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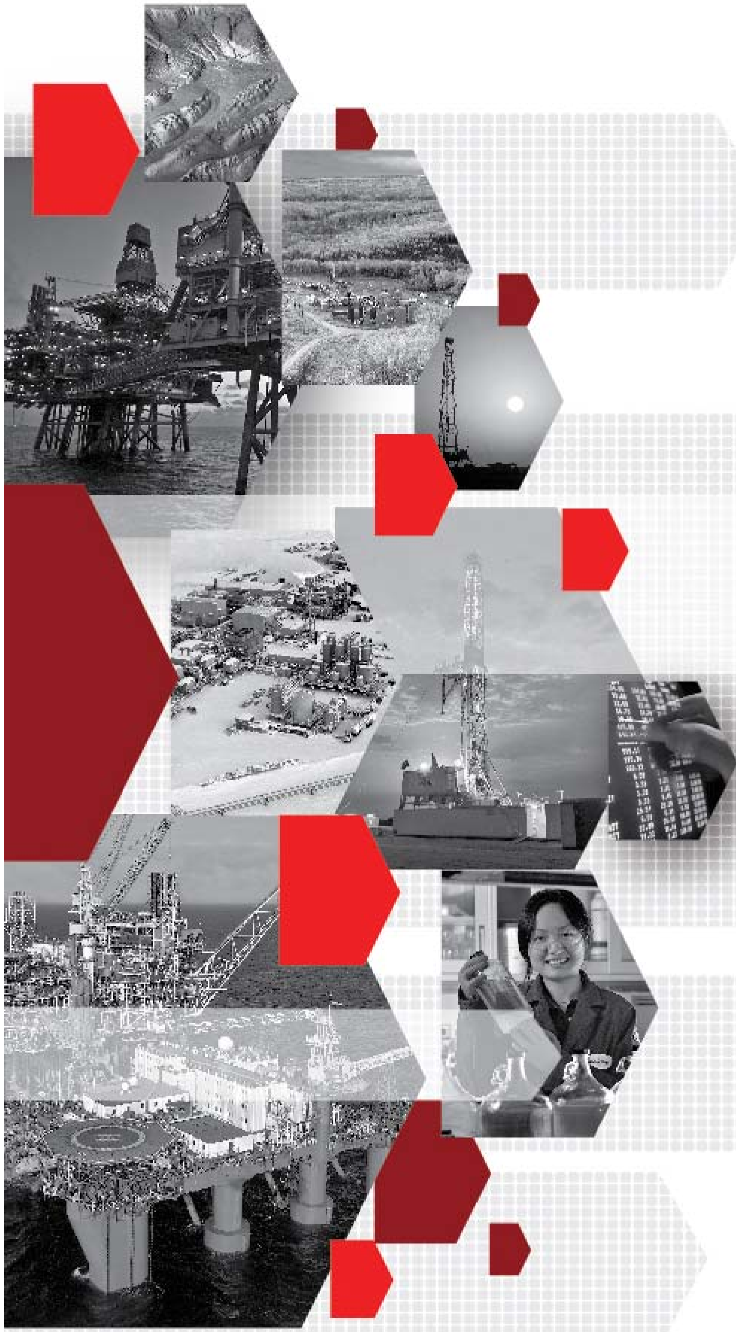
The Benefits of U.S. Crude Exports

IPAA Annual Meeting
Ryan Lance, Chief Executive Officer

November 13, 2014



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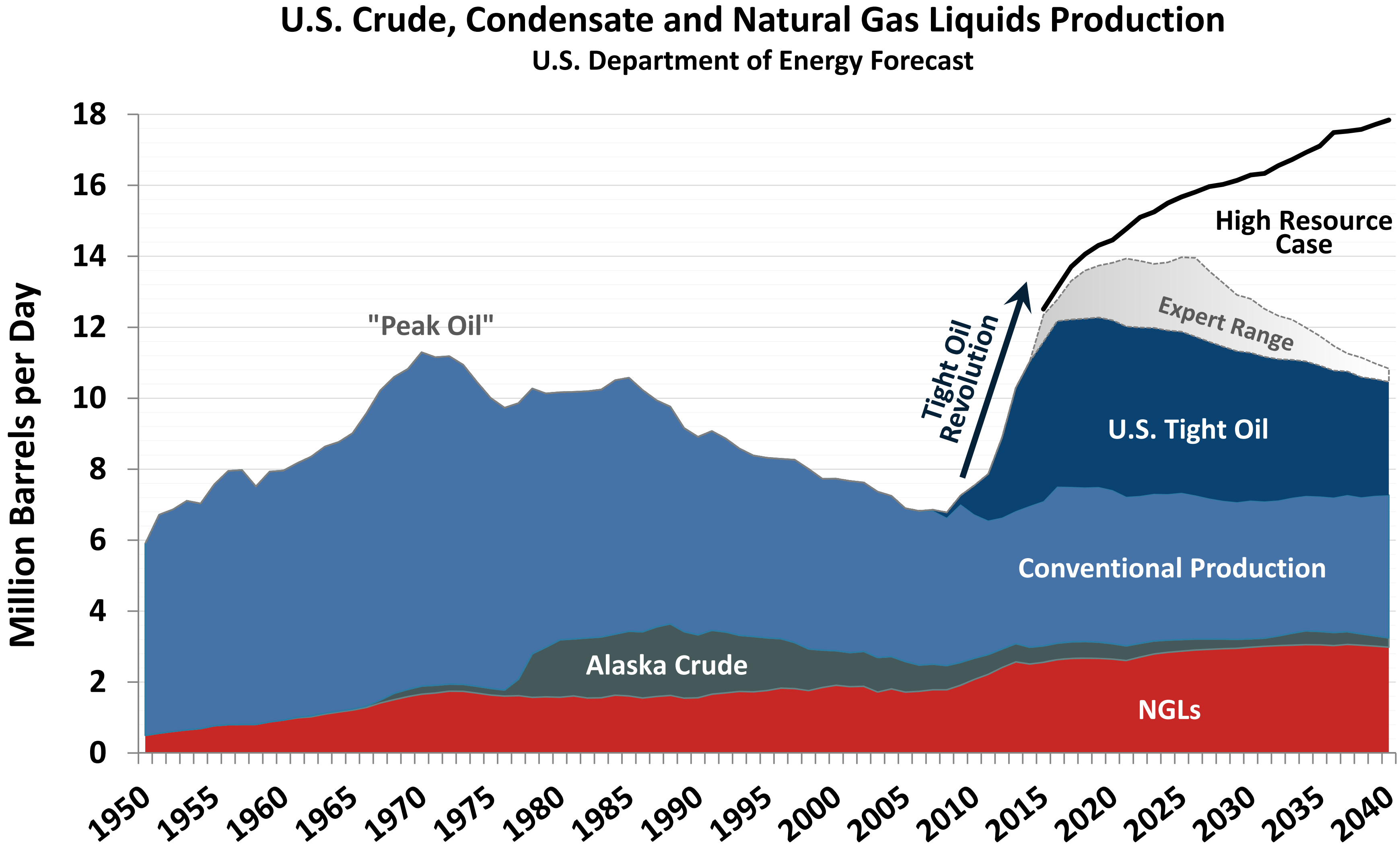
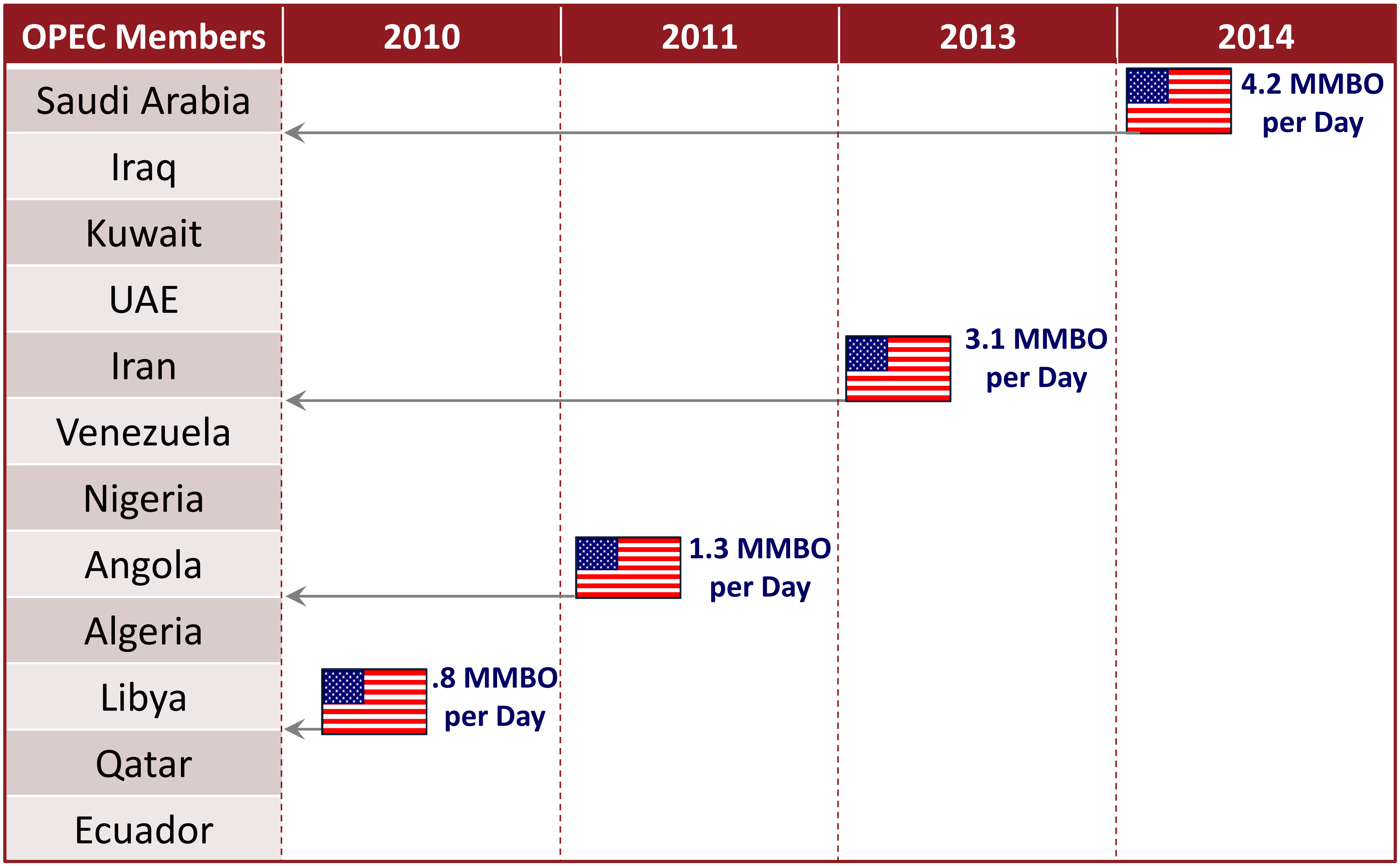
Substantial Growth in Total U.S. Oil Production Projected



