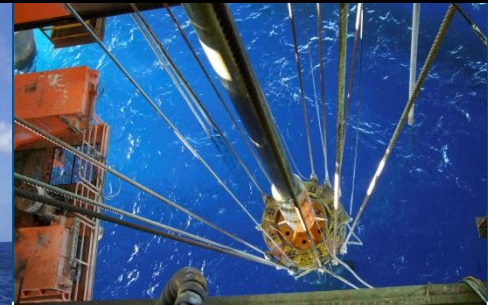


Creating value
across the natural
resources sector



The Oil Price

CONFIDENTIAL • June 2015

The Oil Price: Summary

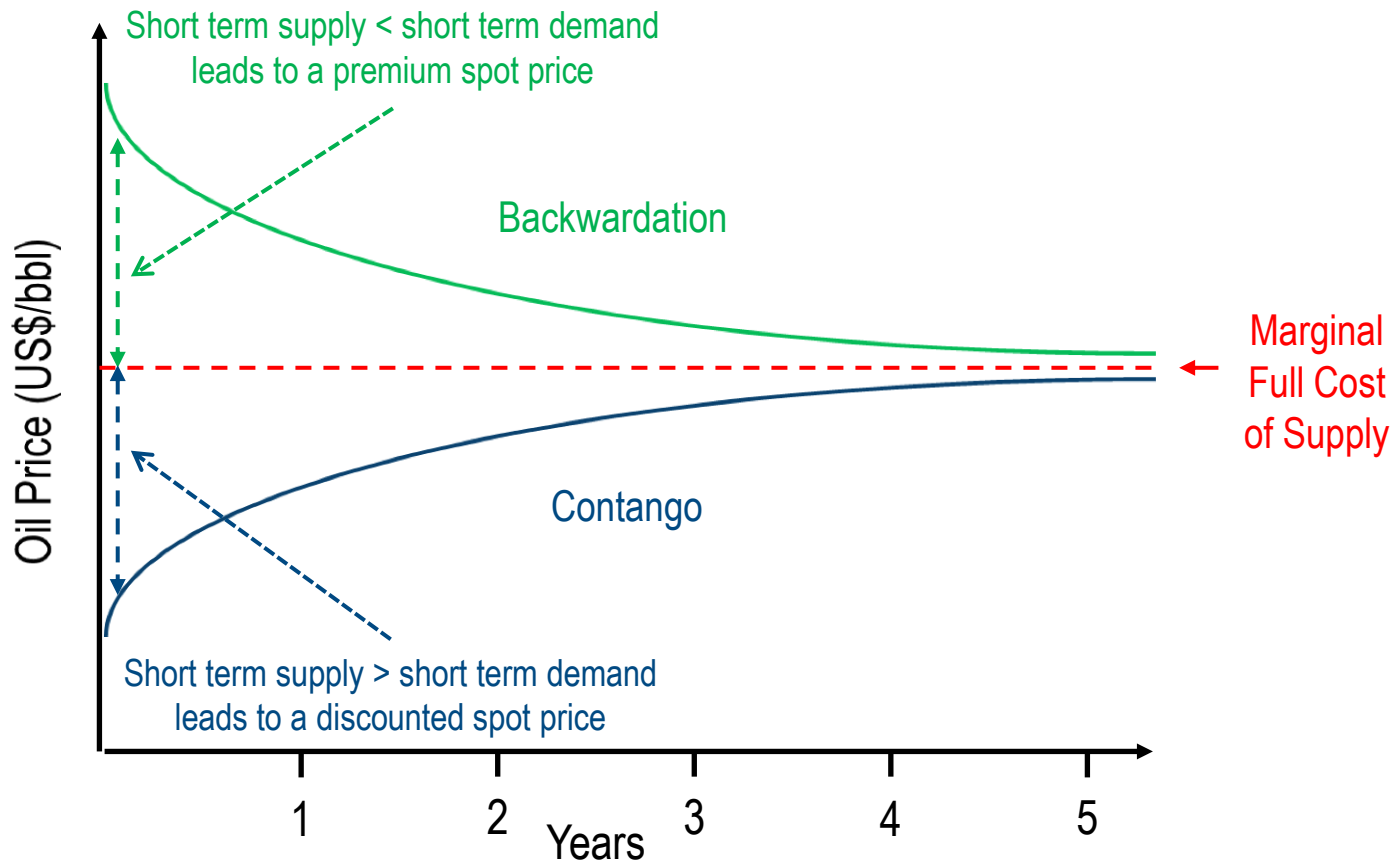
In the Medium Term:

- The Mid-cycle oil price will be lower than it was a year ago
- Last year Brent long dated contracts traded at US\$95/bbl – US\$100/bbl
- We estimate that US\$75/bbl – US\$80/bbl will be more appropriate for the next few years

In the Short Term:

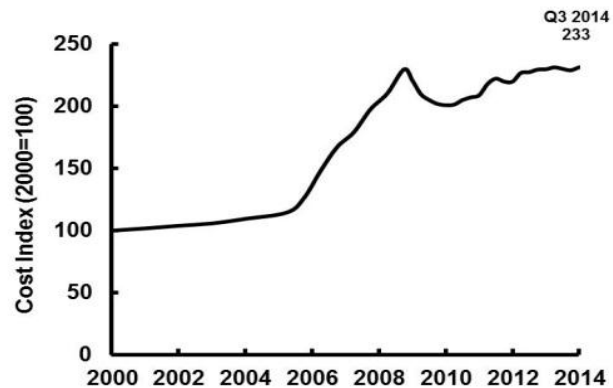
- We believe a pull back is likely after the recent rally
- The onshore US rig count appears to have stabilised.
There are a few thousand drilled but yet to be completed US onshore wells waiting in the wings for higher oil prices
- Global crude and product stocks are still at high levels and likely to grow over the next couple of months
- The marginal cash cost of production sets the Brent oil price floor at around US\$30/bbl.
However, we do not expect the oil price to approach this level in this cycle.

