



GLOBAL OIL & GAS INSTITUTE

May 18, 2015 | Houston, Texas

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O&G Leaders Navigating Key Issues in Today's Dynamic Market



Brad Eastman
VP and Deputy General Counsel
Cameron



Shelley Smithson
Senior Legal Counsel, Lake Charles
Chemicals Project (LCCP)
Sasol



Bob Henderson
Associate General Counsel for
New Business Development and
Integrated Gas
Shell Oil Company



Stephen M. Trauber
Vice Chairman and
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Banking



Carista Hill
General Counsel, Americas
The Weir Group



Hugh Stewart
Baker & McKenzie LLP - London



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May 18, 2015 | Houston, Texas

Panel 1: Where are They Now? Current Targets for Asian Oil & Gas Investment



Norman Bissett
Jakarta



Anne Hung
Tokyo



Won Lee
Hong Kong



Bee Chun Boo
Beijing



Mona Dajani
Chicago



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Panel 2: Outlooks on Oil & Gas in Europe, Middle East and Africa



Mona Dajani
Chicago



Kieran Whyte
Johannesburg



Kamil Valiyev
Baku



Neil Donoghue
London



Alexey Frolov
Moscow



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Panel 3: Life After the Commodity Bust: Investing in South America's Oil & Gas Market



Adolfo Duranona
Buenos Aires



Alejandro Mesa
Bogotá



Juan Carlos de los Heros
Lima



Danielle Valois
Rio de Janeiro



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Panel 4: What a Difference a Year Can Make Market realities in the oil and gas industry



Louis J. Davis
Houston



James Donnell
New York



Greg McNab
Toronto



David Hackett
Chicago



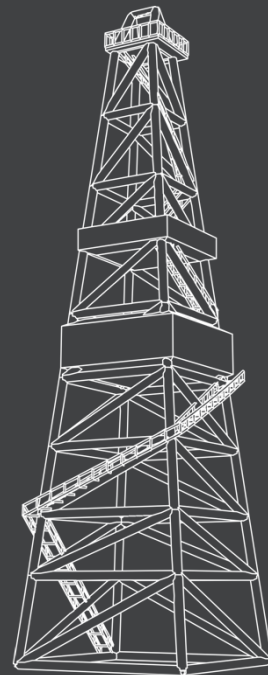
Natalie Regoli
Houston

Agenda

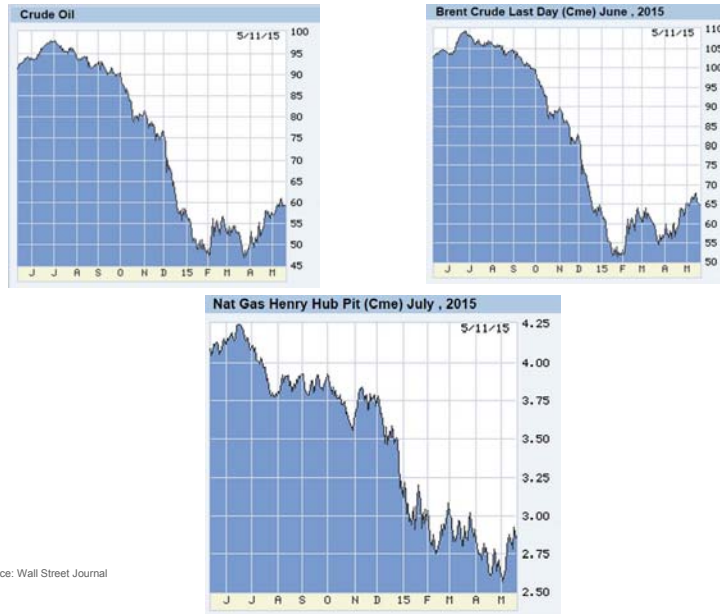
- By the Numbers
- Practical Impact
- Alberta Oil Sands
- LNG/Petrochem
- Keystone Pipeline
- Environmental Issues
- Valuation

