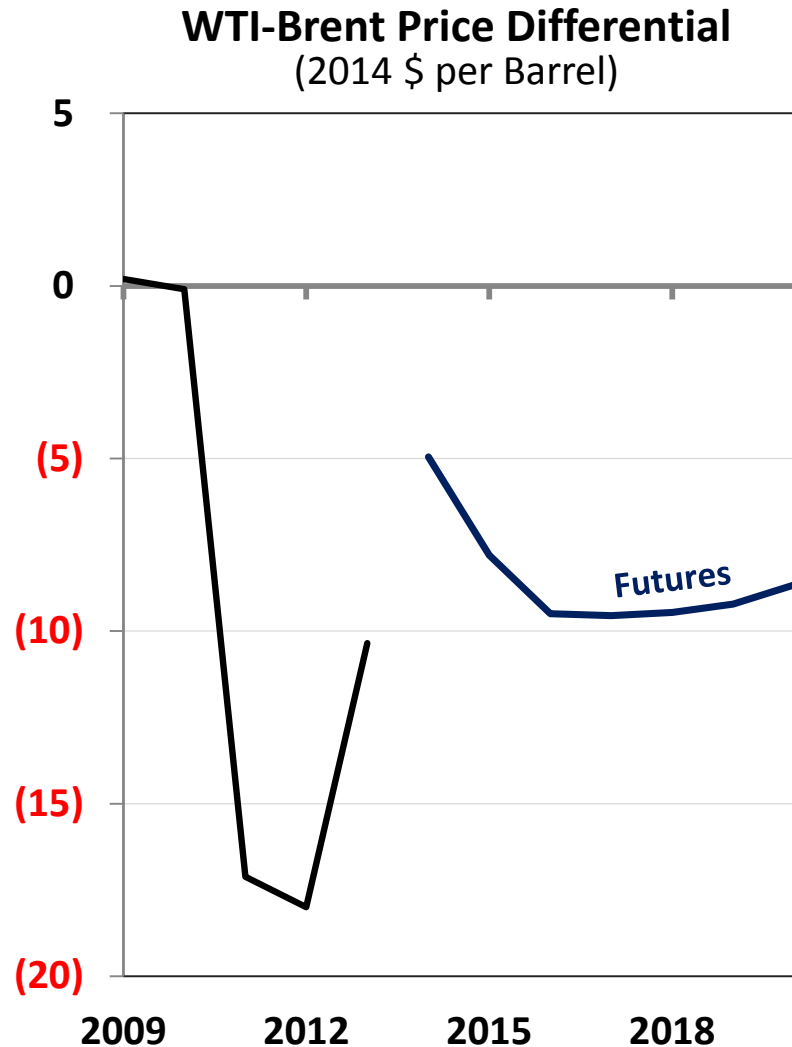
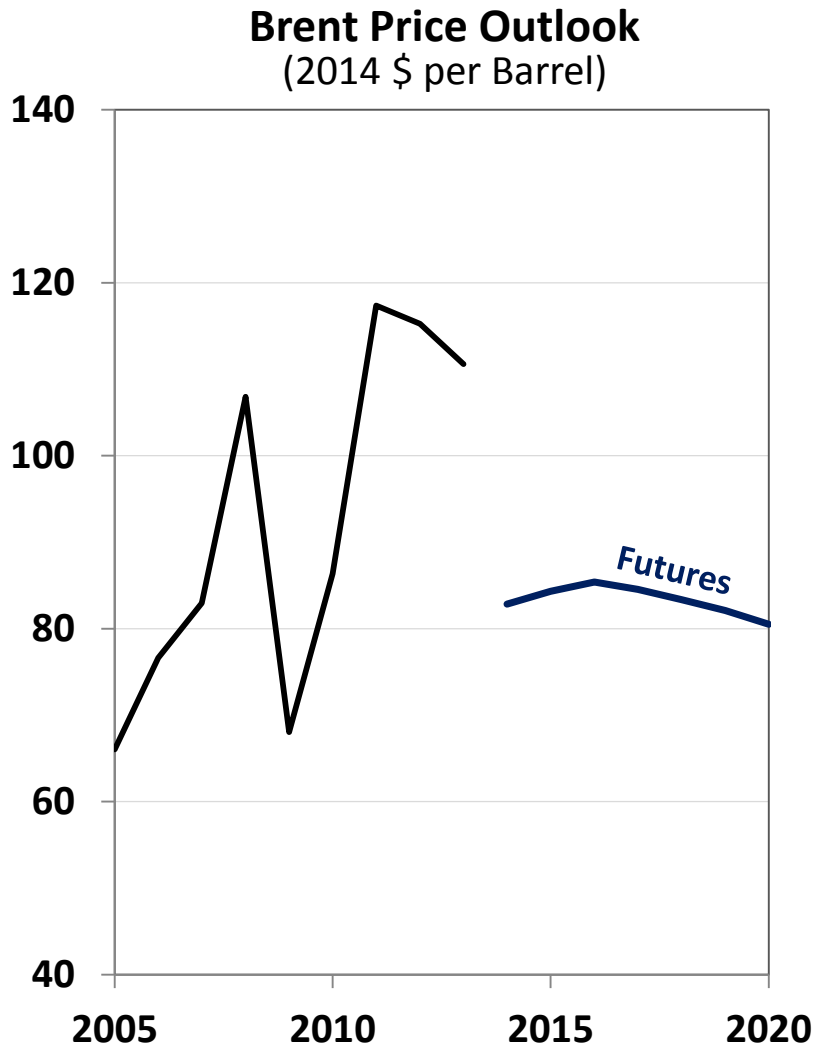
Changing Pattern of U.S. Crude Imports



