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8TH ANNUAL

Global Energy Conference

THE WORLD TURNED
UPSIDE DOWN

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Topics

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- ❖ Current Gas and Oil Rig Count
- ❖ Oil—Competition for Capital Dollars
- ❖ Long Range Demand Gas Demand Drivers
- ❖ Q&A

Current Gas Prices and Rig Count

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- ❖ YTD, Henry Hub gas prices have averaged \$3.76/MMbtu.
- ❖ The current Jun-Dec '13 strip is \$4.07.
- ❖ These figures compare to an average Henry Hub gas price of \$2.79 in 2012 and \$3.94 in 2011.
- ❖ According to Baker Hughes, the current gas directed rig count is 350 rigs.
- ❖ YTD, the gas rig count has averaged 405 rigs vs. an average of 555 rigs in 2012.
- ❖ If we flattened out at 350 rigs through year end 2013, then the gas directed rig count would average 370 rigs this year. ***This would be down 185 rigs (or down 33%) from the 2012 average.***
- ❖ The recent peak of the gas rig count was in Oct '11 at 936 rigs.
- ❖ ***The gas rig count is down 586 rigs from the recent peak in Oct '11.***

Current Oil Prices and Rig Count

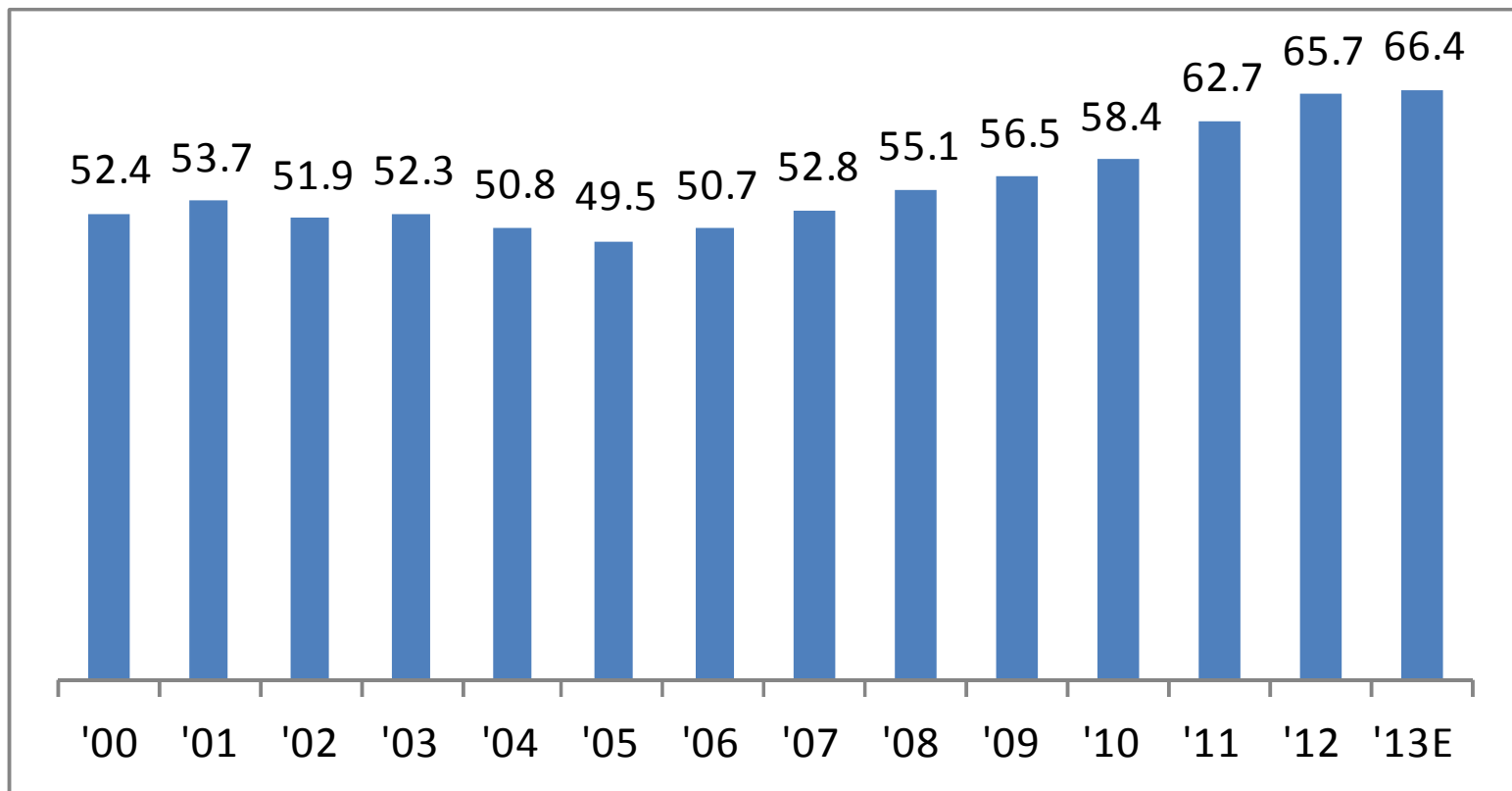
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- ❖ YTD, WTI oil prices have averaged \$93.83/bbl.
- ❖ The current Jun-Dec '13 strip is \$94.52.
- ❖ These figures compare to an average WTI oil price of \$94.10 in 2012 and \$95.05 in 2011.
- ❖ According to Baker Hughes, the current oil directed rig count is 1,412 rigs.
- ❖ YTD, the oil rig count has averaged 1,348 rigs vs. an average of 1,359 rigs in 2012.
- ❖ The recent peak of the oil rig count was in Aug '12 at 1,432 rigs.
- ❖ ***The oil rig count is up 332 rigs from Oct '11 when the gas rig count last peaked.***
- ❖ ***So essentially, gas rig count is down 586 rigs while oil rigs are up 332 rigs since Oct '11 (a net decline of 254 rigs).***