Liquids production has returned to levels not seen since 1972

Source: U.S. Department of Energy, EIA, Annual Energy Review 2013, Table 5.1b. Forecast from EIA Annual Energy Outlook 2014, Various forecasts

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

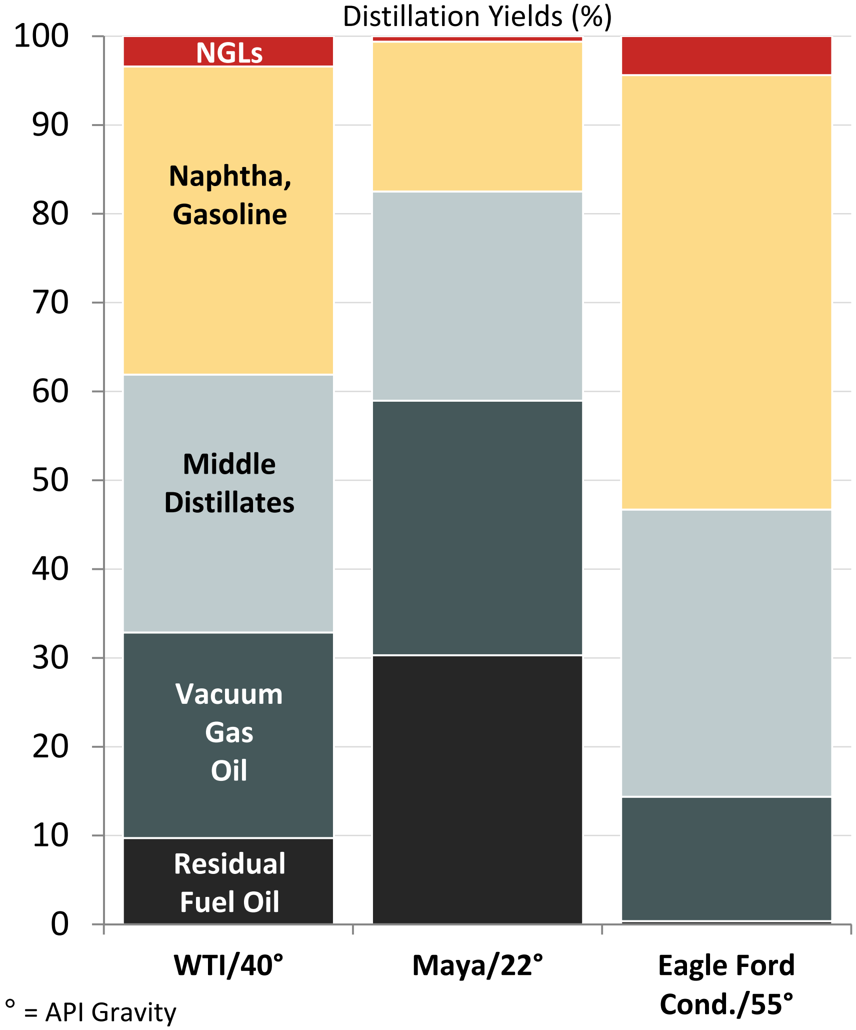


U.S. tight oil production alone is larger than production in most OPEC nations

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.

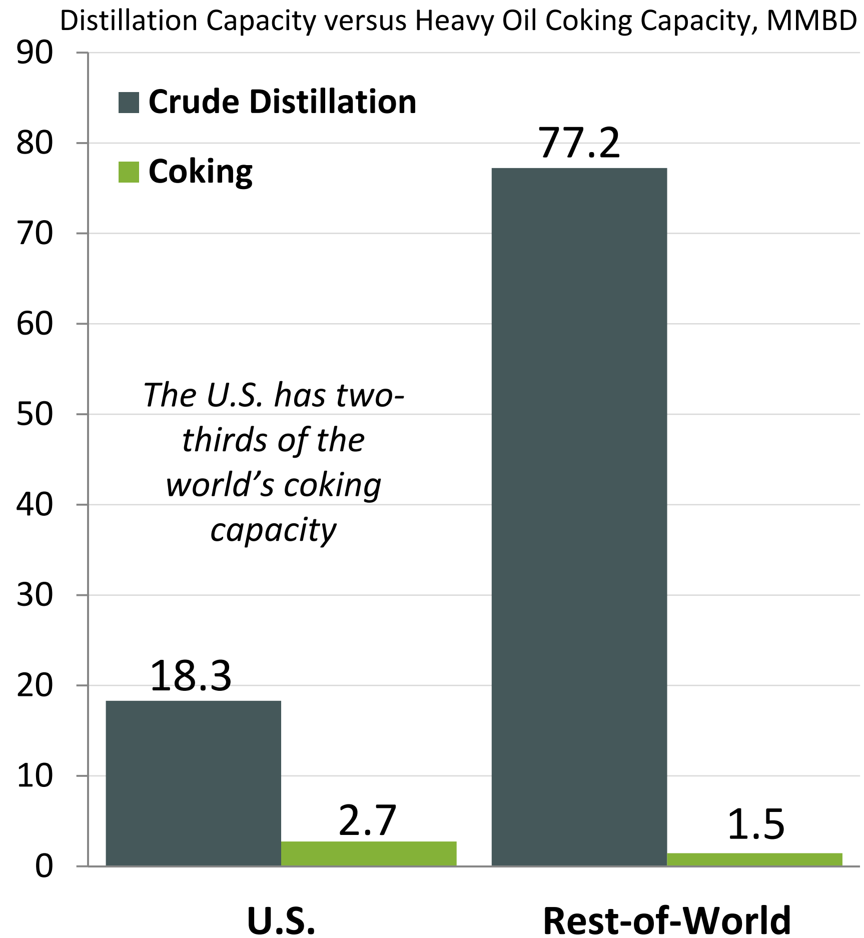
Tight Oil Quality vs. U.S. Refining Configuration: The "Mismatch"

