IPAA: RJ Energy Outlook

<table>
<thead>
<tr>
<th>E&amp;P</th>
<th>Oil Service/Coal</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Freeman</td>
<td>Marshall Adkins</td>
</tr>
<tr>
<td>Andrew Coleman</td>
<td>Jim Rollyson</td>
</tr>
<tr>
<td></td>
<td>Collin Gerry</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>MLP</th>
<th>Major &amp; Refiners &amp; Alt. Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Darren Horowitz</td>
<td>Pavel Molchanov</td>
</tr>
<tr>
<td>Kevin Smith</td>
<td>Cory Garcia</td>
</tr>
</tbody>
</table>

November 13, 2013

Please read disclosure/risk information and Analyst Certification at the end of the presentation.
Game Change in U.S. Oil & Gas!

- Oil price structurally challenged
  - Global oil demand is sputtering
  - U.S. oil supply up huge!
  - Oil market is telling you there is a problem!
  - Bulls must count on additional disruptions

- U.S. nat gas poised for longer-term recovery
  - Demand poised to surge
  - But plenty of gas @ $4.00
Oil Outlook

Without Strong Global Economic Recovery, Oil Will Be Structurally Challenged
Why Are We Worried About Oil?

- Oil inventories rising despite massive supply outages (3+ MMBpd offline since 2010)
- Oil inventories on track to max out in 2014
- OPEC excess capacity near 20+ year high
- Will Saudi/OPEC cut an additional 2 MMBpd?
- If not, oil prices are moving lower
How Does Our Oil Forecast Stack Up?

- In-Line with Consensus for 2013
- 10 –15% below consensus in 2014
- 10 –20% below Consensus in 2015 +
- **Way Below Street for 2015 WTI-Brent Spreads**

<table>
<thead>
<tr>
<th></th>
<th>WTI</th>
<th>Brent</th>
<th>Spread</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>New RJ Forecast</td>
<td>$100.00</td>
<td>$83.00</td>
<td>$70.00</td>
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<tr>
<td>NYMEX Futures Strip</td>
<td>$99.86</td>
<td>$99.19</td>
<td>$89.86</td>
</tr>
<tr>
<td>% Change</td>
<td>0%</td>
<td>-16%</td>
<td>-22%</td>
</tr>
</tbody>
</table>

Source: Thomson Reuters; Raymond James Research
Does the Market Now Get It?

Source: Bloomberg; Raymond James Research
Long Term Strip is Coming Our Way

Source: FactSet; Raymond James Research

Long-Term Oil Price Assumptions Moving Toward Us!

Old Long-term Forecast

Current Long-term Forecast
What are the Headwinds for Oil?

• North American crude supply growing ±1.5 million BPD over next several years.

• “Other” supply growth outpacing declines

• Global demand growing about half as fast as supply (700,000 – 900,000 BPD)
Staggering U.S. Oil Supply Growth!

![Graph showing long-term U.S. crude production forecast excluding NGL's](source: EIA; Raymond James Research)
Near-Term Supply Growth Very Visible

U.S. Crude Supply Growth (excl. biofuels)

Source: EIA, Raymond James Research estimates

2013E +1.81 MMBpd
U.S. Actuals Tracking Above RJ 2012 Forecast

September 2012 RJ Crude Oil Forecast Vs Actual

Source: EIA (April 2013), Raymond James research

Source: EIA; Raymond James Research
Efficiency Improvements Outpacing Our Model

**Bakken Production**

- 2009: 45,000
- 2010: 52,000
- 2011: 54,000
- 2012: 55,000

Source: Raymond James; Drilling Info

**Eagle Ford Well 30 Day Average (Bopd)**

- 2009: 495
- 2010: 524
- 2011: 725
- 2012: 892
- 2013: 1,174

Source: EOG

**Permian Horizontal Well Productivity**

- *First 6 Months of Production for Horizontal Permian Wells*

Source: Raymond James, HPDI
Won’t Steep Declines Cause Oil Supply to Slow?

Barnett Shale Gas Production vs Rig Count

Gas Production (MMcf/d)

Rig Count

2Q07 3Q07 4Q07 1Q08 2Q08 3Q08 4Q08 1Q09 2Q09 3Q09 4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12
Growing Supply is Not the Only Problem

**Annual Global Oil Demand Growth**

- **1999 - 2007 average**
- **Post "Melt Down" Average**
- **IEA Assumption**

Source: IEA, RJ est.
What is “New Normal” For Oil Demand Growth?

Global Oil Demand 1994-2013

"Old School"
1.4 MMBPD Y/Y Growth

"New Normal"?
0.8 MMBPD Y/Y Growth

Source: IEA, Raymond James Research

Global Oil Demand
Why is Oil Demand Growth Slowing?

