

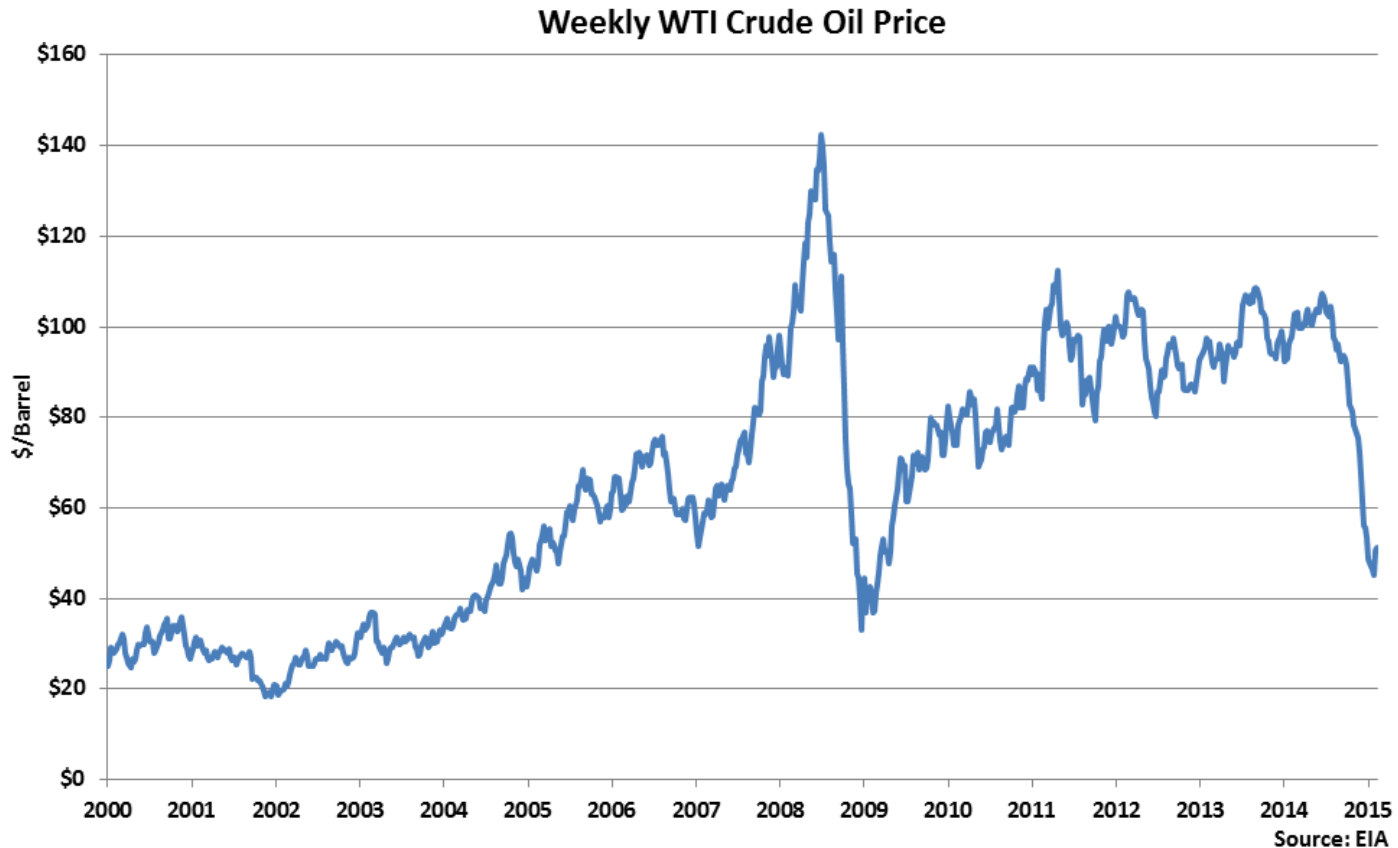
Crude Oil Overview

March 2015



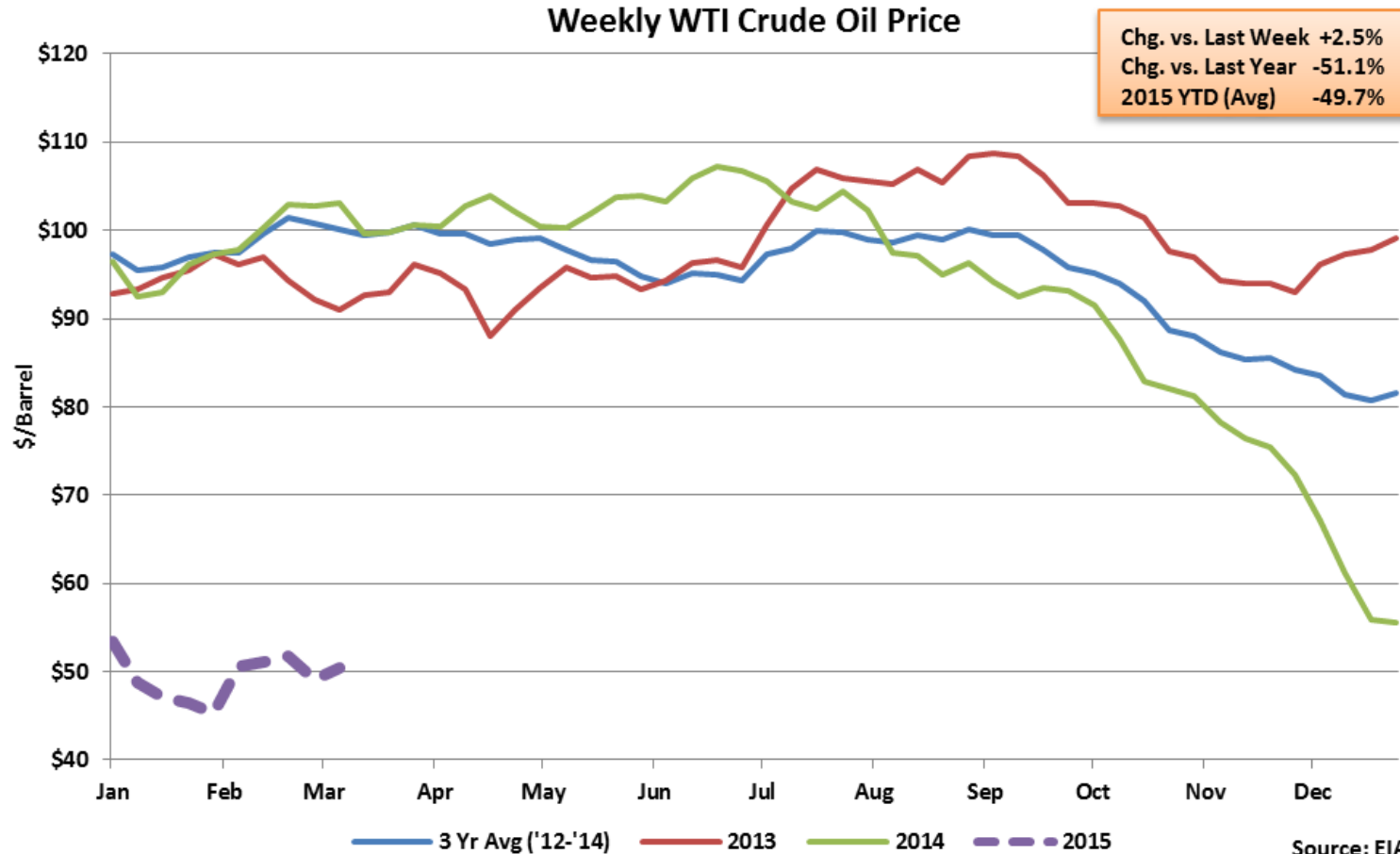
Crude Oil Prices

- The WTI crude oil price has fallen by more than half since the middle of 2014 as North American shale companies have contributed to an increase in global production while global demand has also slowed.