Oil Price Formation: Spot Prices And The Forward Curve



Structural Component Of The Oil Price

Upstream Capital Cost Index



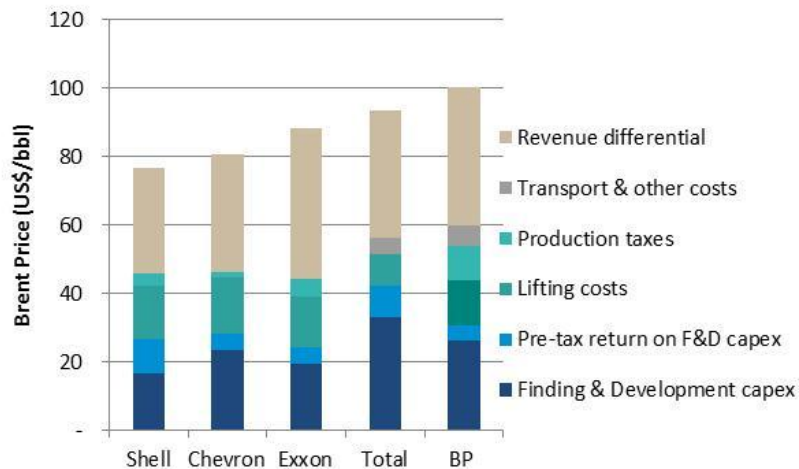
Source: IHS CERA

Brent Spot and Forward Curves: 1994 - 2014

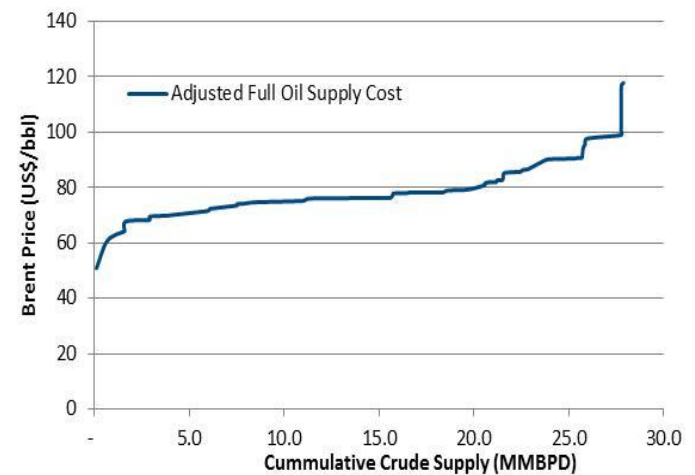


The Marginal Full Cost Of Oil Supply

Majors 2013 Full Cost of Oil Supply



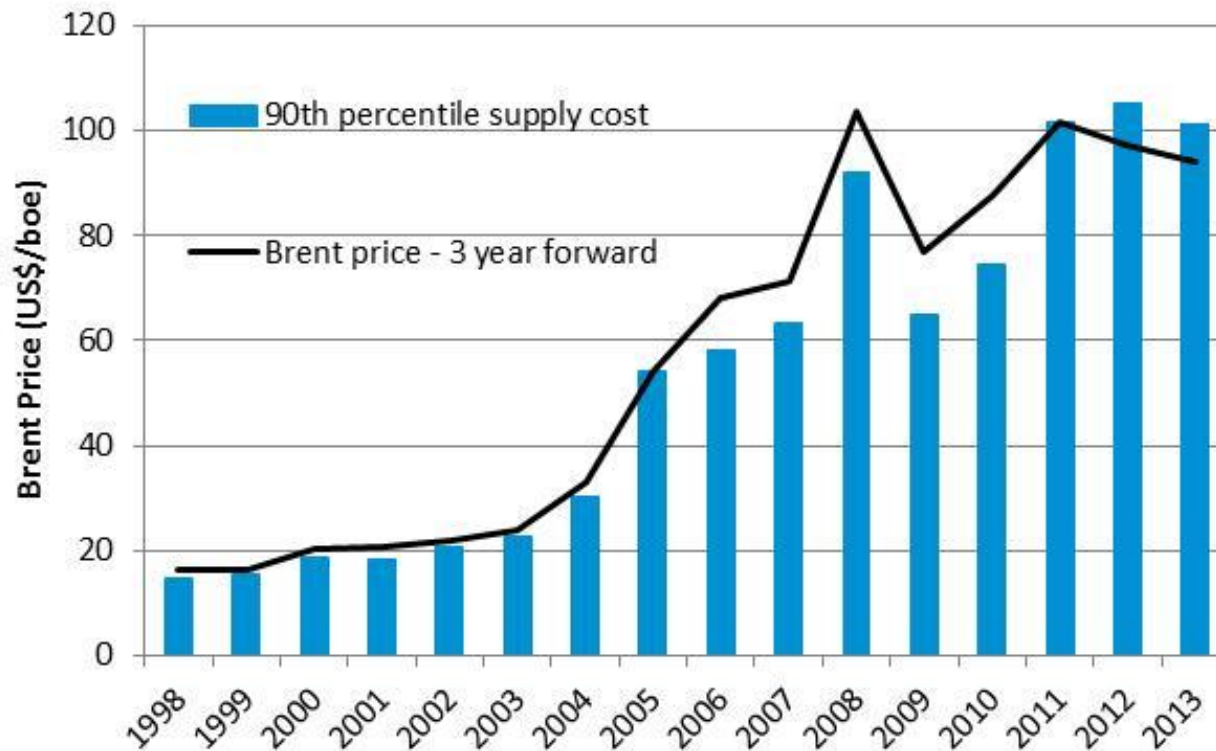
2013 Marginal Full Cost of Oil Supply



Source: Company data, RFC Ambrian estimates

Long-dated Oil Prices = The Marginal Full Cost Of Oil Supply

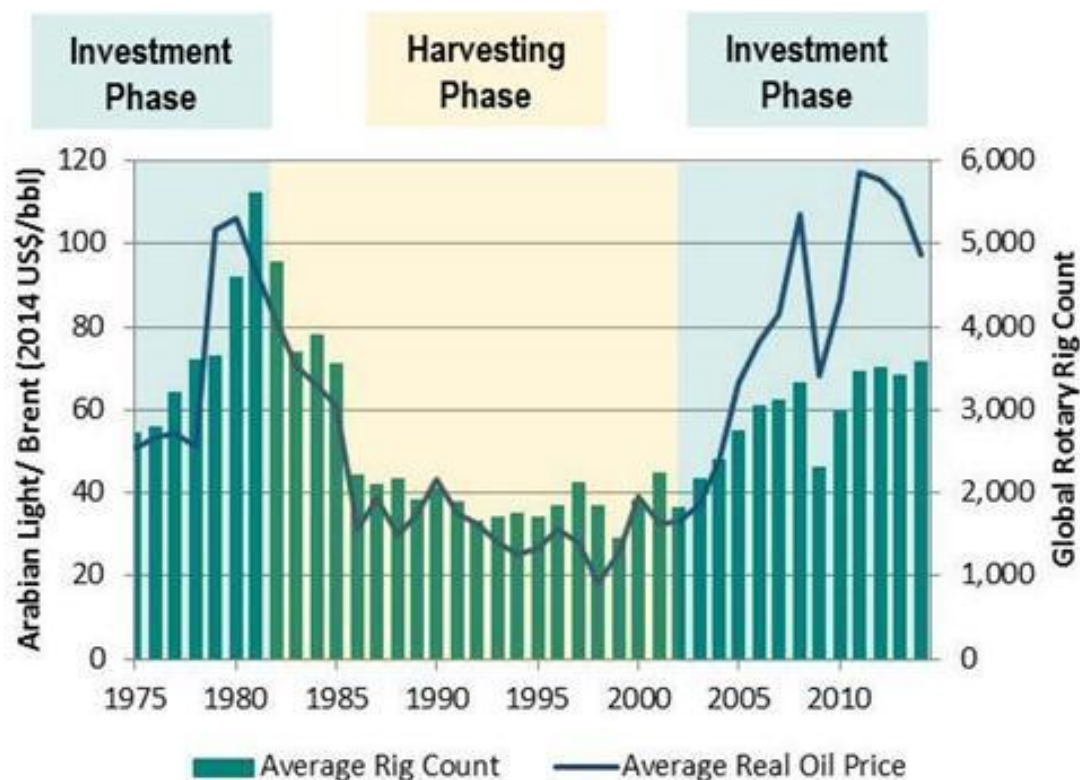
Marginal Full Cost of Oil Supply and 3 Year Forward Contracts