Oil Consumption Intensity - Select Developed Countries

Source: EIA, IEA, World Bank, CIA World Factbook
Efficiency Gains are Real

Average Fuel Efficiency of New U.S. Vehicle Sales vs. WTI Oil Prices

Source: U.S. Department of Transportation
Are People Driving Less?

- Urbanization?
- Demographics?
- Low Employment?
- High Gasoline Prices?
- Internet?

U.S. Vehicle-Miles Traveled

Source: U.S. Bureau of Transportation Statistics
Better Mileage + Less Driving = Falling Demand

U.S. Gasoline All Sales/Deliveries by Prime Supplier

Source: EIA, RJ Research

Down 8% in 5 years
U.S. Demand Falling But Lumpy

Source: IEA; Raymond James Research

US Oil Demand Growth Y/Y

9 Year Average = 1.0%

5 Year Average = -0.8%
Japanese Oil Demand Fell 8/10 Years Last Decade

Japanese Y/Y Oil Demand Change 2000-2014

Source: IEA, Raymond James Research

-400 -300 -200 -100 0 100 200 300


Fukushima
Is China Worse than People Think?

China's Crude Imports


down 1%
## Global Oil Demand is Facing Serious Headwinds

### Oil Demand: Year-Over-Year Changes

<table>
<thead>
<tr>
<th>Region</th>
<th>Oil Demand 1999-07 Avg.</th>
<th>Oil Demand 2012A</th>
<th>Oil Demand 2013E</th>
<th>Oil Demand 2014E</th>
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</thead>
<tbody>
<tr>
<td>North America</td>
<td>0.7%</td>
<td>-1.2%</td>
<td>0.5%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Europe</td>
<td>0.5%</td>
<td>-4.0%</td>
<td>-2.0%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Pacific (mainly Japan)</td>
<td>0.2%</td>
<td>4.2%</td>
<td>-1.6%</td>
<td>-1.9%</td>
</tr>
<tr>
<td>CIS (mainly Russia)</td>
<td>1.3%</td>
<td>1.6%</td>
<td>1.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>China</td>
<td>6.0%</td>
<td>6.2%</td>
<td>3.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Other Asia</td>
<td>3.1%</td>
<td>2.4%</td>
<td>2.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Latin America</td>
<td>1.9%</td>
<td>3.5%</td>
<td>2.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Middle East</td>
<td>3.9%</td>
<td>3.1%</td>
<td>2.4%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Africa</td>
<td>2.9%</td>
<td>3.9%</td>
<td>5.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>World (RJ Est.)</td>
<td>1.8%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>0.8%</td>
</tr>
<tr>
<td>World (IEA)</td>
<td></td>
<td></td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td>GDP Data (IMF)</td>
<td></td>
<td></td>
<td>3.1%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

### Average Annual Growth

- 1.6 MMBpd
- 1.0 MMBpd
- 1.0 MMBpd
- 0.8 MMBpd

Source: IEA, IMF, Raymond James research
Where Does That Leave Our Global Oil Model

<table>
<thead>
<tr>
<th>Source</th>
<th>2012 A</th>
<th>2013 E</th>
<th>2014 E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Year Build/Draw</td>
<td>-1.0</td>
<td>0.5</td>
<td>0.2</td>
</tr>
<tr>
<td>North Am. Supply Growth</td>
<td>1.2</td>
<td>1.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Other Non-OPEC</td>
<td>-0.5</td>
<td>-0.1</td>
<td>0.5</td>
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<tr>
<td>OPEC Supply Growth</td>
<td>1.8</td>
<td>-0.6</td>
<td>0.2</td>
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<tr>
<td><strong>Saudi Arabia</strong></td>
<td>0.5</td>
<td>-0.1</td>
<td>0.1</td>
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<tr>
<td><strong>Libya</strong></td>
<td>0.9</td>
<td>-0.5</td>
<td>-0.2</td>
</tr>
<tr>
<td><strong>Iran</strong></td>
<td>-0.6</td>
<td>-0.3</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Other (Iraq, Kuwait, UAE)</strong></td>
<td>1.0</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Global Demand</strong></td>
<td>+1.0</td>
<td>+1.0</td>
<td>+0.8</td>
</tr>
<tr>
<td><strong>Inventory Build</strong></td>
<td><strong>+0.5</strong></td>
<td><strong>+0.2</strong></td>
<td><strong>+2.1</strong></td>
</tr>
</tbody>
</table>

Source: IEA, RJ est.
Question Is Not “If” But “When?”