Crude Oil Prices

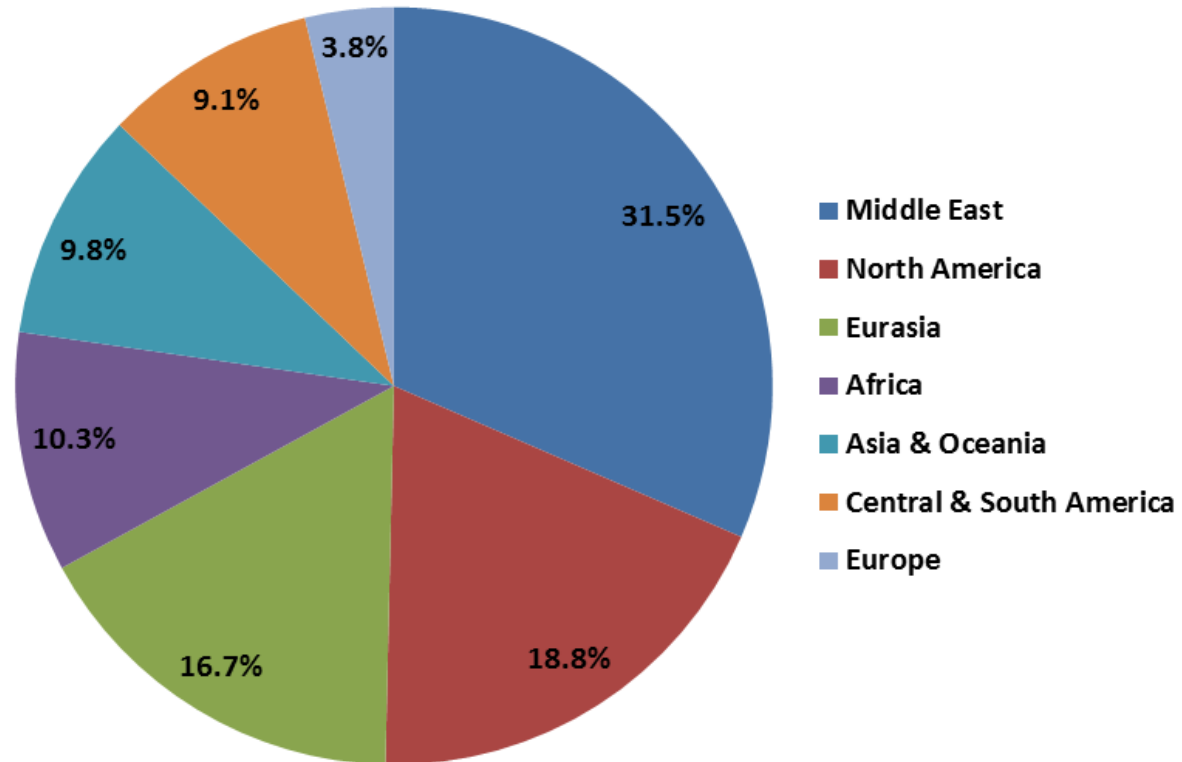
- WTI crude oil prices are off of recent lows experienced in late Jan '15, but remain at approximately half of last year's levels.



Major Crude Oil Producing Regions

- The Middle East and North America combined to produce over half of the global crude oil in 2014 through October.

