



Cycles in the North American Oil and Gas Industry

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FACT

- The petroleum sector in North America has gone through many commodity cycles in the past, will continue to in the future, and to be certain we are experiencing one now
- Our industry has survived each and every one and come out stronger through optimization and innovation
- The theme of my presentation is PERSPECTIVE

Since 1980 there has been 6 such cycles, 7 including the one we are currently in now

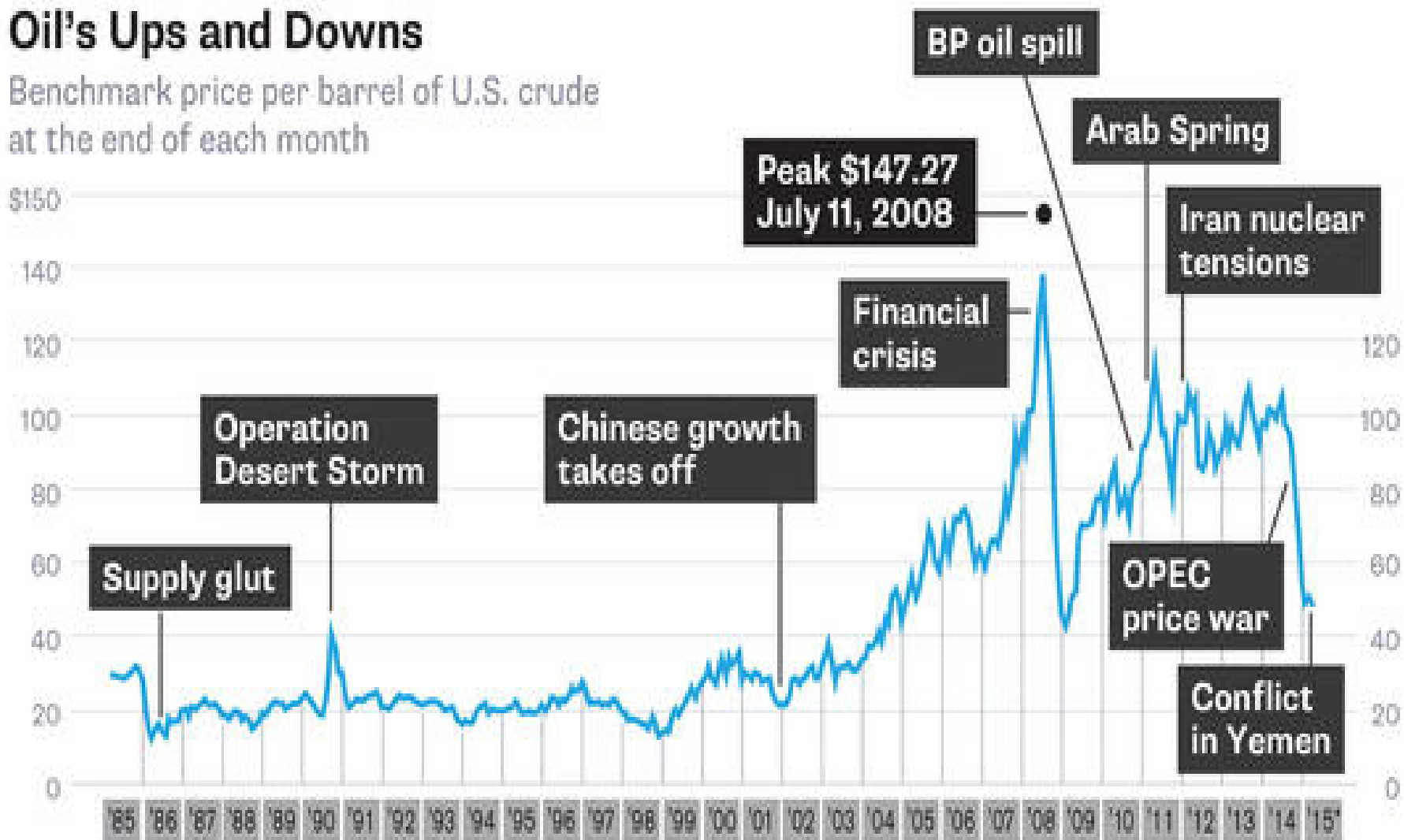
Chart of Major Oil Corrections since 1980...

Interesting to see where this right-sizing shapes up...

Major Oil Corrections Since 1980				
Date	Event	% Change in Oil Price	Length of Oil Price Decline (in trading days)	% Increase in Oil Price 1 Year Post-Low
1986	Saudi Market Share War	-67.2%	82	79.0%
1988	Oil Glut	-43.7%	295	58.4%
1991	Global Recession / End of Gulf War	-57.2%	90	5.4%
1998	Asian Crisis	-59.6%	484	134.5%
2001	Global Recession	-53.1%	290	46.2%
2008	Great Recession	-78.4%	119	134.8%
Average		-59.9%	227	76.4%
Current		-57.2%	141	?

Oil's Ups and Downs

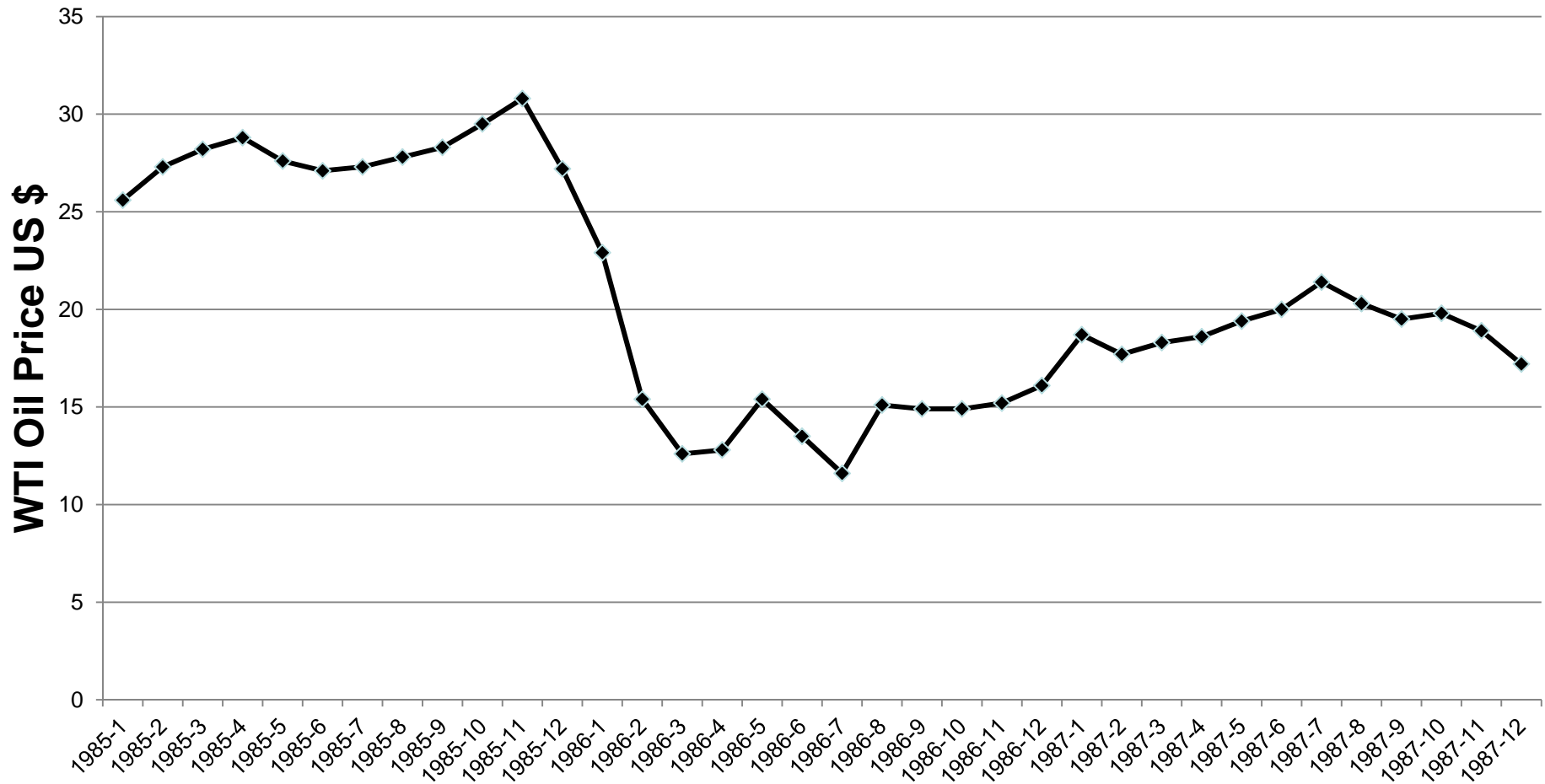
Benchmark price per barrel of U.S. crude at the end of each month