- Declining light, sweet crude imports, with year-round exports needed by 2017
 - Condensates and super-light crudes are already in surplus
 - Seasonal exports needed before then during U.S. refinery turnarounds / outages
- Eventual reductions in light, sour and medium crude imports
- U.S. likely to maintain heavy crude imports that better match domestic refinery configuration

Light, sweet crudes are already in surplus seasonally

Crude Oil Futures Price Outlook

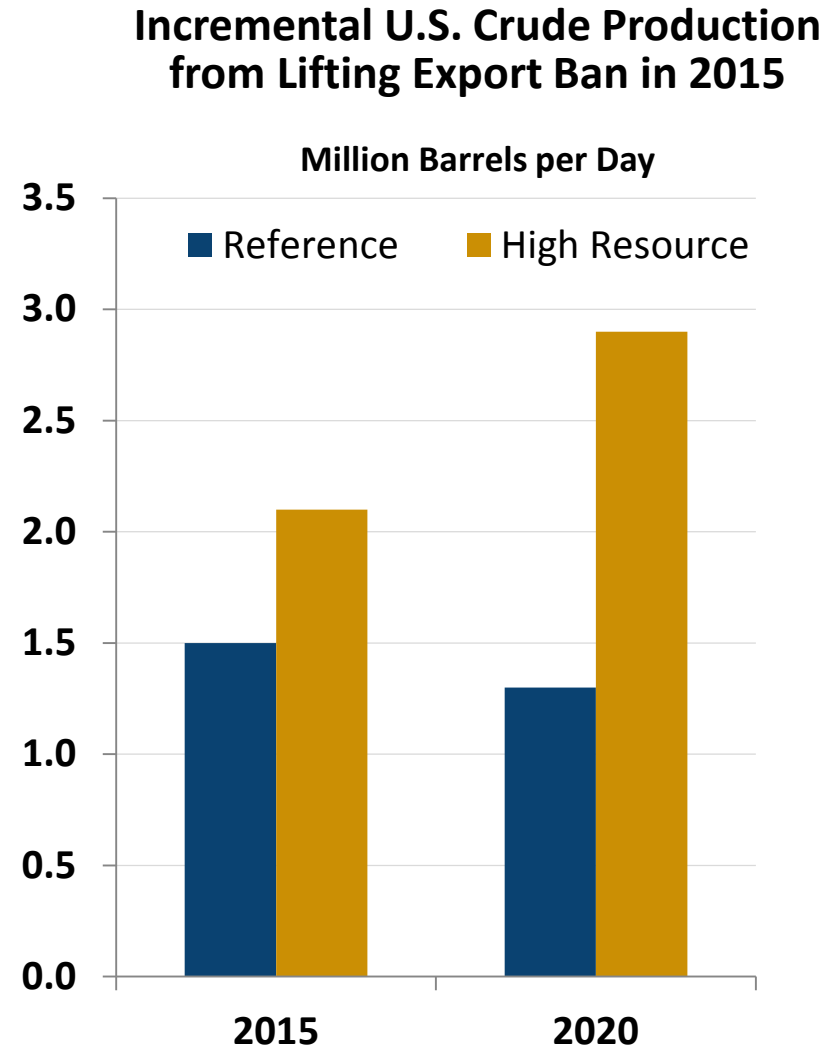


Discounted domestic prices threaten investment in U.S. crude production

Brent ICE and NYMEX WTI Futures as of 11/6/2014

Ability to Export Crude Would Increase U.S. Oil Production

- Lifting the ban on crude exports would increase U.S. production by 1.5 to 3.0 MMBD by 2020
 - 10-20% increase
- Removing domestic crude price discounts caused by the ban would increase investment in new production
 - More wells and plays would become economic
 - Increased cash flow to invest



Increased production would have significant economic benefits to the U.S.



Benefits of U.S. Crude Oil Exports

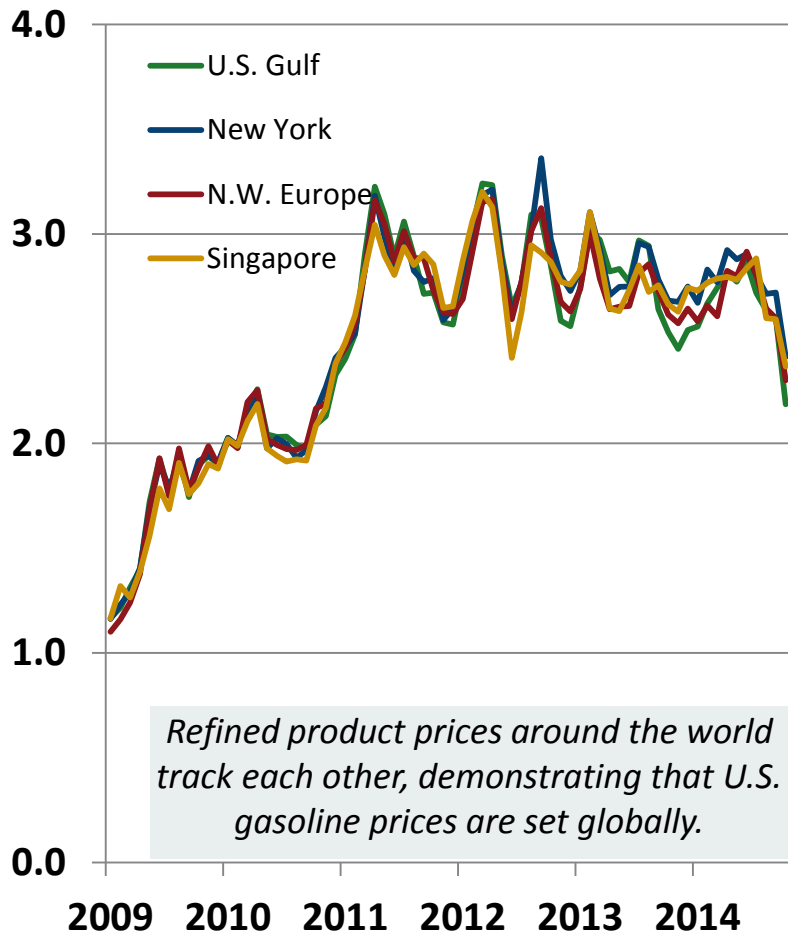
- Would lower consumer fuel costs at the pump by \$18 billion annually
- U.S. economy could gain \$135 billion and about one million jobs at its peak
- Reduce nation's oil import bill by \$67 billion annually
- Increase government revenues by \$1.3 trillion between 2016-2030
- Strengthen U.S. geopolitical position