Source: Company data, RFC Ambrian estimates

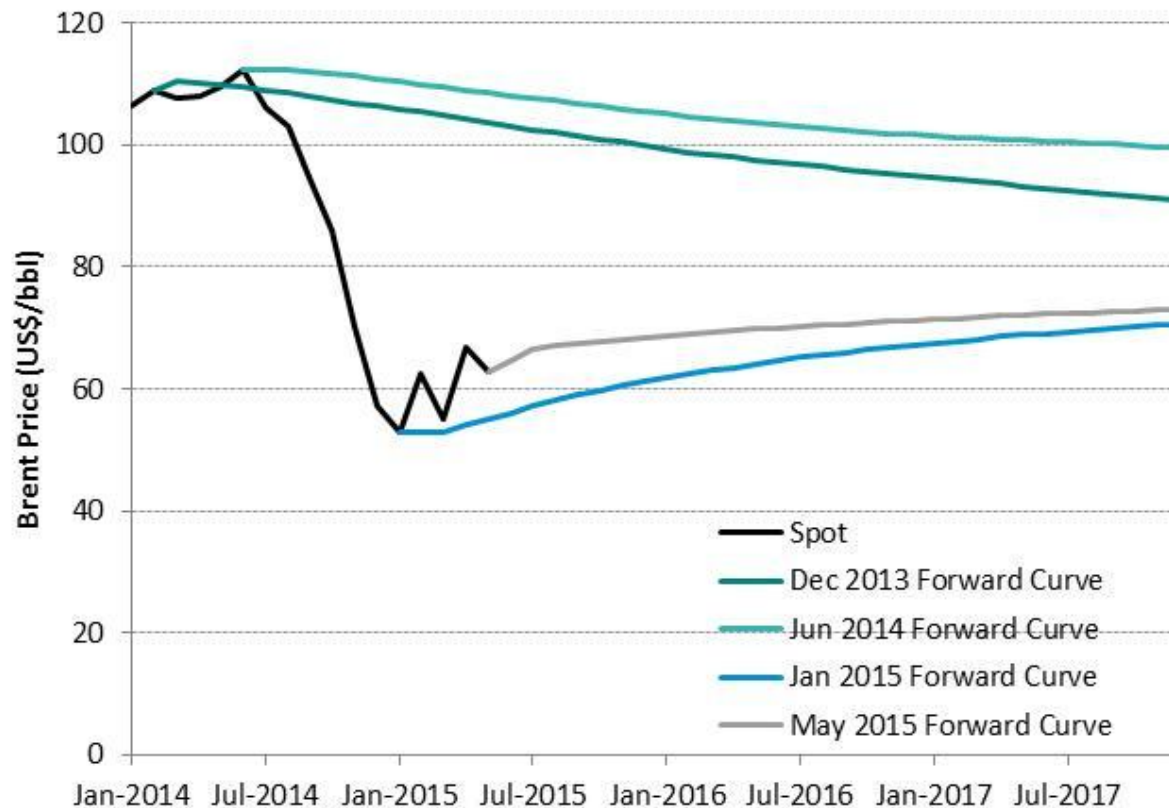
Overcapacity In Oil Service Inputs Should Lead To Lower Oil Prices