Product yields differ significantly



° = API Gravity

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

Source: Haverly Systems

Source: Bloomberg

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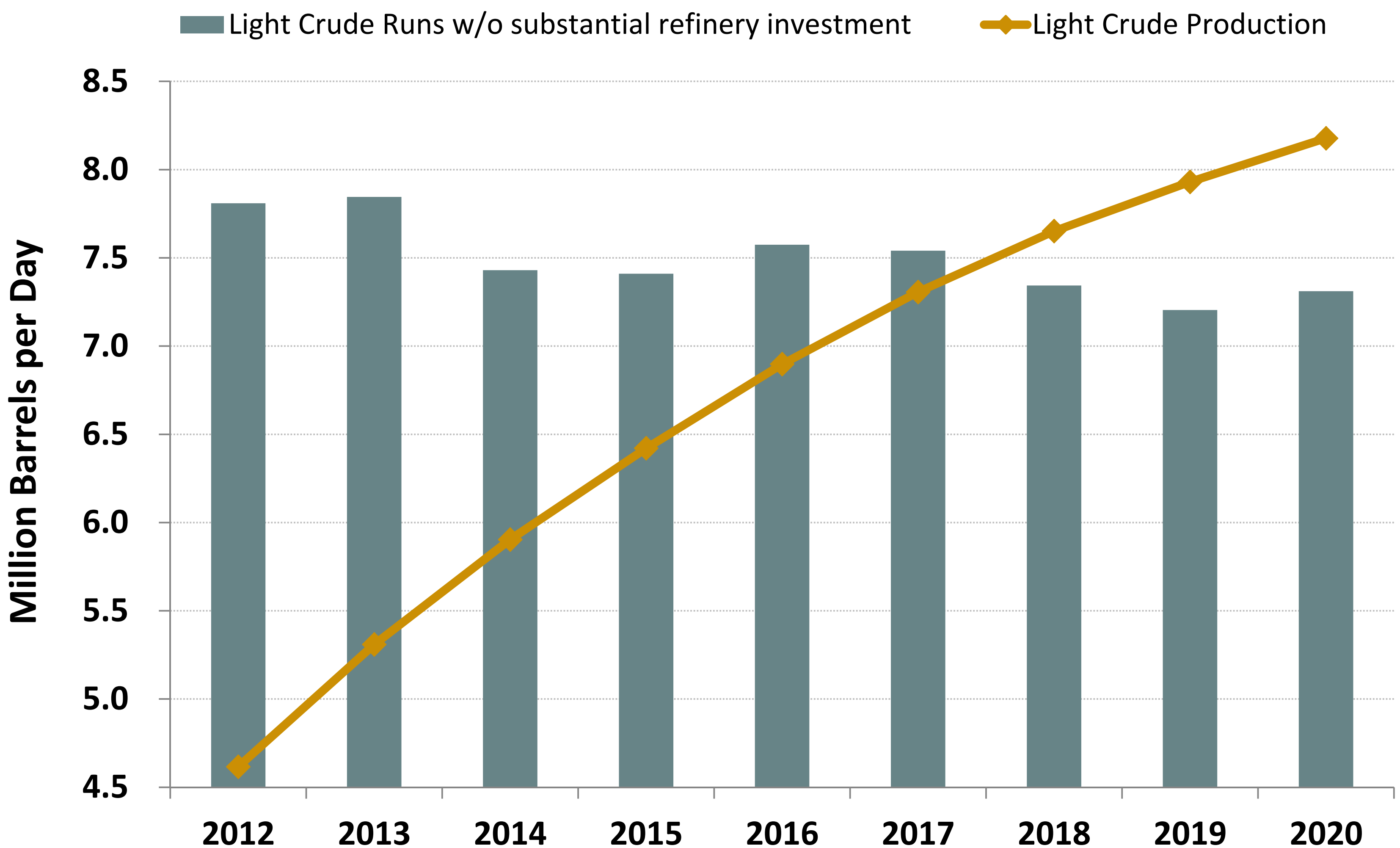
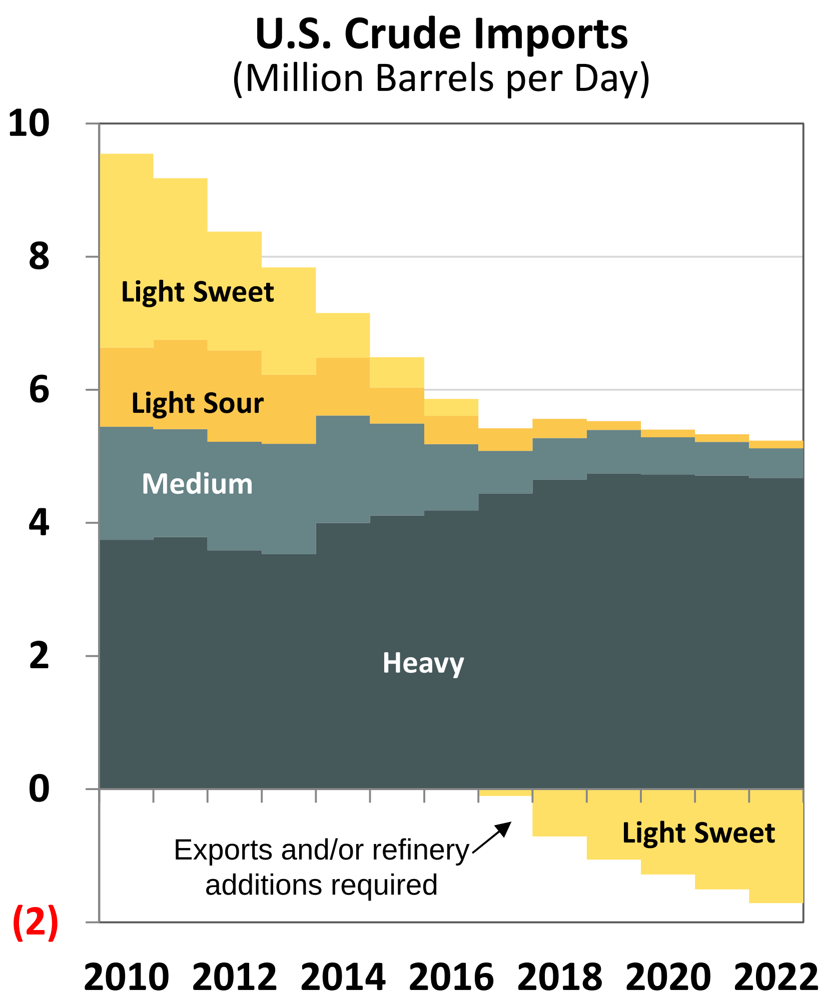
U.S. Light Crude Oil Production vs. Light Refinery Runs



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

Source: Turner, Mason and Co., November, 2013, higher production case

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

Source: U.S. Department of Energy, EIA; Turner, Mason & Co.