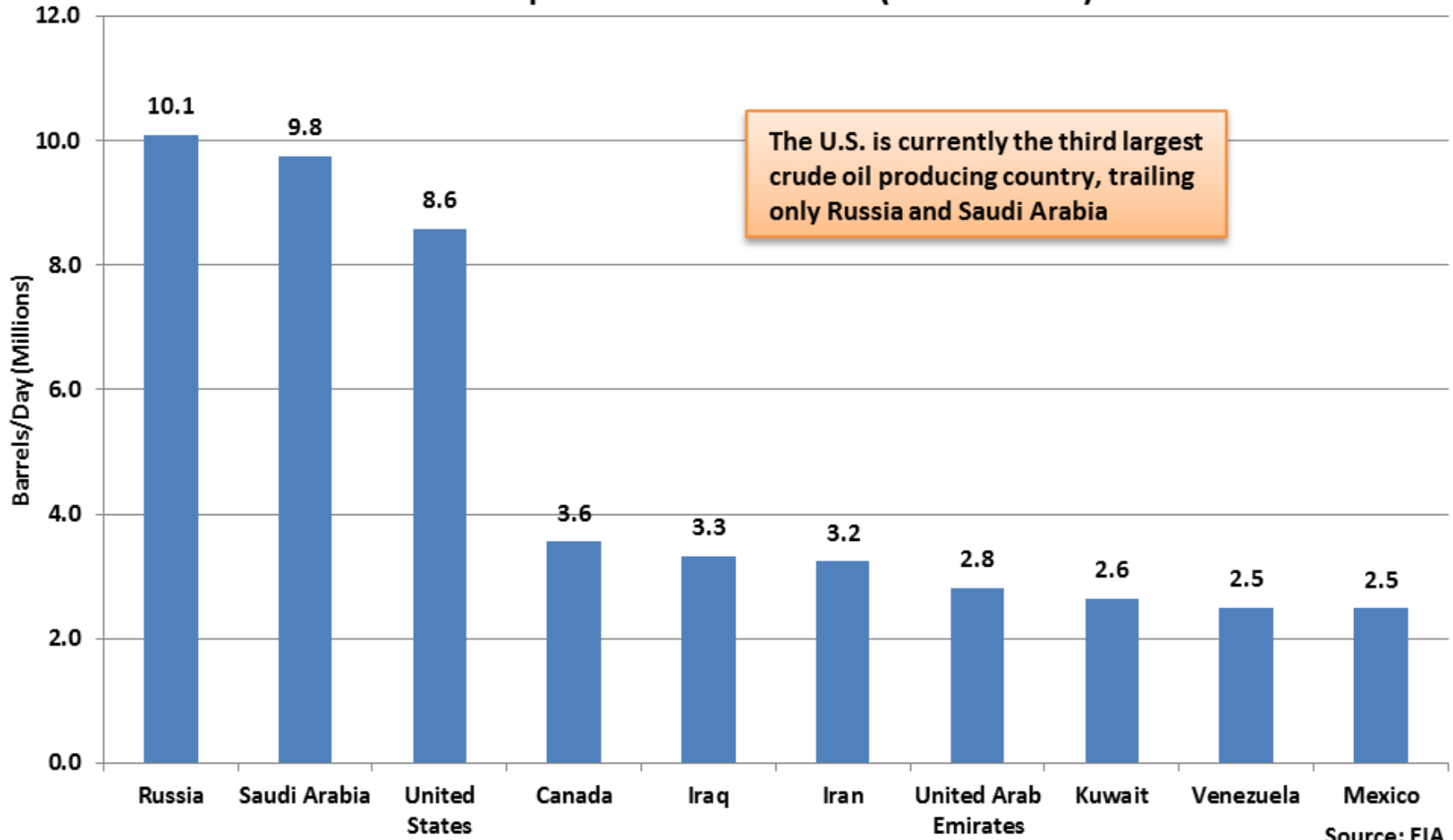
Crude Oil Production by Region (Jan - Oct '14)



Source: EIA

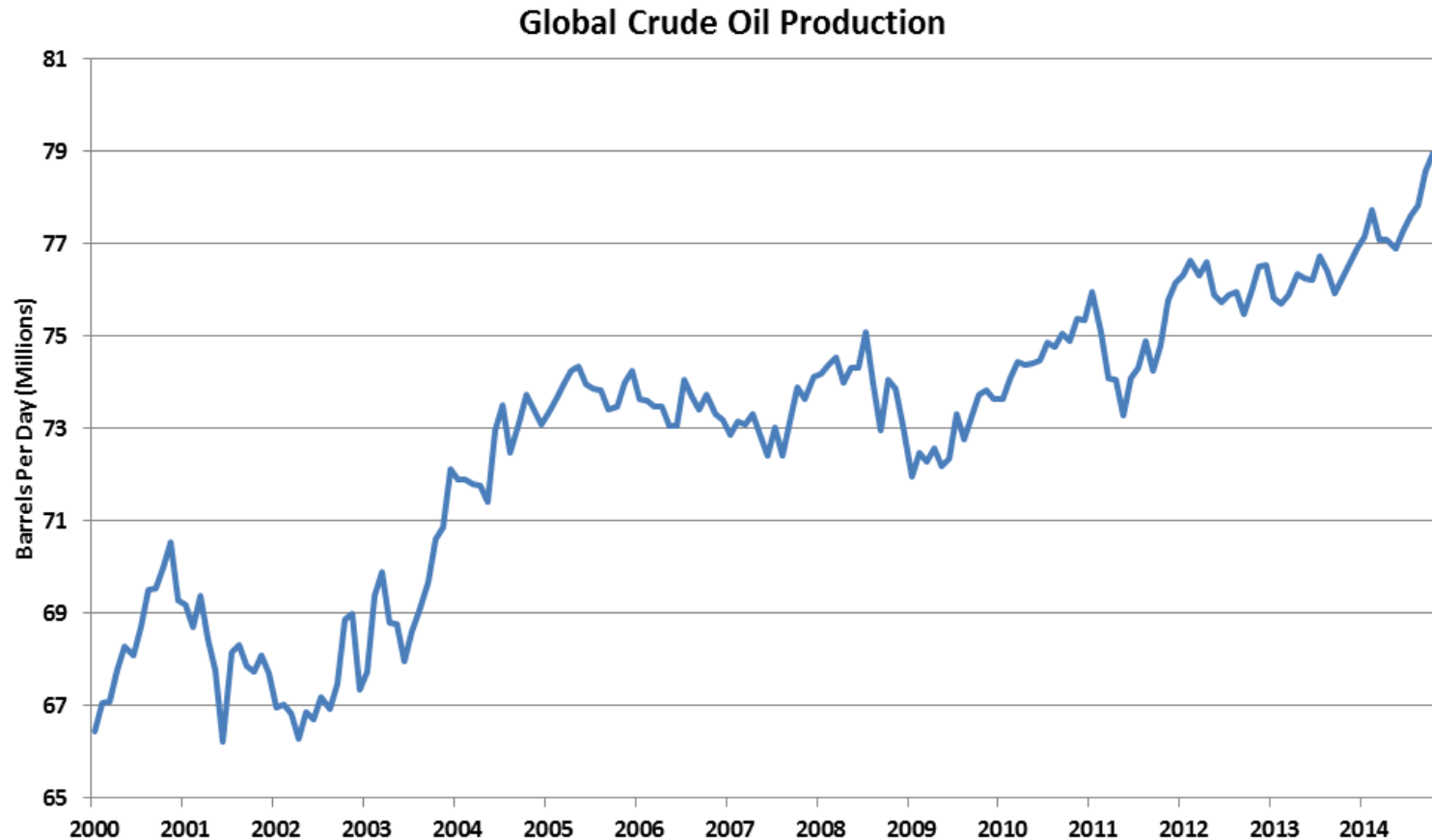
Top Crude Oil Producing Countries

Top Crude Oil Producers (Jan - Oct '14)