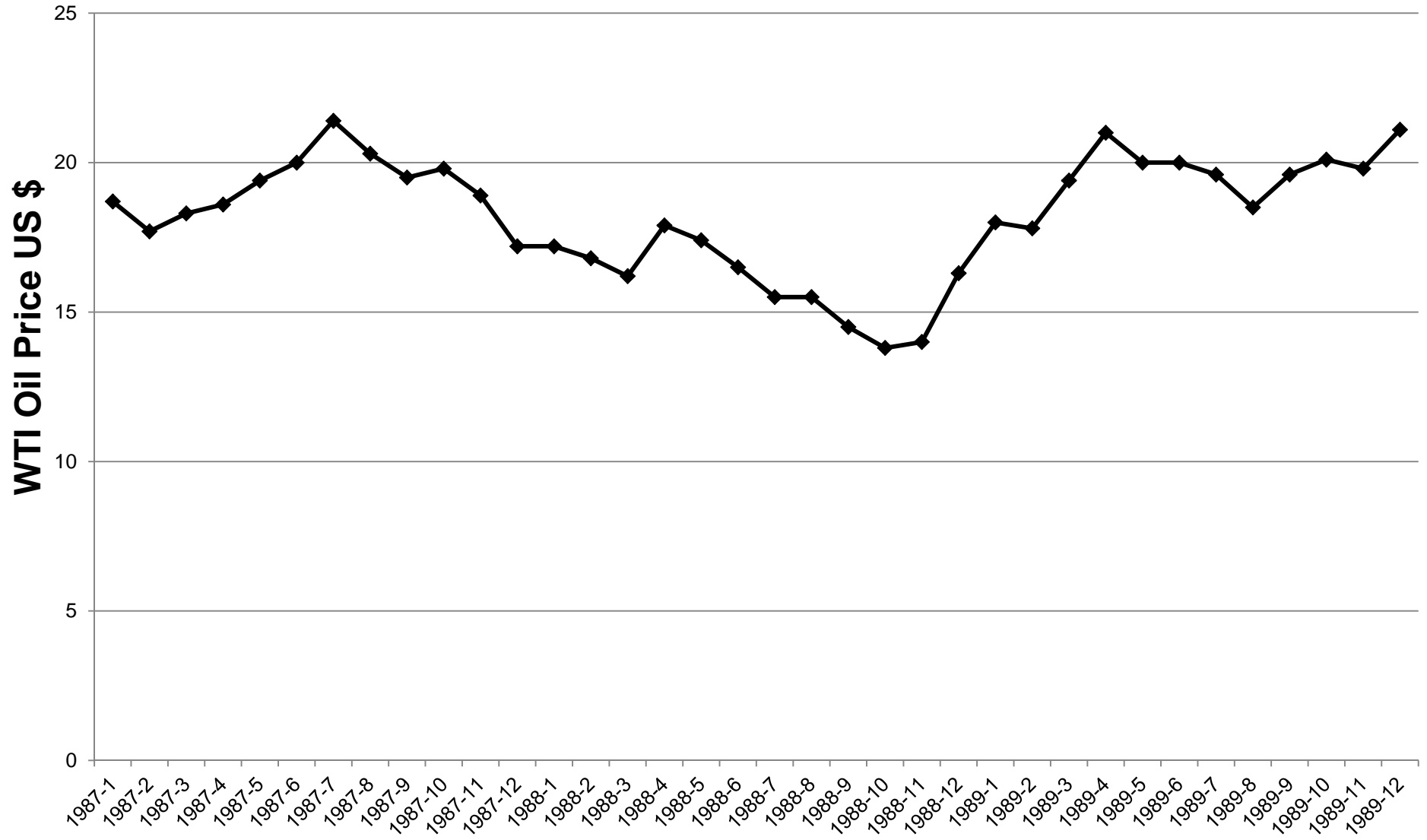
*Final figure for 2015 is for March 27

SOURCE: BLOOMBERG DATA

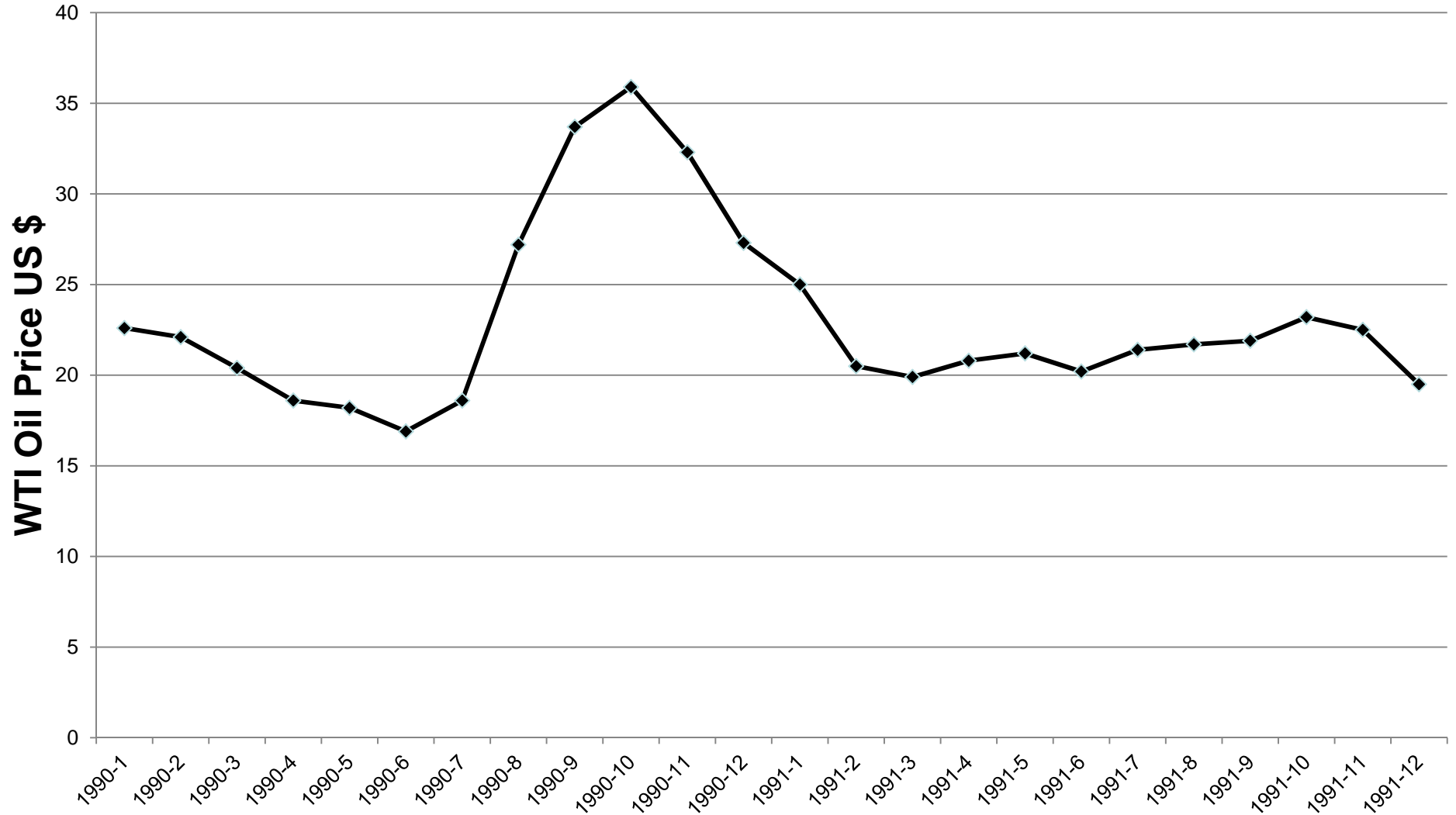
Saudi Market Share War 1986