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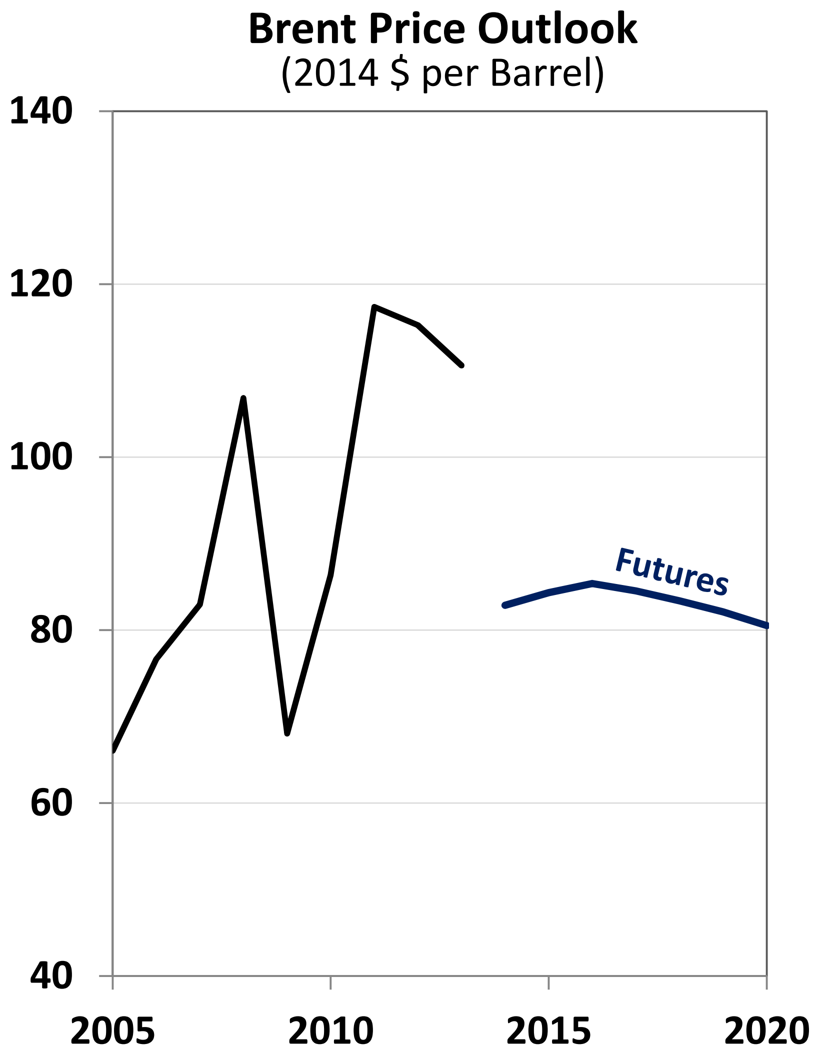
Crude Oil Futures Price Outlook



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

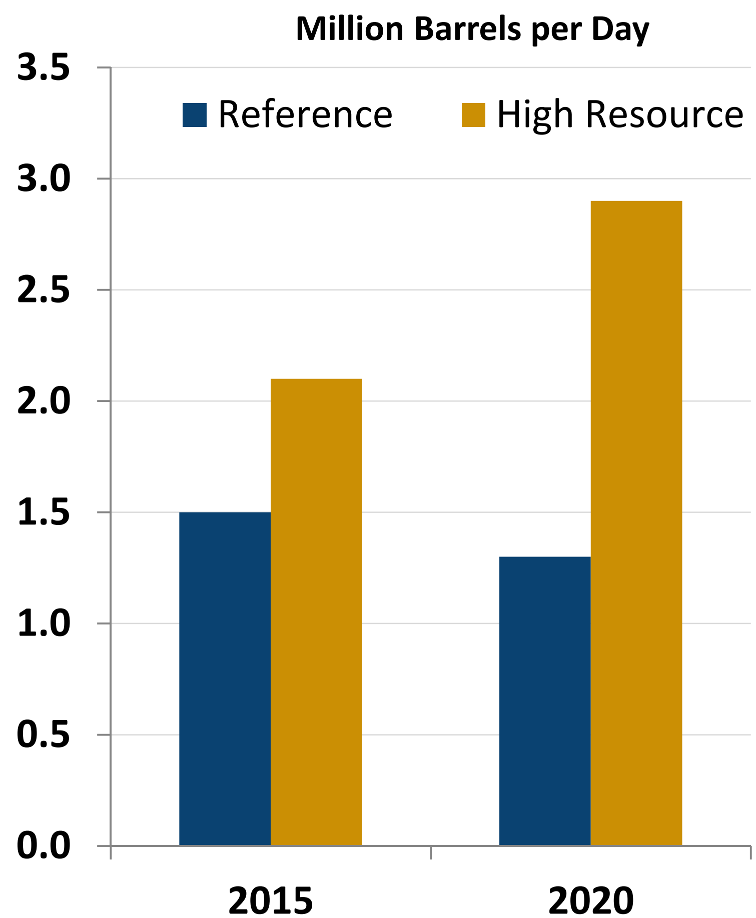
Brent ICE and NYMEX WTI Futures as of 11/6/2014

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

Incremental U.S. Crude Production from Lifting Export Ban in 2015



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

Source: NERA prepared for Brookings Institution, "Economic Benefits of Lifting the Crude Oil Export Ban," Sept. 9, 2014.

Benefits of U.S. Crude Oil Exports

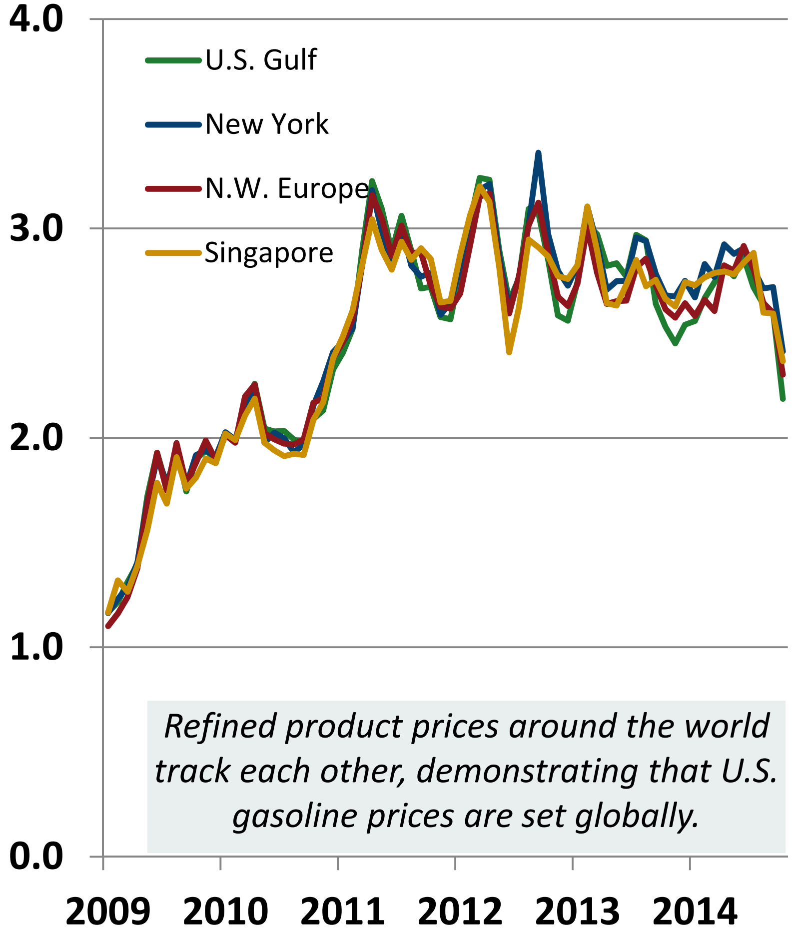
- Would lower consumer fuel costs at the pump by $18 billion annually
- U.S. economy could gain $135 billion and about one million jobs at its peak
- Reduce nation's oil import bill by $67 billion annually
- Increase government revenues by $1.3 trillion between 2016-2030
- Strengthen U.S. geopolitical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