OECD Industry Total Petroleum Inventories

<table>
<thead>
<tr>
<th>OECD Inventories (MMBbls)</th>
<th>Forecast</th>
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</thead>
<tbody>
<tr>
<td>2,600</td>
<td></td>
</tr>
<tr>
<td>2,700</td>
<td>Max Capacity?</td>
</tr>
<tr>
<td>2,800</td>
<td>Record high!</td>
</tr>
<tr>
<td>2,900</td>
<td></td>
</tr>
<tr>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>3,100</td>
<td></td>
</tr>
<tr>
<td>3,200</td>
<td></td>
</tr>
</tbody>
</table>

Source: IEA, RJ est. (Assume 1/2 the inventory build goes to OECD inventories)

- Saudi cuts 1 MMBpd
- Iran, Sudan, and Syria down 1.5 MMBpd
- Record high!
If Fundamentals Suck, Why is Spot So High?

Major Supply Disruptions (2011-2013)

- Sudan
- Nigeria
- Syria
- Iraq
- Iran
- Libya

Source: IEA; Raymond James Research
Where Could We Be Wrong?

• U.S. Supply & Global Demand #’s Conservative

• Bad Data?
  – Data May be Wrong…but It’s Consistently Wrong
  – Either Way Demand is Worse Than Pre-2008

• More MENA Supply Interruptions?
What Solves Structural Oil Problems?

- **Robust Global Economic Recovery**
  - Difficult With De-levering & High Oil Prices

- **Cut Supply**
  - Temporary Solution
  - OPEC Excess Capacity Becomes Problem

- **Lower Oil Prices** - SOLUTION!
  - Slows U.S. Drillers
  - Spurs the Global Economy
WTI Disconnect Isn’t Going Away
Watch Light/Sweet Oil Import Timing!

North American Light Crude Imports

How long 'til we back out remaining 1.4 MMbpd?

Source: EIA, Raymond James research

Note: we classify light crude as API>30, sulfur <1
Gulf Coast Spread Widens When Light is Gone

Gulf Coast: Crude Imports vs. Pricing Discounts

- Pricing discount to LLS, by crude type
- $12.00
- <300k bpd until competing w/ G.C. sours @ $5/Bbl discount
- $2.50
- $5.25
- $7.25
- $12.00

Source: EIA, Bloomberg, Raymond James research
North American Timing Will Be “Squishy”

North American Light Crude Imports, by Region

From today, U.S. supply growth backs out imports by:

- Year-end
- May
- July

Q1 2015

Crude Imports, M bpd

Imports into Gulf Coast
Exports to Canada
Imports into West Coast
Imports into East Coast

Source: EIA, Raymond James research
Note: assumes lowest cost regions backed out first
Where is our WTI vs. Consensus?

Source: FactSet; Raymond James Research
What About U.S. Natural Gas?
Low Prices & Weather Solved Oversupply in 2013

Source: EIA, Raymond James research (October 2013)
How Do We Offset Supply Growth?

![Graph showing 2014 Theoretical Change in Summer Storage]

- Core Supply
- Base Power
- Liquids
- LNG
- Nuke/Hydro
- Mexico
- Canada
- Cswitching
- Industrial
- Weather
- Total

Bcf/day

Tighter | Bullish | Looser | Bearish

-2.0 | -1.0 | 0.0 | 1.0 | 2.0 | 3.0

2014 Theoretical Change in Summer Storage

- Total: 0.3 Bcf/day
Gas to Coal Switching Key To Late 2013 Pricing

Y/Y Change In Gas Prices Drives Y/Y Fuel Switching

- 2012 Avg: -4 Bcf/d
- 2013E Avg: 2.4 Bcf/d
- 2014E Avg: -0.3 Bcf/d

Source: Raymond James research, EIA (October 2013)
Gas Growth Slowing But Not Down!

U.S. Natural Gas Production - EIA 914 Data

Source: U.S. Energy Information Administration (December 2012), RJ est.

Note: Data sets adjusted to reflect hurricane-related shut ins

Long term trend

Huge surge in growth from shale plays

RJ Estimate

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International Headquarters: The Raymond James Financial Center | 880 Carillon Parkway | St. Petersburg, Florida 33716 | 800-248-8863
Well Productivity Now 5x-10x Better?

![Bar chart showing estimated average 1st-year production rate for horizontal/tight gas plays, comparing oil, NGLs, and gas. The chart indicates a decline in productivity over time.]
Lower Oil Prices Are Bullish For Gas!