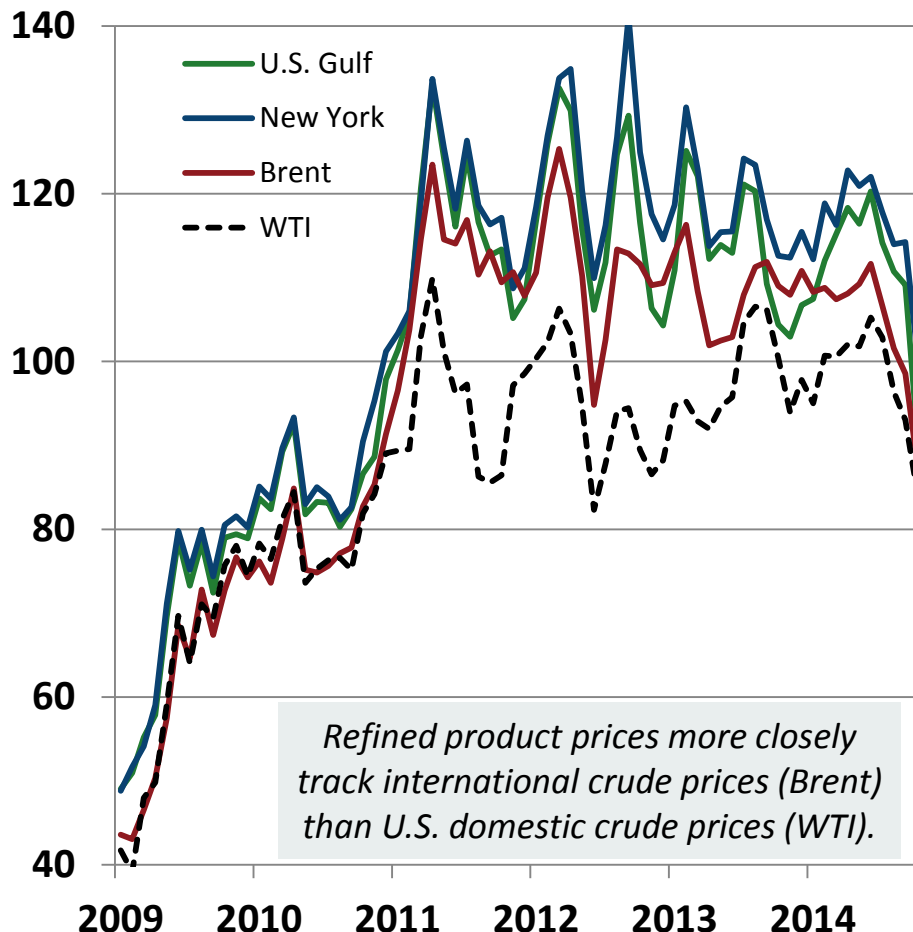
More jobs & economic development would result from continued growth in U.S. oil production

Gasoline Prices Are Set Globally by International Crude Prices

Spot Gasoline Prices (\$/Gallon)