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

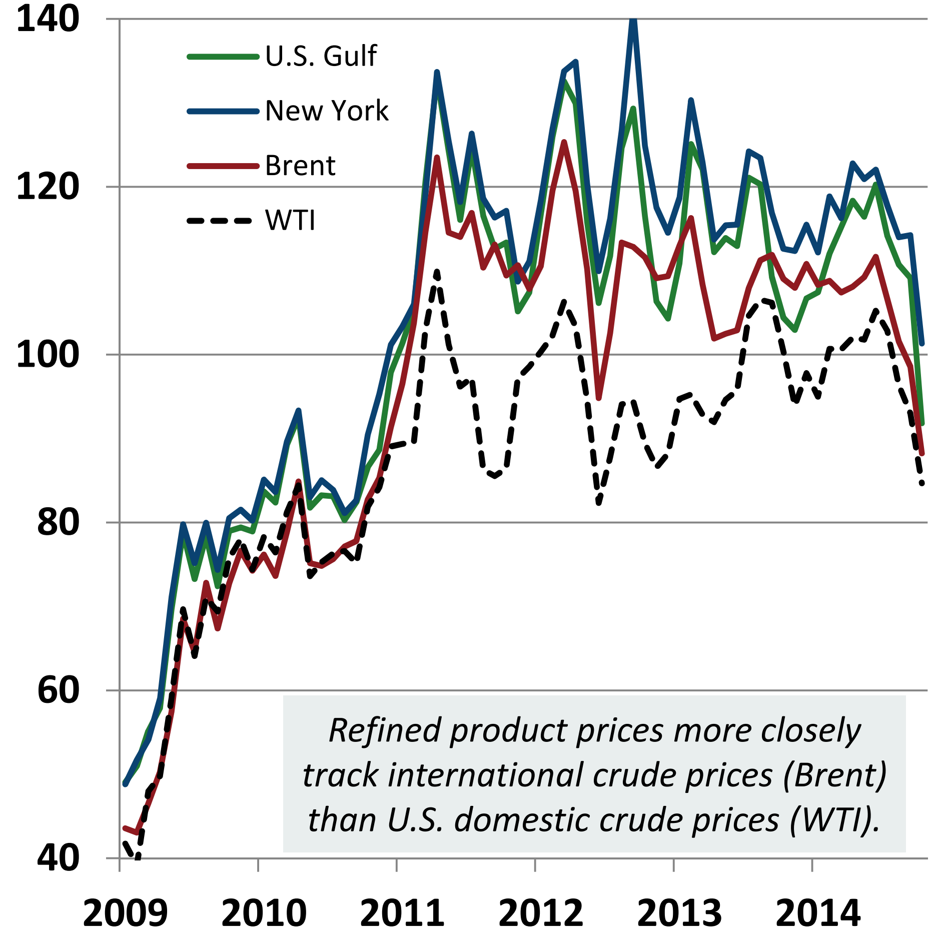
Source: IHS Global Inc., "U.S. Crude Oil Export Decision: Assessing the Impact of the Export Ban and Free Trade on the U.S. Economy," **May 29, 2014**

Gasoline Prices Are Set Globally by International Crude Prices

Spot Gasoline Prices
($/Gallon)



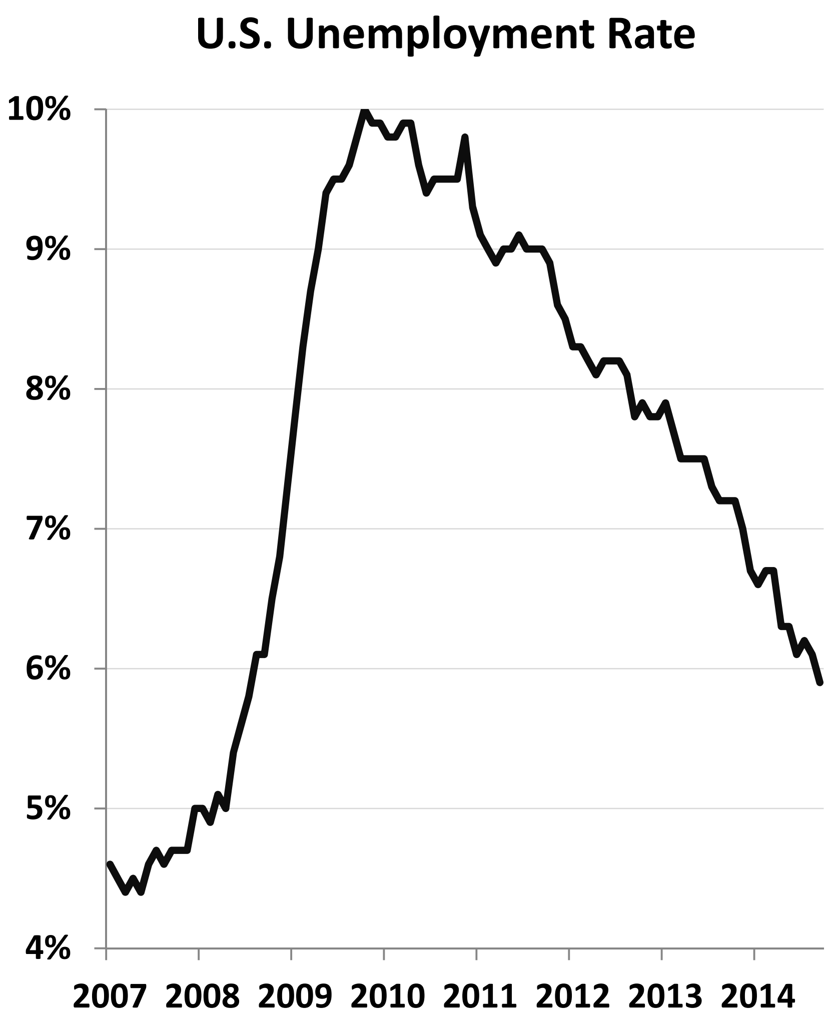
U.S. Gasoline Prices vs. International
& Domestic Crude Prices ($/BBL)

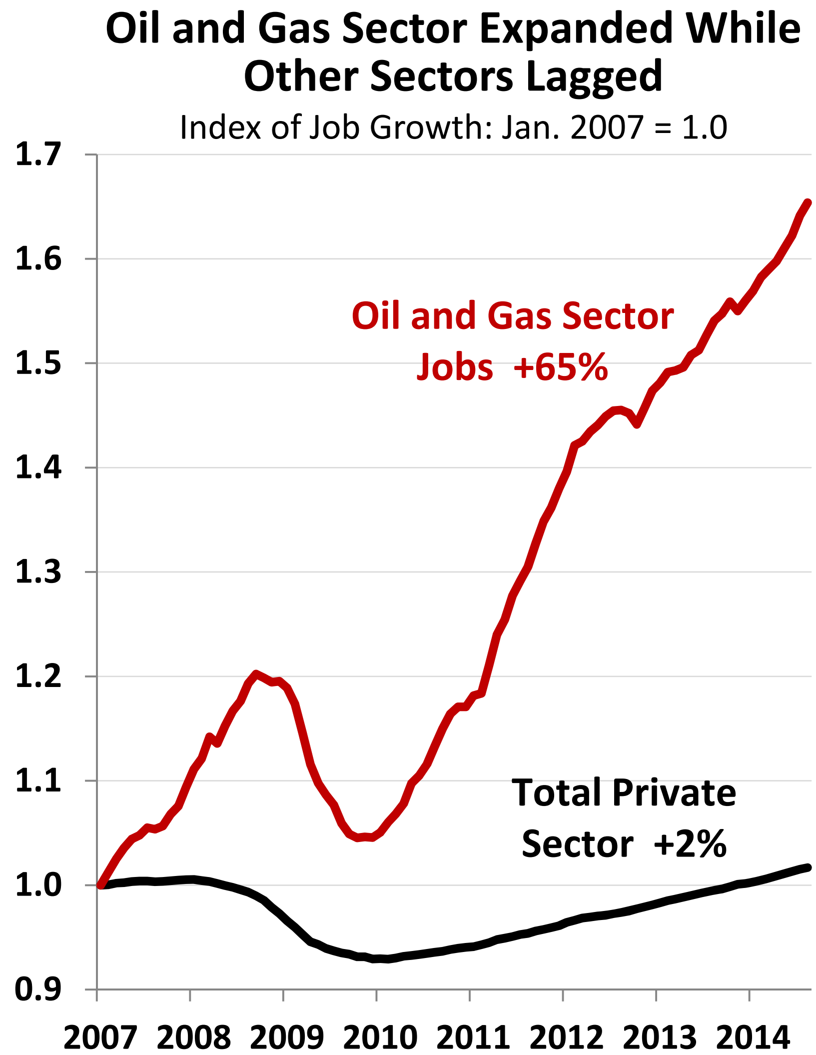


U.S. crude exports should lower U.S. gasoline prices

Source: Bloomberg

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





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

Source: U.S. Bureau of Labor Statistics

Source: U.S. Bureau of Labor Statistics (Total Private Sector Jobs, NAICS 211000 and 213112).