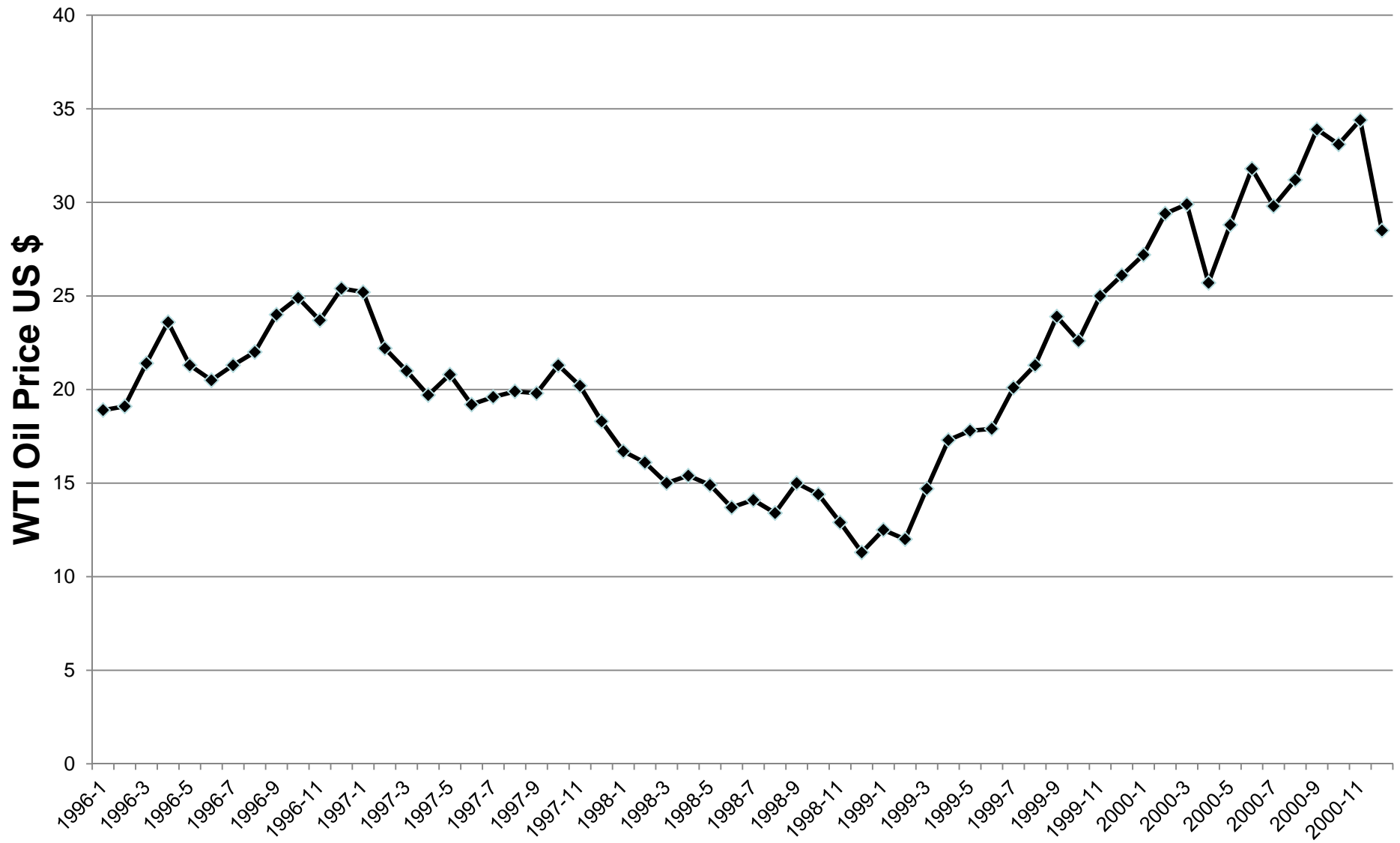
Oil Glut 1988



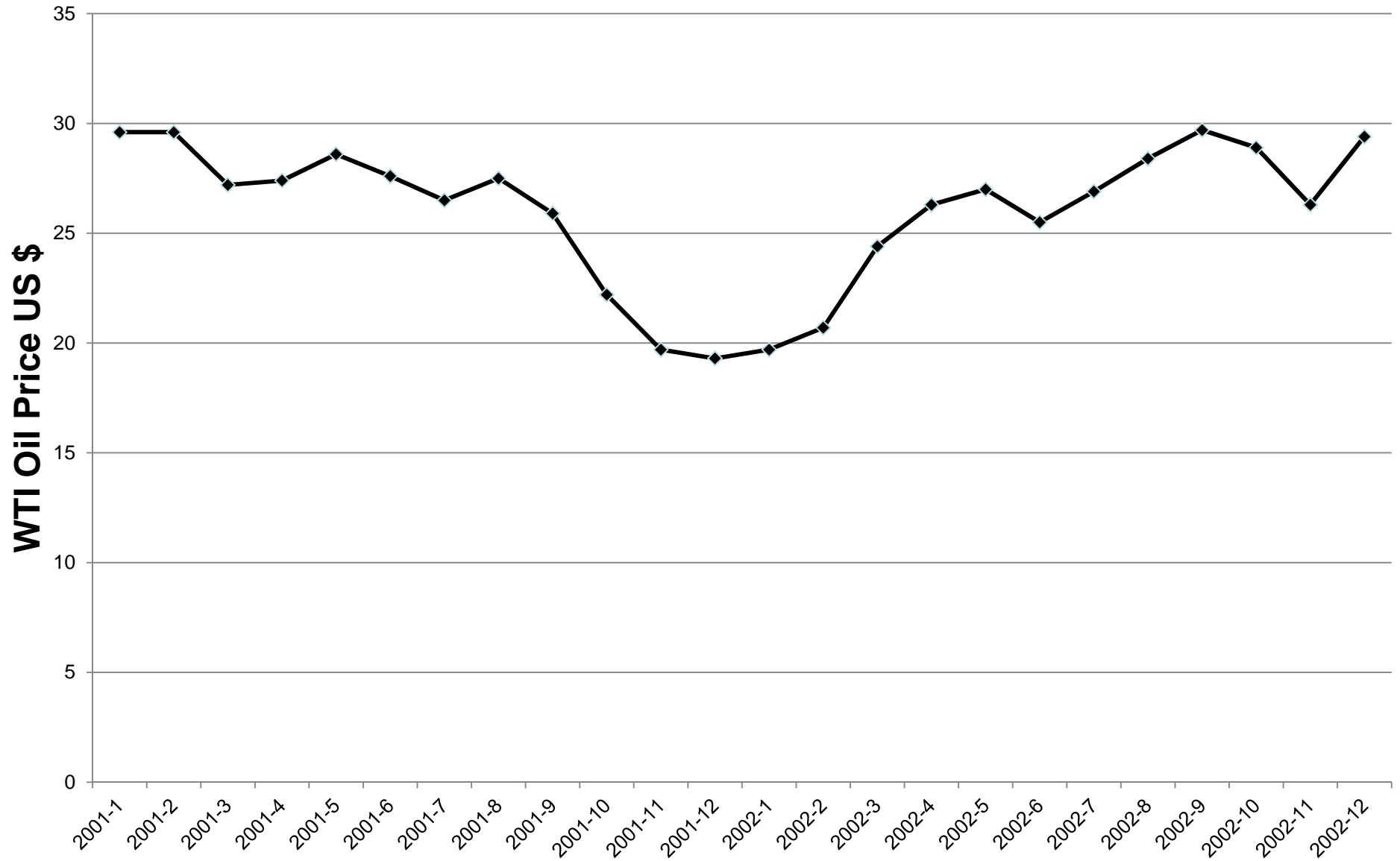
Global Recession/End of Gulf War 1991



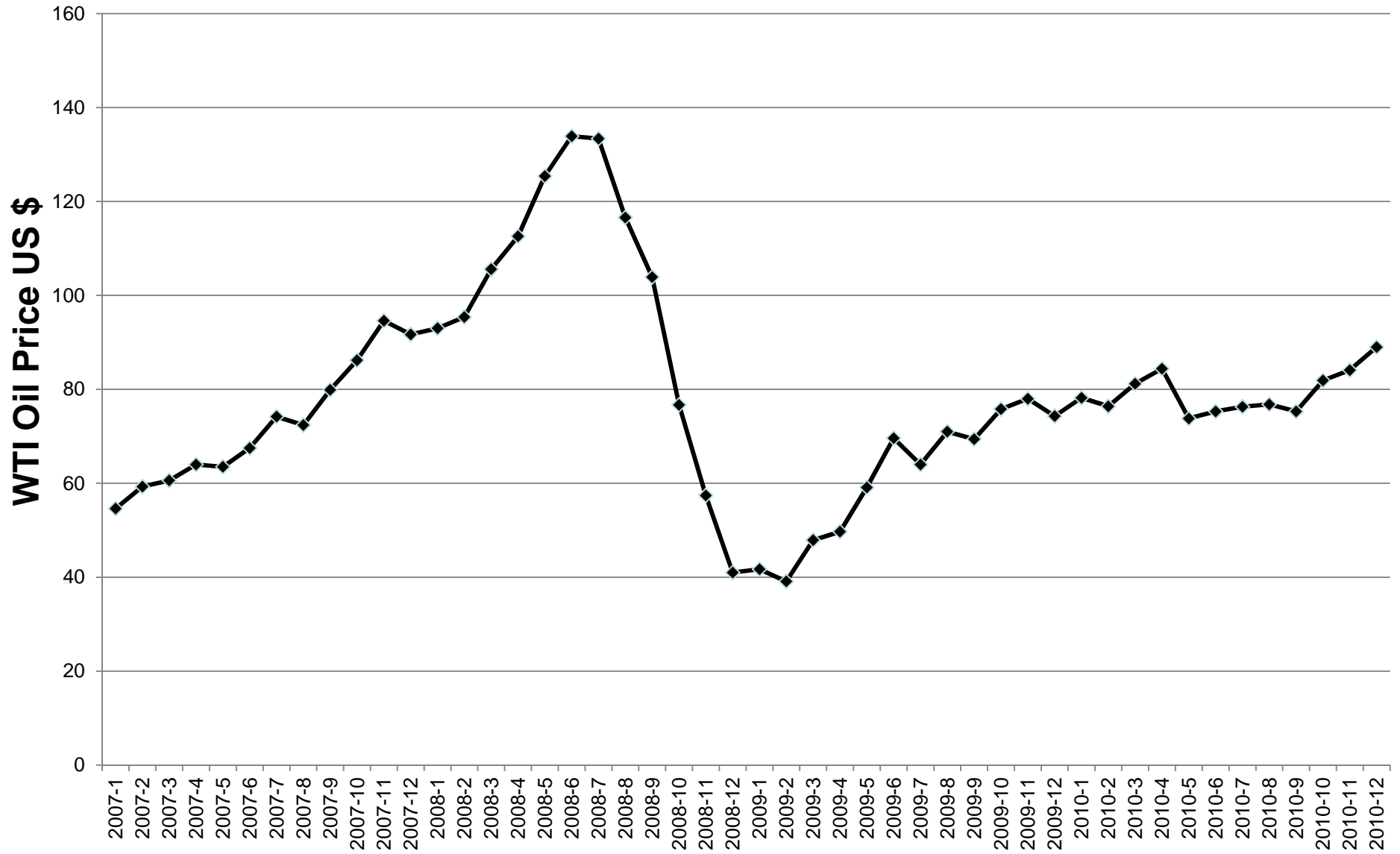
Asian Crisis 1998



