



Welcome to EnerCom's The Oil & Gas Conference® 17

August 12 – 16, 2012 | Denver, Colorado



12 Months Ago – Macro and Micro

- ★ Let's quickly review the previous 12 months.

- ★ During TOGC16, companies put forth their ideas about increasing production to meet an expanding global market's need for energy. We offered the idea “Think (and Transport) Globally, Produce Domestically.”

- ★ Macro
 - ★ U.S. employment, GDP and debt.

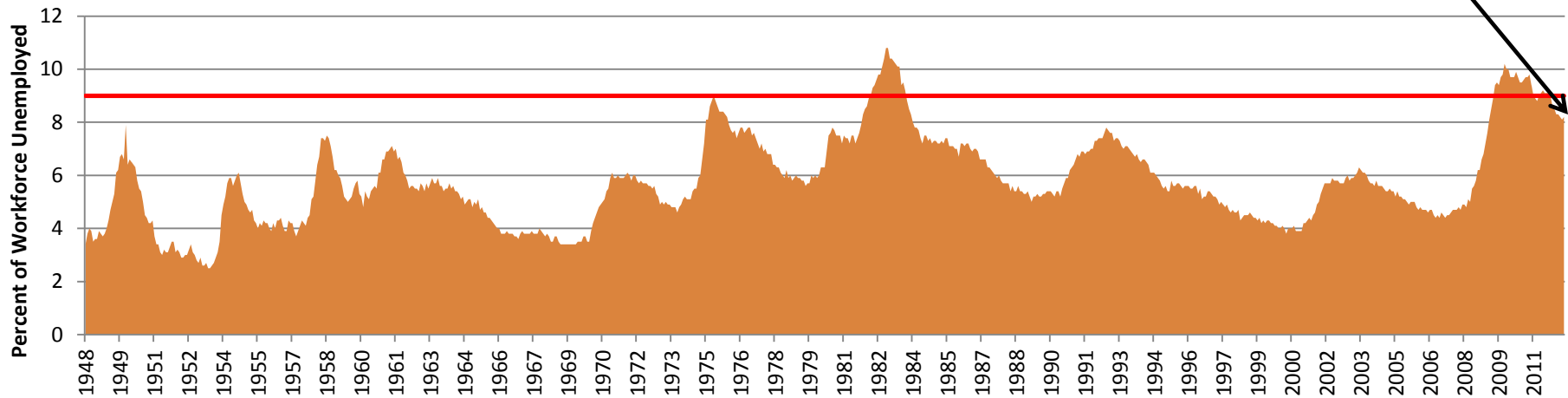
- ★ Micro
 - ★ Natural gas production soared
 - ★ Crude oil production ramped up
 - ★ Companies were dealing with the widening WTI-Brent spread.
 - ★ Global LNG markets and projects were being discussed.
 - ★ There was talk about getting “constructive” on natural gas.

Macro

U.S. Unemployment (Jan-48 to Jul-12)

- ▶ The unemployment rate in July 2012 was 8.3%, up 0.1% from the June figure and 0.8% lower year-over-year.
- ▶ The number of unemployed persons was unchanged in June for a total of 12.7 million.

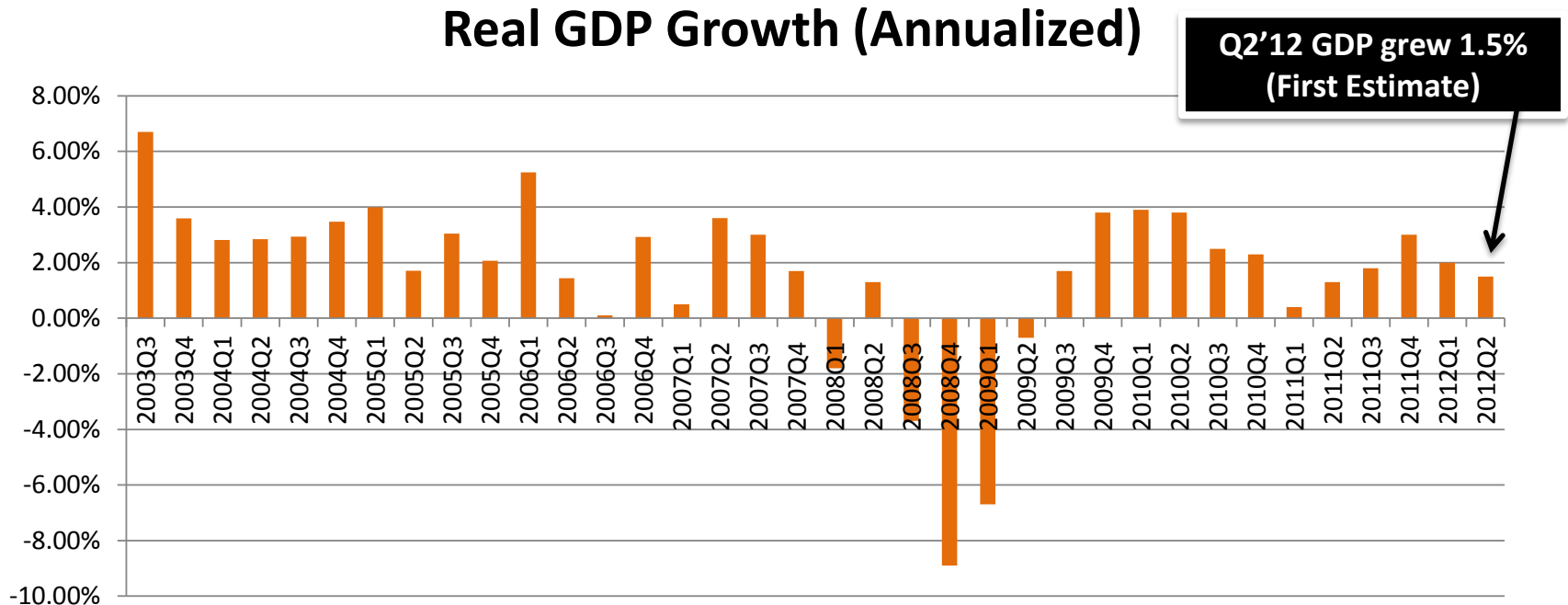
Unemployment Rate (Seasonally Adjusted)



Source: U.S. Department of Labor

GDP

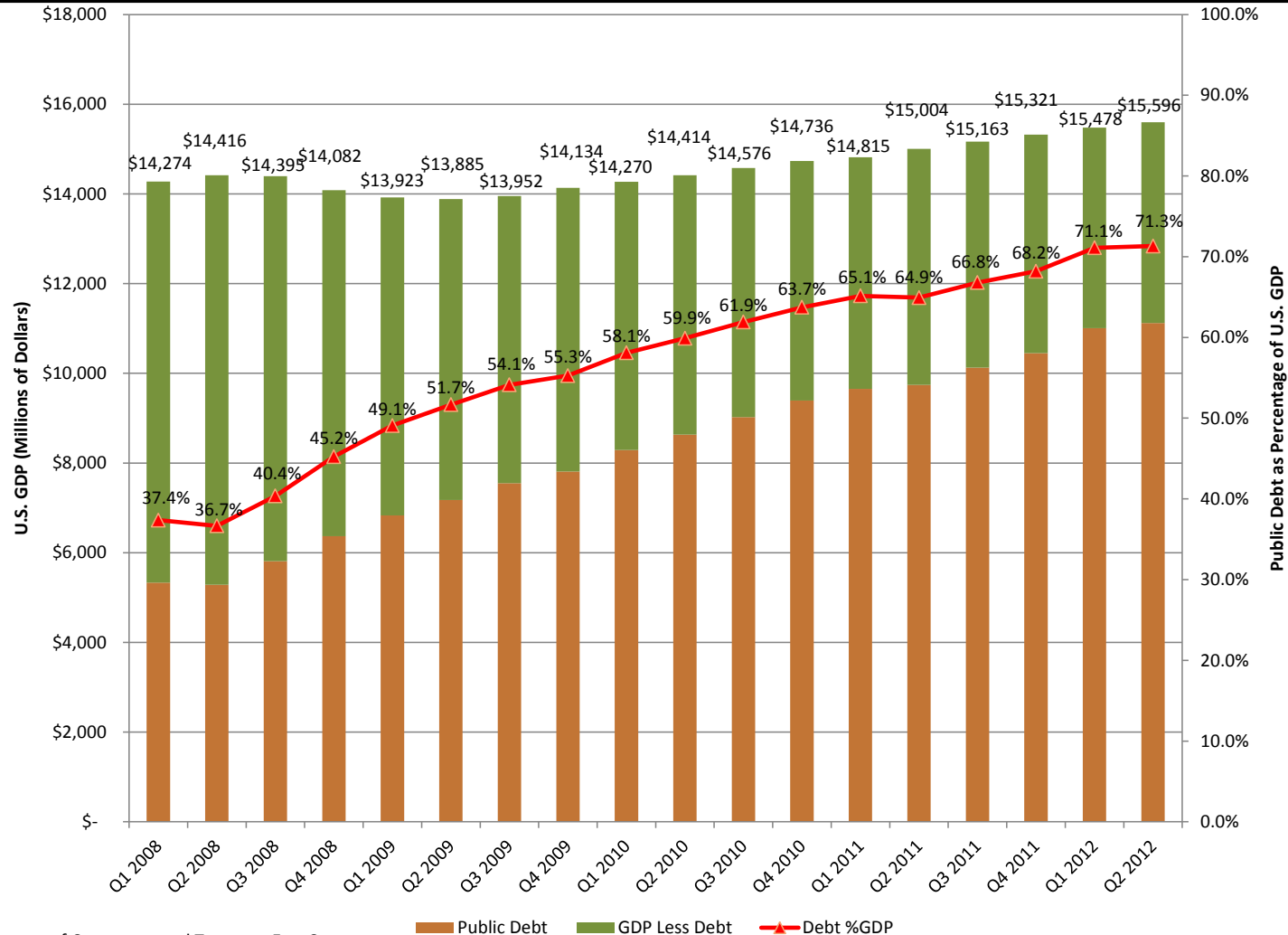
- ▶ In the first estimate of GDP for Q2'12, the pace of U.S. economic growth was estimated at 1.5%, a decrease from the 2.0% final estimate for Q1'12 and lower than the 3% rate the economy grew at in Q4'11.