*Note Gas Year is Nov-Nov
Huge Nat U.S. Demand Growth Coming…

Source: EIA, RJ Research
Driven Largely by Industrial Gas Demand

Cumulative Industrial Natural Gas Demand

- Steel Companies
- Methanol Production
- Ammonia Plants
- Ethylene Crackers
- GTL
- Base Industrial Demand

Source: EIA, RJ Research
# And Wave of LNG Export Facilities?

## North American Liquefaction Plants

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Est. Capacity (Bcf/d)</th>
<th>Est. Cost ($ MM)</th>
<th>Status</th>
<th>Targeted Startup</th>
<th>Owner/Applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenai</td>
<td>Alaska</td>
<td>0.19</td>
<td>NM</td>
<td>In operation</td>
<td>Producing</td>
<td>ConocoPhillips</td>
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<tr>
<td>Douglas Channel</td>
<td>BC, Canada</td>
<td>0.1</td>
<td>$3,500</td>
<td>CNEB-approved</td>
<td>2015</td>
<td>BC LNG Export Cooperative</td>
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<tr>
<td>Sabine Pass</td>
<td>Louisiana</td>
<td>1.0</td>
<td>$12,000</td>
<td>Under construction</td>
<td>Late 2015</td>
<td>Cheniere</td>
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<tr>
<td>Plaquemines</td>
<td>Louisiana</td>
<td>0.2</td>
<td></td>
<td>DOE-approved</td>
<td>2016</td>
<td>Cambridge Energy (CE FLNG)</td>
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<td>Elba Island</td>
<td>Georgia</td>
<td>0.2</td>
<td>$1,100</td>
<td>DOE-approved; under FERC review</td>
<td>2016</td>
<td>Kinder Morgan, Shell</td>
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<td>Kitimat</td>
<td>BC, Canada</td>
<td>0.7</td>
<td>$5,500</td>
<td>CNEB-approved</td>
<td>2017</td>
<td>Chevron, Apache</td>
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<tr>
<td>Cameron LNG</td>
<td>Louisiana</td>
<td>-</td>
<td>$6,000</td>
<td>DOE-approved; under FERC review</td>
<td>2017</td>
<td>Sempra, Mitsui, Mitsubishi, NYK</td>
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<tr>
<td>Cove Point</td>
<td>Maryland</td>
<td>0.8</td>
<td>$3,400 - $3,800</td>
<td>DOE-approved (incl. non-FTA); under FERC review</td>
<td>2017</td>
<td>Dominion</td>
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<td>Lavaca Bay FLNG</td>
<td>Texas</td>
<td>0.4</td>
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<td>DOE-approved; under FERC review</td>
<td>2017</td>
<td>Excelerate Energy</td>
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<td>Oregon LNG</td>
<td>Oregon</td>
<td>3.2</td>
<td>$10,000-12,000</td>
<td>DOE-approved</td>
<td>Mid-2017</td>
<td>McMoRan Exploration, United LNG</td>
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<td>Main Pass Energy Hub</td>
<td>Louisiana</td>
<td>-</td>
<td></td>
<td>DOE-approved</td>
<td>Late 2017</td>
<td>Cheniere</td>
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<tr>
<td>Corpus Christi</td>
<td>Texas</td>
<td>-</td>
<td></td>
<td>DOE-approved; under FERC review</td>
<td>2017</td>
<td>Freeport LNG, Zachry, Dow Chemical, Osaka Gas</td>
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<td>Freeport</td>
<td>Texas</td>
<td>0.6</td>
<td>$4,000</td>
<td>DOE-approved (incl. non-FTA); under FERC review</td>
<td>Late 2017</td>
<td>Gulf Coast LNG Export</td>
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<tr>
<td>Gulf Coast</td>
<td>Texas</td>
<td>-</td>
<td></td>
<td>DOE-approved</td>
<td>2018</td>
<td>Pangea LNG (North America)</td>
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<tr>
<td>S. Texas LNG Export</td>
<td>Texas</td>
<td>-</td>
<td></td>
<td>Under DOE review</td>
<td>2018</td>
<td>El Paso, GE Energy Financial Services</td>
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<td>Gulf LNG</td>
<td>Mississippi</td>
<td>-</td>
<td>$1,000</td>
<td>DOE-approved</td>
<td>2018</td>
<td>Pieridae Energy Canada</td>
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<td>Goldboro LNG</td>
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<td>0.7</td>
<td>$5,000</td>
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<td>Energy Transfer, BG Group</td>
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<td>Lake Charles</td>
<td>Louisiana</td>
<td>-</td>
<td>$9,500</td>
<td>DOE-approved (incl. non-FTA); under FERC review</td>
<td>2019</td>
<td>Petronas, Japex</td>
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<td>Pacific NorthWest LNG</td>
<td>BC, Canada</td>
<td>2.6</td>
<td>$9,000-$11,000</td>
<td>Under CNEB review</td>
<td>2019</td>
<td>BG Group</td>
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<td>Prince Rupert LNG</td>
<td>BC, Canada</td>
<td>2.1</td>
<td></td>
<td>Under CNEB review</td>
<td>2021</td>
<td>ExxonMobil, Imperial Oil</td>
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<td>West Coast Canada LNG</td>
<td>BC, Canada</td>
<td>2.1</td>
<td></td>
<td>Under CNEB review</td>
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<td>ExxonMobil, ConocoPhillips, BP, TransCanada</td>
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<td>Alaska LNG</td>
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<td>-</td>
<td></td>
<td>Preliminary project design</td>
<td>TBD</td>
<td>Shell, Kogas, Mitsubishi, PetroChina</td>
</tr>
<tr>
<td>LNG Canada</td>
<td>BC, Canada</td>
<td>-</td>
<td></td>
<td>CNEB-approved</td>
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<tr>
<td>Jordan Cove</td>
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<td>-</td>
<td>$7,500</td>
<td>DOE-approved; under FERC review</td>
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<td>-</td>
<td>$10,000</td>
<td>DOE-approved</td>
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<td>Waller LNG Services</td>
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<td>Waller Point</td>
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<td>TBD</td>
<td>liquefied Natural Gas Ltd.</td>
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<td>Magnolia LNG</td>
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<td>0.5</td>
<td>$2,200</td>
<td>Under DOE review</td>
<td>TBD</td>
<td></td>
</tr>
</tbody>
</table>