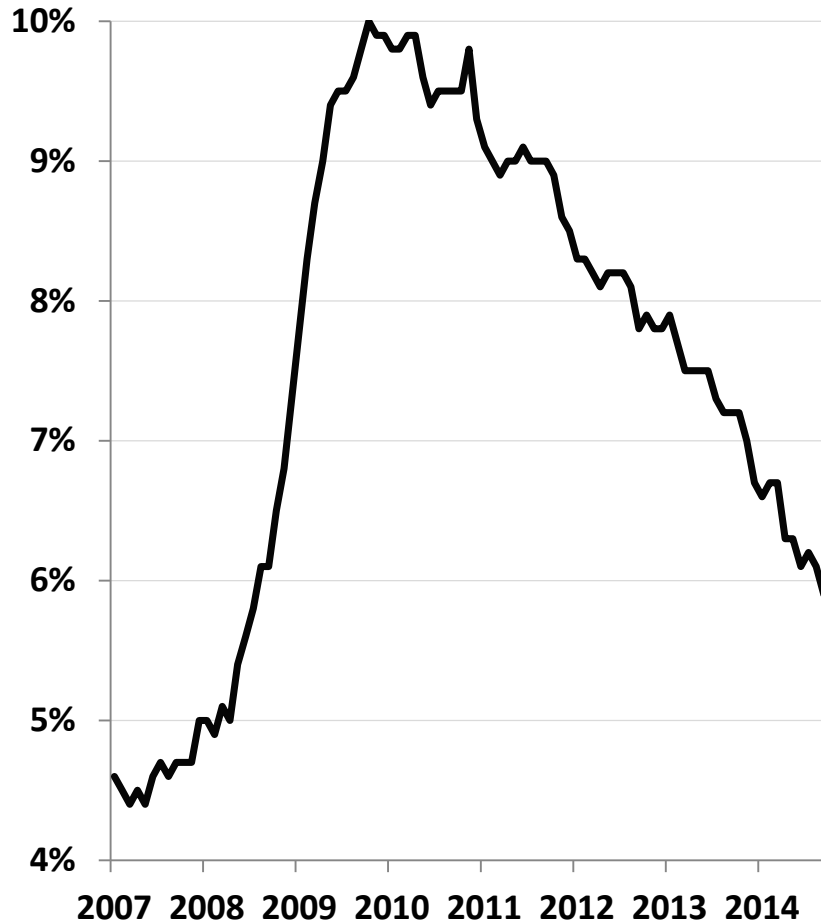
U.S. Gasoline Prices vs. International & Domestic Crude Prices (\$/BBL)



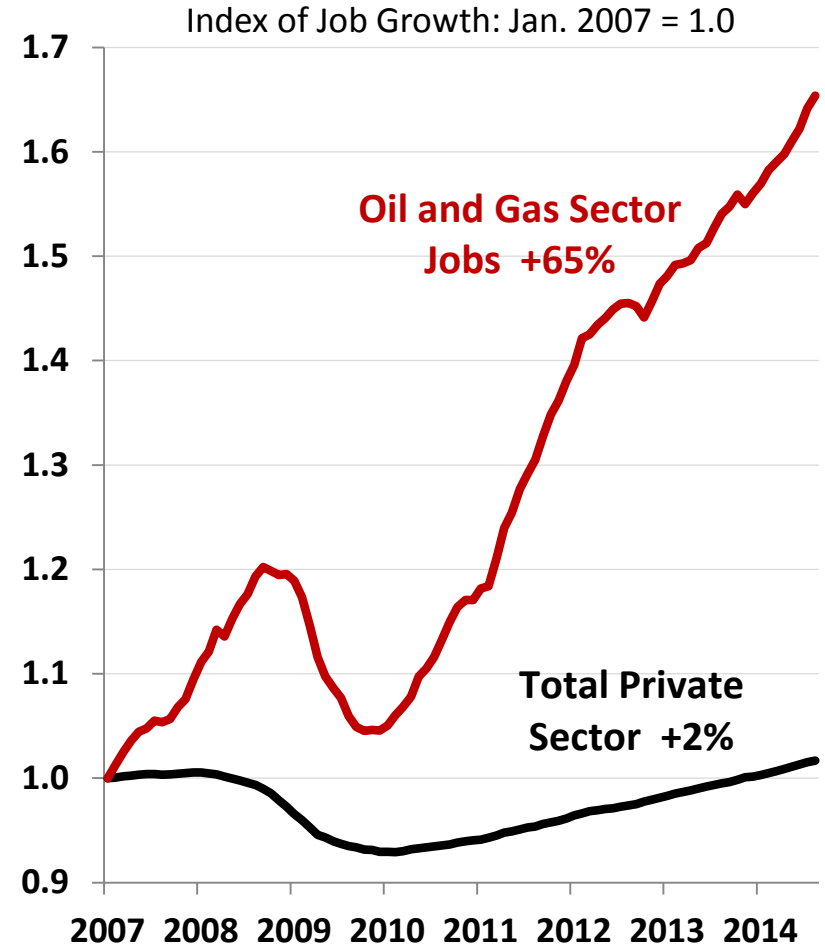
U.S. crude exports should lower U.S. gasoline prices

