

Outlook 2010 and Beyond

The 33rd Annual Marine/Offshore
Industry Outlook Conference

Financial Overview of the Offshore Oil & Gas Industry

James K. Wicklund
Carlson Capital

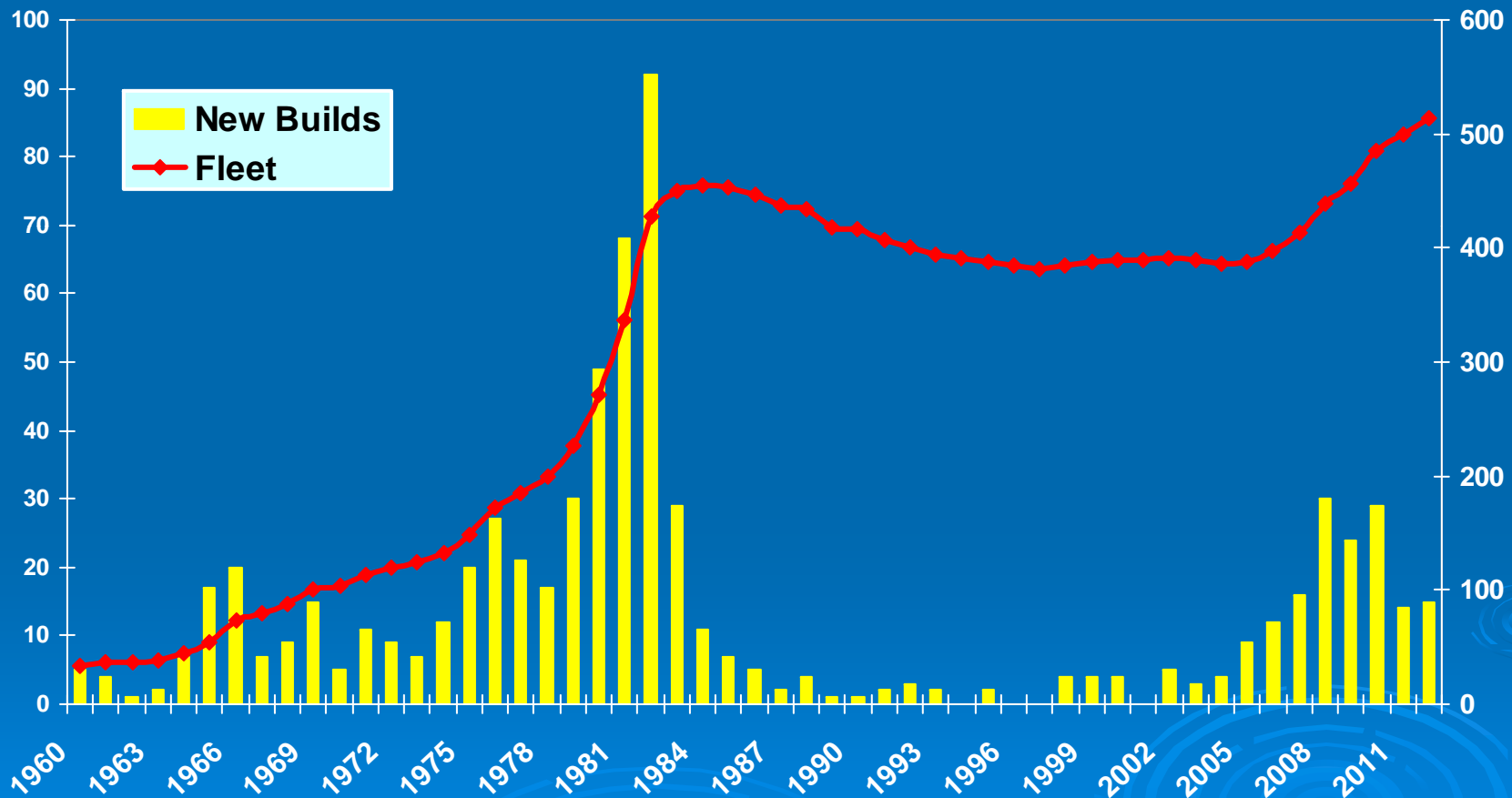
History

- From 1954 through 2007 federal offshore tracts have produced 16.8 billion barrels of oil and 173 trillion cubic feet of natural gas.
- In 2007, federal offshore tracts produced 27% of the oil and 14% of the natural gas in the United States.
- The 492 million barrels of federal offshore oil produced in 2007 was down from the record 602 million barrels produced in 2002.
- The 2.86 TCF of offshore gas produced in 2007 was down from the high of 5.25 TCF produced in 1996

But the New World Had Already Begun

- Advancements in technology led
- Access issues forced the industry to innovate its efforts
- Open and active capital markets allowed capacity to be added economically
- The determination of the industry on several fronts opened the offshore in a new aggressive way