Real Oil Prices & Global Rig Count



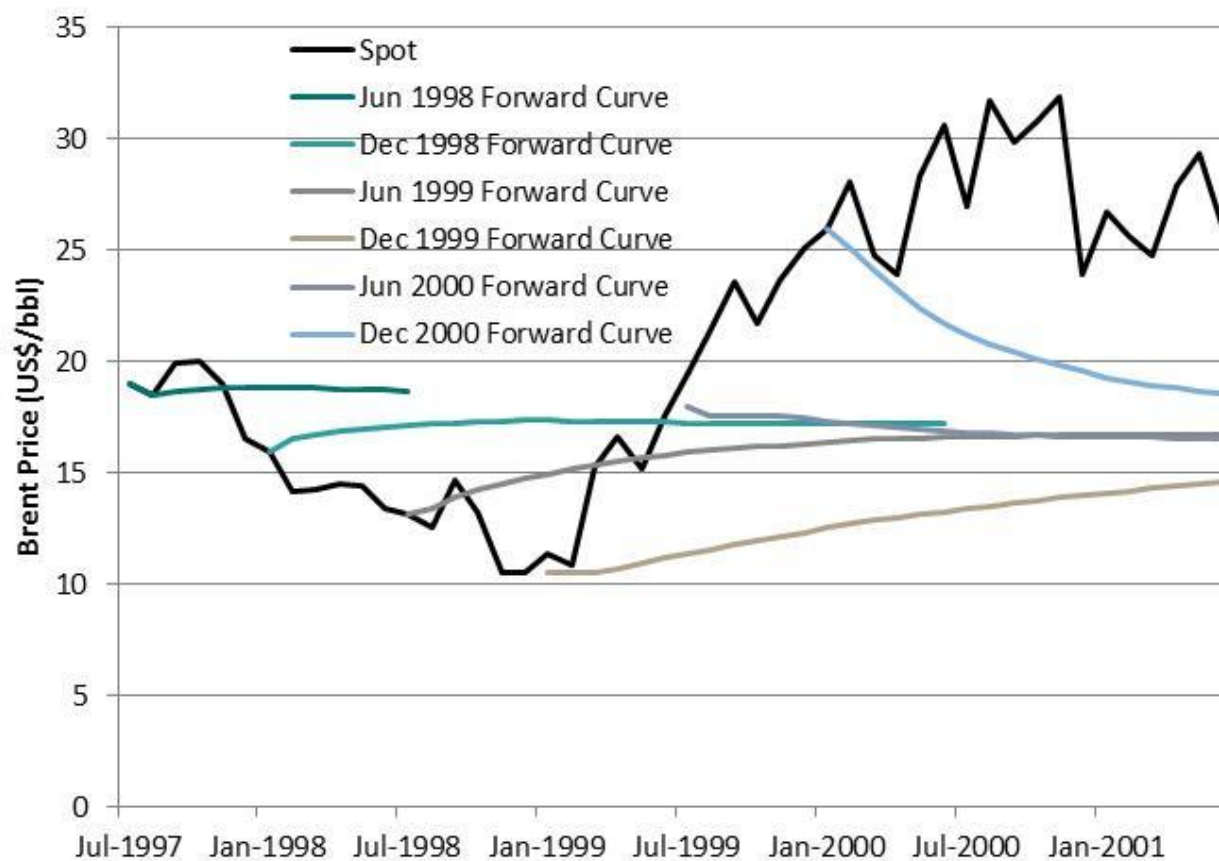
Source: Baker Hughes, BP

Long-dated Brent Oil Price



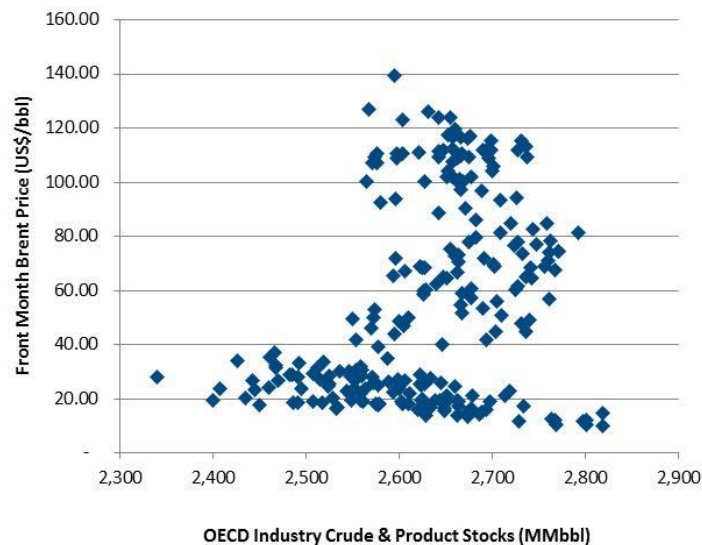
Cyclical Component Of The Oil Price

Brent Spot and Forward Curves: 1997-2001

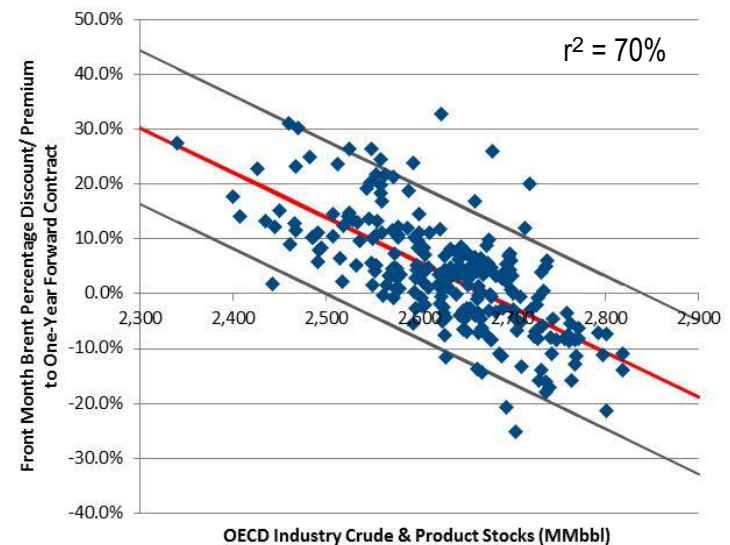


Spot Discount To Long-dated Forward Contract vs Stock Levels

Brent Spot vs Stocks: 1995-2014

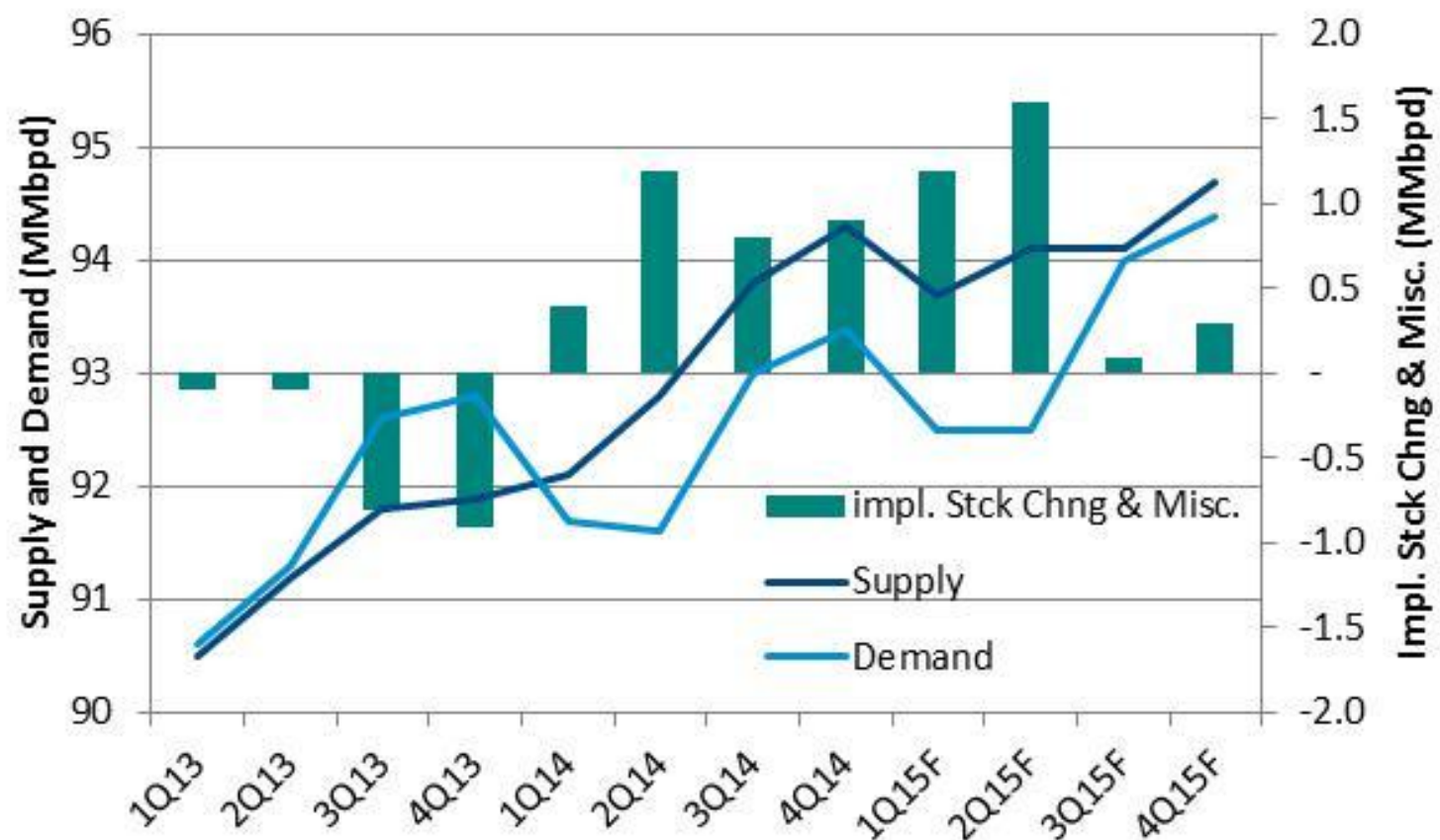


Brent Spot Discount vs Stocks: 1995-2014



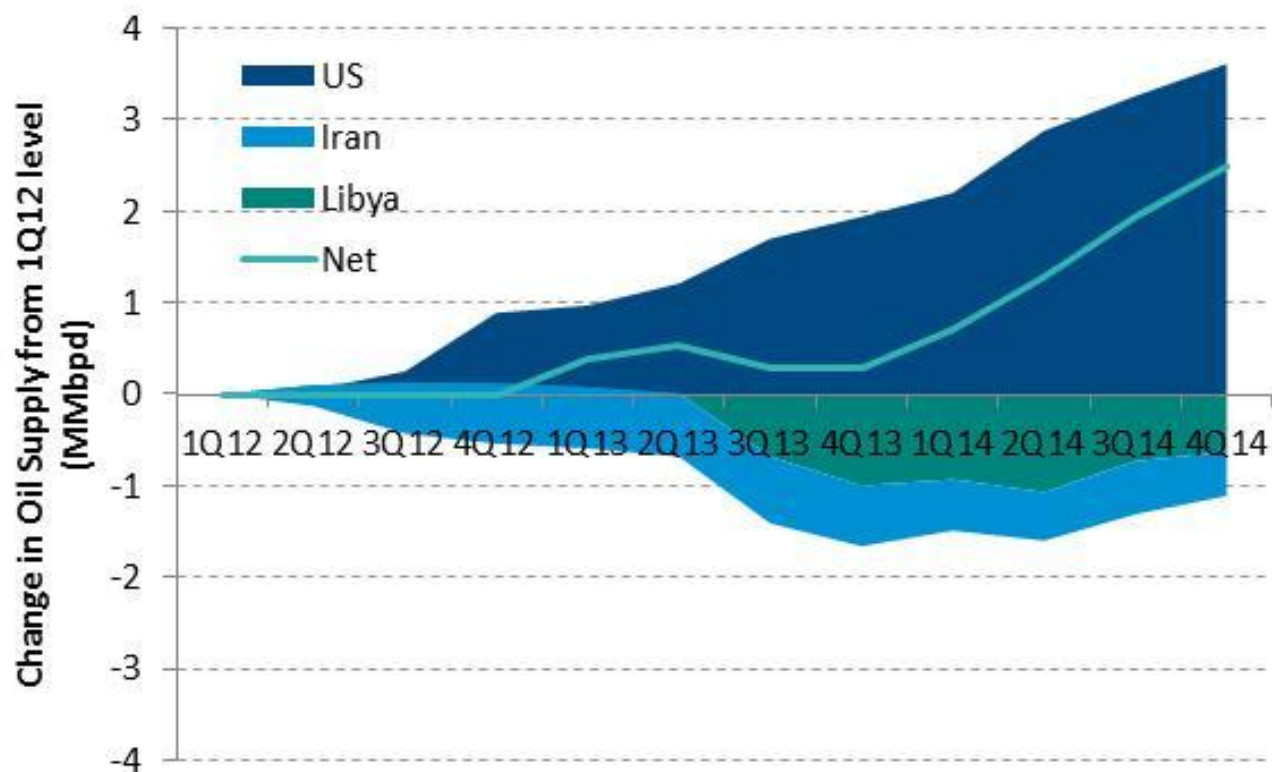
Source: IEA, RFC Ambrian estimates

IEA Supply/ Demand Forecasts



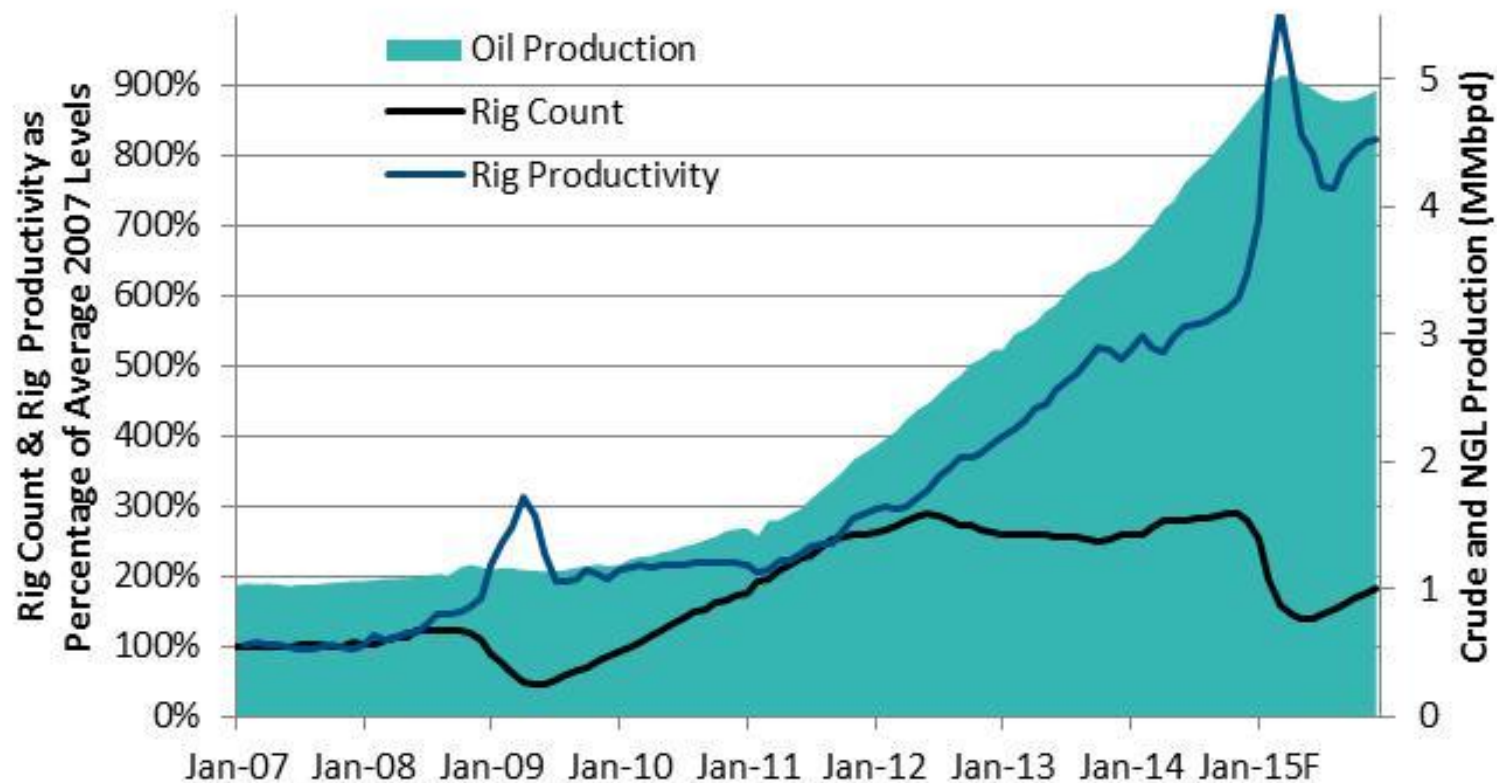