U.S. Unemployment Rate vs. Oil and Natural Gas Employment

U.S. Unemployment Rate



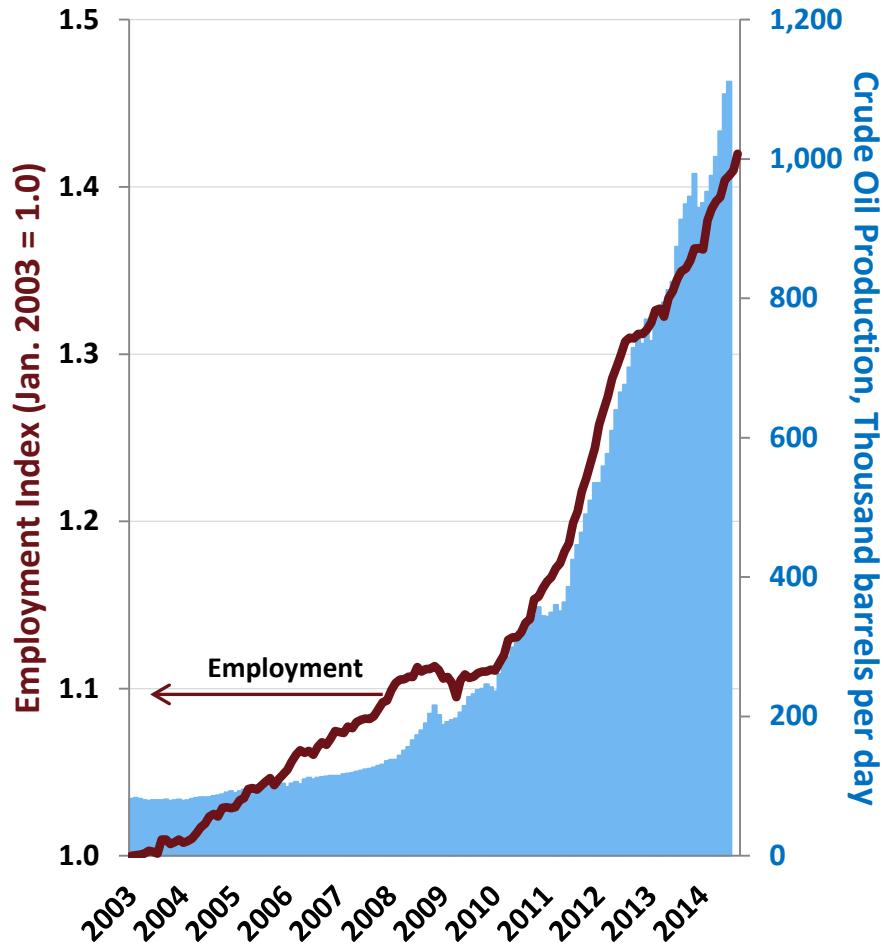
Oil and Gas Sector Expanded While Other Sectors Lagged



Energy production prevented U.S. downturn from being worse, and spurred recovery

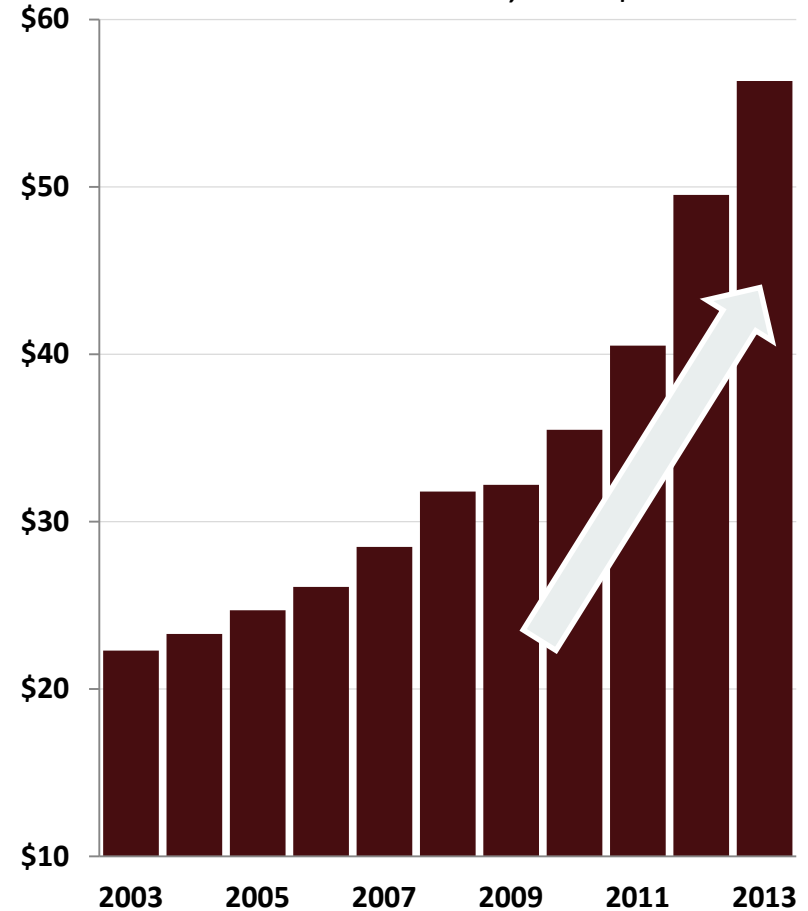
North Dakota Employment and Economic Growth

