

# FORUM ACP

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Bruno Floris

BSF ENERGY CONSULTING

# SUMMARY

1. **SECTION 1** :OIL MARKET : Quick recap
2. **SECTION 2** :OIL COMPANIES BEHAVIOUR IN THE PRESENT ENVIRONMENT
3. **SECTION 3** :PERSPECTIVES FOR 2017

# The new life of the oil companies !

## Oil & Gas Companies



## Oil Services Companies



# SECTION 1: OIL MARKET : WHERE ARE WE ?

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OIL CONSUMPTION

OIL PRODUCTION : KEY PLAYERS

PERSPECTIVES

**SMALL RECAP OF THE  
PAST 2 DESASTROUS  
YEARS**

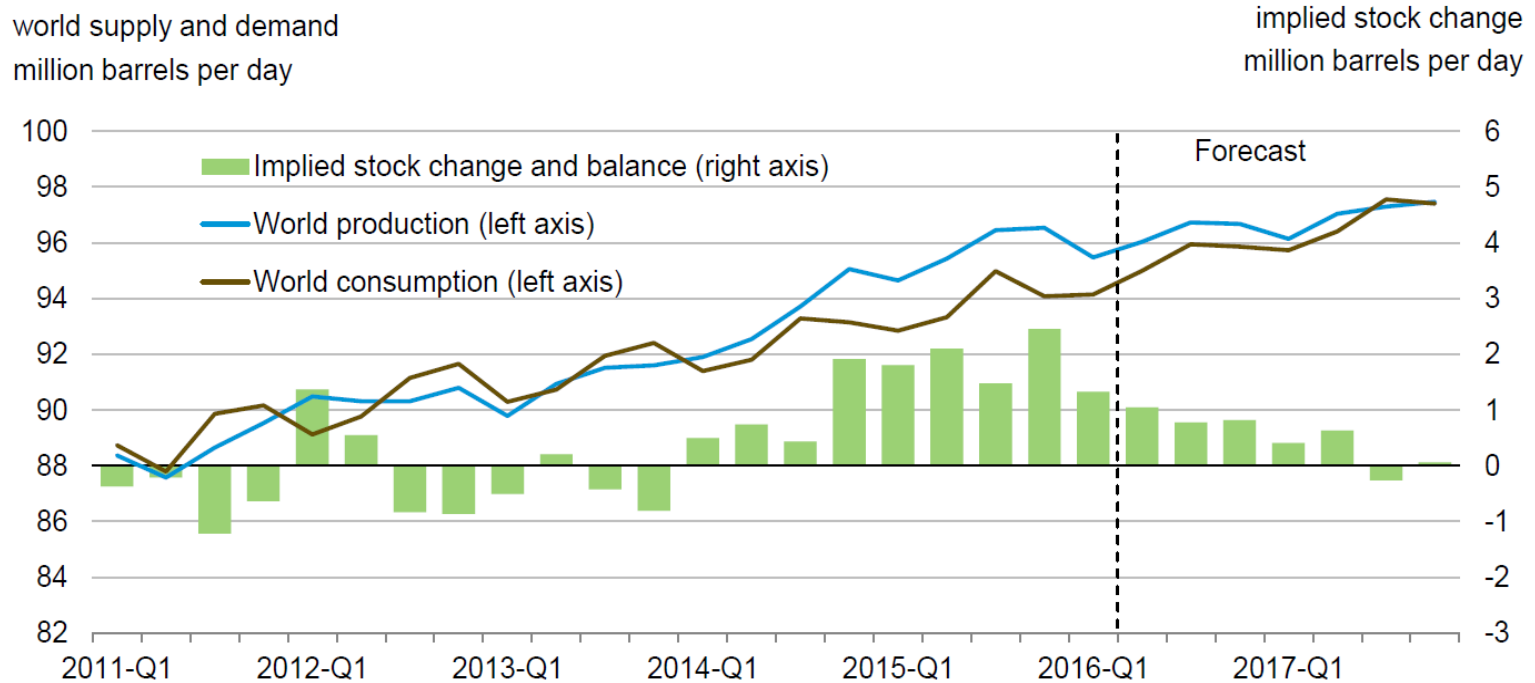
Worldwide job losses in the oil and gas industry have just topped 350,000 as of May 2016

Improvement is being seen in USA during the last Quarter 2016

- **W O&G job cuts =6 times french oil services industry !**

O&G job cuts worldwide	Numbers	Percent
Service	152,015	43.26%
Drilling	52,709	15.00%
Supply	50,765	14.45%
E&P	80,265	22.84%
Downstream	12,033	3.42%
Midstream	3,514	1.00%
Legal Services	109	0.03%
<b>TOTAL as of May 6, 2016</b>	<b>351,410</b>	<b>100.0%</b>