Gas Production

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US Dry Gas Production (in bcf/d)



Source: EIA and Simmons & Company International Estimates.

Before Tax Rate of Return Comparisons

	<i>Gas Price (\$/Mcf)</i>				
Basin	4.00	4.50	5.00	5.50	6.00
<i>Haynesville</i>	10%	22%	37%	57%	82%
<i>Eagle Ford@\$85</i>	33%	35%	38%	40%	42%
<i>Eagle Ford@\$90</i>	39%	41%	44%	46%	49%

Basin	EUR	Well Cost (\$ MMs)	Commodity Mix
Haynesville	7.5 Bcf	7.5	100% Gas
Eagle Ford	600 Mboe	6.5	38% Oil, 31% Gas, 31% NGLs

Source: EIA and Simmons & Company International Estimates.

Gas Curve Contango

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NYMEX Gas Curve (\$/MMBtu)



Source: Bloomberg

Future Gas Demand Drivers to 2020

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- ❖ Power Generation (4-6 bcf/d):
 - Coal plant retirements
 - Incremental electricity demand
- ❖ LNG (3-6 bcf/d):
 - Cheniere's Sabine Pass has 2 bcf/d fully permitted.
 - Likely 2-3 more (Freeport, Cove Point, Golden Pass)
- ❖ Exports to Mexico/Canada (2-3 bcf/d):
 - Still have more imports to back out from Canada.
 - Growing demand in Mexico
- ❖ Industrial (2-4 bcf/d)
 - Big projects in the Gulf Coast.
- ❖ Transportation (1 bcf/d)

Future Gas Demand Drivers to 2020

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- ❖ Total: 12-20 bcf/d (even just the low end accounts for nearly 2 bcf/d per annum of growth)
- ❖ Important Note: The demand figures that I will reference we are still in the process of firming up so we have placed a very wide range around the figures.
- ❖ Worst Case: Little LNG (2 bcf/d), low end of power generation due to increased efficiency (4 bcf/d) and little industrial and transportation demand (1 bcf/d). Total=7 bcf/d by 2020 or 1 bcf/d per annum of growth.



Q & A

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Appendix D

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