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By the Numbers

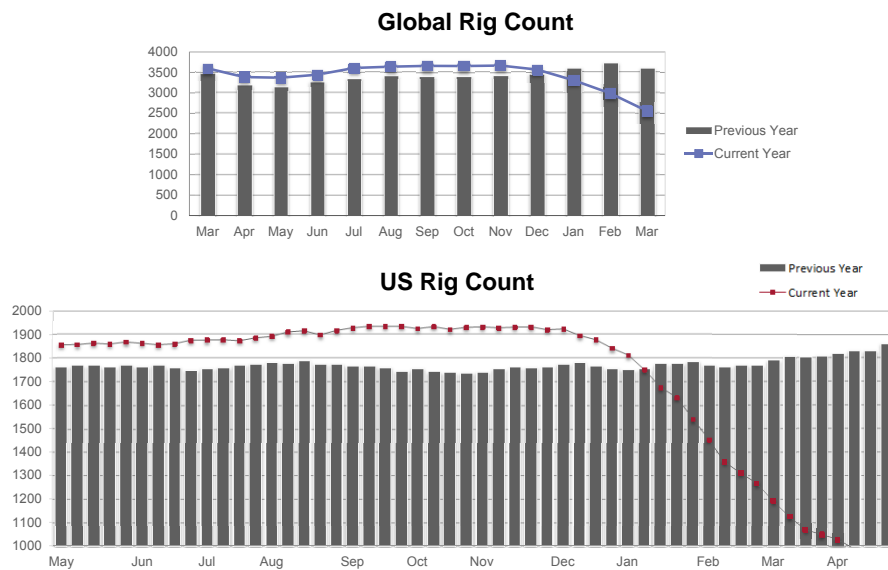


Price of WTI, Brent Crude, Natural Gas – 1 year



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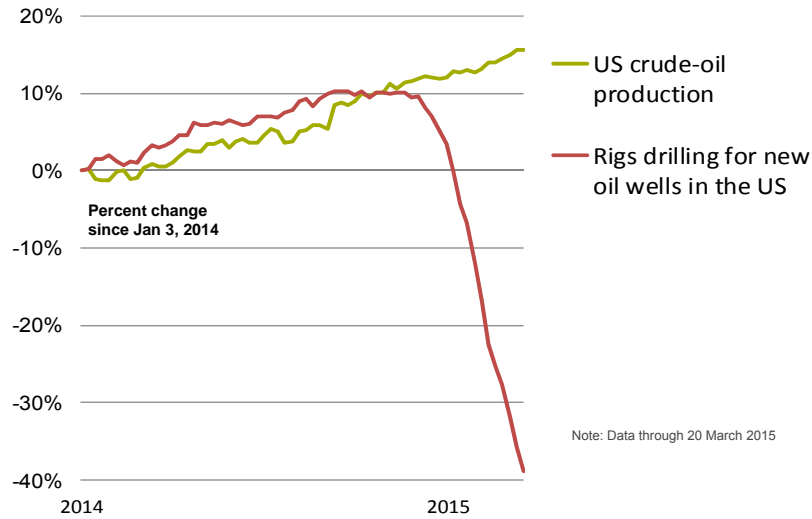
Global and US Rig Counts



Source: Created from information published by Baker Hughes, Inc.

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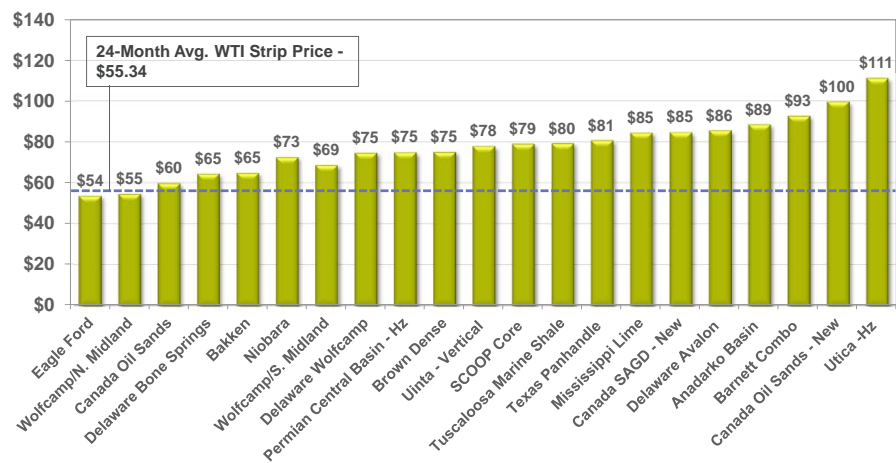
Production Continues to Rise