## Prior to OPEC Agreement, global supply has consistently exceeded demand since the start of 2014; US EIA forecasted a return to market balance in the second half of 2017



Source: EIA. Short-Term Energy Outlook. May 2016

## Disclaimer ! Who should we trust ?

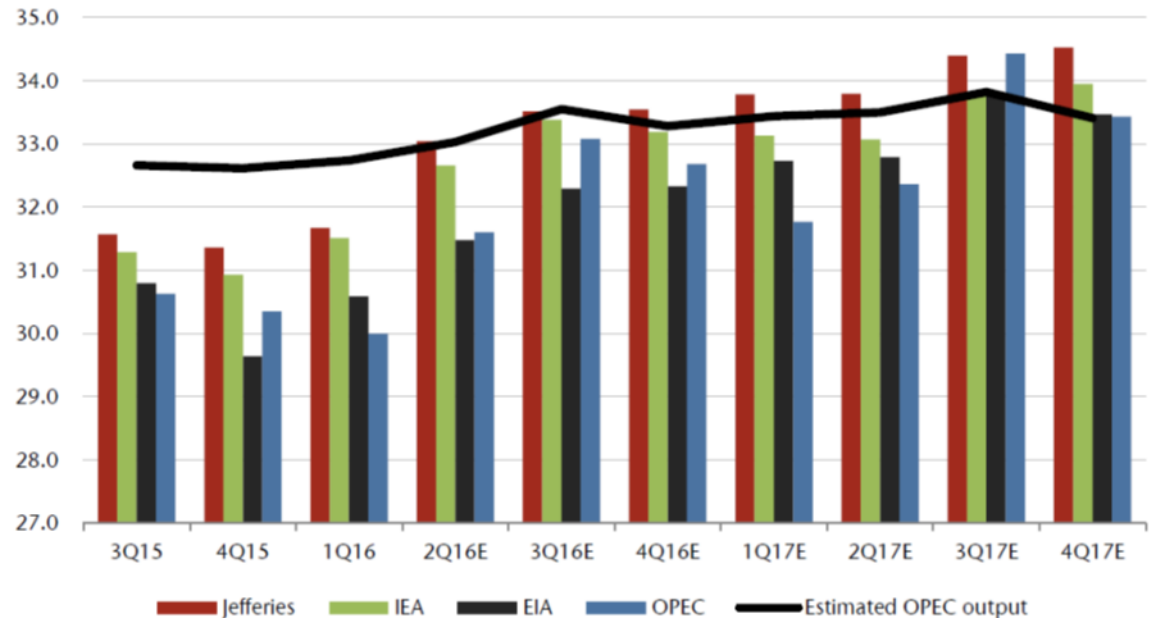
End of 2016 the general consensus was that the rebalancing of the oil market will occur in 2 H 2017.

However none of the 4 major organizations which are monitoring the Oil market have the same numbers even

Ex OPEC PRODUCTION

**The range of estimated production by the Expert organizations (OPEC, IEA, EIA, etc.) can reach approximately 1,5 million bbpd equivalent to one year of increased global consumption.**

**Difficult to predict the rebalancing of the oil market with precision !**



Source: Jefferies estimates, IEA, OPEC, EIA

# THE OPEC November 30 th 2016 Agreement

- On November 30th, , OPEC decided to cut production next year by about 4.5 percent, or 1.2 million barrels a day. It will be the first cut in eight years.
- Non Opec including Russia agreed to reduce their production by 0,6 millions bpd ; Russia's cut should represent half of it !
- The agreement has started on January 1 st for 6 months, extendable for another six months to take into account prevailing market conditions and prospects.
- Since the Agreement Brent oil price is up around 18%