Global Crude Oil Production

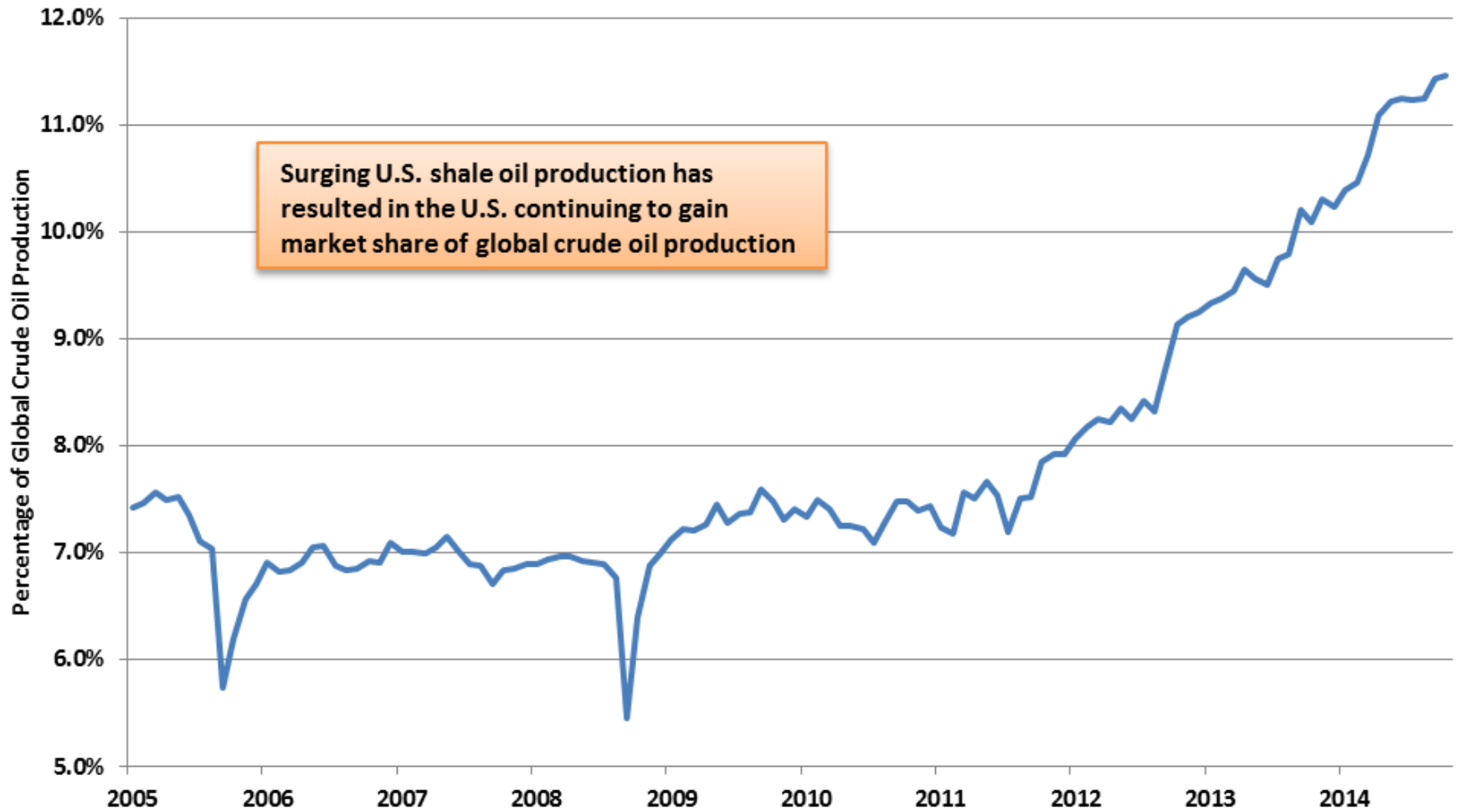
- Global crude oil production has reached new highs in late 2014, driven by increased U.S. shale production.