Source: U.S. Bureau of Economic Analysis (U.S. Department of Commerce)

U.S. GDP and Public Debt, (Q1'08 to Q2'12)

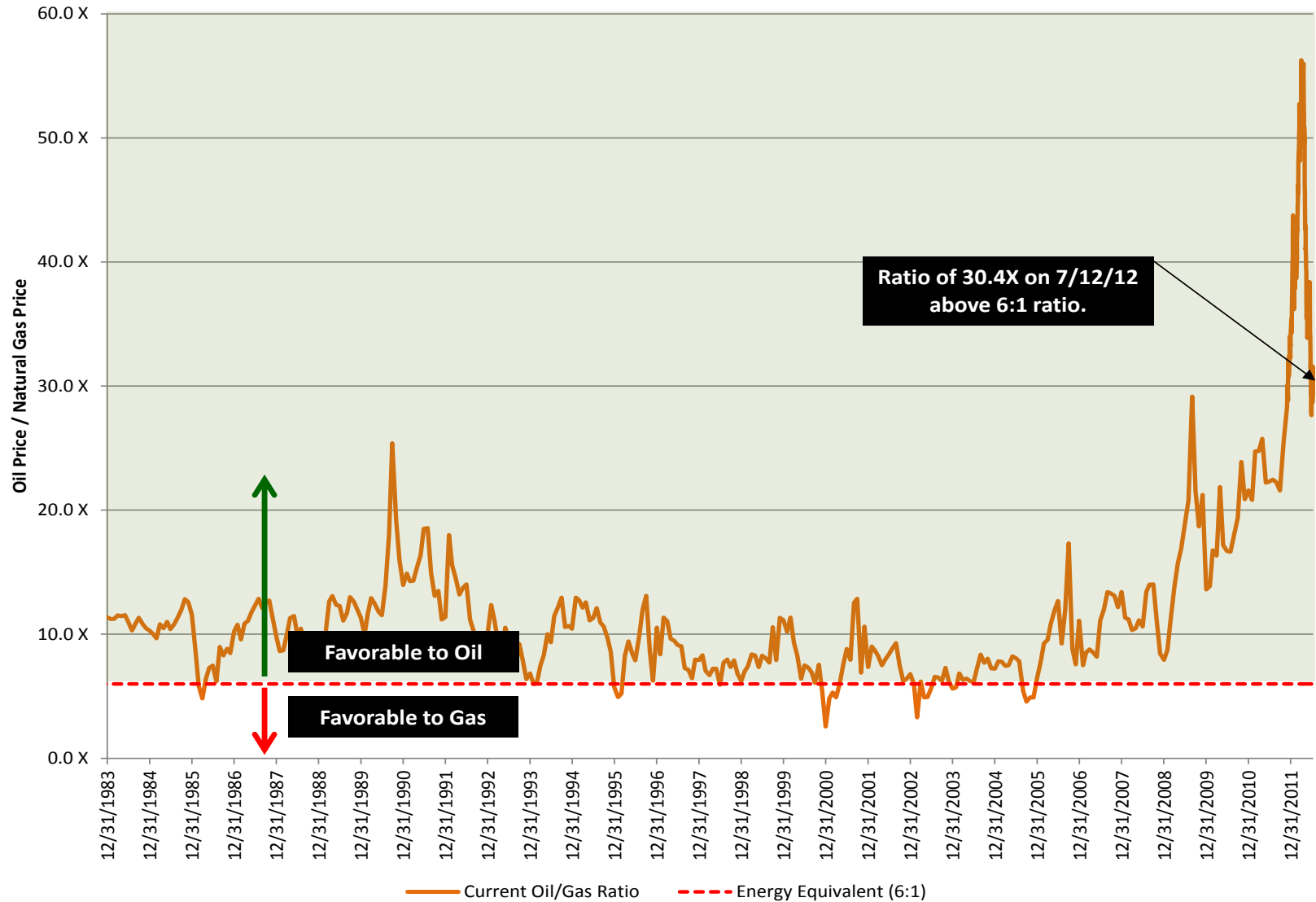
Public debt grew 14.2% from Q2'11 to Q2'12, as compared to 12.8% from Q2'10 to Q2'11.



Source: U.S. Departments of Commerce and Treasury, EnerCom

Micro

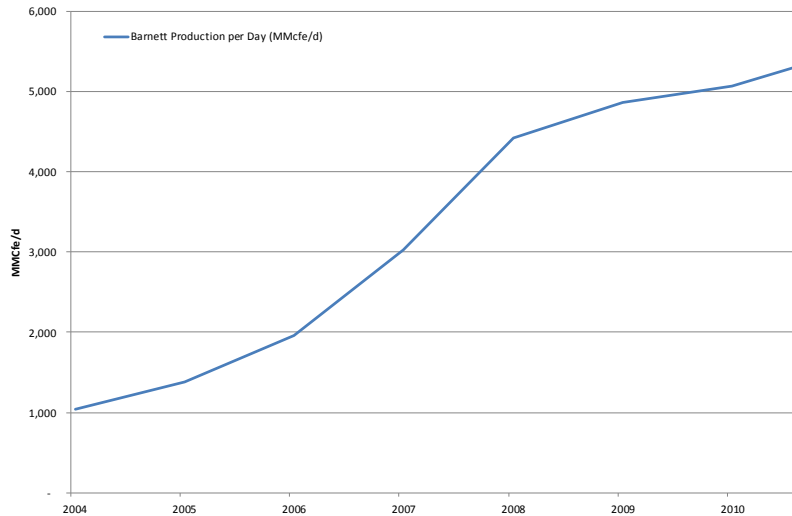
Energy Equivalent Pricing



Source: Bloomberg, EIA, EnerCom.

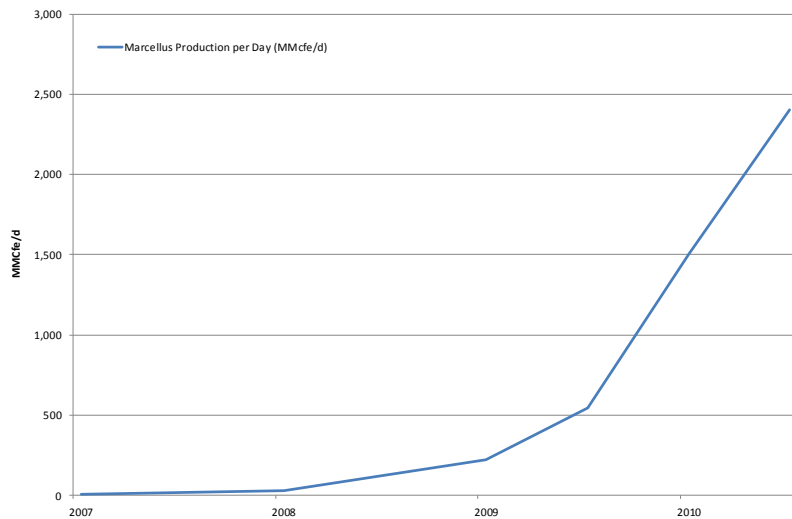
Natural Gas Production by Play

Barnett Production

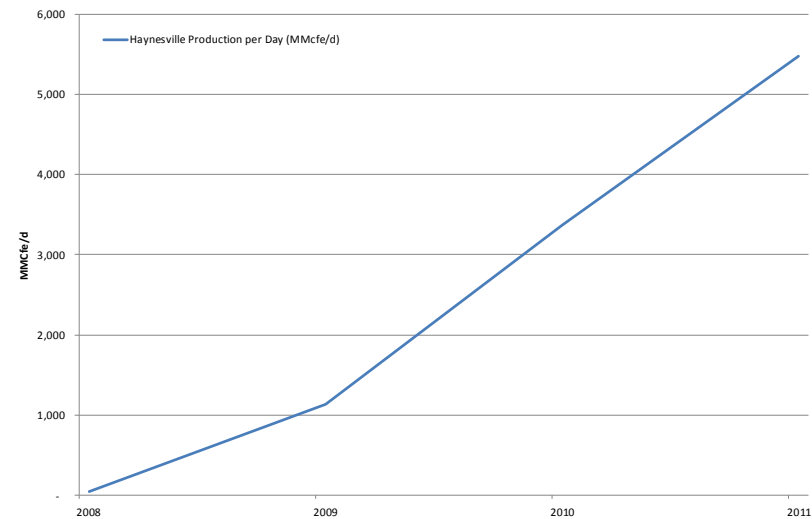


- ▶ Natural gas production in key shale plays across the U.S. continues to increase despite the decline in natural gas rig count