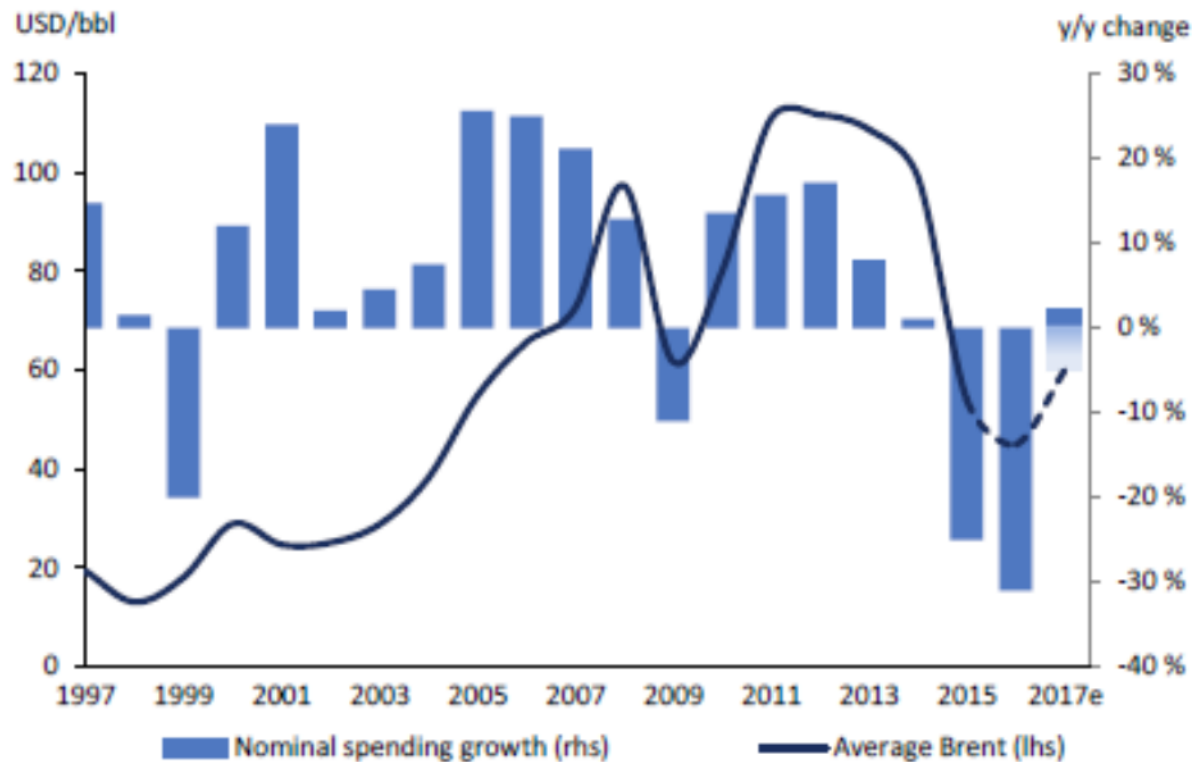
## **SECTION 2 :OIL COMPANIES BEHAVIOUR IN THE PRESENT ENVIRONMENT AND PERSPECTIVES FOR 2017**

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## GENERAL OVERVIEW :