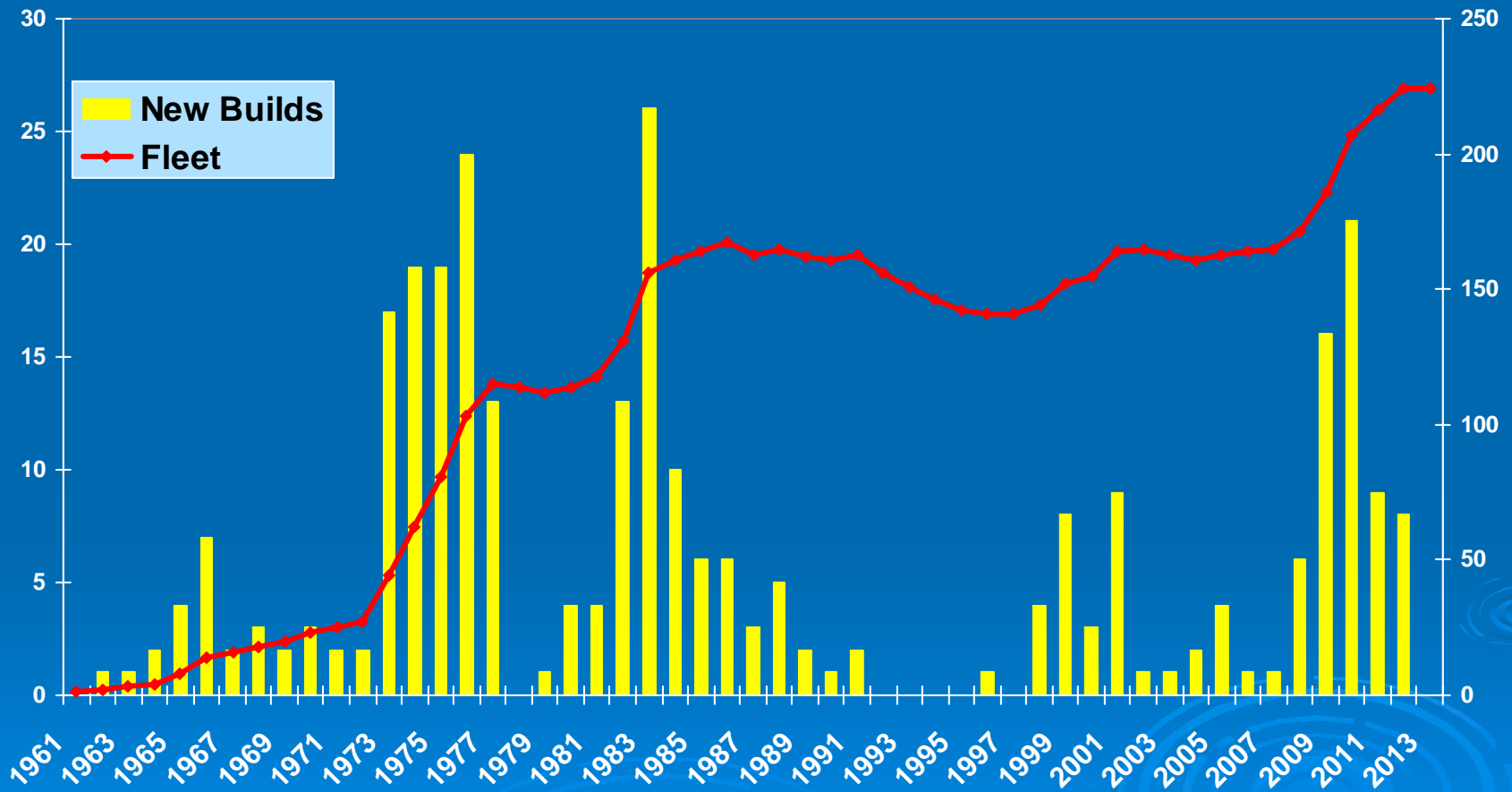
Jack-up Rigs



Source: DnB NOR Markets and ODS Petrodata