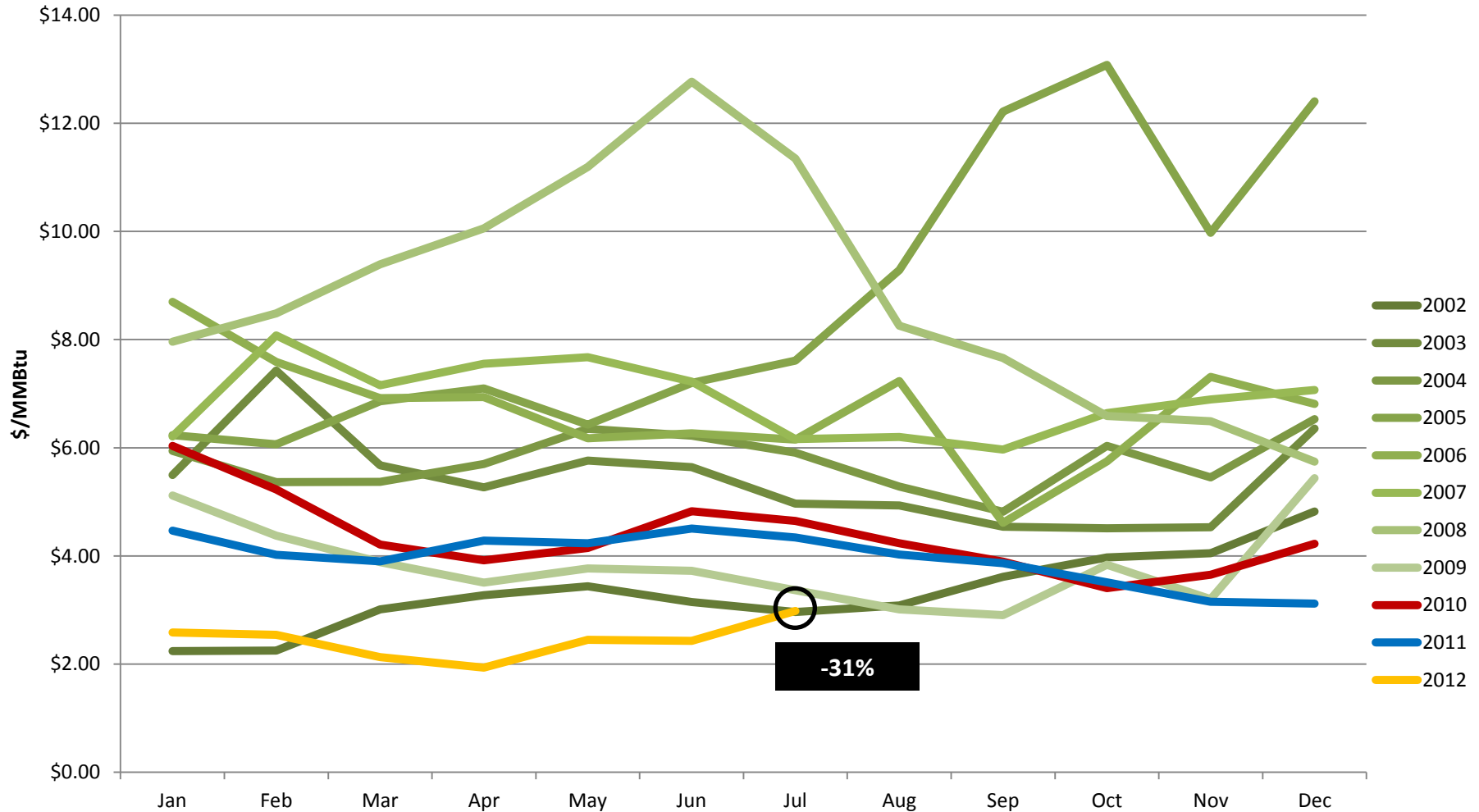
Marcellus Production (PA)



Haynesville Production (LA)



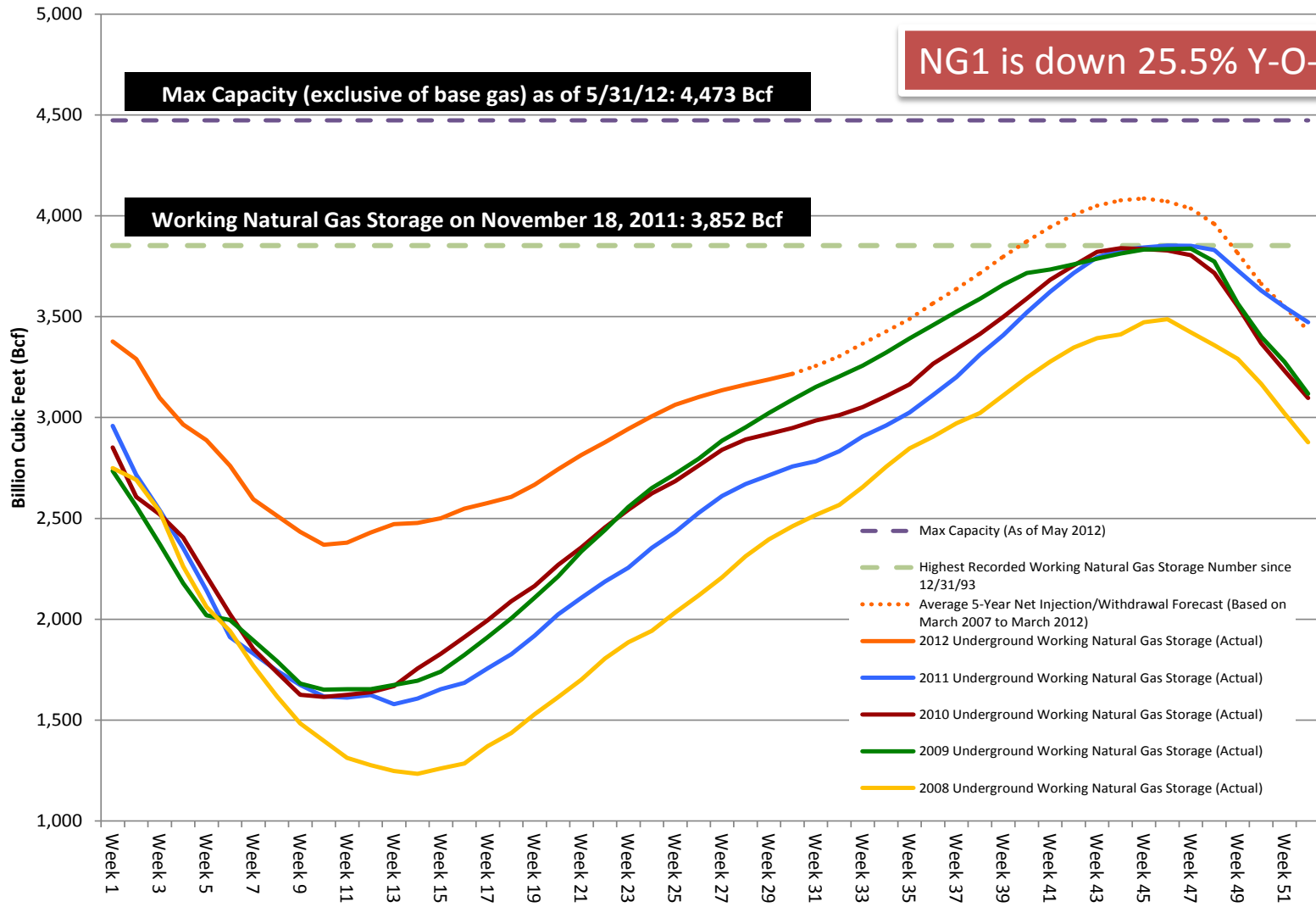
Historical Henry Hub Natural Gas Prices



\$1.36 Difference (August 2012 vs. August 2011)

Source: Bloomberg, EnerCom.

Working Natural Gas Storage

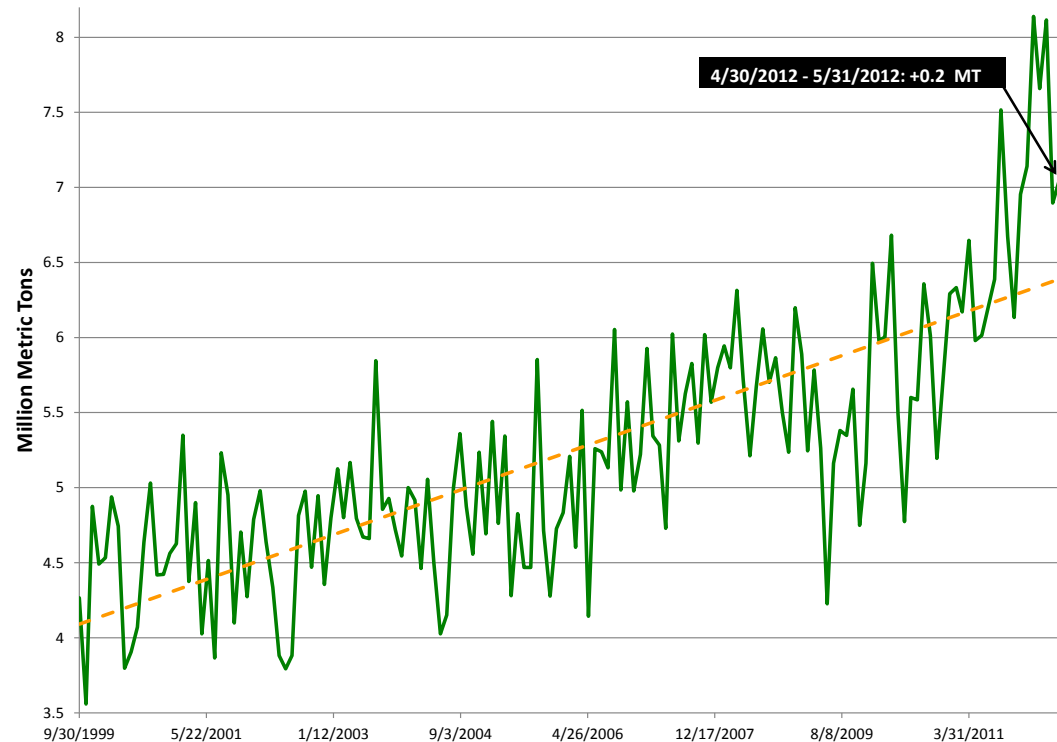


Sources: EIA, EnerCom.