Source: EIA

U.S. Share of Global Crude Production

U.S. Crude Oil Production

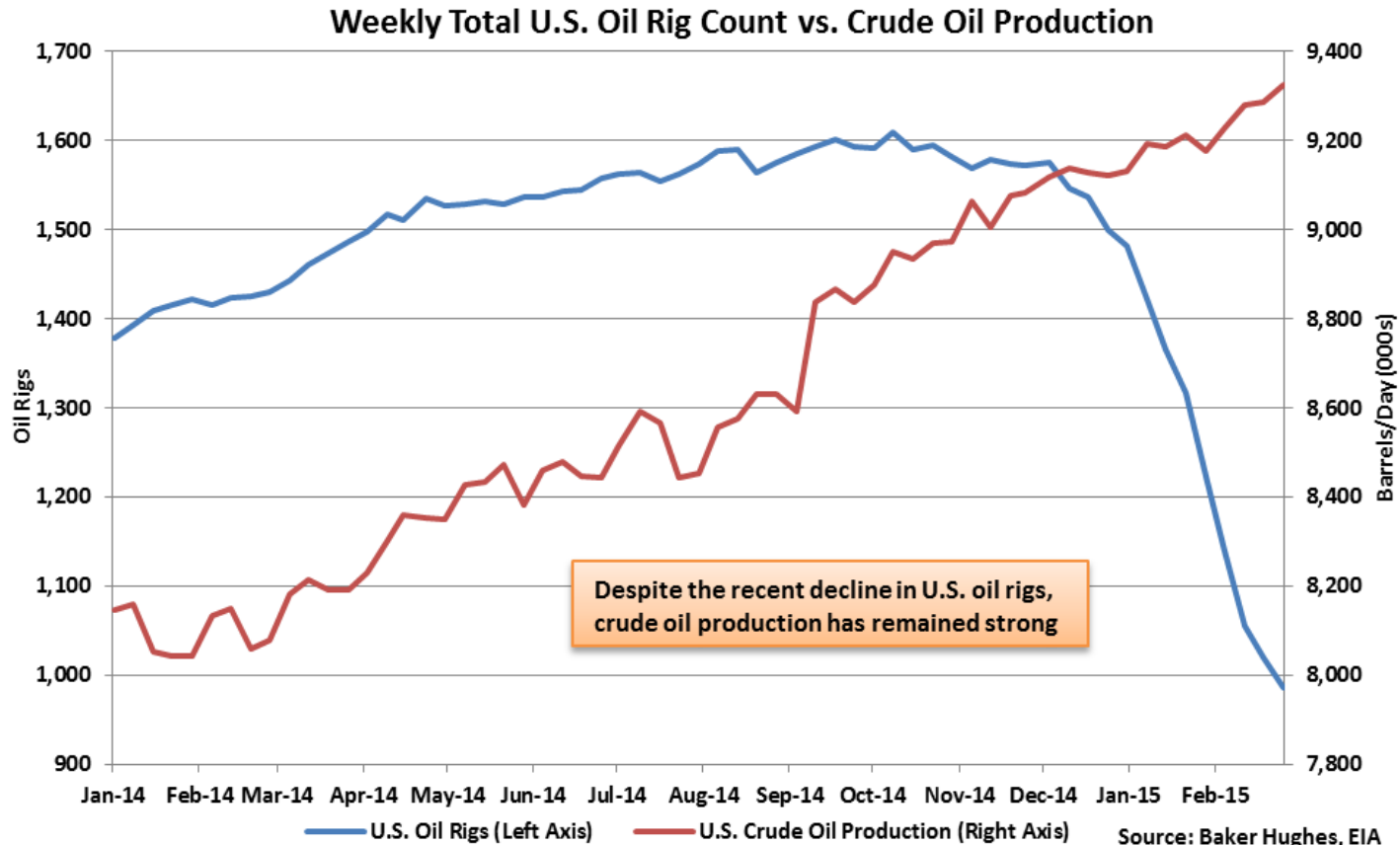


Surging U.S. shale oil production has resulted in the U.S. continuing to gain market share of global crude oil production

Source: EIA

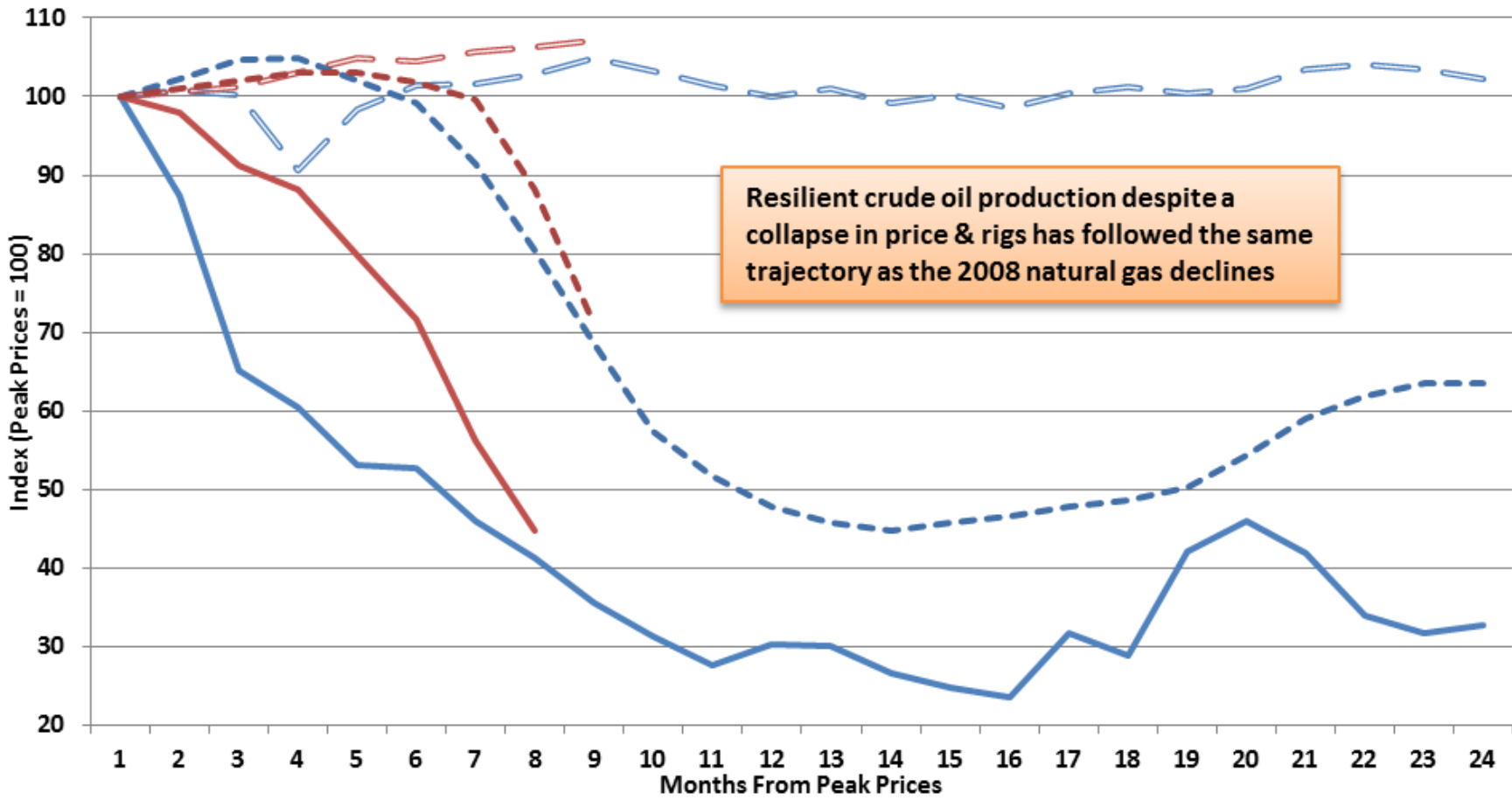
U.S. Oil Rig Counts

- U.S. oil rig count figures suggest the majority of cutbacks in response to the falling crude oil prices are within exploration drilling, while drilling continues in established areas with productive wells.



Production Remains Resilient

U.S. Crude Oil vs. Natural Gas Declines



Resilient crude oil production despite a collapse in price & rigs has followed the same trajectory as the 2008 natural gas declines

- Henry Hub Natural Gas Price (Indexed to Jun '08 Peak)
- U.S. Natural Gas Withdrawals (30 Day Month)
- U.S. Natural Gas Rigs
- WTI Crude Oil Price (Indexed to Jun '14 Peak)
- U.S. Crude Oil Production (30 Day Month)
- U.S. Crude Oil Rigs