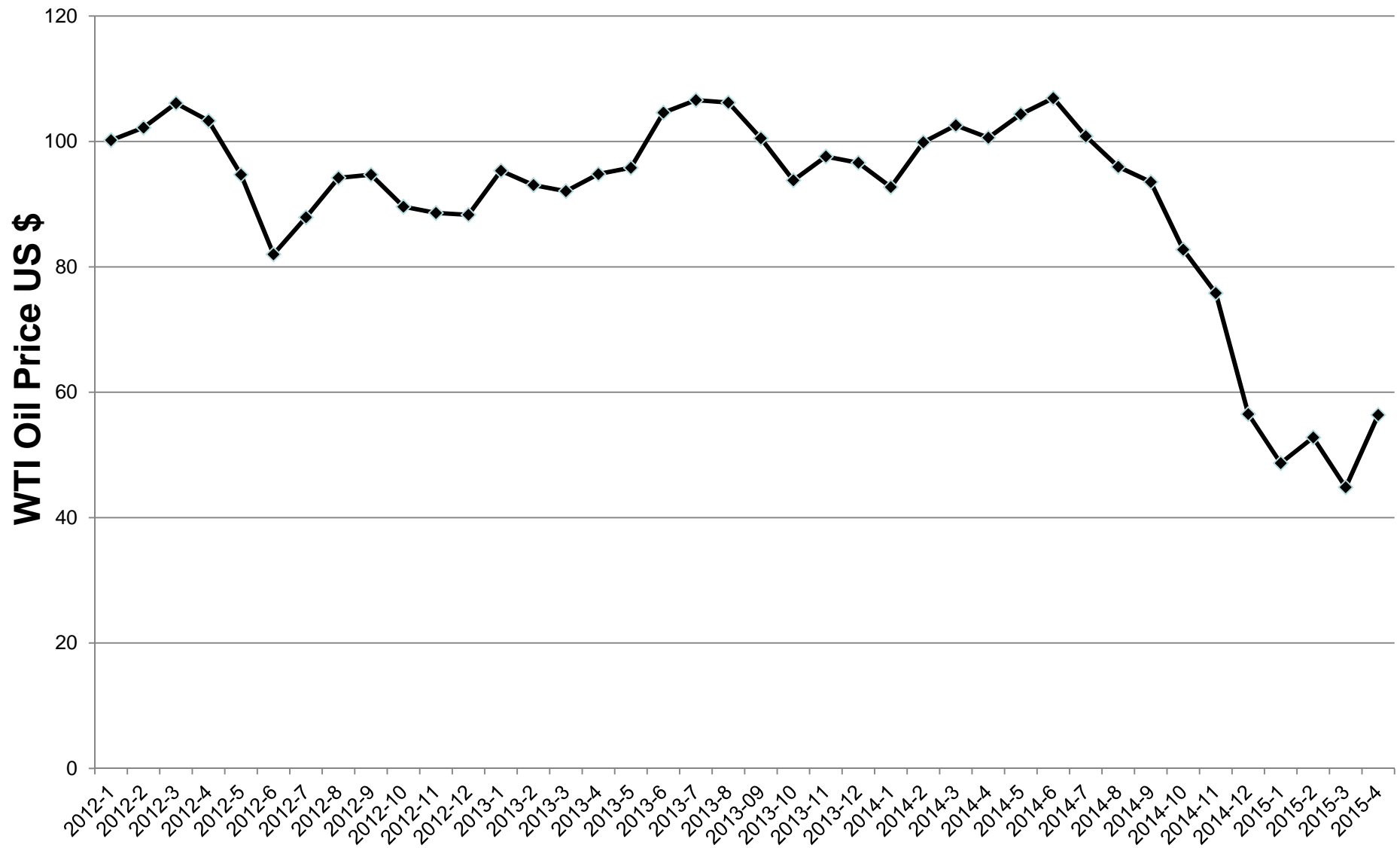
Global Recession 2001



Great Recession 2008



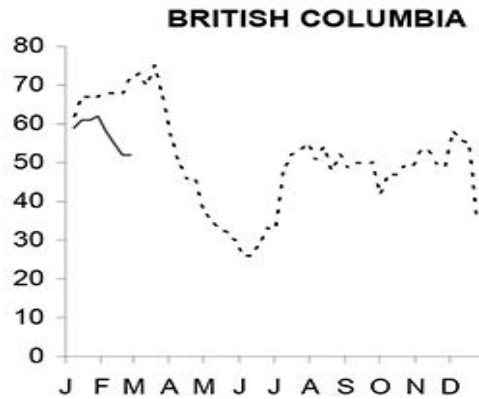
Saudi Market Share 2nd War 2014



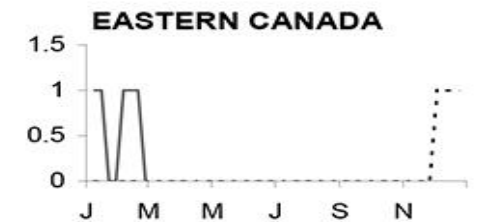