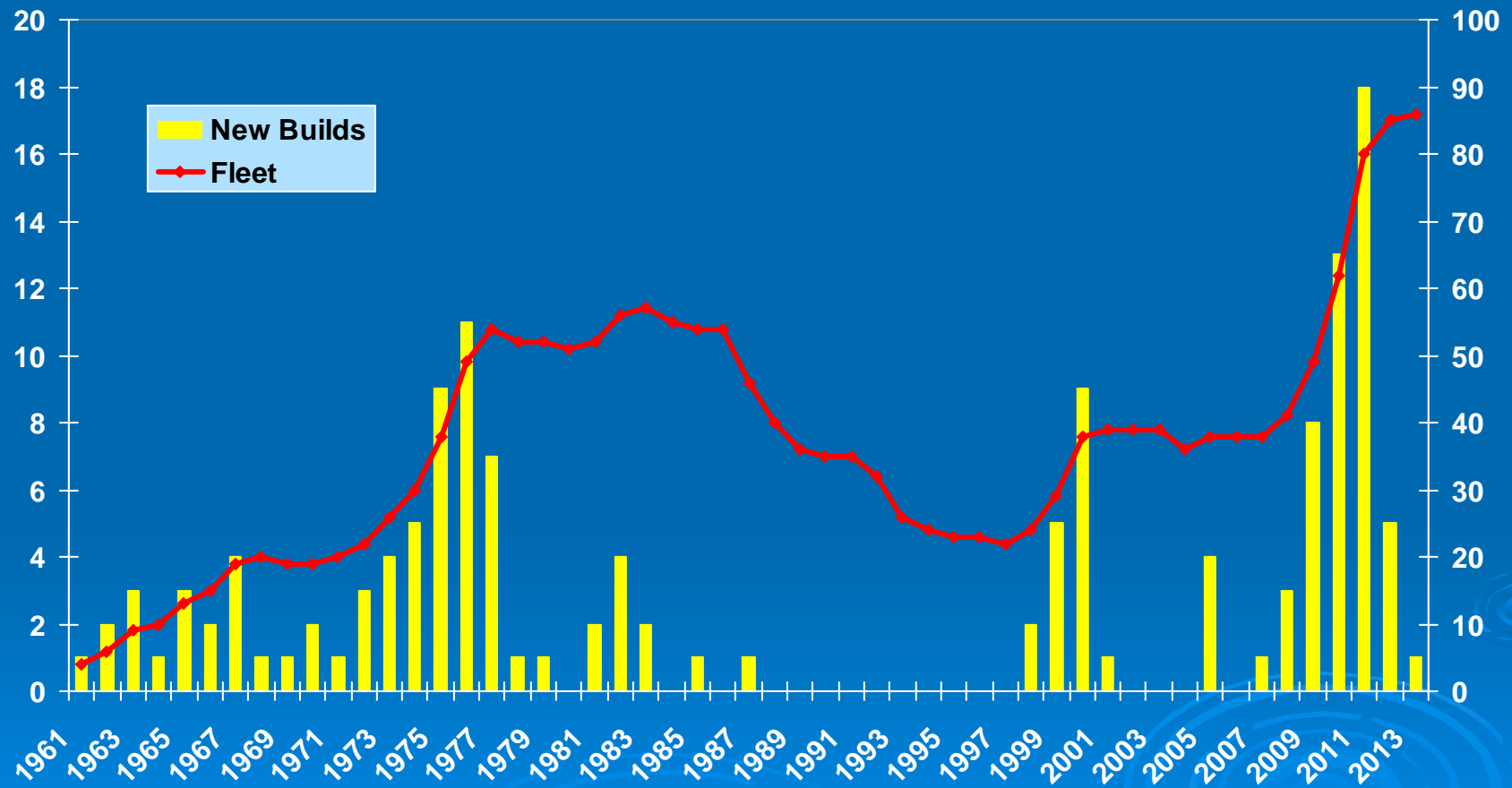
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Semi-submersible Rigs