Japan LNG Imports

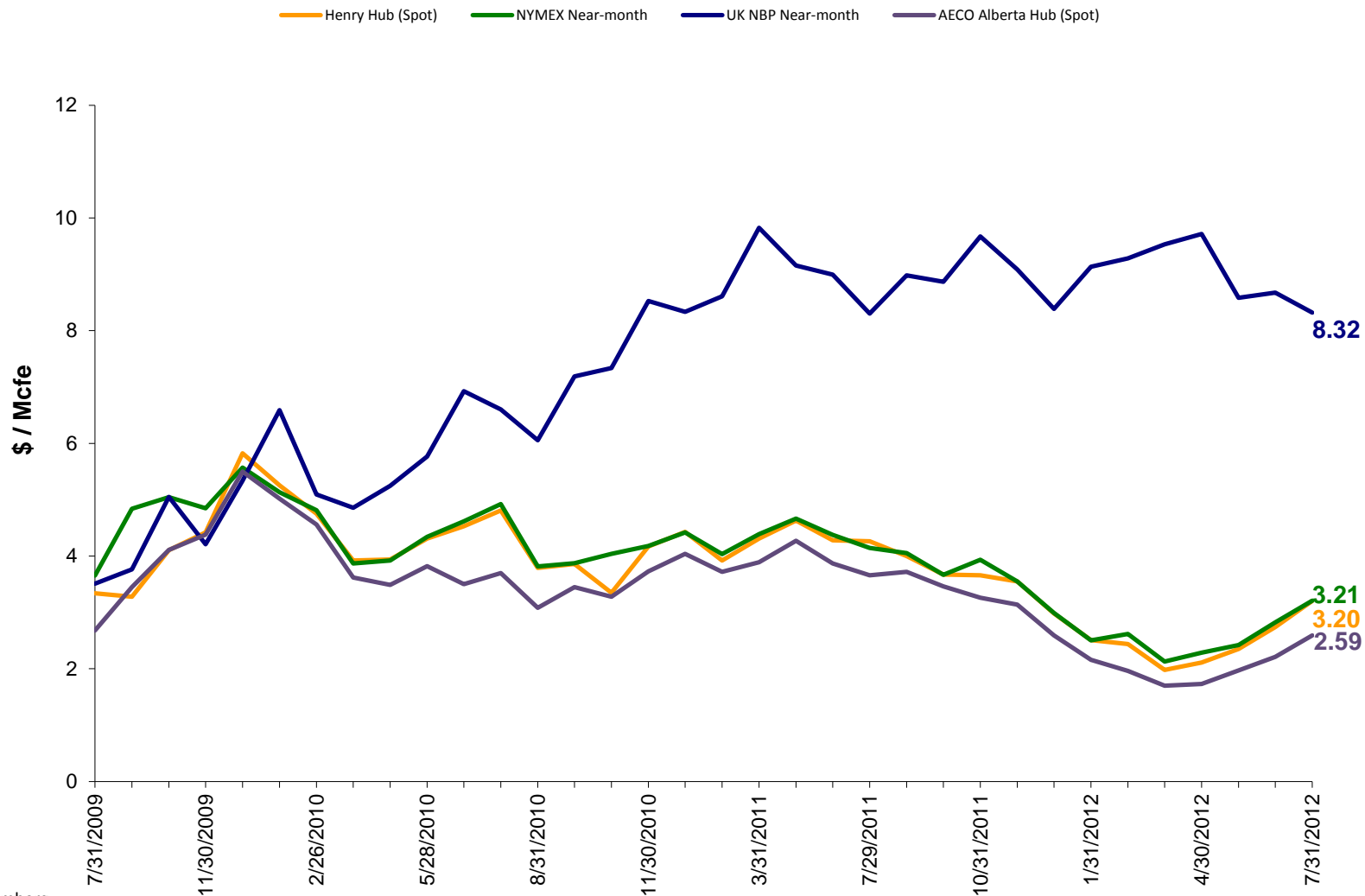
- ▶ Japan's CAGR from 2007 to 2011 was 3.2%, up from the 2.4% CAGR from 2006 to 2010.
- ▶ Japan imported 7.0 million tons of LNG in May 2012, a 2.2% increase from 6.9 million tons in April 2012.
- ▶ Japan houses 25 of the world's 84 regasification terminals. Worldwide, there are 21 regasification plants currently under construction (5 in Japan and 7 in China).
- ▶ Bloomberg reported in January 2012: Demand for LNG, is rising as nations from the U.K. to South Korea increase pollution curbs. Gas emits about half the carbon dioxide of coal.
- ▶ Japan, the biggest importer, is buying more after closing 89 percent of its nuclear capacity following March's Fukushima disaster, thus eliminating a glut of tankers. Ship shortages may worsen, with the 372-strong fleet projected to expand just 0.8 percent this year.

Monthly LNG Imports (Japan)



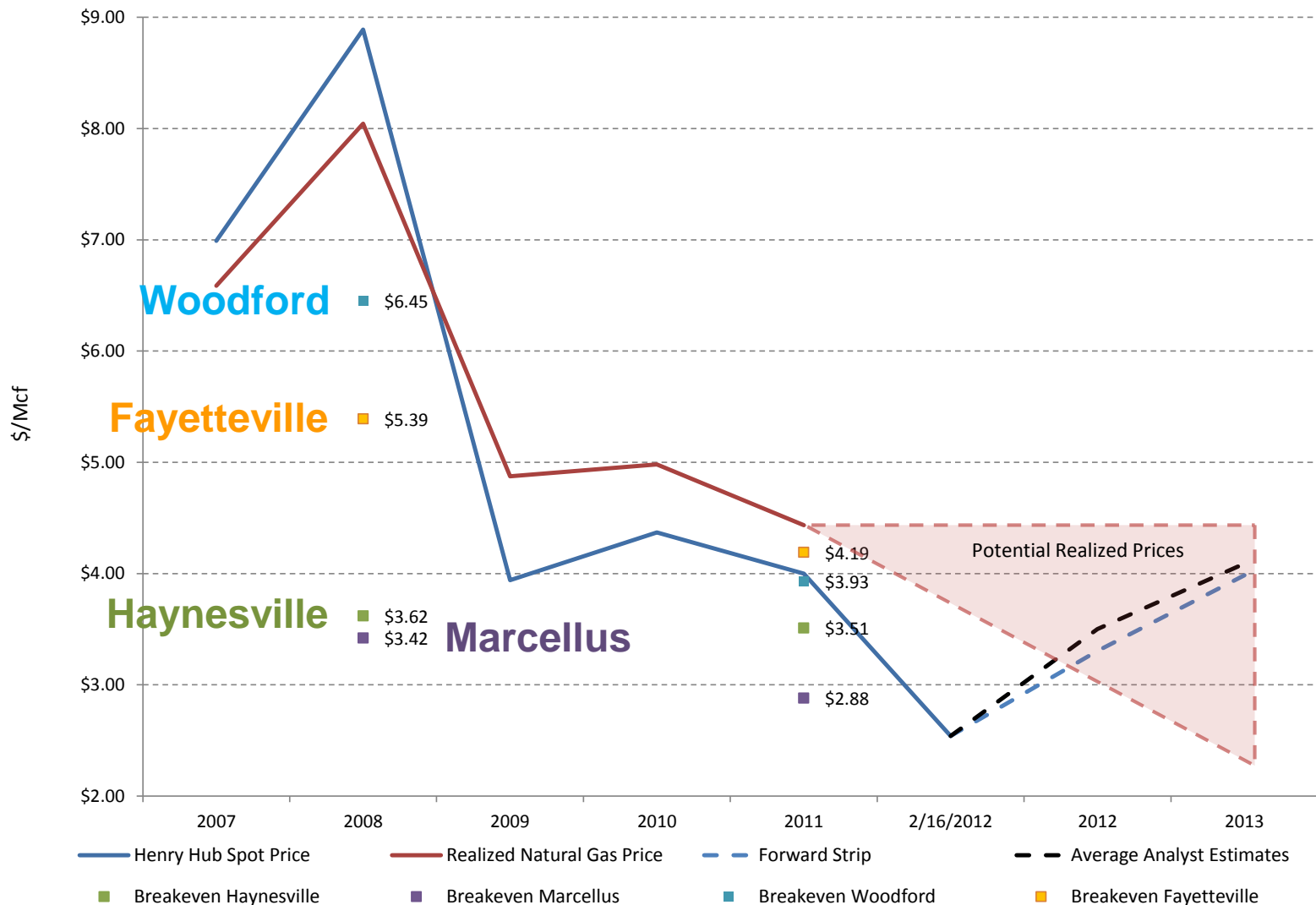
EU vs. Domestic Natural Gas Pricing

7/31/09 to 7/31/12



Sources: Bloomberg.

Natural Gas Economics



Source: EnerCom Inc.

Let's review 2008.

Four Years Ago

- ★ WTI crude oil prices hit \$145/barrel 07/03/08
- ★ Natural gas prices hit \$13.577/MMBtu 07/03/08
- ★ We were witnessing a financial train wreck, but didn't know it. DJIA high was 13,058 05/02/08
- ★ Unemployment – 4.8% Feb; 7.8% Dec.
- ★ We were in a contentious political season

- ★ With the rise in commodity prices, Americans began to ask: “Do we have an energy policy to address high energy costs?”

Original U.S. Energy Policy, circa 1910

“The part of our Government should take planning to meet our future needs is to give **moral support to every effort of American business to expand its circle of activity in oil production**, so that it will be coextensive with the new field of American shipping.