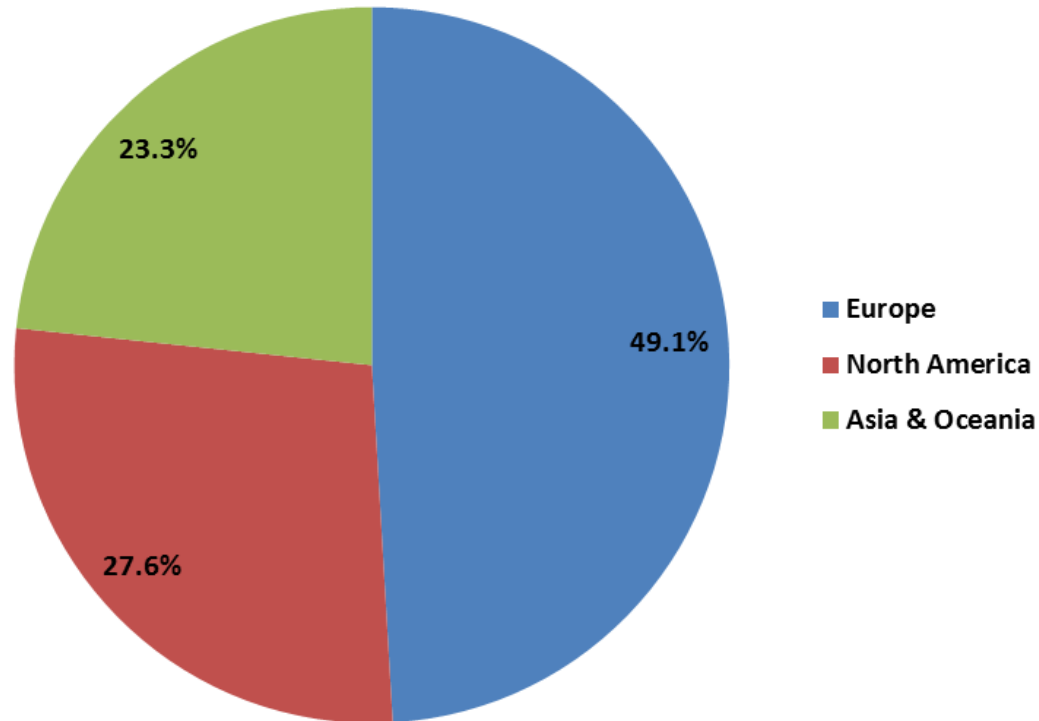
Sources: Baker Hughes, EIA



Major Oil Importers

- Europe accounted for nearly half of all oil imports in 2014 through September, with North America and Asia & Oceania combined to account for the other half of global imports.

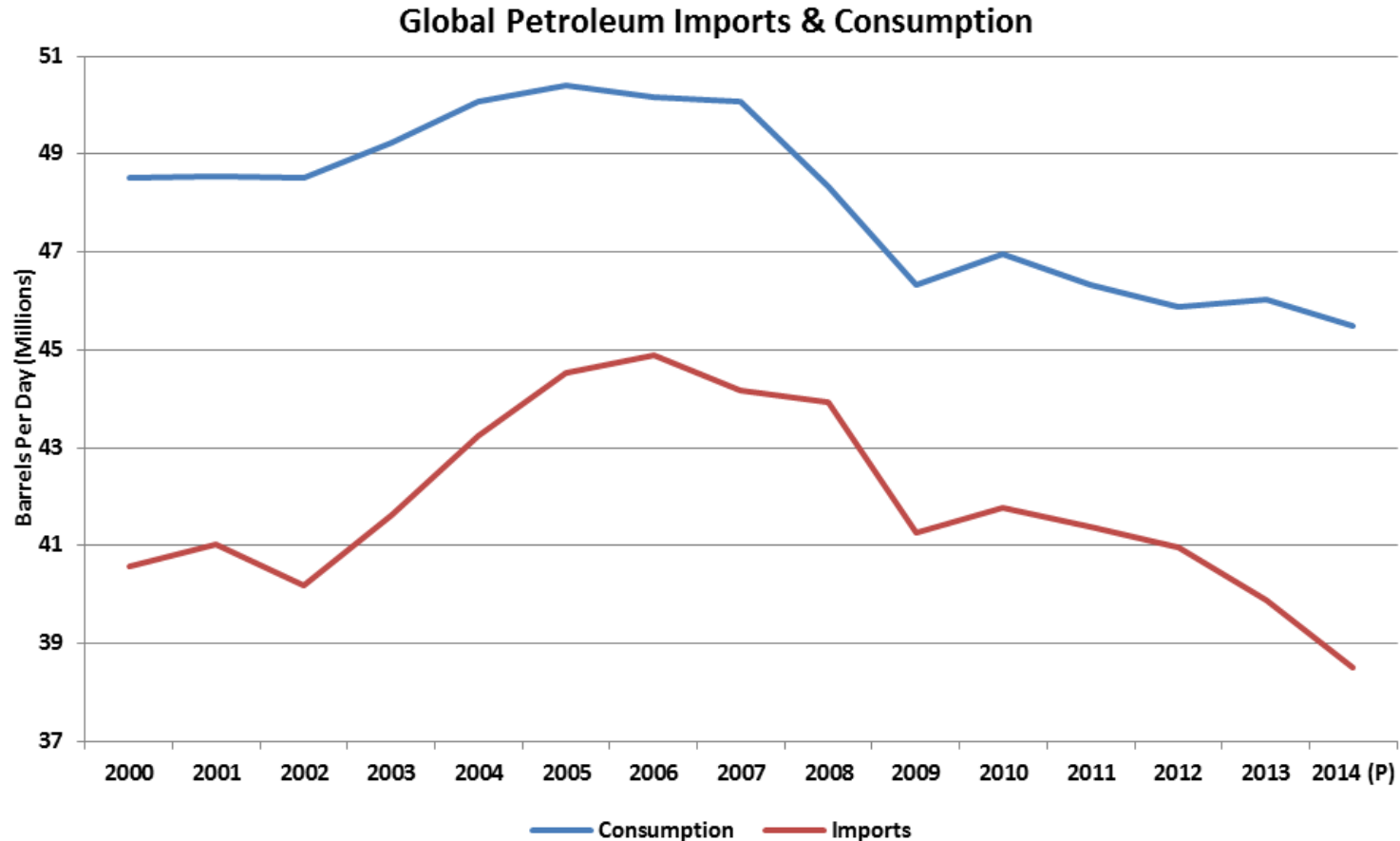
Oil Imports by Region (Jan - Sep '14)