Source: DnB NOR Markets and ODS Petrodata

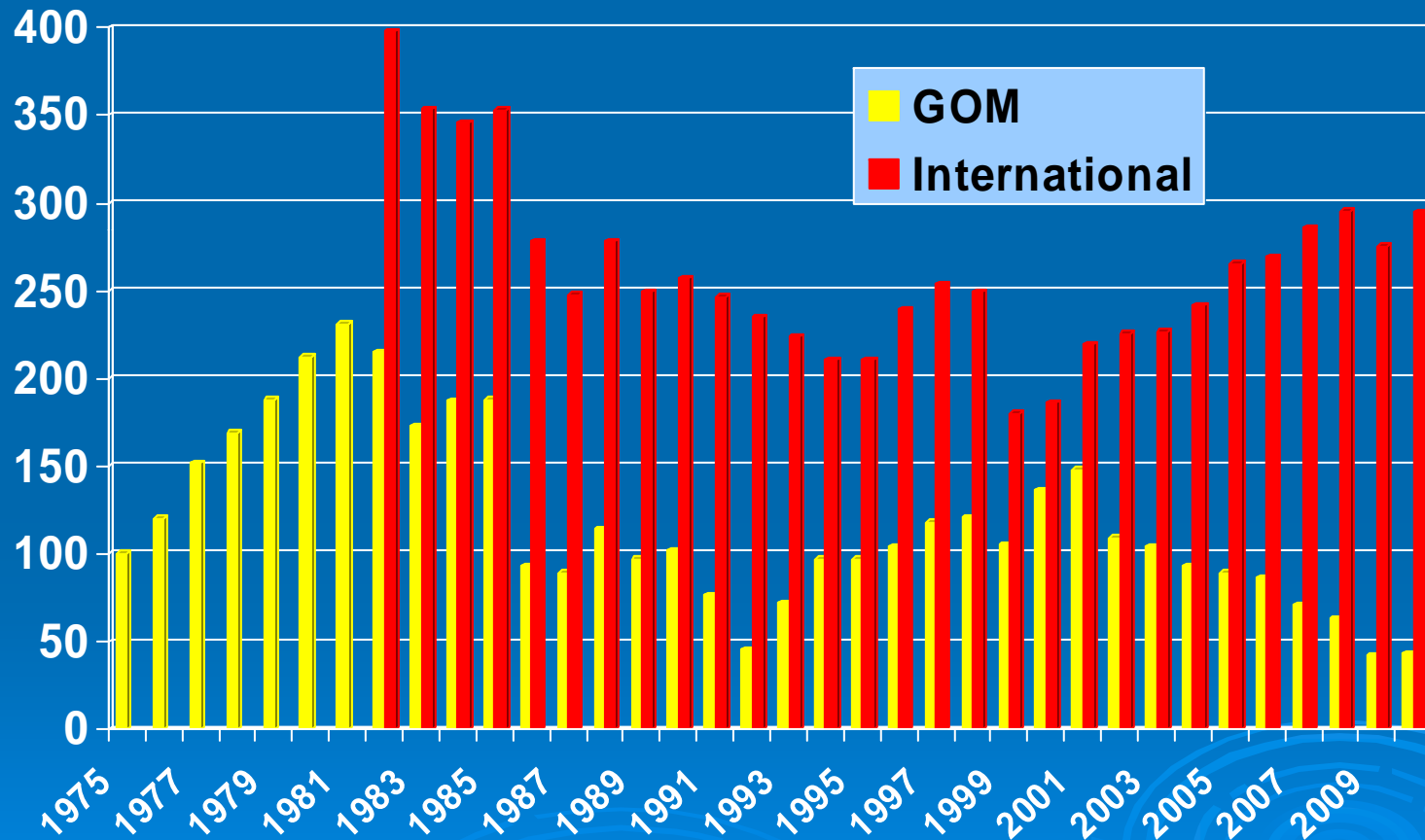
Drillships



Source: DnB NOR Markets and ODS Petrodata

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Migration of Activity International



Size Matters

- From 1986 to 1990, the average field size in the GoM was 35.3 Bcfe.