“This may mean world-wide exploration, development, and producing companies, **financed by United States capital**, guided by American engineering, and **safeguarded in policy because protected by the United States Government**.

“**Thus only can our general welfare be promoted and the future supply of oil be assured for the United States.**”

George Otis Smith

Director, U.S. Geological Survey, 1907 – 1930

Funding a Capital Intensive Industry

2012 year-to-date debt offerings increased 6% from June 30, 2012 and accounted for 79% of total offerings.

U.S. and Canadian Offerings	2008	2009	2010	2011	YTD-2012
Initial Public Offerings	\$211MM	\$1,020MM	\$4,429MM	\$3,465MM	\$2,925MM
Follow-on Offerings	\$11,626MM	\$14,889MM	\$12,299MM	\$14,296MM	\$7,061MM
Debt Offerings	\$22,567MM	\$29,110MM	\$37,246MM	\$39,233MM	\$37,355MM
Totals	\$34,404MM	\$45,019MM	\$53,974MM	\$56,994MM	\$47,341MM
U.S. & Canada M&A Announcements	\$132B/ 768 deals	\$137B/ 778 deals	\$180B/ 874 deals	\$173B/ 896 deals	\$101B/ 454 deals
Global M&A Announcements	\$229B/ 1,407 deals	\$212B/ 1,290 deals	\$327B/ 1,419 deals	\$271B/ 1467 deals	\$136B/ 700 deals

Source: Bloomberg. Oil & Gas and Oil & Gas Service industries.

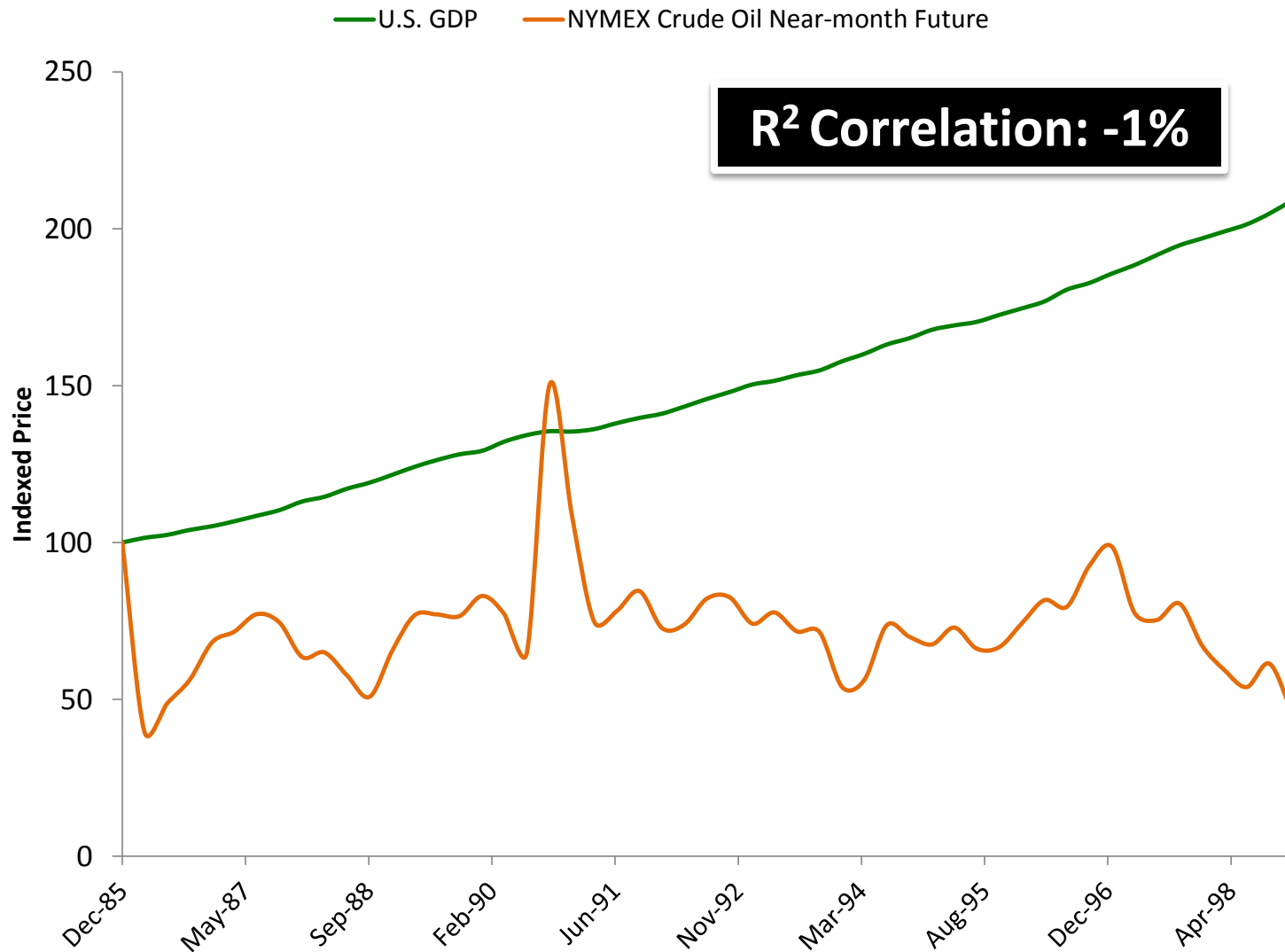
Original U.S. Energy Policy, circa 1910

“Petroleum’s rank among the minerals is won not by its attractive appearance, but by sheer usefulness. **Few of us fully appreciate how essential this mineral oil is in the world economy** or realize all the changes that have come about in its use within a decade or two.”

George Otis Smith

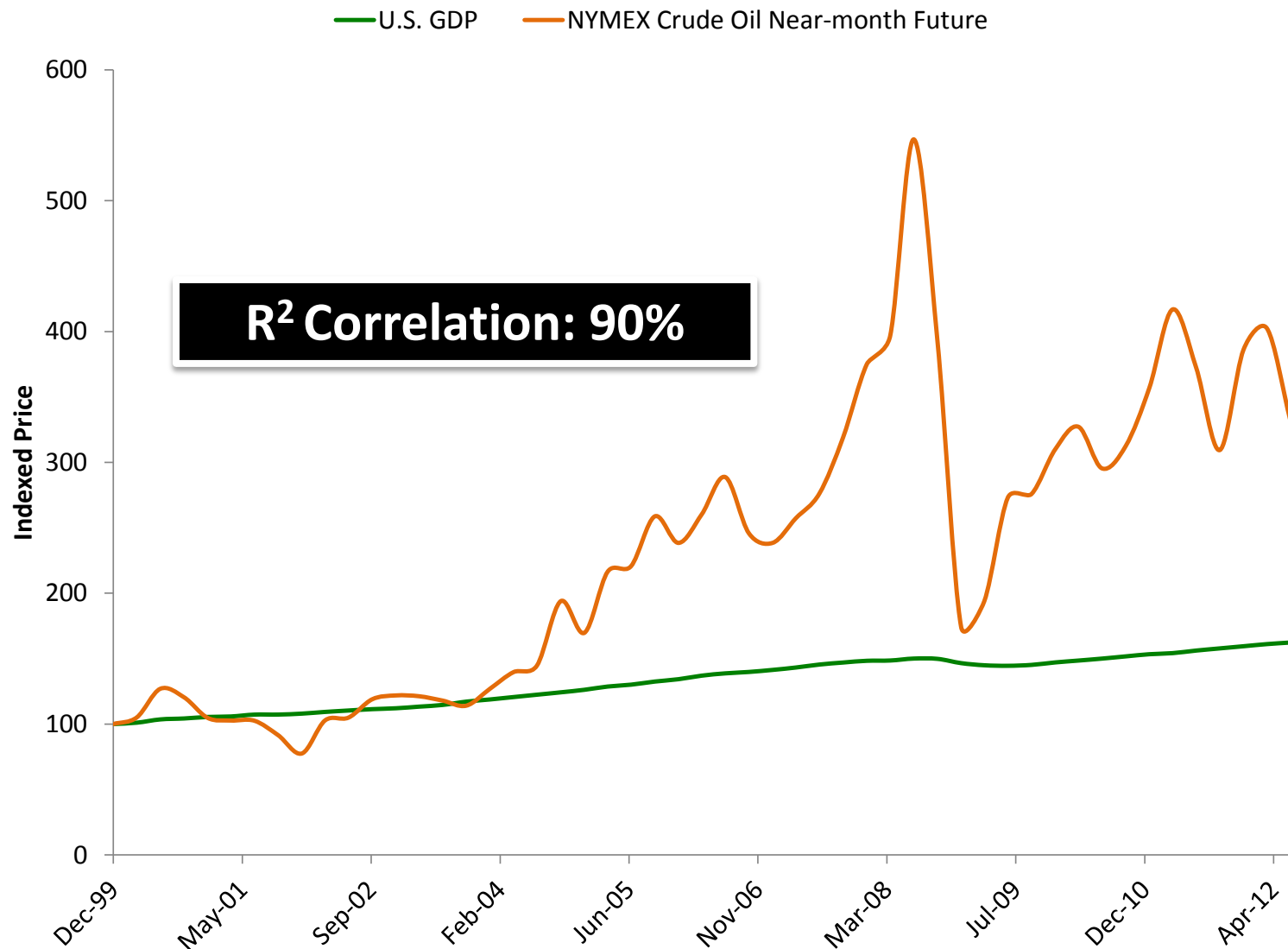
Director, U.S. Geological Survey, 1907 – 1930

1986 – 1998 (13 Years) GDP vs. Oil Price



Source: Bloomberg.