Source: EIA

Imports and Consumption Declining

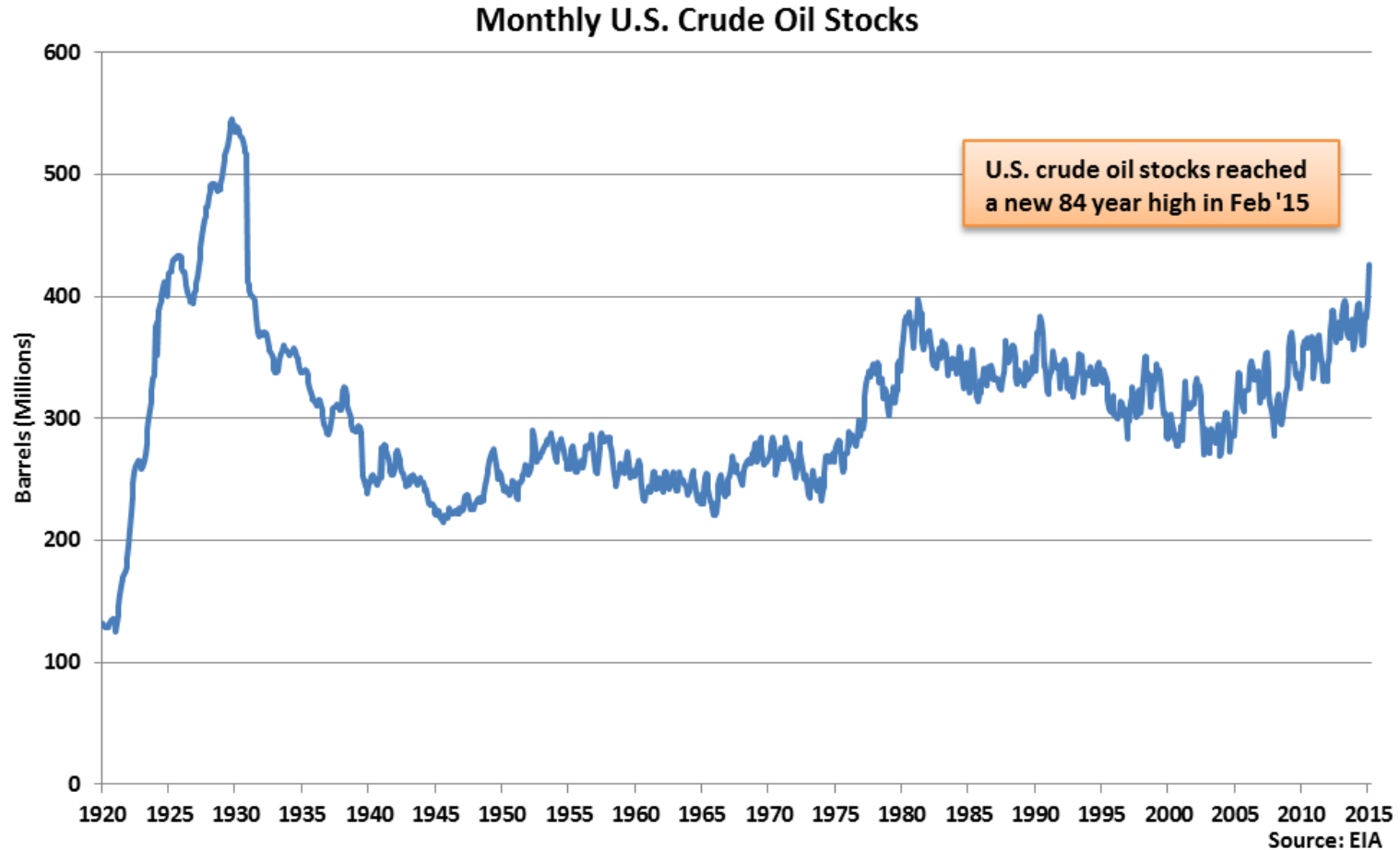
- Global petroleum imports and consumption have declined by 1.6% and 1.1% per year, respectively since peaking in 2005.