- From 1996 to 2000, that average had dropped to 18.5 Bcfe.
- The shift to deepwater has changed the math but on an apples-to-apples basis, we estimate that Shelf discoveries have dropped to about 5 Bcfe today.

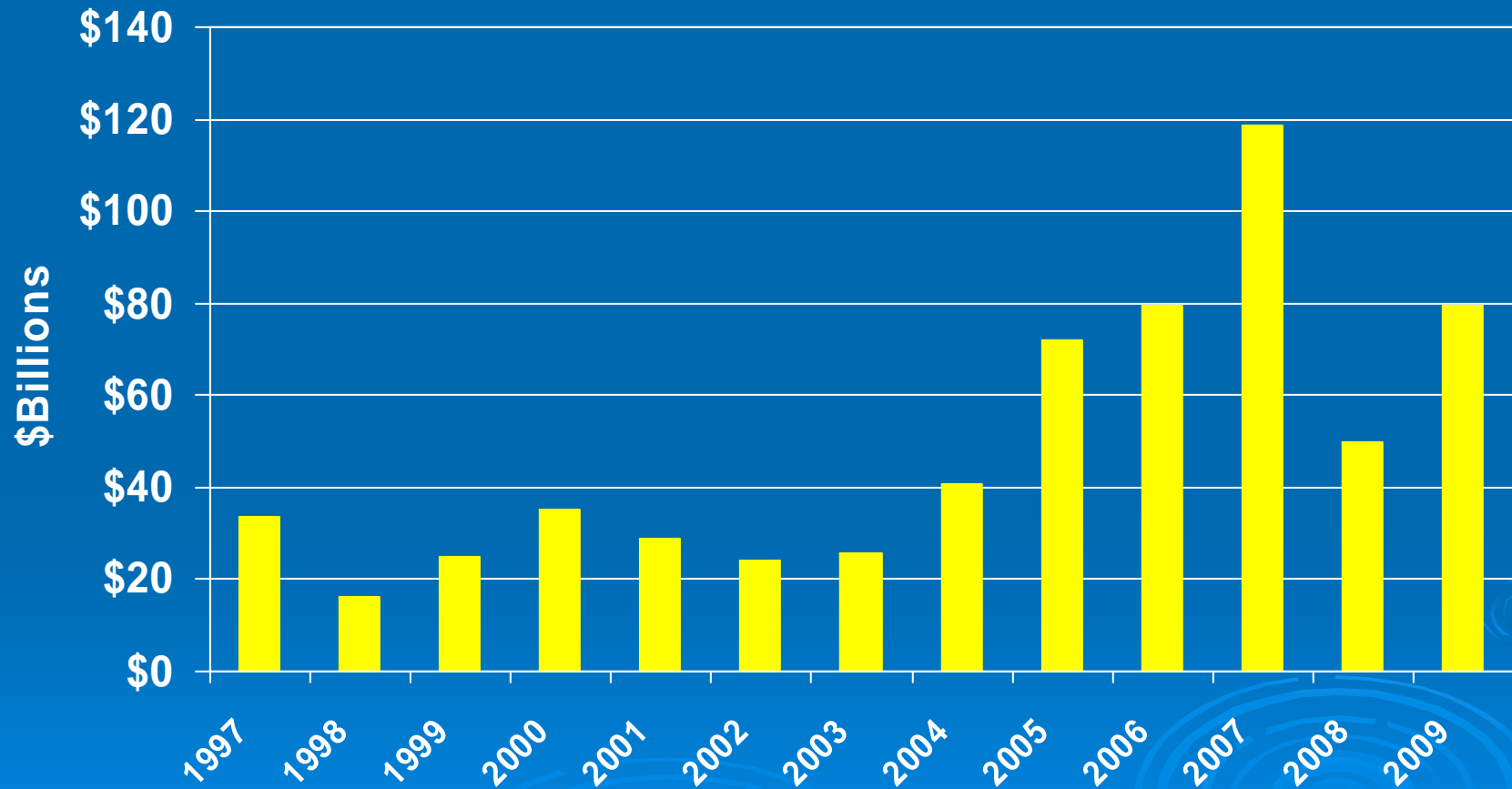
Playing Catch Up?