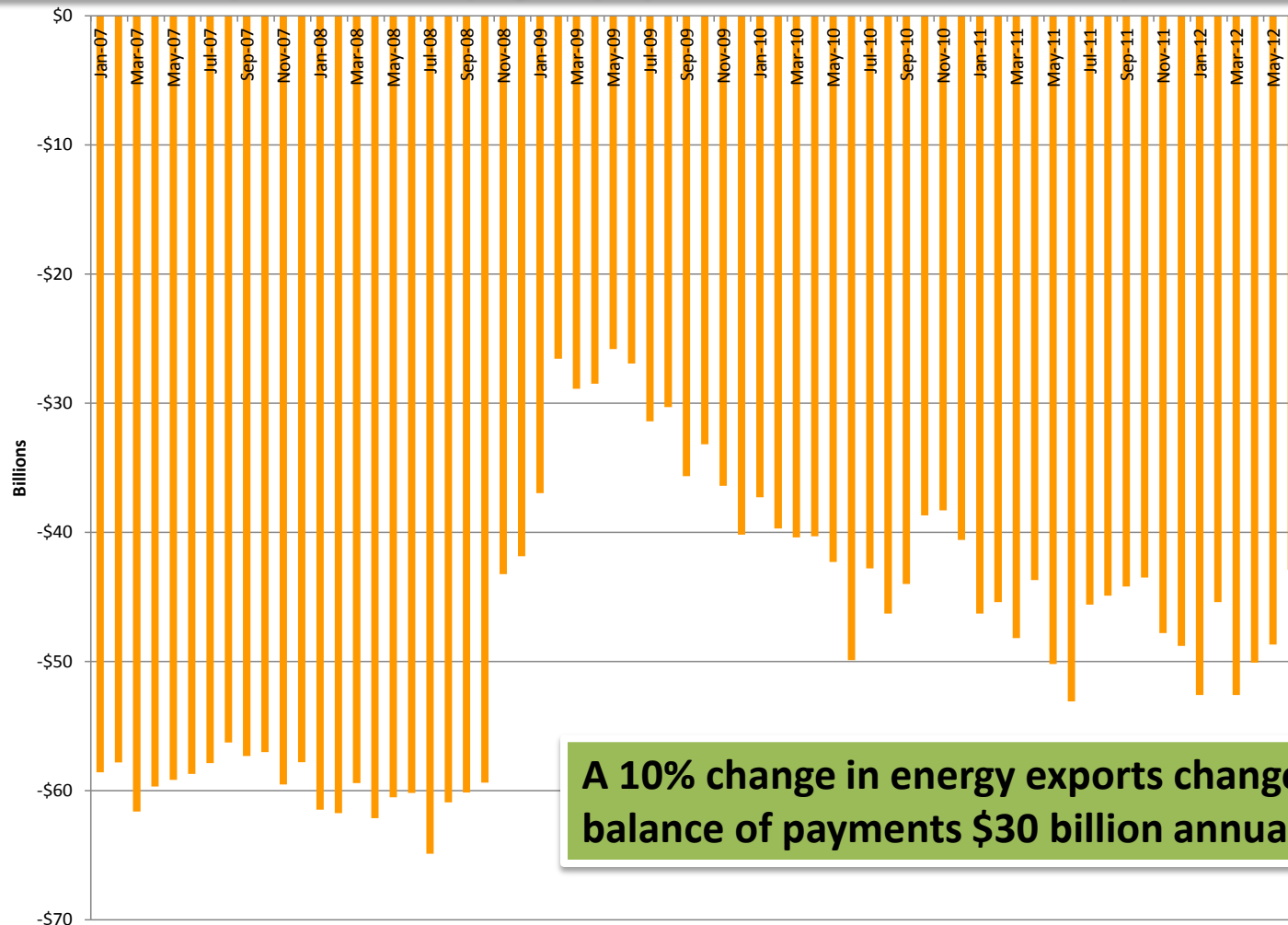
2000 – 2012 (13 Years) GDP vs. Oil Price



Source: Bloomberg.

U.S. Trade Balance

The U.S. trade deficit in June 2012 was \$42.9 billion, down from the revised deficit of \$48.0 billion in the previous month (originally reported as a deficit of \$48.7 billion).

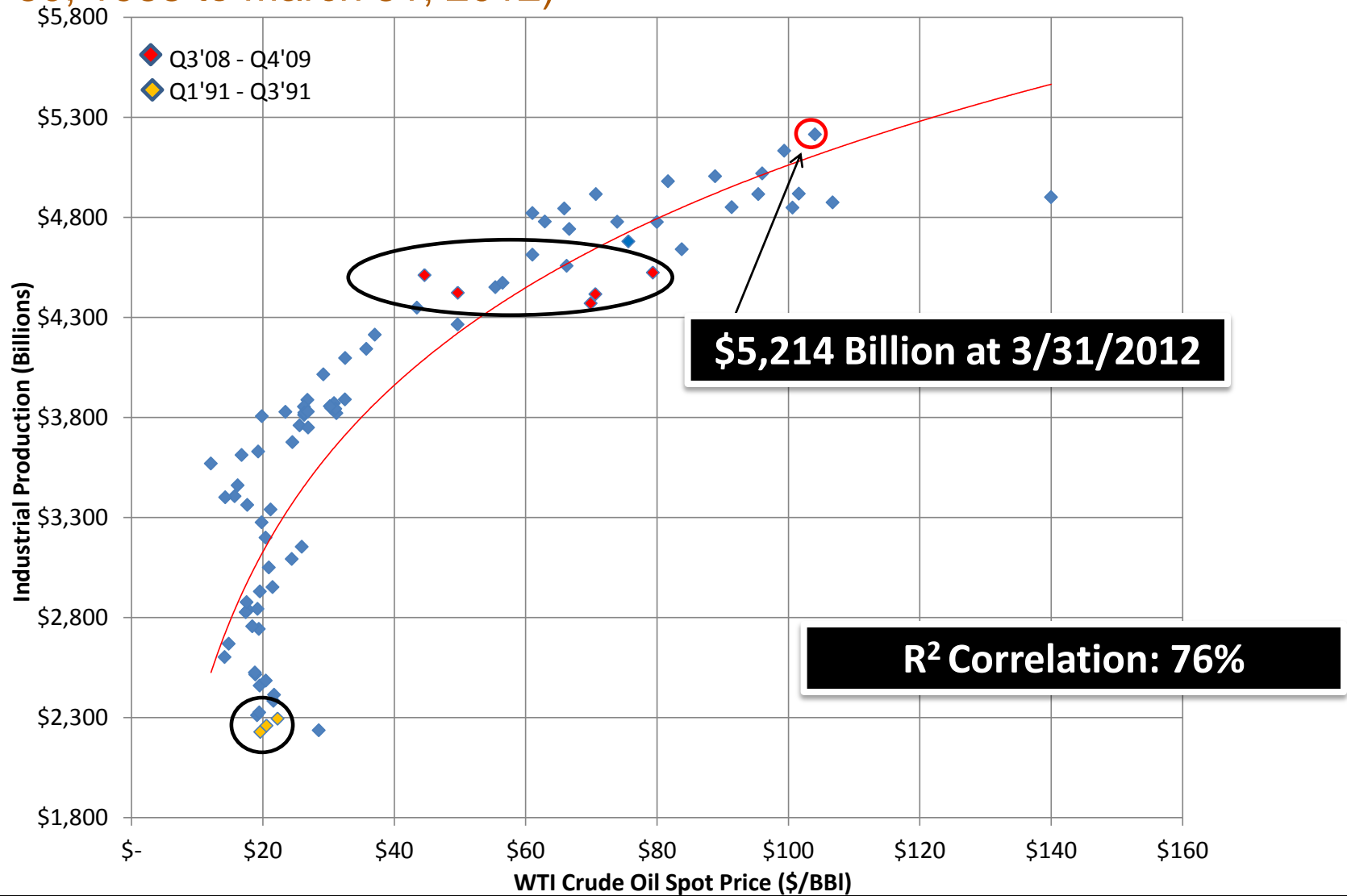


A 10% change in energy exports changes the balance of payments \$30 billion annually.

