Good News – The Industry is Back!!!

• Central Gulf Sale
  - One of top 10 ever
  - $1.2b in high bids
  - 320 tracts
  - 52 bidders (even w/o BP)

• Shenandoah Appraisal Well
  - 1,000’ net pay
  - Continuous string of deepwater discoveries
    ❖ Exxon – Hadrian (700mm bbls)
    ❖ Chevron – Moccasin (200mm bbls)
    ❖ Shell – Appomattox (500mm bbls)
The World Needs More Oil and Gas

Global Energy Demand Growth

Figure 1. World energy consumption, 1990-2035 (quadrillion Btu)

- Non-OECD
- OECD
Growth of the Offshore Oil and Gas Market

From 1 to 80+ Offshore Countries in 60 Years
The Dynamics Underlying Offshore Industry

Worldwide Offshore Rig Utilization

Source: IHS Petrodata and UBS estimates
E&P Spending Responds to High Oil Prices

$645bn to be Spent in 2013

E&P Spending Change vs. Oil Prices

Source: Citibank, Lehman Brothers, Barclays
Parallel Offshore Oil and Gas Markets

U.S. Offshore Recovers after Macondo

International Drilling Shows Steady Growth

U.S. Land vs. Offshore Drilling Rigs

International Drilling Rigs By Location
Oil Prices and Offshore Rig Cycle

Oil Price = Optimism For Offshore Profits

- Jackups
- Floaters
- Oil Price
Technology Enhances Offshore Industry Capabilities

1st Open Water MODU – 1954 – 40’ w.d.

2000’s Generation – 10,000’s w.d.
Technology Enhances Offshore Industry Capabilities

Tidewater’s Ebb Tide in Gulf of Mexico – 1950’s

Maersk’s North Sea “Behemoth” – 2000’s
Technology Enhances Offshore Industry Capabilities

Early McDermott Derrick Barge

Deepwater Multi-purpose Construction Vessel
Technology Enhances Offshore Industry Capabilities

Man in the Water

Man out of the Water
Offshore Drilling Rig Construction Cycle Drives Industry

Industry in Third Construction Boom

Offshore Rig Building History

- North Sea
- GoM
- Global

Infancy

Jackups
Floaters
Impact of Shale Revolution on Offshore Oil & Gas Production

Shale Gas Changed GOM Market

High Oil Prices Driving Land and GOM Activity
Outlook for Offshore Drilling Industry

Worldwide Jackup Rig Utilization

Worldwide Semisubmersible Rig Utilization

Source: IHS Petrodata and UBS estimates
Dynamics of Other Offshore Market Segments

• Supply Vessels
  - Utilization up
  - Fleet expansion underway
  - Day rates higher

• Subsea Market
  - More deepwater discoveries
  - Technology increases capabilities
  - Costs trending lower

• Offshore Construction
  - New offshore regions need infrastructure
  - Deepwater means more pipelines
  - Technology advancing

• Diving / R&M
  - Have to do more remotely
  - Lost production too costly to allow

• Abandonment
  - Lots of old platforms in GOM
  - Environmental/safety concerns
  - Aging North Sea and other regions
Conclusions

- Global energy demand growing again
- Oil prices are up/predicted to stay up or rise
- Capital for the oil and gas industry is available
- Offshore fleet expanding and upgrading
- Shale will alter some offshore markets
- Deepwater discoveries opening new opportunities
- Now, only governments can screw up the market