- In 2007 Brazil's proven oil reserves were 11.8 billion barrels (USED). The US had 21.8 billion barrels.
- Then Tupi was discovered, estimated at 5-8 billion barrels, giving the Brazilian offshore the potential of as much as 70 billion barrels
- In 2009, 13 deepwater discoveries were announced in the GoM, representing 1.4 billion barrels, the most found since 2002

Deep is the Relative Winner

- GoM specialist James K. Dodson Company forecasts for 2010 that **330 wells** will be drilled in the GoM.
- There will be 218 on the shelf, **down 44%** from 2008 and **down 60%** from 2006
- Between 600 and 3,000 feet, 24 wells will be drilled, **down 20%** from 2008 and **down 51%** from 2006
- Deeper than 3,000 feet will see 88 wells, **on trend since 2006**

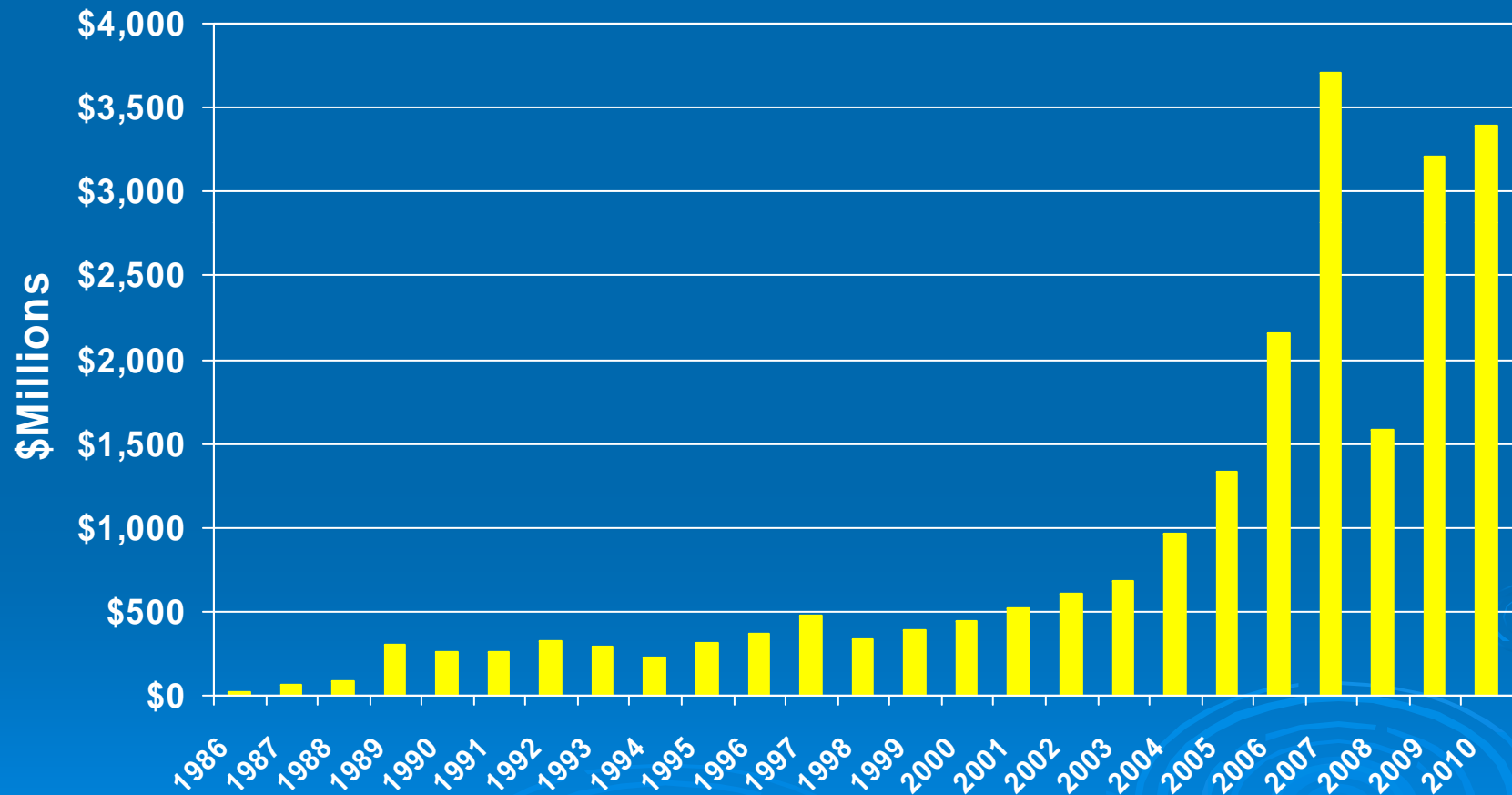
Progression of Value – Offshore Drillers