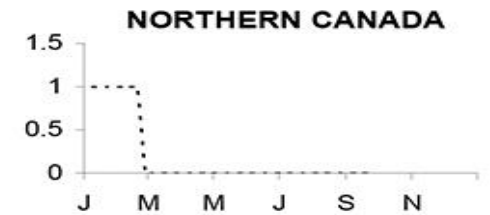
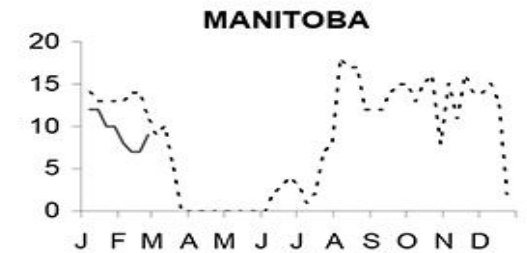
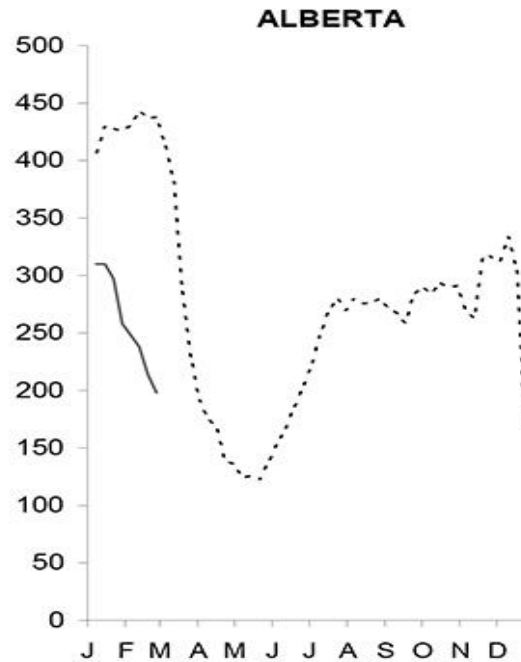
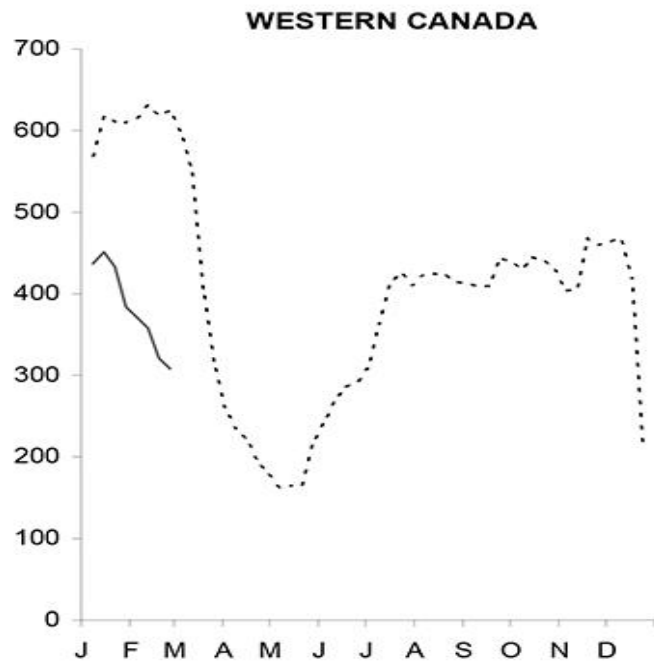
Canadian Rig Activity

