U.S. Gulf of Mexico

Oil & Natural Gas Economic Impact Analysis

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President, Chief Operating Officer
Quest Offshore Resources, Inc.

August 25, 2011
Trivia Question

What Country Am I?

- Large Job Growth, Low Unemployment
- Record Economic Expansion
- Strong Currency
- Large Oil Producer
BRAZIL
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Report Highlights

• Impact Post Macondo & Drilling Moratorium
  ✓ #54 Wells (in Process, Susp. or Drilling Plan)

• GoM Spending—Capex & Opex

• Economic Impacts

• Perspective on Jobs
  ✓ Order of Magnitude
  ✓ Shifts

Is the GoM Fertile Landscape or Landslide?

✓ NAM Ranks 3rd Deepwater Reserve Potential

✓ GoM Subsalt Is Game Changer

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• Current Permitting Activity

• #31 Deepwater Wells Approved for Drilling

• Projection for “Partial” Recovery

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  ✓ Green Light Dec. 14th Lease Sale
  ✓ Speak of Higher Min. Bid Threshold (TRIPLE)
  ✓ XoM Lawsuit Julia Lease SOP

• Finally Quest Forecast Metrics
  ✓ Partial Recovery 2H 2012
  ✓ Is This New “Normalcy”? 
  ✓ Undeveloped Discoveries
  ✓ Drlg. Forecast to 2013
  ✓ Floating Rig Supply/Demand Balance?
Gulf of Mexico

Report Highlights

AMERICAN PETROLEUM INSTITUTE

NATIONAL OCEAN INDUSTRIES ASSOCIATION

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Snapshot Wells Impacted in 2010 (54)

Drilling Moratorium Impact

- Chevron: 3 Exploration, 1 Appraisal, 6 Development
- BP: 1 Exploration, 8 Development
- BHP: 2 Exploration, 4 Development
- Anadarko: 2 Exploration, 3 Development
- Shell: 1 Exploration, 2 Development
- Noble Energy: 2 Exploration, 1 Development
- Statoil: 1 Exploration, 2 Development
- ATP: 1 Exploration, 1 Development
- Walter O&G: 2 Exploration
- ExxonMobil: 1 Exploration
- Nexen: 1 Exploration
- Newfield: 1 Exploration
- Murphy: 1 Exploration
- Marathon: 1 Exploration
- LLOG: 1 Exploration
- Cobalt: 1 Exploration
- Eni: 1 Exploration
- Deep Gulf Energy: 1 Exploration

Well Count

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Floating Rigs Exiting the US-GoM

*Net Loss of Nine (9) since May 2010*

**Destination by Hemisphere**
- AfM: 67%
- Sam: 33%

**Destination by Province**
- Liberia: 11%
- Egypt: 22%
- Nigeria: 11%
- Congo: 34%
- Brazil: 11%
- French Guiana: 11%

Includes Discoverer Americas which left in 2010 but has since returned
Does not include Stena Forth which was scheduled to leave pre-Macondo
GoM Deep and Shallow Water Drilling Permit Approvals

43 wells Impacted by Suspension of Deepwater Drilling ~April 2010

Source: Greater New Orleans, Inc. - BOEMRE
Gulf of Mexico Oil & Gas Industry (2008-2013)

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Estimated Offshore Sector Spend*
Gulf of Mexico Oil and Gas Industry (2008-2013)

* Domestic Spend
Estimated Offshore Domestic Spending

Gulf of Mexico Oil and Gas Industry (2008-2013)

- Capital Expenditures
- Operating Expenditures
- Total Spending

Capex More Than Double to $15.7 Bn 2013e
Est. Offshore Deepwater and Shallow Water Capital Expenditures

Gulf of Mexico Oil and Gas Industry (2008-2013)

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Total Spending & Contributions to GDP *(Historical & Projected)*

Gulf of Mexico Oil and Natural Gas Industry Activity (2008-2013)

- Historical Spending
- Projected Spending
- Historical GDP
- Projected GDP

**2008**
- $30 Billion
- GDP $25 Billion
- Gain $5 Billion

**2009**
- $28 Billion
- GDP $22 Billion
- Gain $6 Billion

**2010**
- $26 Billion
- GDP $20 Billion
- Gain $6 Billion

**2011**
- $27 Billion
- GDP $21 Billion
- Gain $6 Billion

**2012**
- $30 Billion
- GDP $24 Billion
- Gain $6 Billion

**2013**
- $35 Billion
- GDP $28 Billion
- Gain $7 Billion

- Total Spending $148 Billion
- GDP $90 Billion
- Gain $58 Billion

- 60% Gain in GDP
Est. Direct and Indirect/Induced Jobs in Gulf Coast vs. Other States