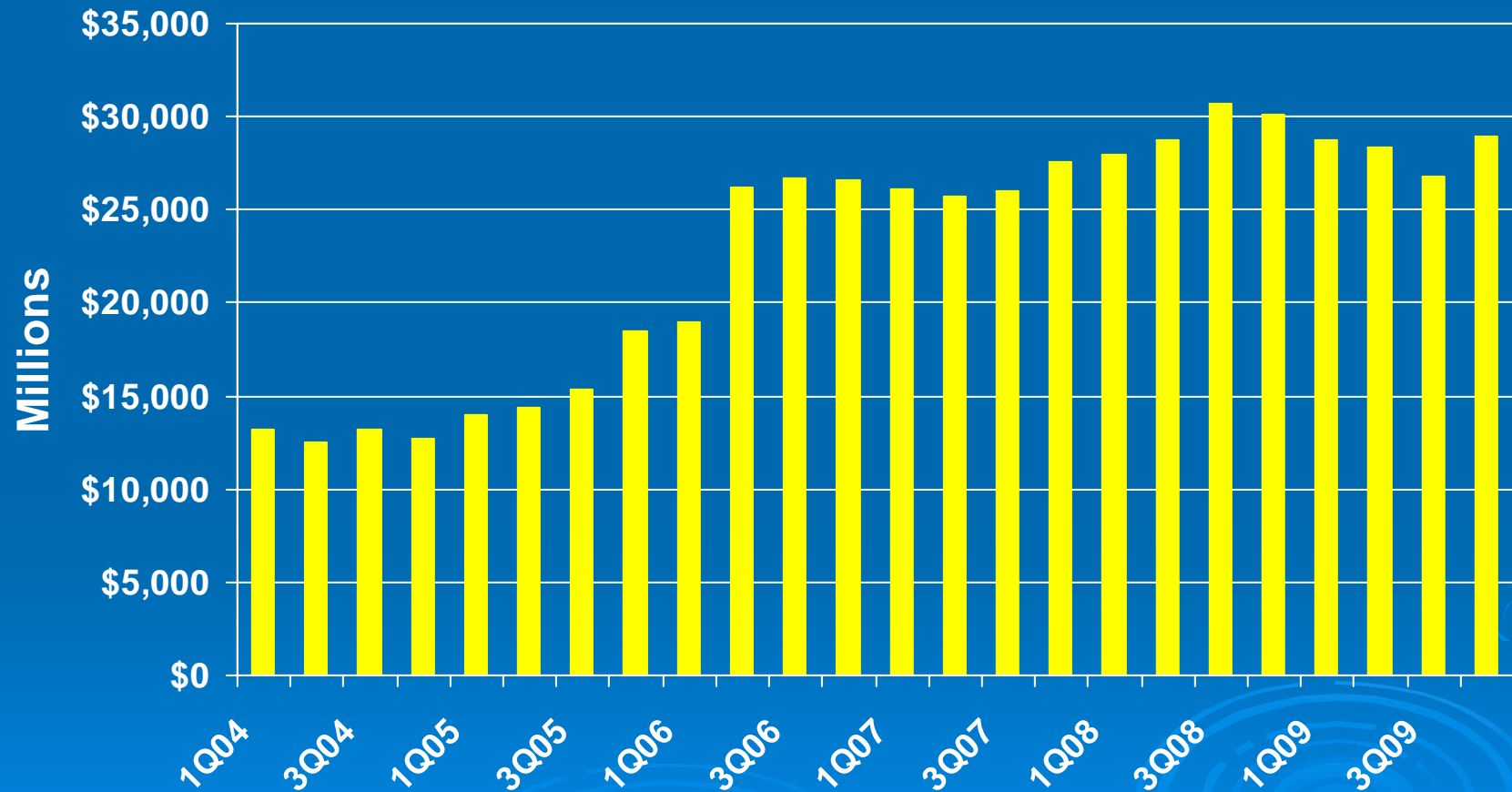
Source: Bloomberg RIG NE DO FOE ESV RDC PDE

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Example of Support Growth Oceaneering Market Cap



Offshore Construction Backlog



Acergy, Technip, Saipem, Subsea 7

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Relative P/E Multiples

<u>2010</u>	<u>2011</u>	
10.2x	8.0x	Majors
25.4x	16.5x	Explorers
10.5x	9.3x	Drillers

The market assigns valuation multiples based on value and potential for growth. Clearly the Explorers, comprised of Petrobras, Tullow and Anadarko, are focused on exploration in Deep Water which demonstrates the market's expectations for success there.

2010 Cash Breakeven

➤ BP	\$74
➤ Shell	\$103
➤ Total	\$87
➤ BG	\$101
➤ Eni	\$65
➤ OMV	\$74
➤ Repsol	\$96
➤ Statoil	\$93

While we talk about \$45-\$60 oil being “enough”, not everyone sees it that way

The Process Continues

- From Shelf to Deep Shelf (Blackbeard and Davy Jones)
- From Sub-salt to Pre-salt (Tupi)
- From Brazil, the GOM and West Africa to Israel, Egypt, Suriname and others.
- Offshore and deep, the last bastion of oil exploration is the ocean

Concerns - Oil

- Peak Oil
- “Twilight in the Desert”
- Accelerating Water Cut
- Restricted Access
- Accelerating Declines
- Political Stability (or lack thereof)

The Future is Bright but It is Still the Oil Bidness

- Oil prices will always matter no matter how much technology shifts the cost
- Oil and natural resources are the political weapons and tools of the future
- Access and capital are the most critical issues in the political game
- Innovators win. Period