RIG ACTIVITY - February 24, 2015

	Active	Down	Fleet	% Active
Western Canada				
AB	198	341	539	37
SK	49	90	139	35
BC	52	26	78	67
MB	9	8	17	53
WC Total	308	465	773	40
Northern Canada				
Eastern Canada				
QC	0	1	1	0
EC Total	0	1	1	0
CANADA	308	466	774	40



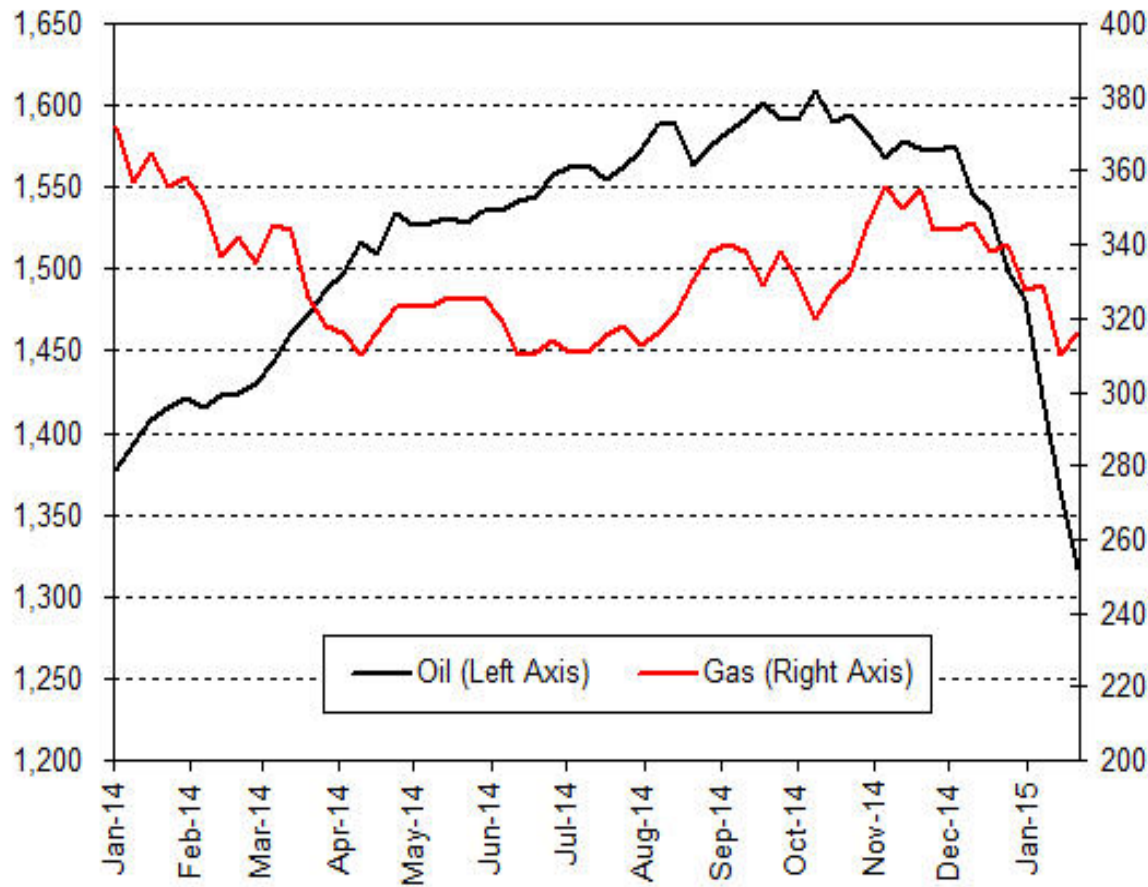
RIG Activity Legend



US Rig Count

- **US Rig Count:** The Baker Hughes US active rig count fell 43 last week to stand at 1,633 on Friday. Oil-directed activity fell by 49 rigs while the gas count increased by six. Oil-directed activity now stands about 18% off its peak, which was reached in mid-October last year. We likely need to see oil-directed drilling activity fall ~50% from peak levels to prompt a flattening of the US production profile later in 2015. - **BW**