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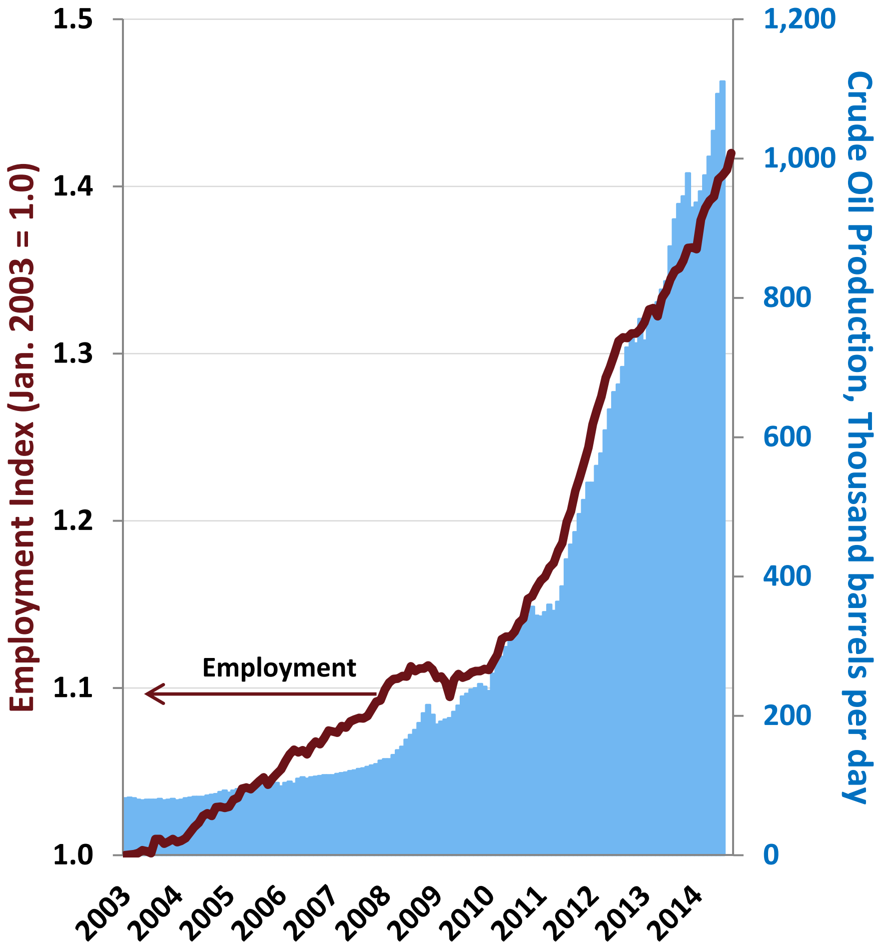
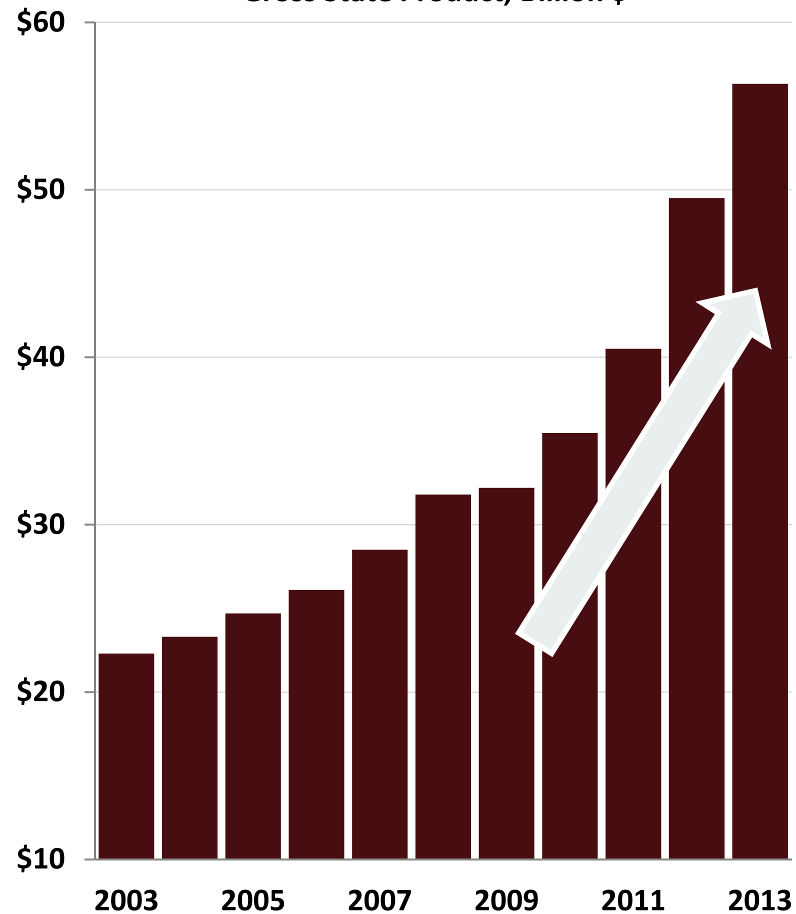
North Dakota Employment and Economic Growth

