Managing in a Low-Price Environment

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Humility is a Virtue – “It is difficult to predict, especially the future”\(^1\)

\(^1\)Niels Henrik David Bohr – Danish physicist that won the Nobel Prize in Physics in 1922, also a philosopher and a promoter of scientific research
Historical Oil Prices

Resource Grab: Barrel Growth Focus

Optimize Resource Base: Capital and Cost Discipline Focus

$ money of the day

$ 2015

Oil Price ($/bbl)

1965-1983 Arabian Light posted at Ras Tanura
1984-2014 Brent dated

Historical prices are from BP Statistical Review of World Energy 2015
Major oil and gas companies returned 16%/year versus 12%/year for the market, 1987 – 1997²

Extended period of price weakness

¹Historical prices are from BP Statistical Review of World Energy 2015
²Morgan Stanley / BCG
Massive, unprecedented increases in non-OPEC Production
- Grew by 2.1 million bopd in 2014, largest increase ever
- US oil production increased by 1.6 million bopd (15.9%) in 2014 and 981 thousand bopd (8.5%) in 2015
Supply Shock – U.S. Led the Pack Globally in Both Oil & Gas Production for 2015

Top 5 Oil Producers in 2015

Top 5 Gas Producers in 2015

1 BP Statistical Review of World Energy 2015
We Have Three Primary Levers to Manage in Any Price Environment

- **Standards:**
  - Standardized technical solutions
  - Balance standards and need for improvement

- **Planning & Execution:**
  - Understand risks
  - Reduce unnecessary complexity
  - Reduce cost of supply
  - Apply technology and innovation

- **Suppliers:**
  - Create aligned interest between suppliers and operators
  - Eliminate ambiguous contracts and commercial terms
  - Develop and maintain relationships

>>> Today’s challenges require us to pull on all three levers <<<
Will utilize any or a combination of strategies depending on the opportunity.