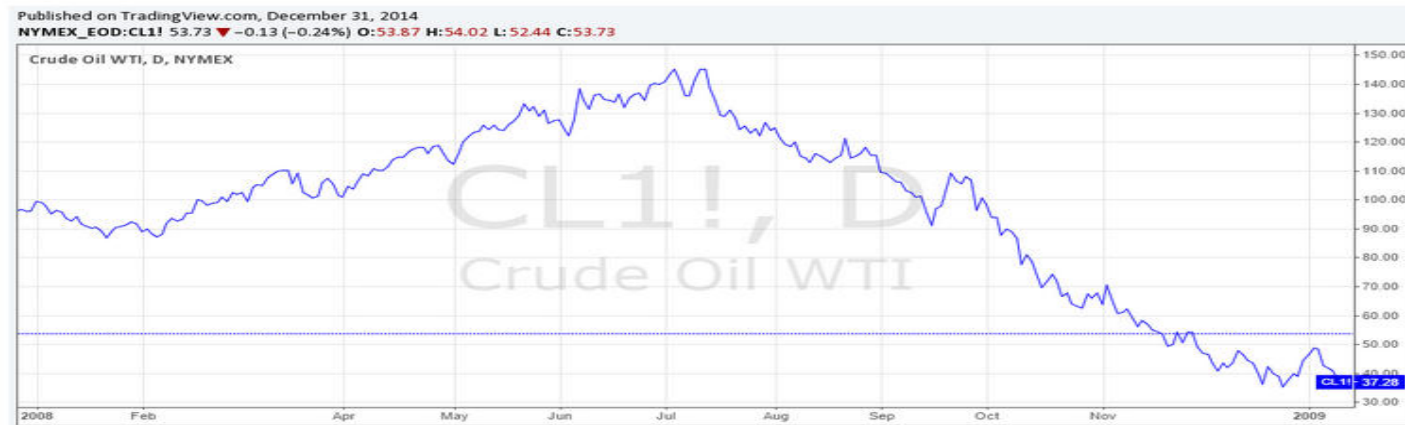
US Active Rig Count - Oil / Gas Split



Price Cycle 2008 vs 2014

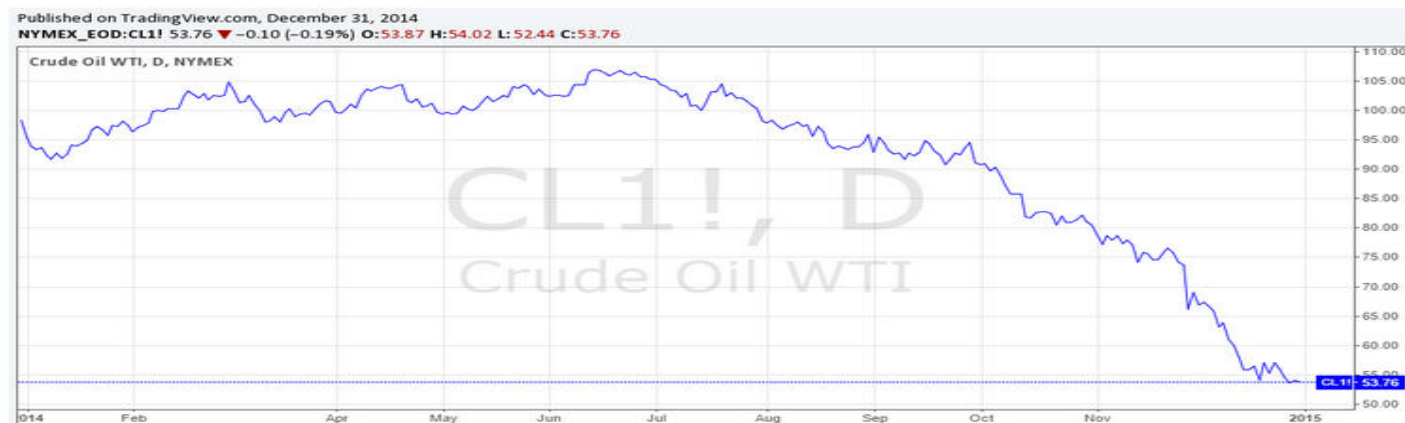
The recent drop in oil prices bears similarities to the tremendous drop of 2008, possibly foreshadowing what's to come in the new year.

Let's have a look back at the performance of crude oil in 2008:



Oil started the year around \$100/bbl and quickly shot up to nearly \$150 by June. The price then declined by over \$110 and by December, WTI crude oil finished near \$35/bbl.

Although not as drastic, this year's price drop is extraordinarily similar in terms of timing and suddenness:

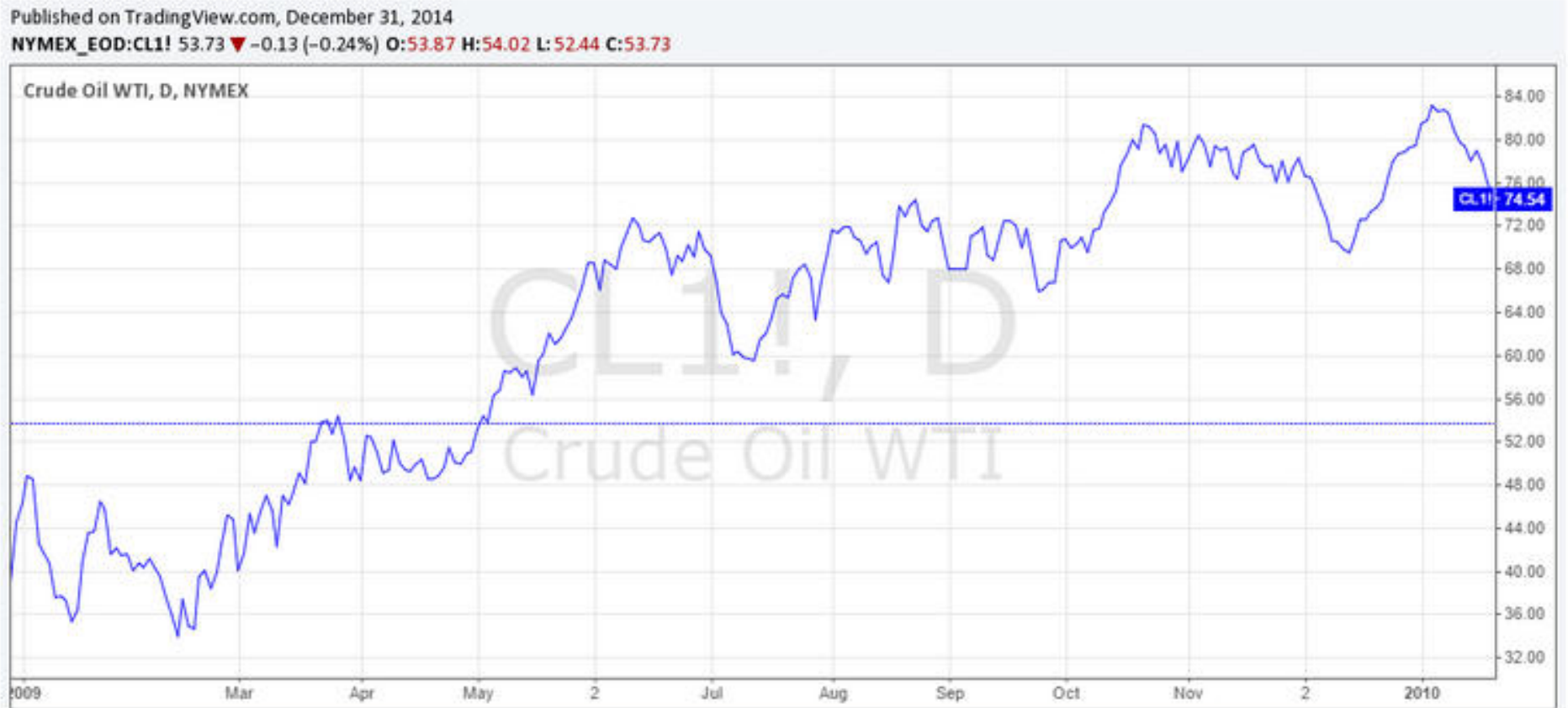


Once again, oil started this year around \$100/bbl. Although it lacked the significant price increase seen in early 2008, this year's oil decline began almost at the same mid-way point of the year. 2014 ended with WTI down 48% to just above \$50/bbl.