Gulf of Mexico Oil and Natural Gas Industry Activity (2008-2013)
Solid Opportunities for Job Creation

*Est. Historical and Projected Employment (Gulf Coast & Non-Gulf Coast States)*
Employment Supported by the GoM Offshore Oil & Natural Gas Industry (2013) **430,000 Total Jobs**

- **Texas**: 33%
- **Louisiana**: 31%
- **Alabama**: 12%
- **Mid West States**: 5%
- **California**: 5%
- **Colorado**: 3%
- **Oklahoma**: 3%
- **Arkansas**: 1%
- **Mississippi**: 1%
- **Alaska**: 1%
- **New Mexico**: 3%

**Total Jobs**: 430,000

**Mid West States**: 5%

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Gulf of Mexico

Near-Term Outlook
GoM Shallow-Water Well Permits Approved & Drilling Plans Submitted

March 17, 2011 – August 11, 2011

<500FSW

Source: Quest Offshore Intelligence Brief, BOEMRE
GoM Shallow-Water Well Permits Approved 2006-2011 (WD<500fsw)
Current Operators with Approved Drilling Permits

31 issued permits
GoM Deepwater Well Permits Approved & Drilling Plans Submitted

March 17, 2011 – August 11, 2011

>=500FSW

31 Approvals to Drill (Individual Well Permits) since mid March

Compared to 3 APD’s issued from Sept 2010-Mar 2011

Source: Quest Offshore Intelligence Brief, BOEMRE
GoM Approved Permits to Drill

- Shell
- Chevron
- Anadarko
- Statoil
- Noble Energy
- Eni
- BHP Billiton
- ATP Oil & Gas
- ExxonMobil
- Stone Energy
- Nexen Petroleum
- Deep Gulf Energy
- Murphy Oil

Well Count

- Green Canyon
- Mississippi Canyon
- Keathley Canyon
- Alaminos Canyon
- Walker Ridge
- Garden Banks
- Lloyd Ridge
- East Breaks

Quest Offshore Resources, Inc.
GoM Forecast

Mid-Term Outlook
Global Deepwater Oil & Gas Reserve Potential (>400 MSW)

Discovered & Undiscovered Resources by Hemisphere (Billion BOE)

- **Africa/Medit.**
  - Discovered - Conventional
  - Undiscovered - Conventional

- **Asia Pacific**
  - Discovered - Conventional
  - Undiscovered - Conventional

- **North Sea/Arctic**
  - Undiscovered - Pre-Salt

- **North America**
  - Discovered - Sub-Salt
  - Undiscovered - Sub-Salt

- **South America**
  - Discovered - Pre-Salt
  - Undiscovered - Pre-Salt
Top 20 Leaseholders in the Deepwater US GoM
All active leases in wd >=500fsw

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Future GoM Hubs
- Appomattox
- Big Foot
- Mad Dog Phase 2
- Heidelberg
- Jack & St. Malo
- Kaskida
- Lucius - Hadrian South
- MARS B
- Pony
- Hadrian
- Stones
- Tiber
- Vito
- Gunflint
- Tubular Bells

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Increased Demand >= 15-in. OD Pipelines
Direct Result of More Hub Awards

![Bar chart showing the comparison of pipelines between 2005-2010 and 2011-2016.](chart.png)
GoM Significant Discoveries–Future Developments

GoM Deepwater Discoveries 2004-2011

- **Year**
  - 2004: 29
  - 2005: 31
  - 2006: 35
  - 2007: 36
  - 2008: 40
  - 2009: 31
  - 2010: 13
  - 2011: 3

**Discoveries Represented**
- Tiber
- Vito & Appomattox
- Vicksburg
- Kaskida
- Appaloosa
- Heidelberg
- Big Foot
- Corona Del Mar
- Deep Blue
- JSM
- Friesian
- Tubular Bells
- Gunflint
- Hadrian North
- Hadrian South
- Julia
- Stones
- Pony
- Lucius
- Santa Cruz/Santiago
U.S. GoM Floating Rig Supply & Total Well Demand 2011-2013

Normalized Count = 192 (109 E&A plus 83 Dev Wells)

Assumes 2.5 wells per rig can be drilled annually
GoM Exploration & Appraisal Drilling Forecast (2010a-2013e)

At August 2011
Thank You!

Paul Hillegeist

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