Source: Energy Information Administration (production), Baker Hughes Inc. (rig count)

Recent Comparative Analysis by Basin

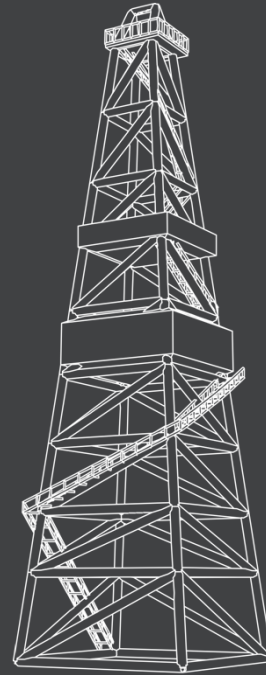
Breakeven Estimates by Basin (\$/bbl)



Source: IMF, Citi, Canadian Energy Research Institute, Baird, UBS, Bloomberg, PLS Research, DrillingInfo, EIA

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Practical Impact



Recent Headlines

October 2014

Endeavor Files for Bankruptcy in Debt Swap With Bondholders

December 2014

Chevron Suspends Arctic Offshore Drilling Program in Canada 'Indefinitely'
Company Cites Uncertainty Over Crude Prices

January 2015

Schlumberger Cuts 9,000 Jobs as Oil-Price Ax Falls
Oil-Field Services Company Takes More Than \$1 Billion in Charges

Shell to Cut Spending Amid Lower Oil Prices
Dividends to Be Frozen, Shale Investments to Be Reduced

February 2015

Weatherford International Laying Off 8,000 Employees
Cuts Would Bring Total Headcount to Under 50,000 by the End of the Year

Halliburton to Cut 8% of Workforce

Oil-Field Services Company Says Layoffs Aren't Related to Pending Baker Hughes Acquisition

Source: Wall Street Journal

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Recent Headlines

March 2015

Cal Dive Files for Chapter 11

Oil-and-gas contractor hurt by project suspensions and plummeting oil prices

Dune Energy Files for Chapter 11 Bankruptcy Protection

Latest company to seek bankruptcy protection due to falling oil prices

BPZ Resources Files for Bankruptcy Protection Amid Oil-Price Drop

Move follows Dune Energy's Sunday filing

Quicksilver Resources Files for Chapter 11 Bankruptcy Protection

Oil-and-gas exploration company failed to find a buyer to improve its finances

April 2015

Oil Layoffs Hit 100,000 and Counting

Roughnecks feel brunt of cuts as tumble in price of crude ripples through energy industry

Schlumberger Profit Falls 39%; 11,000 More Jobs Cut

Oil-services company says workforce down 15% from peak levels

Baker Hughes Cuts 7% of Staff, Close Facilities Amid Oil's Fall

Oil-field-services company's quarterly results fall well short of expectations

PetroChina Net Profit Down 82%

Chinese oil giant says it reduced costs during the first quarter

Source: Wall Street Journal

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Where is the floor?

- WTI hit a six-year low of \$42.28 a barrel on March 18, 2015
- Factors suggesting further downward trajectory
 - Stored oil nearing record highs
 - Mixed economic forces in US, Europe, and Asia
 - OPEC output remains high
 - US production continues to rise despite drop in rig count
- Factors suggesting stability
 - Shale producers can react more quickly by slowing down drilling and completion, rather than shutting in wells
 - Gasoline consumption typically increases in spring and summer, driving prices up (although heating oil use decreases)

Source: Wall Street Journal; Energy Information Administration

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Alberta Oil Sands



Alberta Oil Sands – What are they?

- People think of oil sands as a Canadian specific opportunity, but oil sands are found in several locations around the globe including Venezuela, USA, Russia and Canada.
- Oil sands are a mixture of sand, water, clay and bitumen.
- Bitumen is oil that is too heavy or thick to flow or be pumped without being diluted or heated. At 10° C/50° F, bitumen is hard as a hockey puck. Some bitumen is found within 70 metres (200 feet) of the surface, but the majority is deeper underground.
- Alberta's oil sands lie under 142,000 km² of land (54,800 mi²). Only about three per cent of that land could ever be impacted by the mining method of extracting oil sands. The remaining 97 per cent of the oil sands surface area are recoverable only by in-situ (drilling) methods, which require very little surface land disturbance.