Price Cycle Recovery 2009

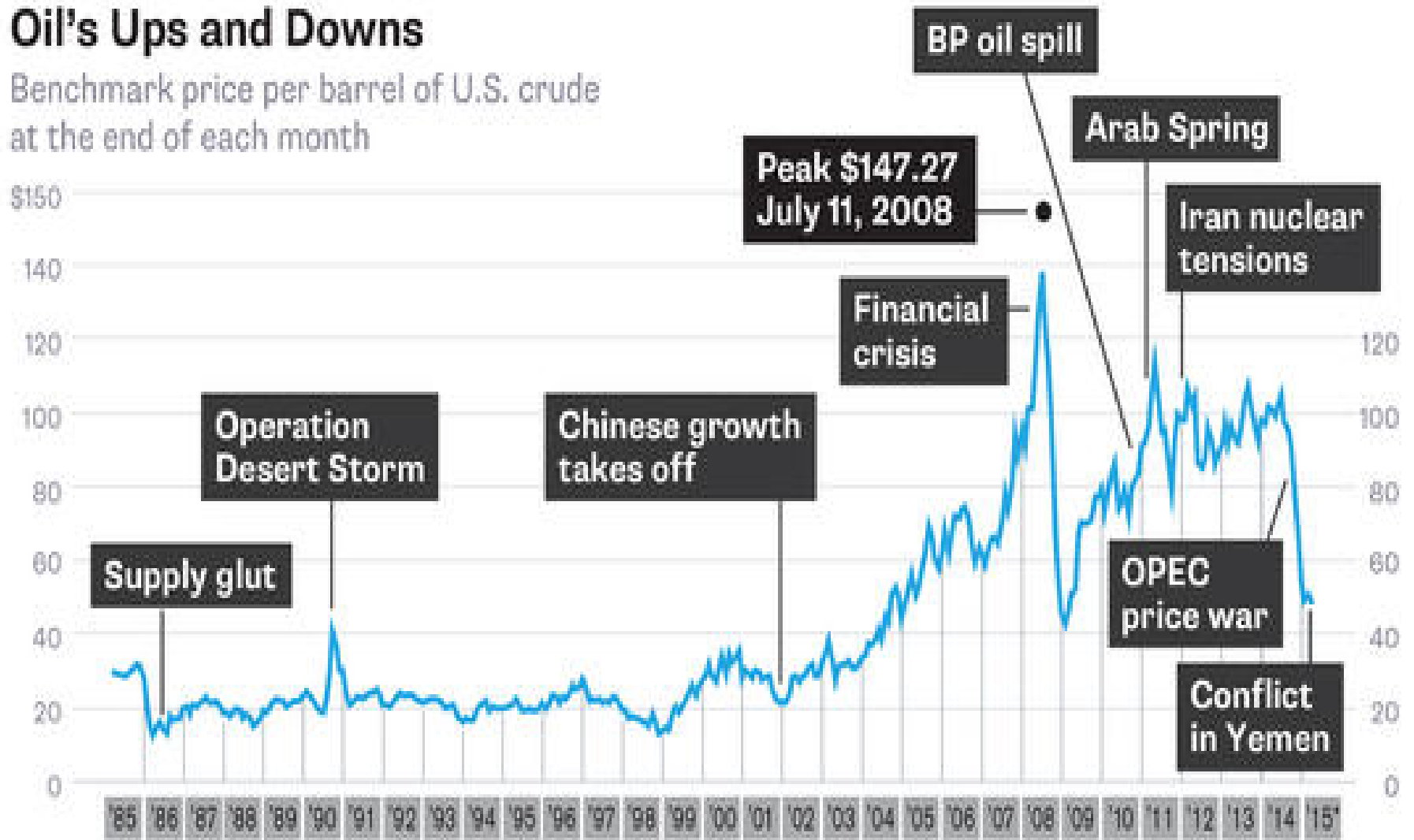
In 2009, however, the price rose nearly 100% to approximately \$73/bbl. And although there were no geopolitical factors creating a supply glut, the world economy was tumultuous at best. Something to think about for 2015.

2009 crude oil price chart:



Oil's Ups and Downs

Benchmark price per barrel of U.S. crude at the end of each month

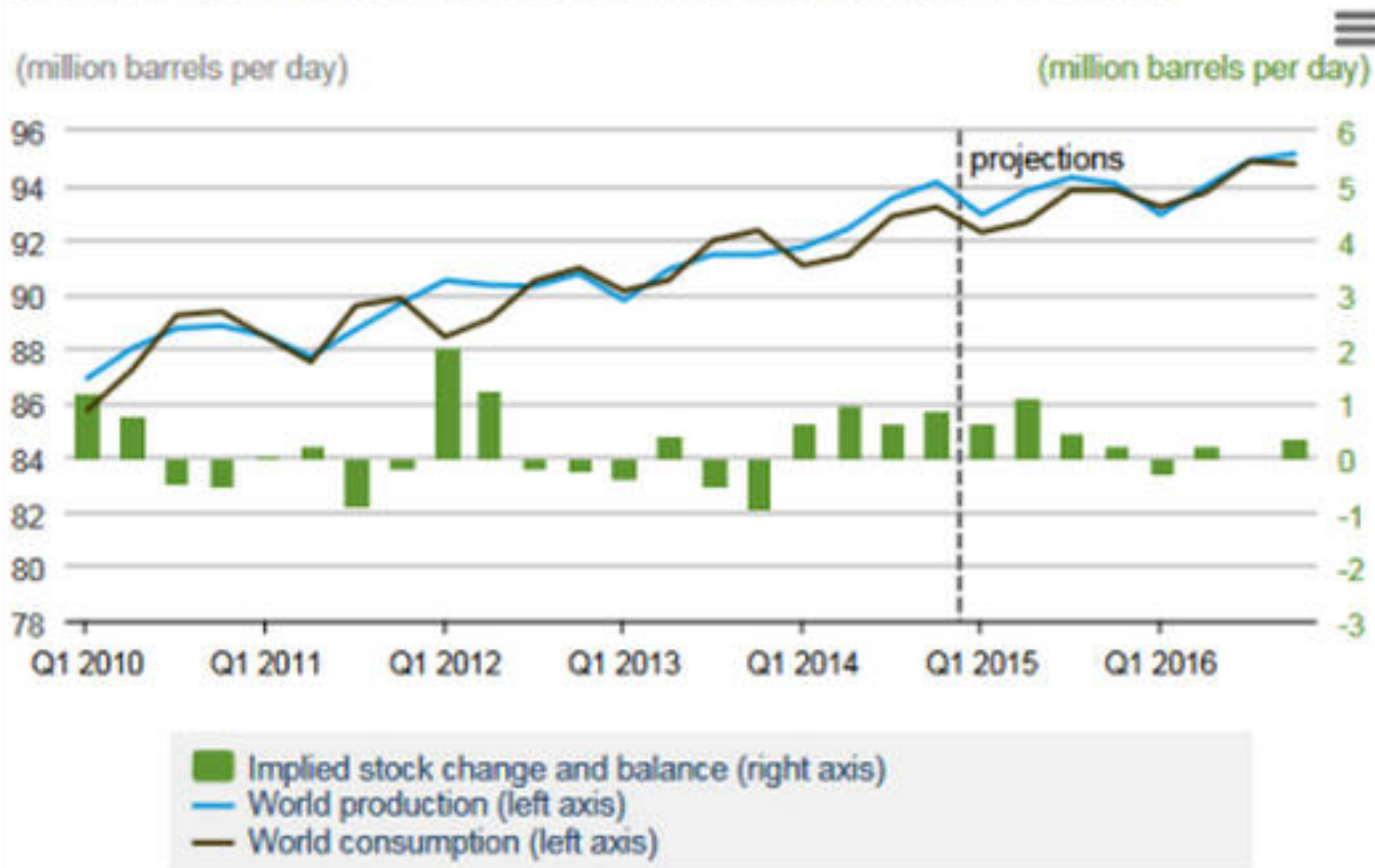


*Final figure for 2015 is for March 27

SOURCE: BLOOMBERG DATA

World Oil Production vs Consumption

World Liquid Fuels Production and Consumption Balance



Conclusion

- I have worked in the oil and gas sector during each of these past 7 cycles.
- I am confident the price will rebound.
- Since 1980 it appears that the average oil price decline takes 227 days (7-8 months) and recovery takes anywhere from 6-12 months.
- The longer it takes for oil to find its new bottom the higher the price will rebound.
- the particulars of the cause and effect of price drop and recovery are not the predictors of when the rebound occurs. It is the pattern of past cycles that indicates that the price will recover to what it was before the drop or higher
- What is important is to maintain perspective.

Conclusion

- I am using this down-cycle to increase efficiencies by:
 - Re-examining existing budgets and plans
 - Ensuring I am maintaining focus on my core areas of strength and therefore focus on my most profitable, lowest risk, assets in the current price environment
 - Take the opportunity to find innovative ways to achieve superior results
 - Knowing that the price will rebound, I am building a strategy for how I plan to position my company to be able to capture growth as projects become feasible.
 - Take the opportunity to educate staff
 - Maintain working relationships with my partners (service companies, JV partners, consultants)