Source: IEA

US Supply Growth Offset By Unexpected Outages Until 2014



Source: IEA

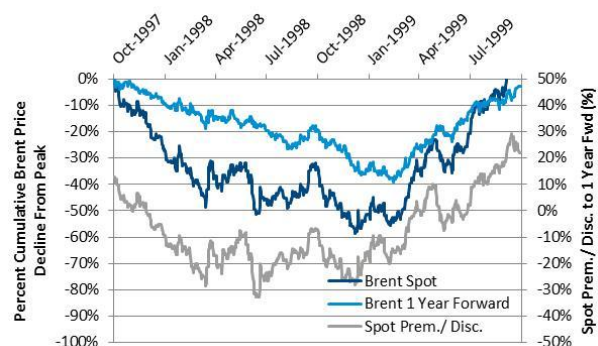
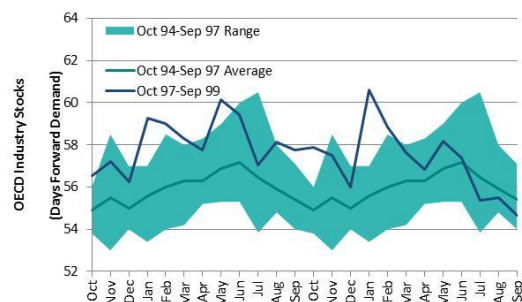
Permian, Eagle Ford & Bakken Regions Oil Production



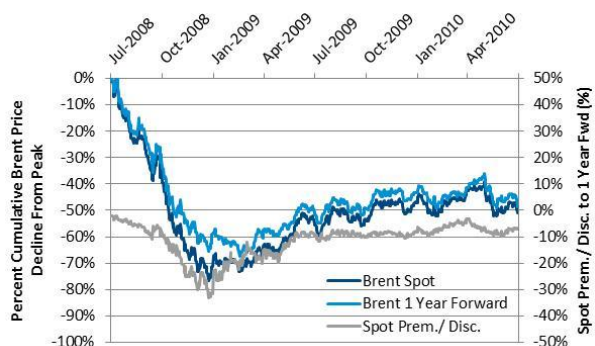
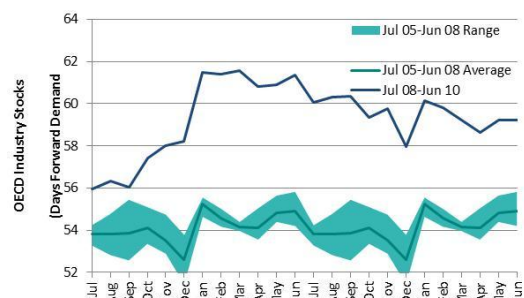
Source: US DOE, RFC Ambrian estimates

OECD Industry Oil Stocks, Spot Prices And Contango Steepness

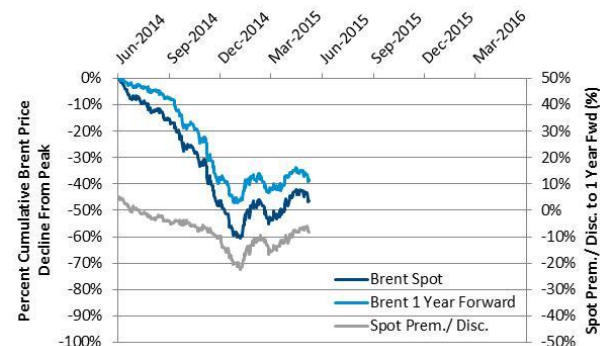
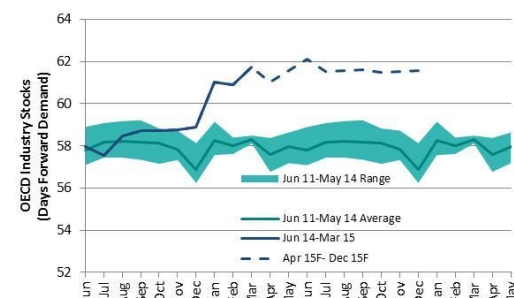
1998 - 1999



2008 - 2009



2014 - 2015



Source: IEA, RFC Ambrian estimates

Why Has The Brent Spot Price Not Fallen Further?

The stock build has been confined to the US

- Tight oil supply is a US phenomenon
- The US still bans the export of crude, although not products
- The WTI's contango is steeper than Brent's contango (the spot spread is wider than long-dated spread)

US Tight oil production has peaked earlier than we had anticipated

- Tight oil supply appears to have peaked in April/ May. We had expected a peak in June
- Rig efficiency gains (new production per rig per month) have not accelerated as they did in 2008/9.
- Anecdotal evidence suggests that a few thousand wells have been drilled, but not completed