Total: 46.6

Source: FERC, EIA, Waterborne LNG, company reports. Assumes 1 mtpa = 0.1433 Bcf/d unless specific Bcf/d figure is given by company.
## U.S. Gas Prices Drift Slowly Higher

### 2012 H HUB Actual

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<thead>
<tr>
<th></th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>2012</th>
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<td>$2.74</td>
<td>$2.22</td>
<td>$2.81</td>
<td>$3.40</td>
<td>$2.79</td>
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### 2013 Estimates

<table>
<thead>
<tr>
<th>Bloomberg Consensus</th>
<th>Q1 13A</th>
<th>Q2 13A</th>
<th>Q3 13E</th>
<th>Q4 13E</th>
<th>2013E</th>
</tr>
</thead>
<tbody>
<tr>
<td>$3.34</td>
<td>$4.09</td>
<td>$3.80</td>
<td>$4.00</td>
<td>$3.81</td>
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<tr>
<td>NYMEX Futures</td>
<td>$3.34</td>
<td>$4.09</td>
<td>$3.54</td>
<td>$3.63</td>
<td>$3.65</td>
</tr>
<tr>
<td>Old RJ Gas Est.</td>
<td>$3.50</td>
<td>$3.90</td>
<td>$4.15</td>
<td>$4.00</td>
<td>$3.85</td>
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<tr>
<td><strong>Current RJ Gas</strong></td>
<td>$3.35</td>
<td>$4.09</td>
<td>$3.54</td>
<td>$3.85</td>
<td><strong>$3.71</strong></td>
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### 2014 Estimates

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<th>Bloomberg Consensus</th>
<th>Q1 14E</th>
<th>Q2 14E</th>
<th>Q3 14E</th>
<th>Q4 14E</th>
<th>2014E</th>
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<td>$4.16</td>
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<td>$4.20</td>
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<td>NYMEX Futures</td>
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<td>Old RJ Gas Est.</td>
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<td>$3.50</td>
<td>$4.00</td>
<td><strong>$3.75</strong></td>
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</tbody>
</table>

Source: Bloomberg, Thomson Reuters, Raymond James research
Who Are The “Winners” In This New World?

• Energy Spectrum:
  – Infrastructure, Refiners & Niche Stories
• U.S. wins as trade deficit shrinks
• U.S. manufacturing wins
  – Gas input costs provide huge cost advantage
• U.S. dollar goes higher
• U.S. workers & consumers win
Outlook For Oil Independence?  
(Pay Attention To This Graph!)

Lower U.S. Oil Imports Contribute to a Narrowing Trade Deficit

Import requirement (MMbpd)

- Down 6 MMbpd over past 7 years

Source: EIA, IEA, RJ est.
What About the Non-Oil Trade Deficit?

U.S. Energy Cost Advantage

Price Ratio

Brent/Natural Gas

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Conclusion

• Game Changed For U.S. Gas 5 Years Ago

• Oil Game Changing Now!

• Oil Decline Pushed Out by Interruptions

• U.S. Nat Gas Price Improvement Here to stay!