State of North Dakota Employment Up Over 40% as Bakken Developed



The State Economy More than Doubled in a Decade

Gross State Product, Billion \$

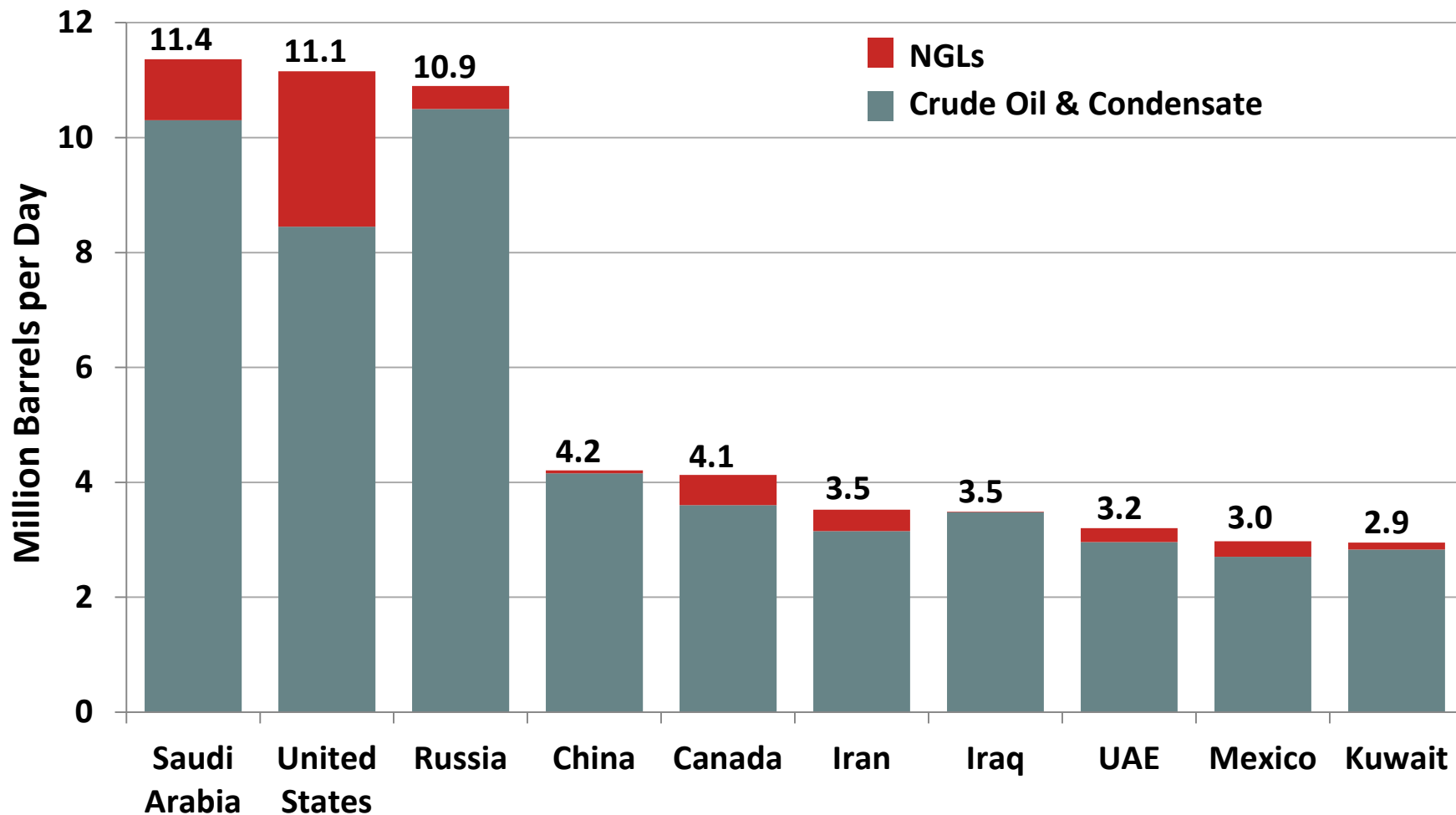


State employment and economic growth tied to Bakken oil production



Growth in Production Restored U.S. Role as Oil Powerhouse

Crude, Condensate and NGLs Production for Top 10 Countries, 2014



U.S. will likely surpass Saudi Arabia over the next year

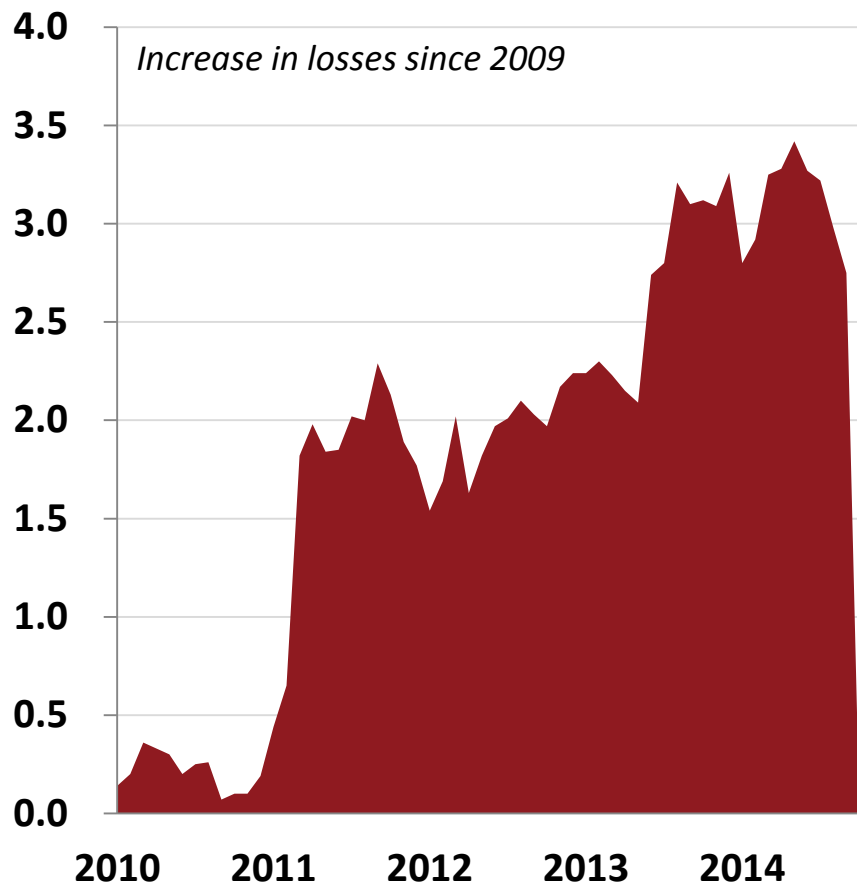
OPEC Neutral Zone production split between Saudi Arabia and Kuwait