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



The State Economy More than Doubled in a Decade

Gross State Product, Billion $

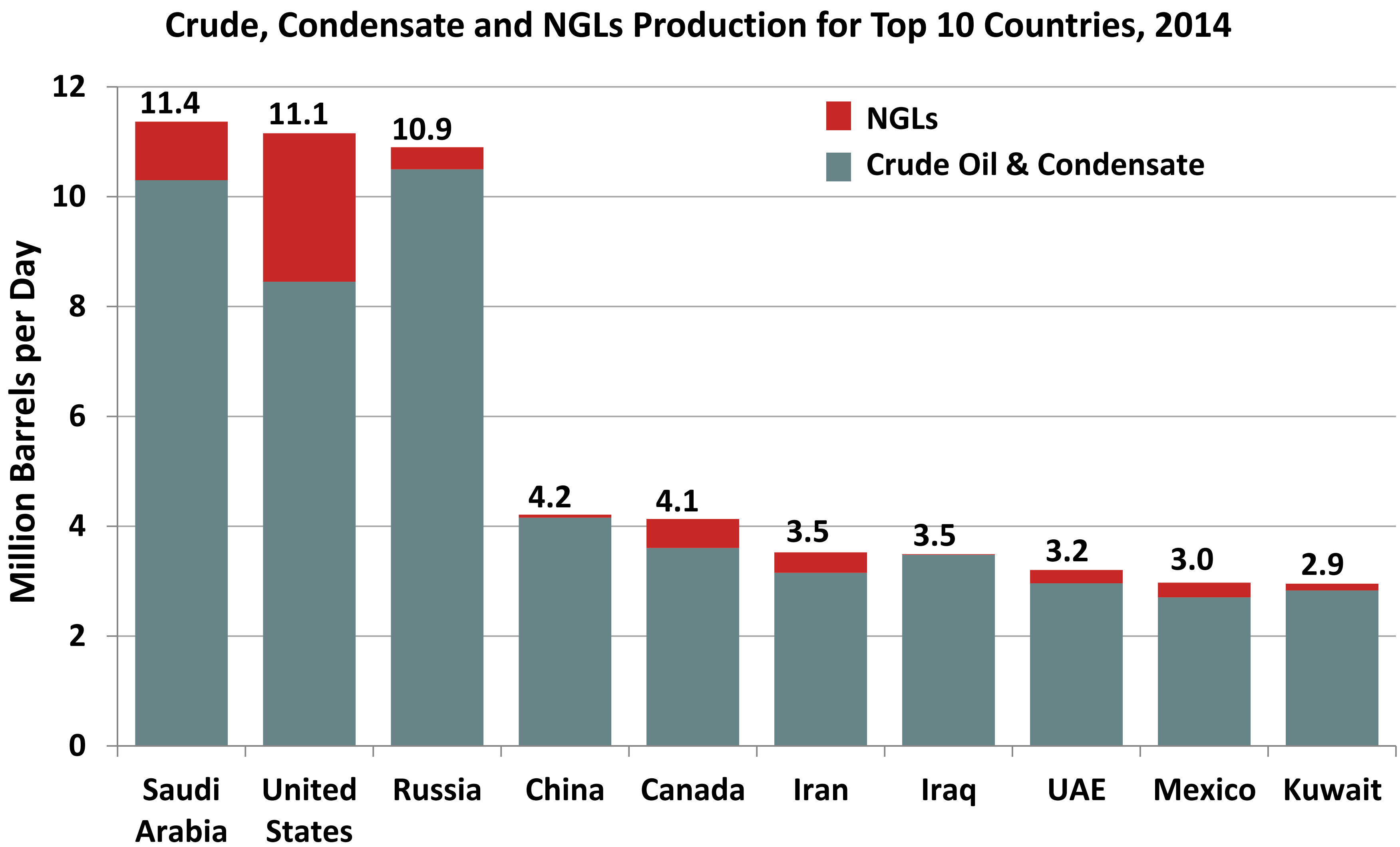


State employment and economic growth tied to Bakken oil production

Source: U.S. Bureau of Labor Statistics

Source: U.S. Bureau of Economic Analysis

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

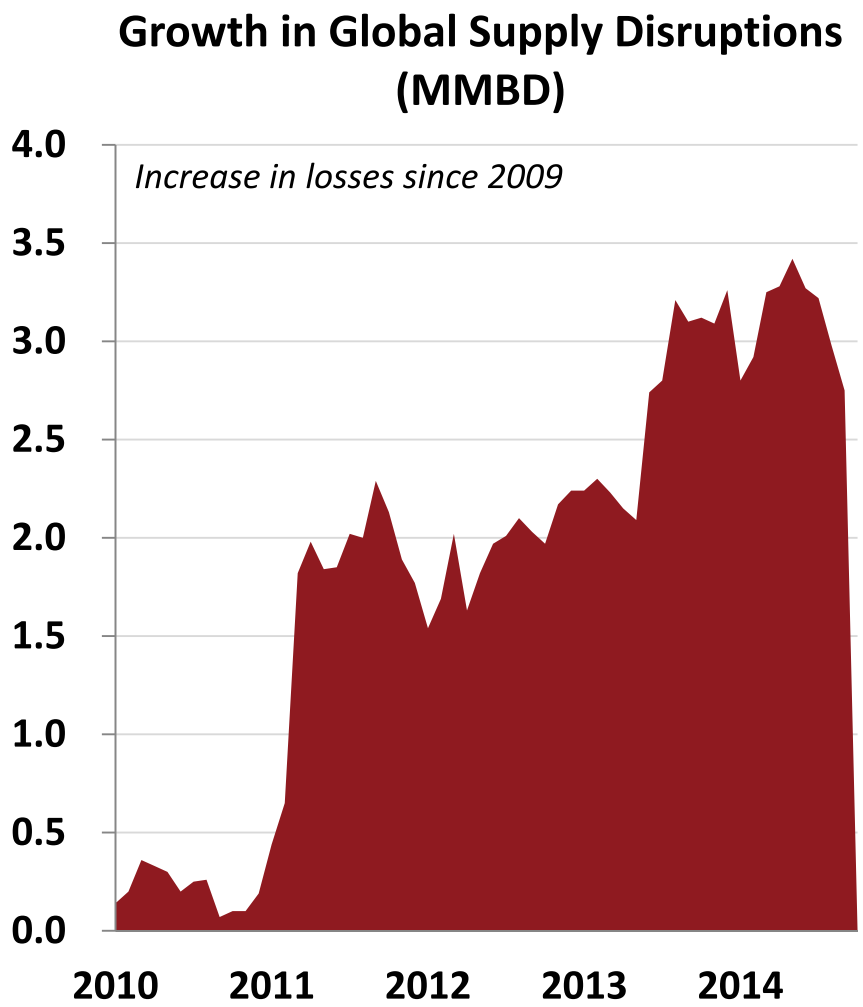


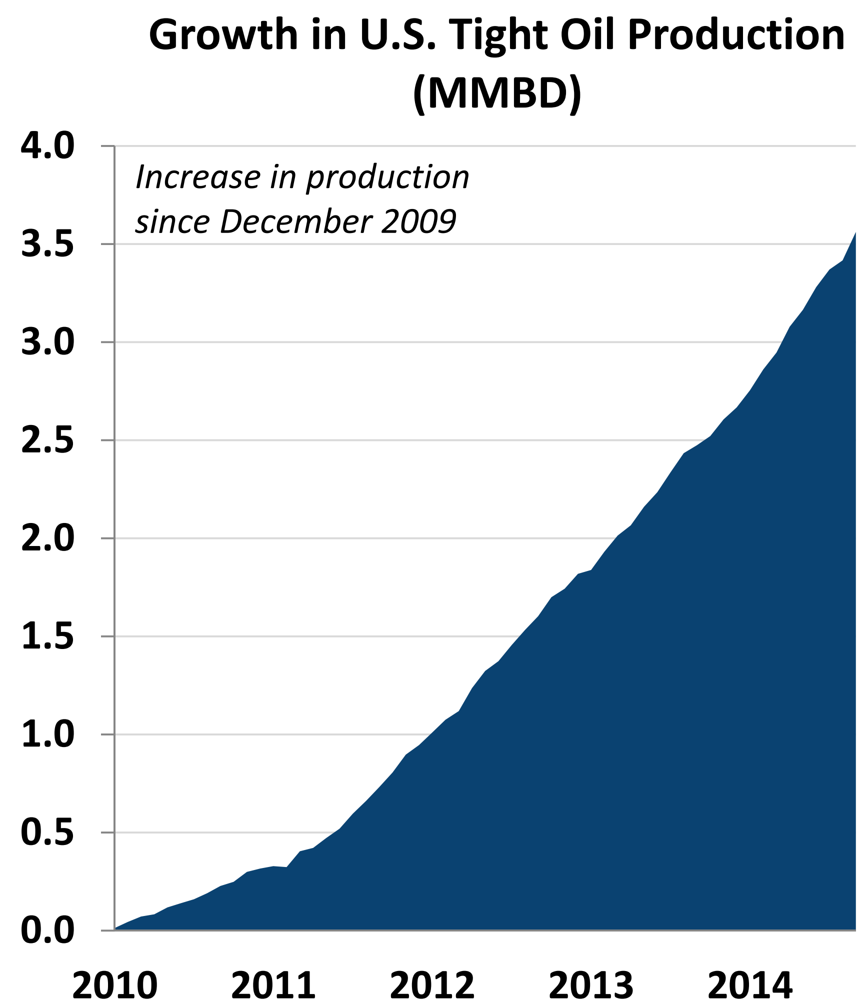
U.S. will likely surpass Saudi Arabia over the next year

