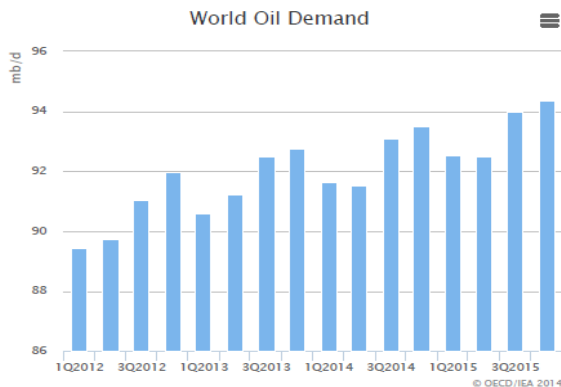


The State of Global Energy Markets

Where we have been:



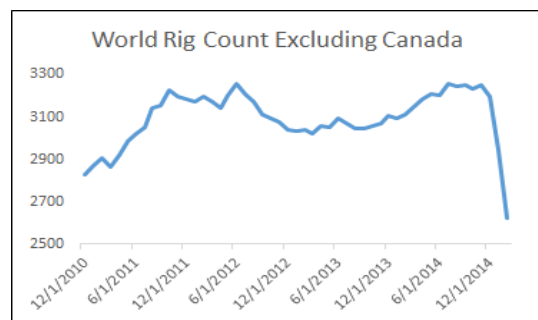
IEA data from Oil Market Report © OECD/IEA, December 12, 2014, IEA Publishing; modified by Peritus. License: <http://www.iea.org/t&c/termsandconditions/>.

- The 2008/2009 oil price collapse was triggered by a collapse in demand—that is NOT what we are currently seeing.
- Incremental supply increases have caused a slight oversupply of oil, but still within historical norms.
- Demand continues to increase globally and that demand increase may well surprise to the upside with oil now at \$50. Low prices spur demand.

The supply situation:

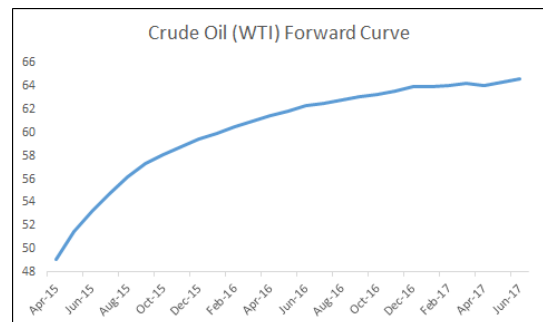
- The supply situation is not as robust as many believe, with nearly 5 million b/d of OPEC production coming from unstable countries like Libya, Nigeria, and Venezuela.¹
- The world's largest oil producer, Russia, is dealing with a collapsing currency and imploding economy.
- Many U.S. shale producers weren't generating free cash flow at price of \$100 as they face rapid well decline rates; many are not viable businesses and may be unable to service their debt in coming years.

- Internationally (excluding the seasonal spikes from Canada), we are seeing rig counts rapidly decline, which we expect will lead to a meaningful decline in global production.²



Where we are going – the price outlook:

- The forward futures curve is projecting an upward rebound in oil prices over the next couple of years.³
- We actually believe these forward projections may well be too conservative as we expect the supply/demand situation to rapidly change, which could further accelerate that rebound in oil prices.



1 Source: U.S. Energy Information Administration (September 2014). 2 Data sourced from Bloomberg, Baker Hughes Total World Oil and Gas Rotary Rig Count Data, less Baker Hughes Canadian Oil and Gas Rotary Rig Count Data for 12/31/2010 to 2/28/2015, monthly. 3 Data sourced from Bloomberg, Crude Oil Forward Curve, as of 2/28/2015.