Source: EIA

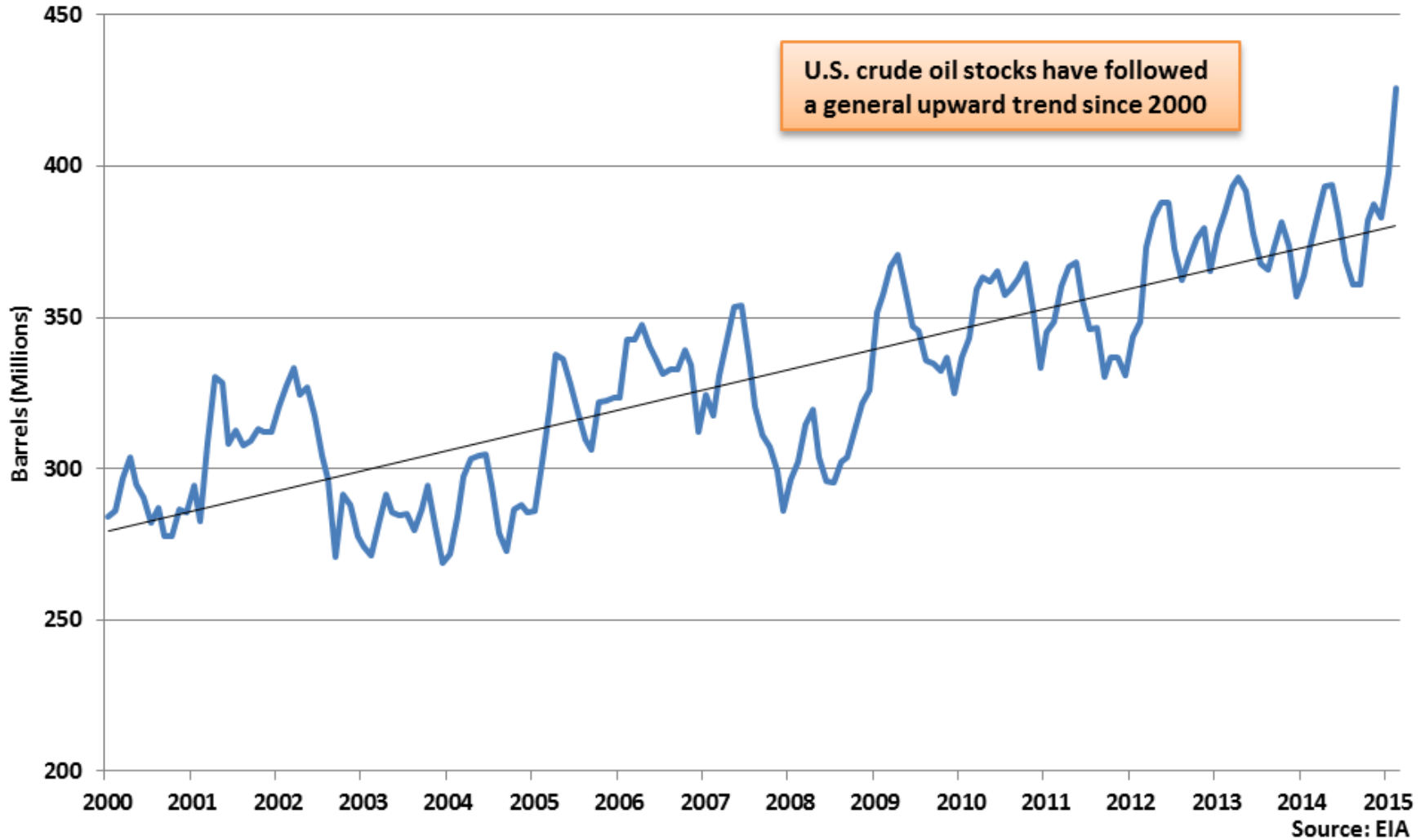
Crude Oil Supply Build

- Growth in U.S. shale production, coupled with relatively weak demand, has resulted in a significant supply build in domestic crude oil.



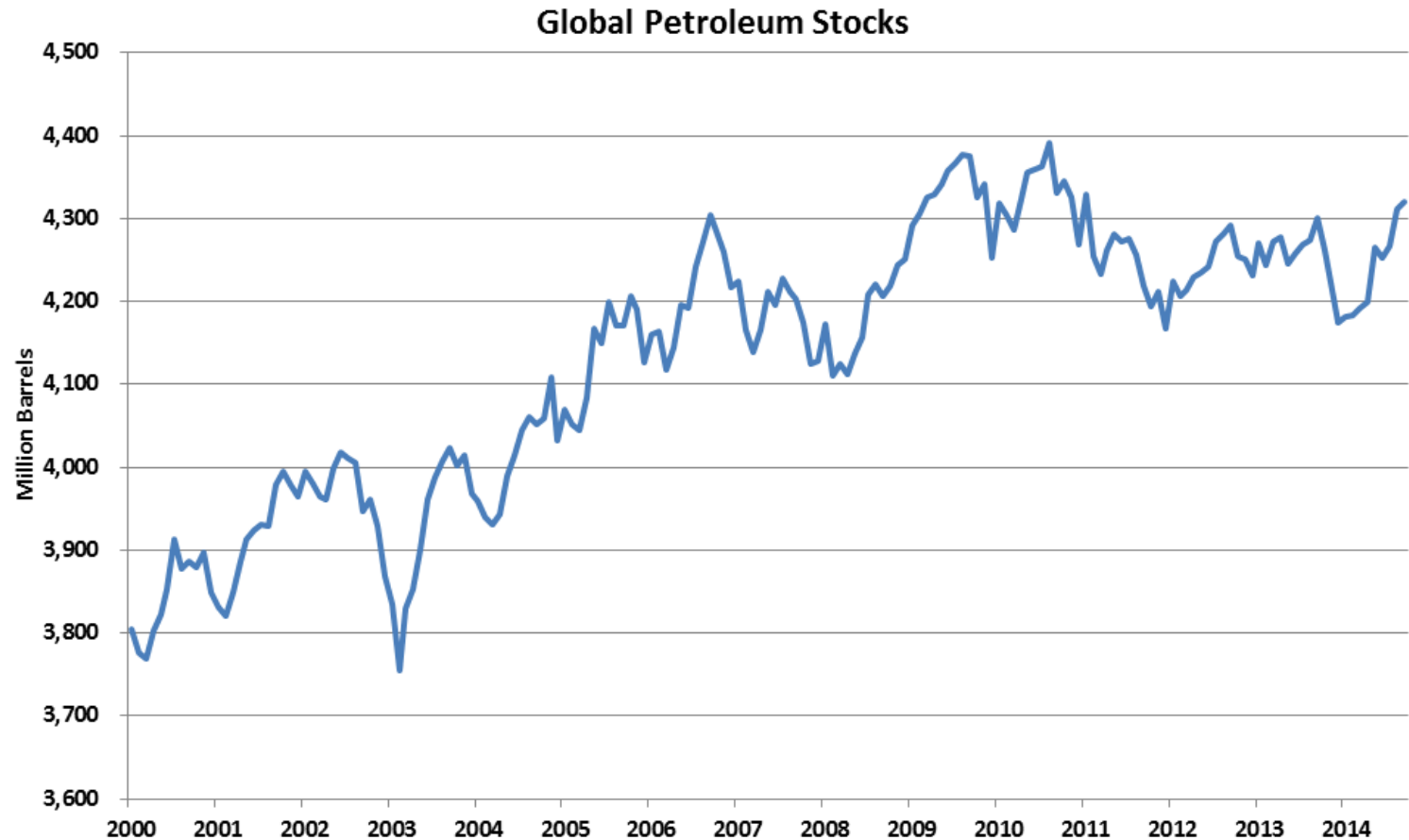
U.S. Crude Oil Stocks

Monthly U.S. Crude Oil Stocks



Global Petroleum Stocks

- A crude oil glut has also been developing globally, with global petroleum stocks increasing to a three and a half year high through Sep '14.



Source: EIA

Key Points

- The WTI crude oil price has fallen by more than half since the middle of 2014 due to an increase in global production and slowdown in global demand.
 - Increased domestic shale oil production has contributed to a 41 year high in monthly domestic crude oil production and record high monthly global crude oil production.
 - A continued trend of weak global demand has also contributed to the decline in crude oil prices. Global petroleum imports and consumption have declined by 1.6% and 1.1% per year, respectively since peaking in 2005.
- Increased supply and weak relative demand has resulted in a glut of oil stocks both domestically and globally.
 - Global oil stocks have reached a three and a half year high while U.S. stocks reached an 84 year high in early 2015.
- What to watch for during the balance of 2015:
 - When/where is the inflection point in crude oil prices vs. domestic shale production?
 - Will continually building global crude oil inventories limit upside pressure on oil prices despite declining drilling activity?
 - How will major petroleum producing countries with broken budgets respond to declining prices?

Risk Disclosure

Atten Babler Risk Management LLC uses sources that they believe to be reliable, but they cannot warrant the accuracy of any of the data included in this report. Past performance is not indicative of future results. The information and comments contained herein are provided as general commentary of market conditions and are not and should not be interpreted as trading advice or recommendation. The information and comments contained herein are not and should not be interpreted to be predictive of any future market event or condition. Reproduction without authorization is forbidden. All rights reserved.