Source: Rystad Energy, November 2014

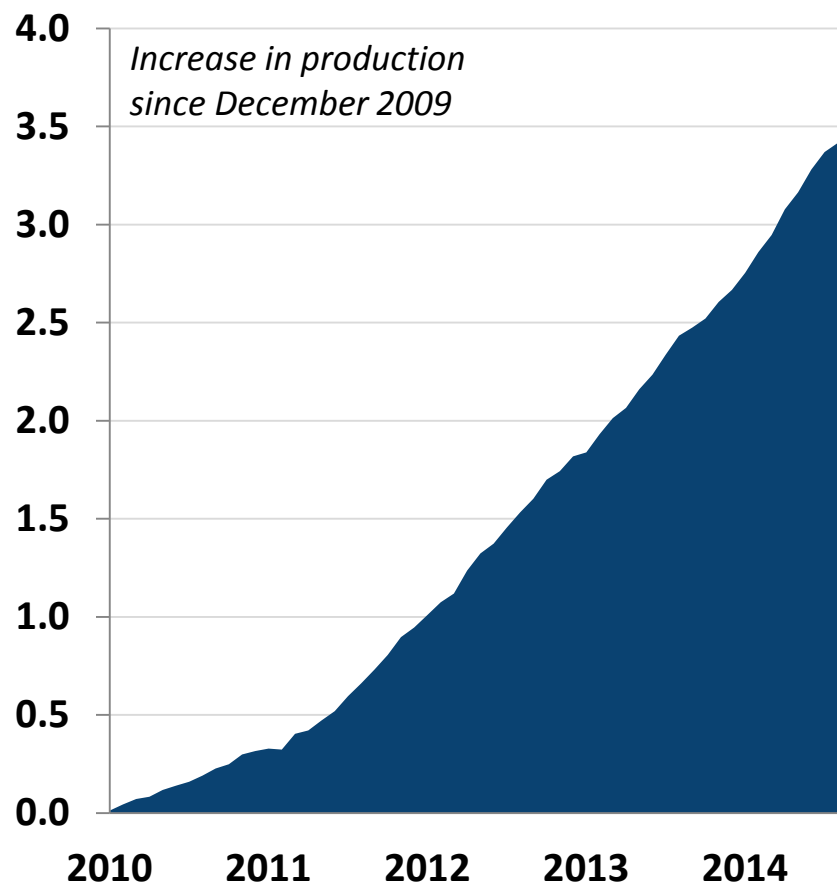


Global Crude Supply Disruptions vs. U.S. Tight Oil Growth

Growth in Global Supply Disruptions (MMBD)



Growth in U.S. Tight Oil Production (MMBD)

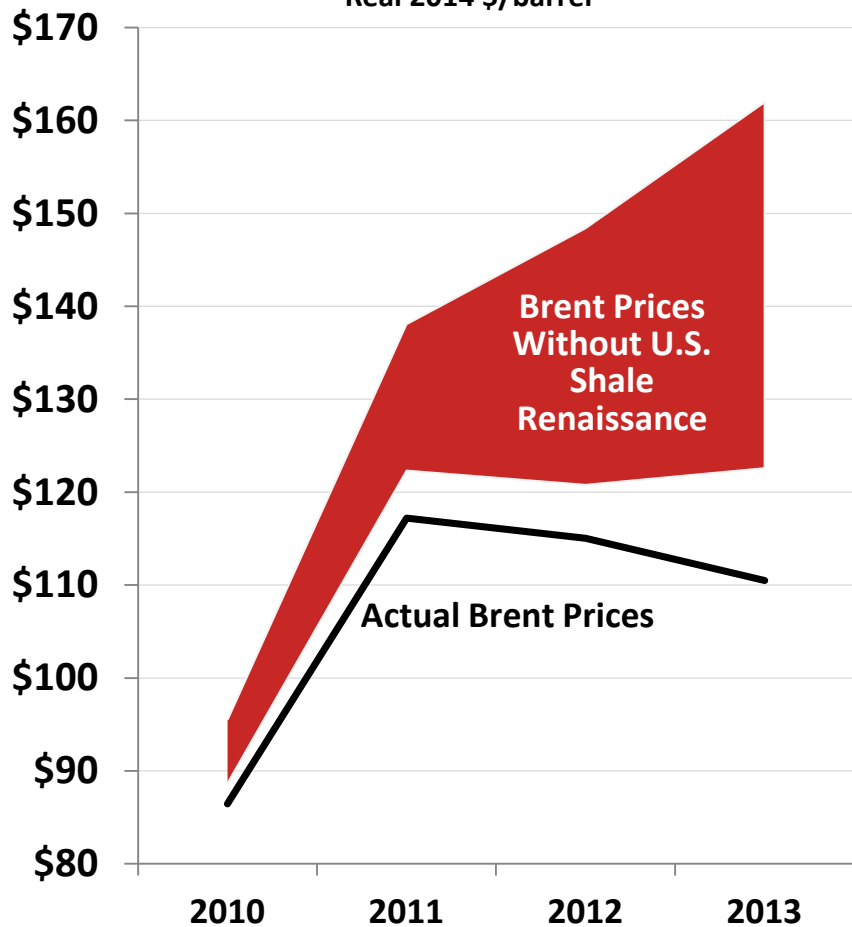


U.S. tight oil production growth has offset most of the global supply disruptions