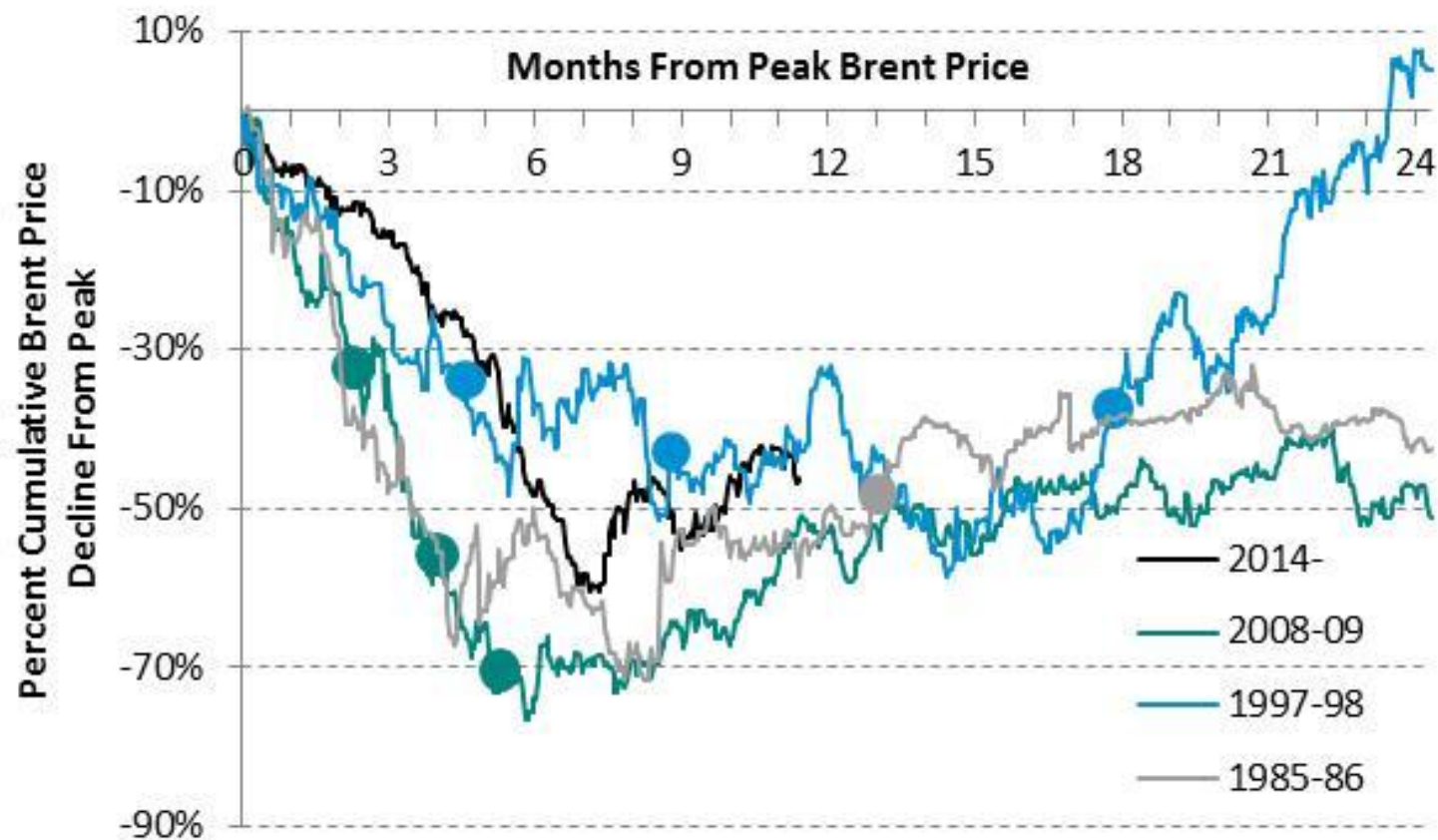
Demand has been slightly stronger than forecast

- European demand has surprised on the upside

Risks to some North African and Middle Eastern production remain high

- Iraq is struggling with chronic budget deficits and the cost of fighting ISIS
- Libyan exports are erratic

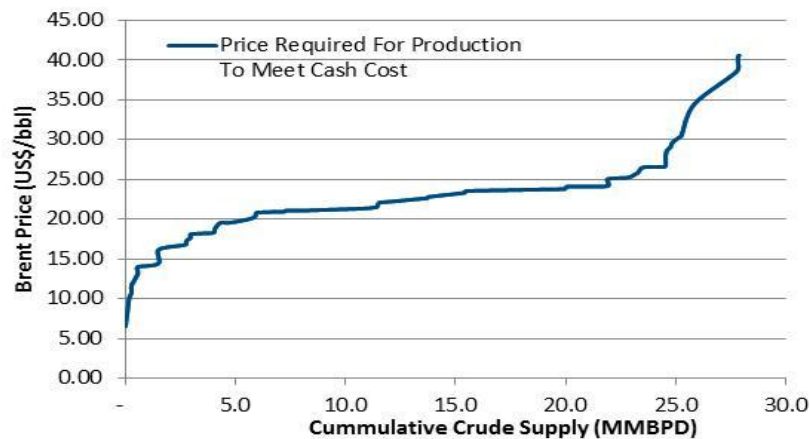
When Has OPEC Acted In Past Cycles?



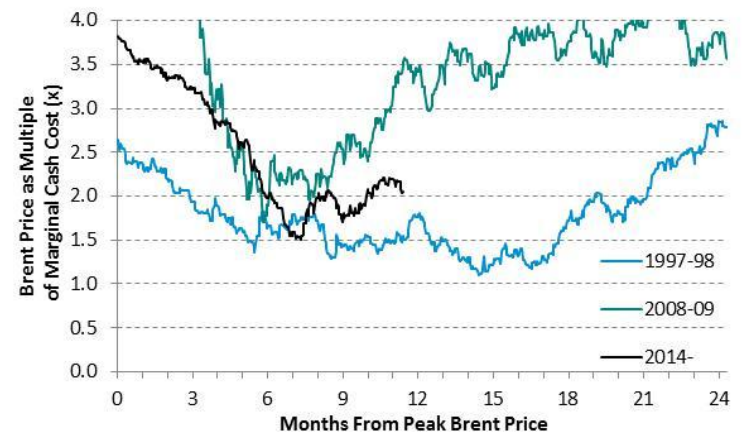
Source: RFC Ambrian estimates

Marginal Cash Cost Of Oil Supply

Marginal Cash Cost of Supply



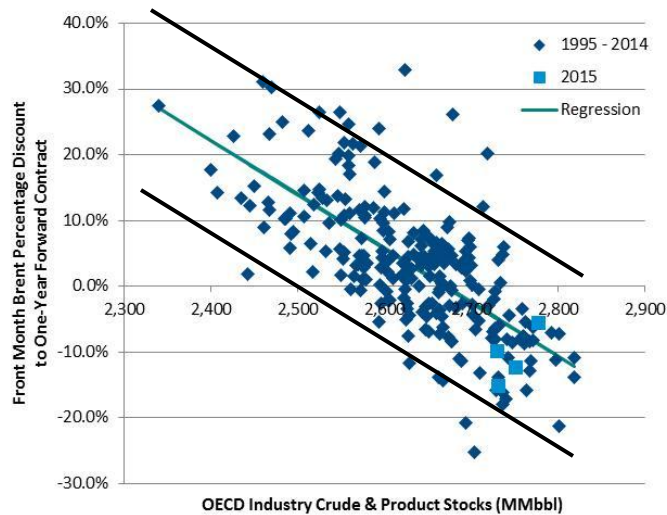
Brent as a Multiple of Marginal Cash Cost