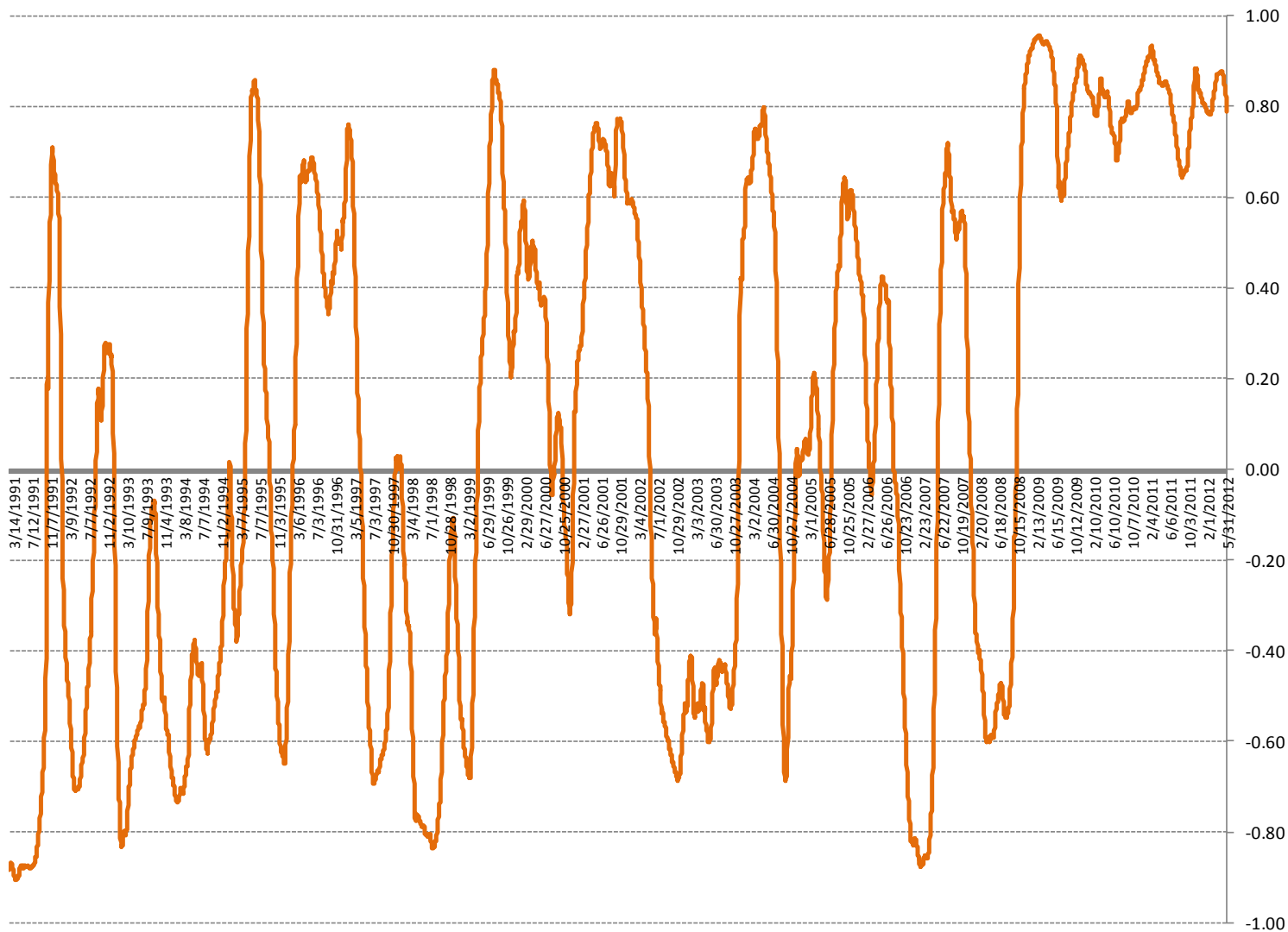
Source: Bureau of Economic Analysis (BEA) and Bureau of the Census; U.S. Department of Commerce.

Industrial Production and Oil Price

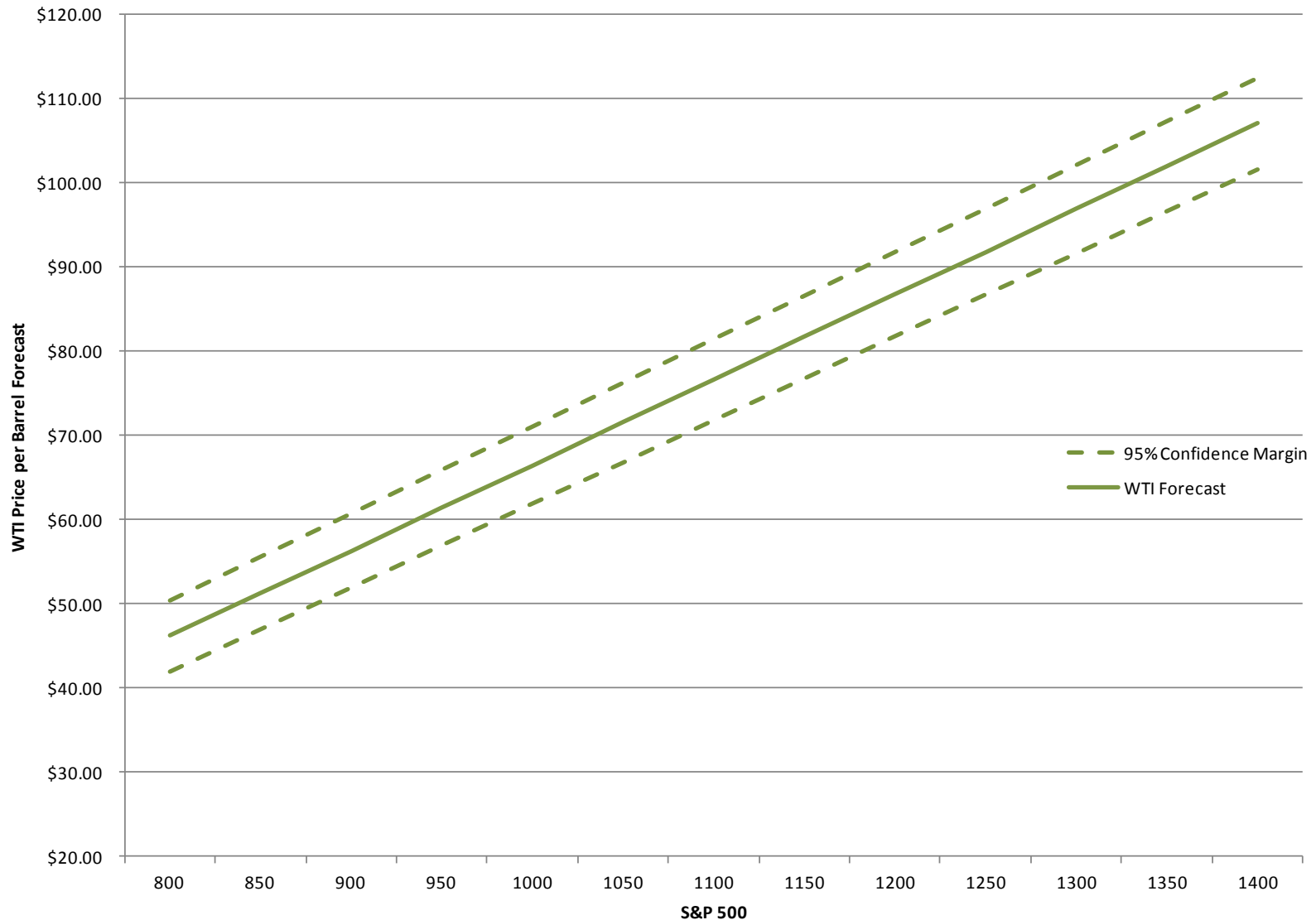
(June 30, 1983 to March 31, 2012)



Correlation Between S&P 500 and WTI



Oil Price Forecast – WTI



Source: Bloomberg.

Why We're Here Today @ TOGC17

- ★ **Discover** unique companies, strategies, ideas and management teams.
- ★ **Acquire** more knowledge about a company's operations and financial structure.
- ★ **Explore** how companies are using their capital for generating per-share wealth.
- ★ **Develop** ideas and opportunities for short-, medium- and long-term investments.
- ★ **Exploit** our mutual know-how and experience to generate better returns in your portfolios.
- ★ **Produce** positive investment returns.

Here's One Idea for Investment Returns...

Market Week Pullout **Dow Rallies 1.7% Friday to a Three-Month High Page M3**

BARRON'S

Why Activision Shares Could Rise 50%
Page 14

The Dow Jones Business and Financial Weekly www.barrons.com August 6, 2012 \$5.00

HOW TO PLAY ENERGY NOW

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Why Knight must fall

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New bellwethers: Fido and Rover

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Lev Frankfort on Coach's woes


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Suit spells trouble for JPMorgan

JOBS CONUNDRUM • 33
Unemployment rises as more find work

EMERGING MARKETS • M8
Seeking safety in unlikely places

Energy stocks are trailing the market badly this year, pushing their dividend yields as high as 7%, while their price/earnings ratios remain in single digits. Here are the ones to buy.