U.S. Oil Production Prevented Higher Prices in Recent Years

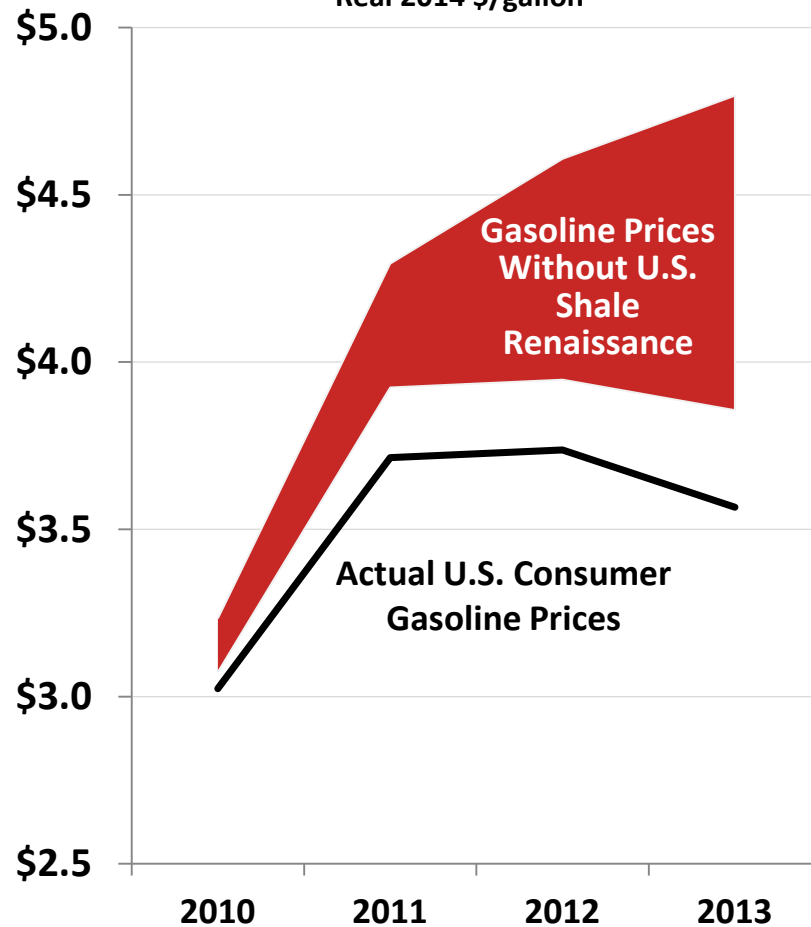
Brent Crude Oil Prices Would Have Been \$12 to \$40 per Barrel Higher in 2013

Real 2014 \$/barrel



U.S. Consumer Gasoline Prices Would Have Been \$0.30 to \$0.94 per Gallon Higher in 2013

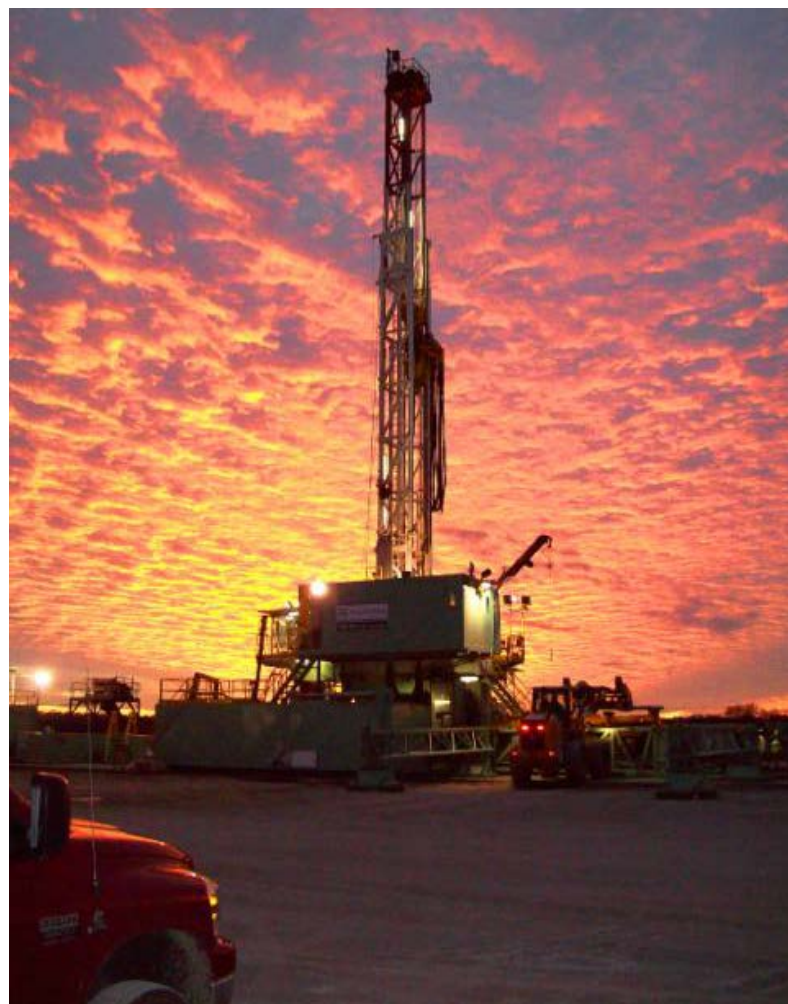
Real 2014 \$/gallon



Rising U.S. production has enhanced global oil security and affordability

U.S. Crude Oil Exports – Summary

- New abundance of light, low-sulfur tight oil production in the U.S.
- Offers tremendous economic and security benefits to the country
- Mismatch with U.S. refinery configuration presents a challenge
- Threatens to stunt tight oil development and its benefits to the U.S.
- U.S. crude exports provide a solution






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