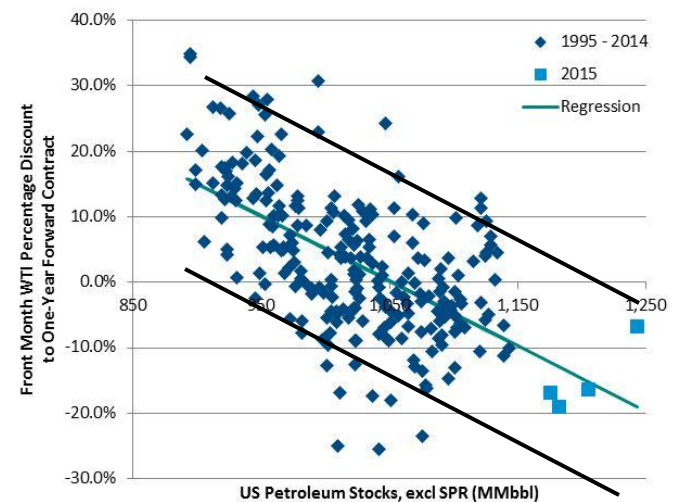
Source: Company data, RFC Ambrian estimates

Recent Inventory And Spot Discount Levels

Brent

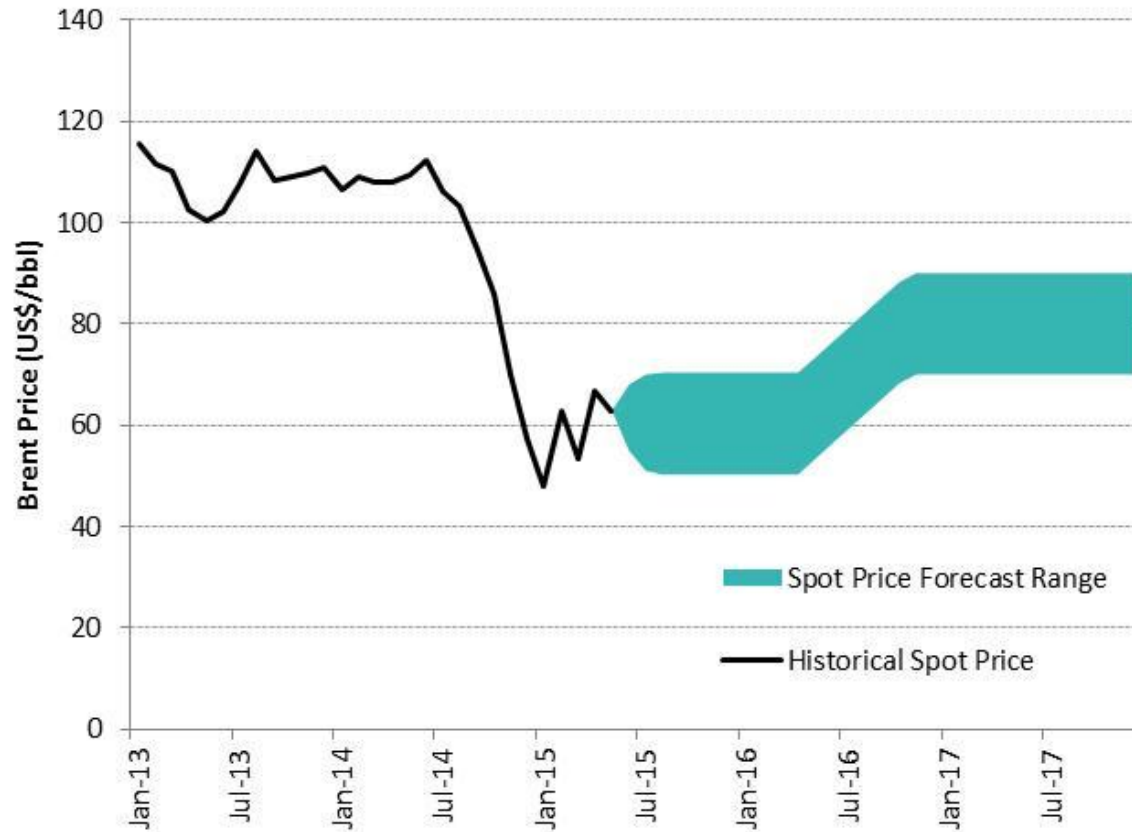


WTI



Source: IEA, RFC Ambrian estimates

Brent Forecast Range

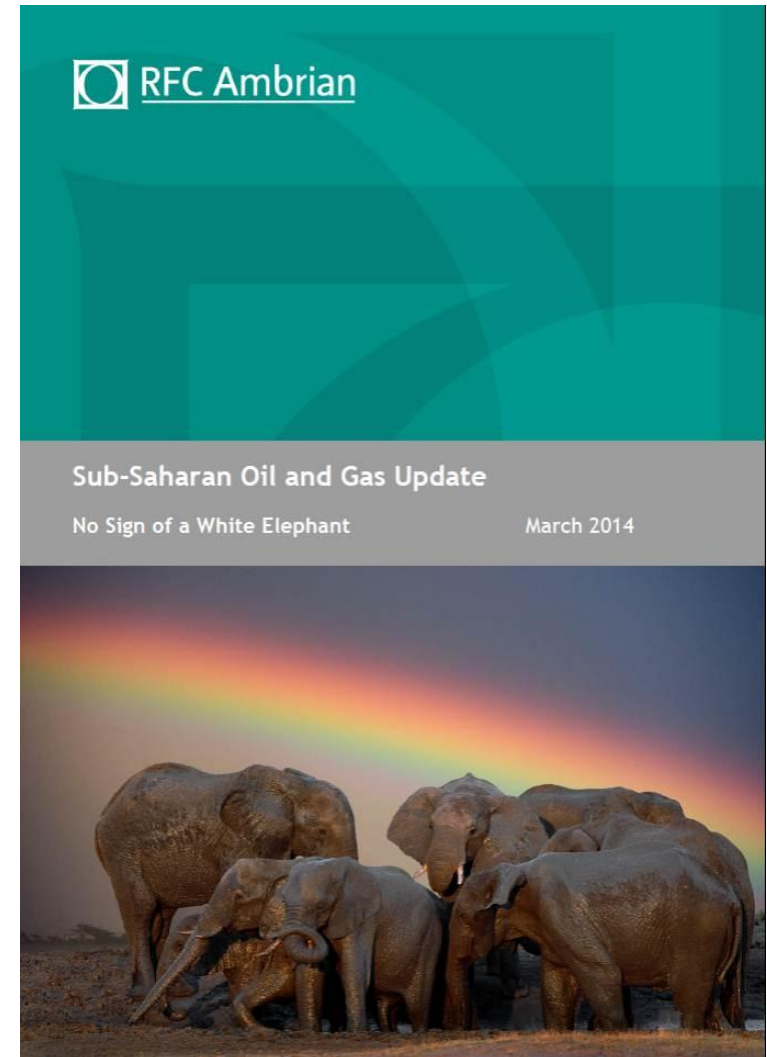


Source: RFC Ambrian estimates

RFC Ambrian

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