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





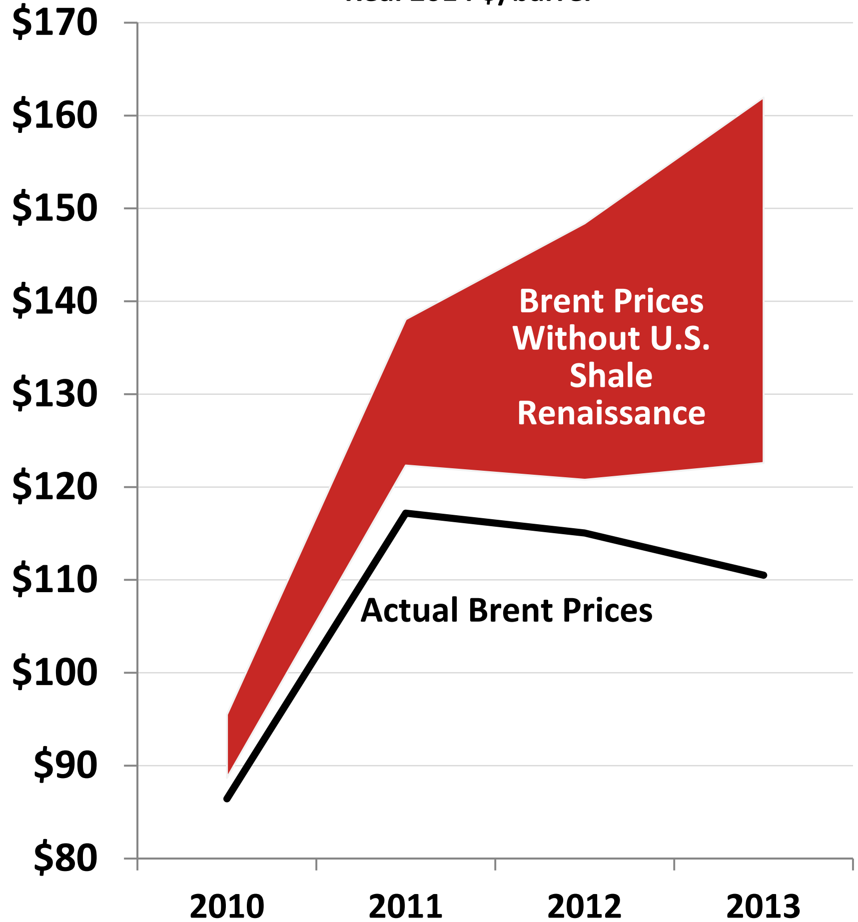
U.S. tight oil production growth has offset most of the global supply disruptions

Source: U.S. Department of Energy, EIA

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

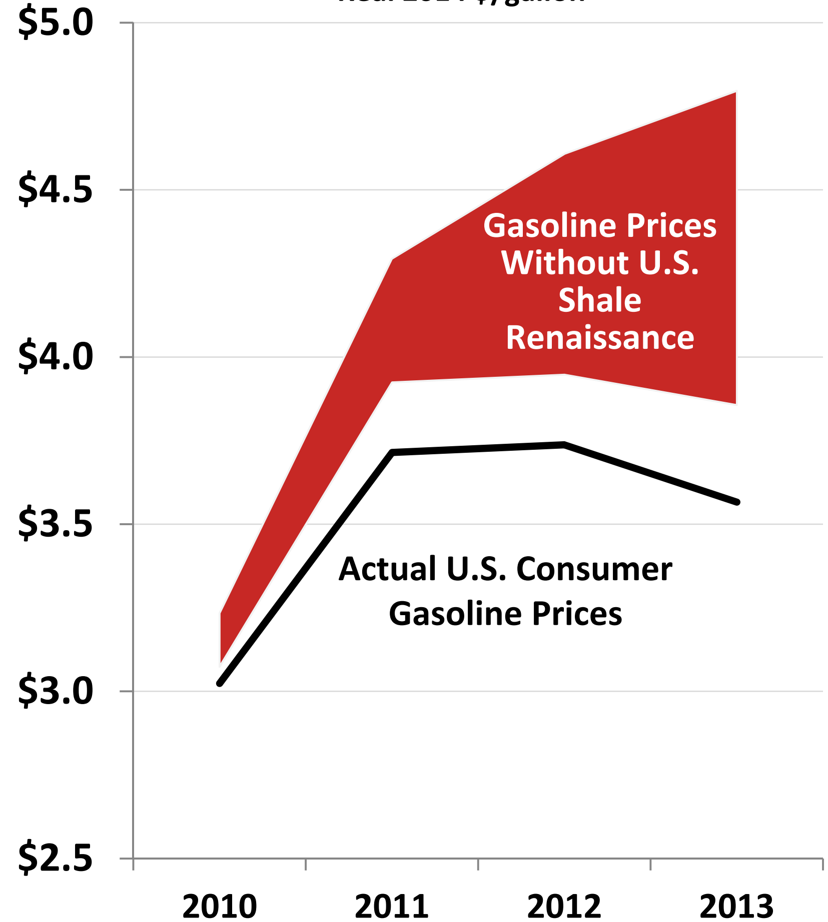
Brent Crude Oil Prices Would Have Been $12 to $40 per Barrel Higher in 2013

Real 2014 $/barrel



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

Real 2014 $/gallon

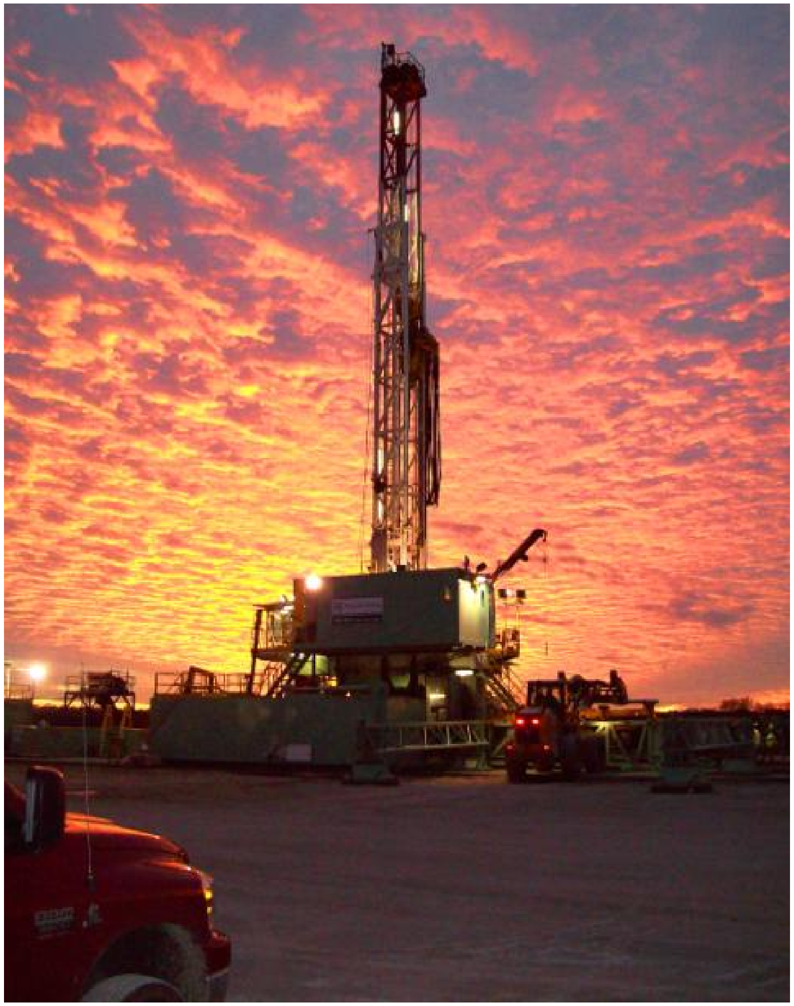


Rising U.S. production has enhanced global oil security and affordability

Source: ICF International for American Petroleum Institute, October 30, 2014

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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