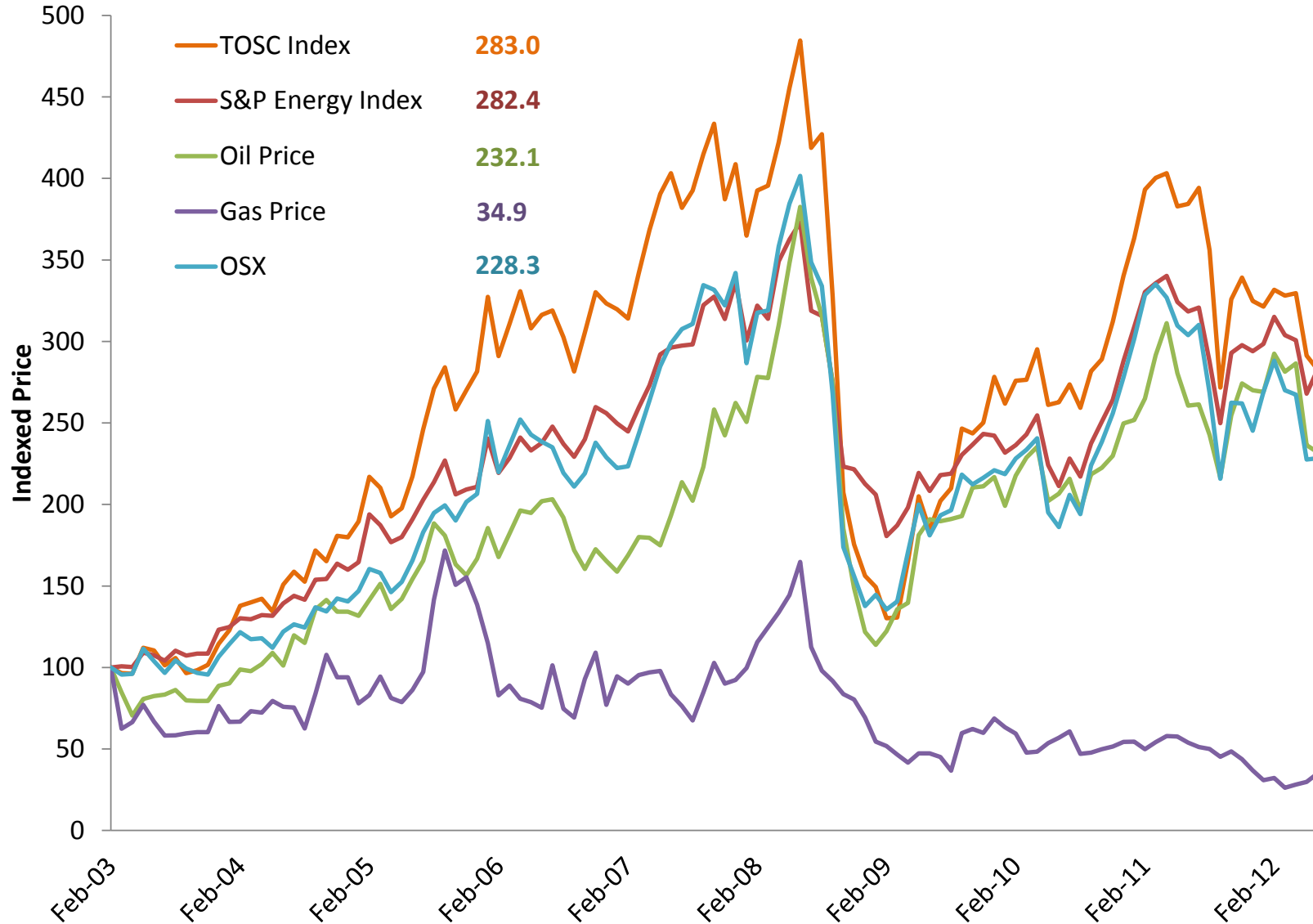


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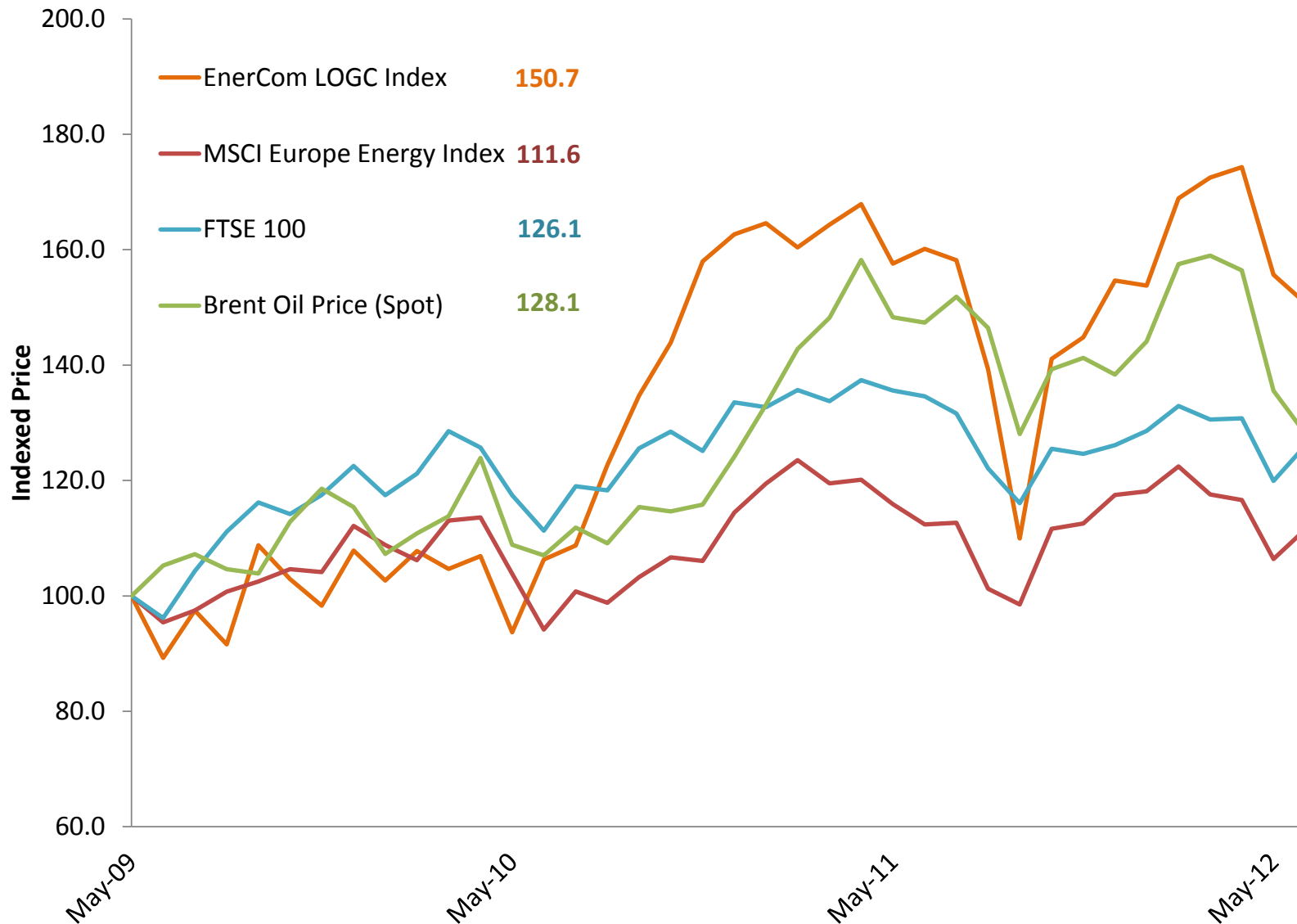
We Respectfully Offer Three Better Ideas for Generating Returns.

The Oil & Services Conference™ Index



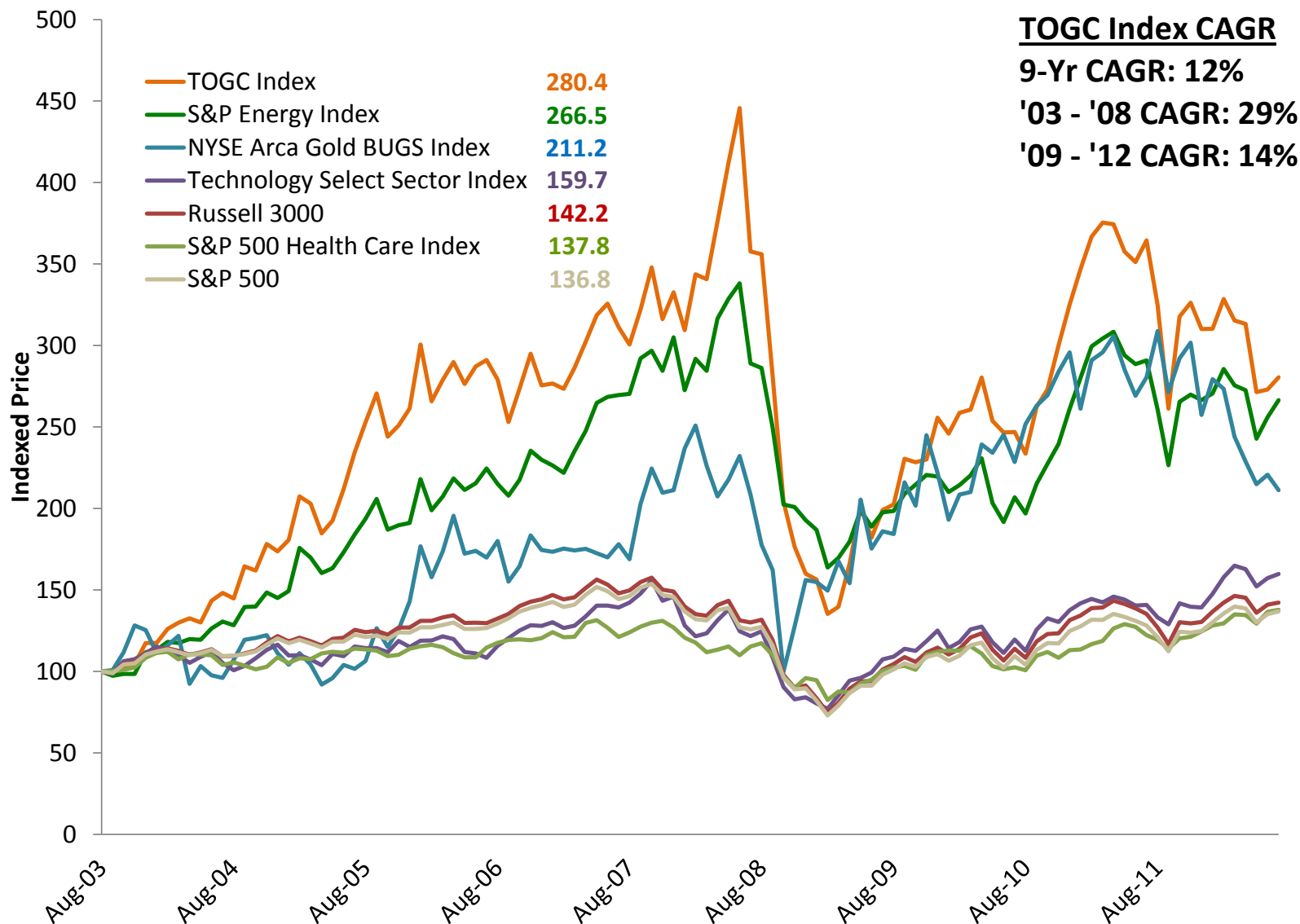
Source: Bloomberg.

EnerCom's London Oil & Gas Conference™ Index



Source: Bloomberg.

The Oil & Gas Conference[®] Index



Source: Bloomberg.