Source: Canadian Association of Petroleum Producers

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Alberta Oil Sands – 2015

Price WTI C\$/bbl	Royalty Rate on Gross Revenue	Royalty Rate on Net Revenue
Below C\$55	1.00%	25.00%
C\$55	1.00%	25.00%
C\$60	1.62%	26.15%
C\$65	2.23%	27.31%
C\$70	2.85%	28.46%
C\$75	3.46%	29.62%
C\$80	4.08%	30.77%
C\$85	4.69%	31.92%
C\$90	5.31%	33.08%
C\$95	5.92%	34.23%
C\$100	6.54%	35.38%
C\$105	7.15%	36.54%
C\$110	7.77%	37.69%
C\$115	8.38%	38.85%
C\$120	9.00%	40.00%
Above C\$125	9.00%	40.00%

Source: Alberta Energy

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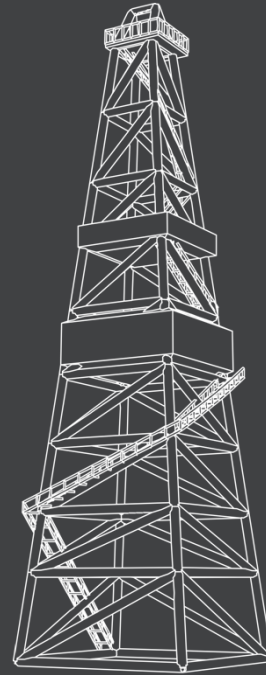
Alberta Oil Sands – 2015

- Even with crude down, output is expected to continue to grow.
- The Canadian dollar is near a six-year low and materials cost less, helping oil sands producers cut costs and keep pumping.
- “We are above the price where existing projects” get shut down...
- “Most of the oil sands companies are “global players” and “they can afford to operate at a loss within the oil sands area,”
- “Oil sands miners would have to spend billions of dollars on reclamation of tailing ponds if they shut,...It’s not as simple as turning off a truck or shutting in a well.”

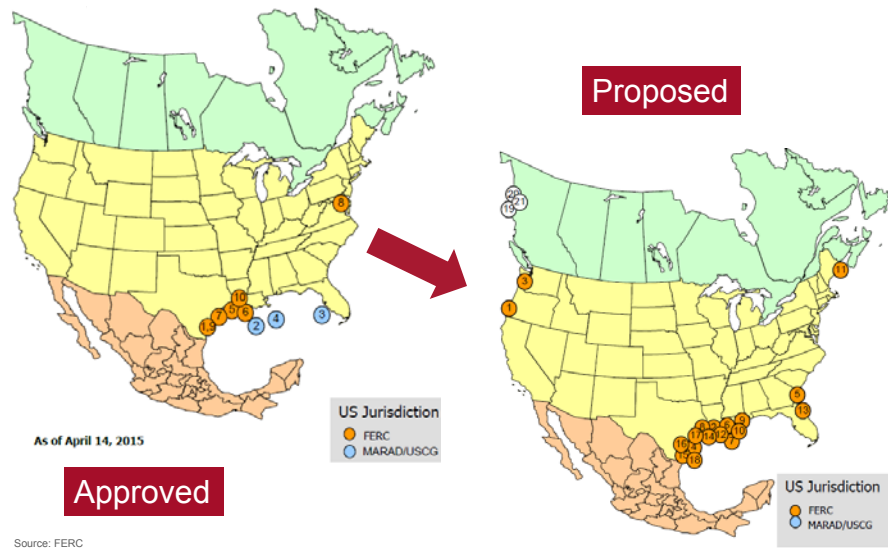
Source: Alberta Energy

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LNG/Petrochem



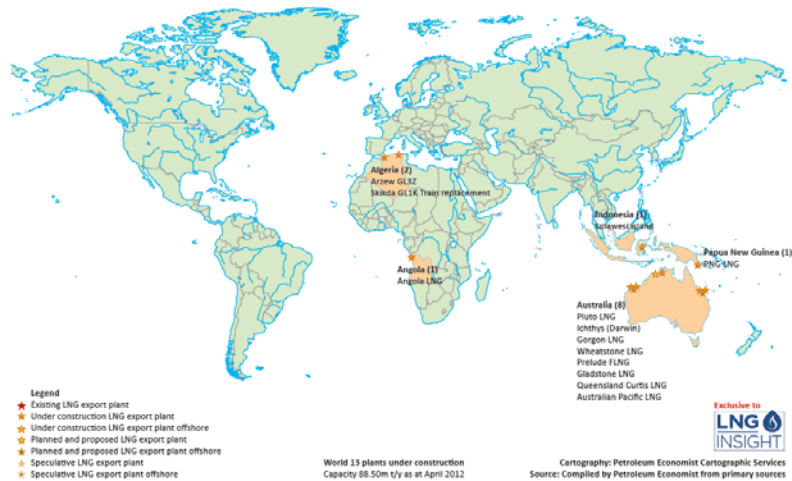
LNG: Shale Impact in US/Canada LNG



LNG: Under Construction in 2012

LNG INSIGHT

World LNG Exporters



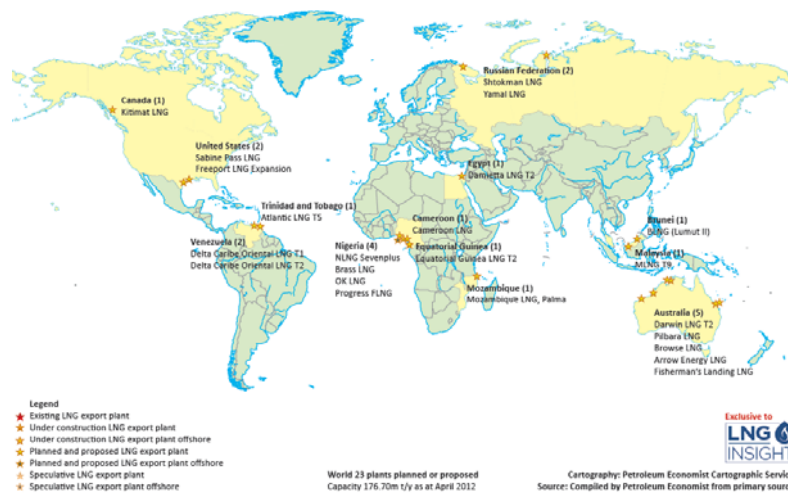
Source: http://www.petroleum-economist.com/pdf/LNGInsight_April/LNG%20Exporters.pdf

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LNG: Planned and Proposed Exporters

LNG INSIGHT

World LNG Exporters



Source: http://www.petroleum-economist.com/pdf/LNGInsight_April/LNG%20Exporters.pdf

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Petrochem: Shale Impact in US/Canada

Major ethane-based projects (under construction or proposed) completed by 2020



Source: <http://petrochem.devpad.co.uk/engineering-and-construction/multimedia-mapping-north-americas-petrochemical-construction-projects>

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Keystone Pipeline



Keystone Pipeline Extension

The Keystone XL Pipeline Project is a proposed 1,179-mile (1,897 km), 36-inch-diameter crude oil pipeline, beginning in Hardisty, Alta., and extending south to Steele City, Neb.



Source: TransCanada

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Keystone Pipeline Extension

Reads like a playbook...

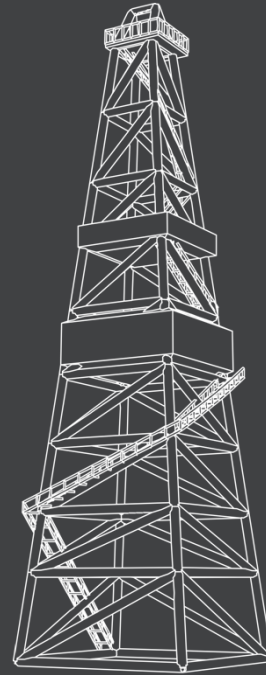
- environmental issues/potential for oil spills
- potential for increased carbon emissions
- conflicts of interest
- political issues
- diplomatic issues
- geopolitical issues
- indigenous issues
- economic issues
- safety issues
- public opinion

Other than that, it's a slam dunk.

Source: Alberta Energy

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Environmental Issues



Environmental Issues

- Fracking chemical constituents and disclosure
- Air emissions
- Water use
- Wastewater discharges
- Waste
- Seismic considerations

Valuation