### The present oil crisis in perspective... one of the worst of the last 31 years !

#### E&P spending down 30% in 2016e



Source: Pareto Securities Equity Research

**For cash flow reasons E&P investment level are greatly dependent of oil (and gas) price : the US example !**

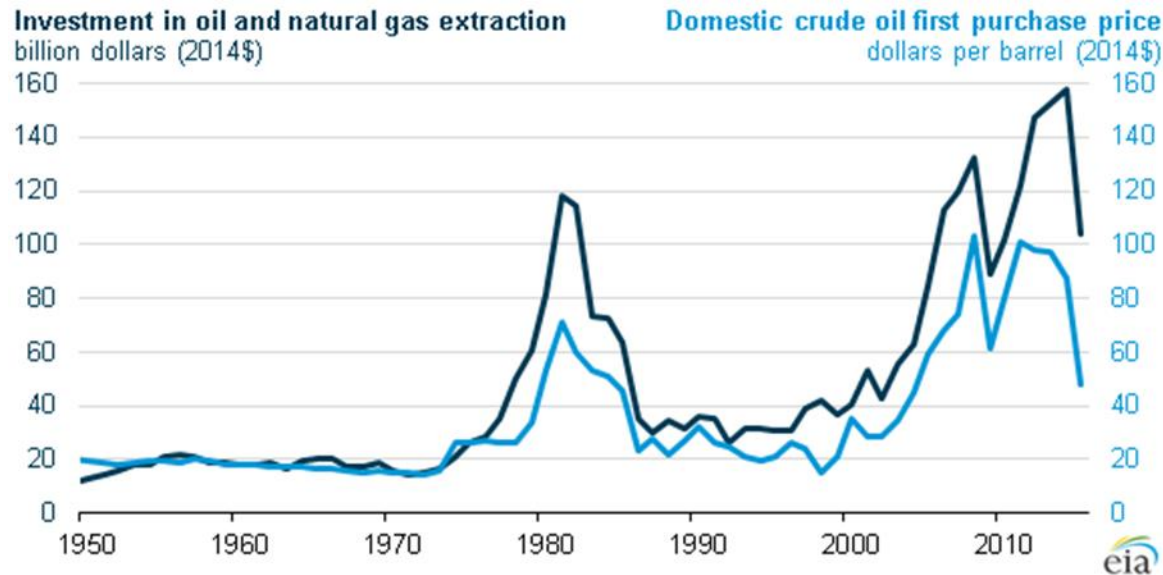
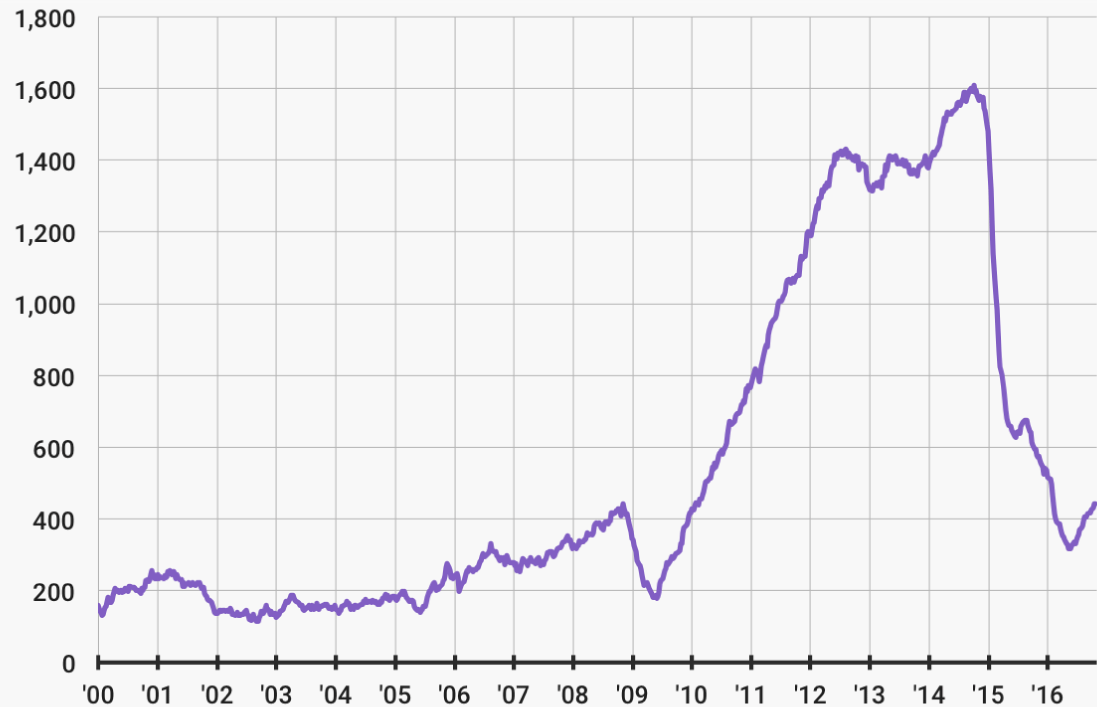


Illustration !  
Effet de la  
baisse du prix  
du brut sur les  
forages huile  
US

## US OIL RIG COUNT



SOURCE: Baker Hughes

BUSINESS INSIDER

## Have we reached the bottom ?

1. Onshore drilling in North America has been improving continuously since the oil barrel price came closer from the 45/50\$ range.
2. As of January 13 th rig count is above last year level.
3. However international rig count is still weak (see next tabulation)

Location	Week	+/-	Week Ago	+/-	Year Ago
Land	634	-6	640	11	623
Inland Waters	0	-1	1	-1	1
Offshore	25	1	24	-1	26
<b>United States Total</b>	<b>659</b>	<b>-6</b>	<b>665</b>	<b>9</b>	<b>650</b>
Gulf Of Mexico	24	1	23	-2	26
Canada	315	110	205	88	227
North America	974	104	870	97	877
<b>U.S. Breakout Information</b>	<b>This Week</b>	<b>+/-</b>	<b>Last Week</b>	<b>+/-</b>	<b>Year Ago</b>
Oil	522	-7	529	7	515
Gas	136	1	135	1	135
Miscellaneous	1	0	1	1	0
Directional	59	2	57	-3	62
Horizontal	537	3	534	26	511
Vertical	63	-11	74	-14	77
<b>Canada Breakout Information</b>	<b>This Week</b>	<b>+/-</b>	<b>Last Week</b>	<b>+/-</b>	<b>Year Ago</b>
Oil	170	89	81	60	110
Gas	144	21	123	27	117
Miscellaneous	1	0	1	1	0

# International rig count December 2016

- Latin america average down 38% compare to last year average
- Europe down 18% and picking up !
- Africa down 20%
- M O down only 4%
- Asia Pacific 15%
- USA down 48 % but continuously improving since july 2016
- Canada down 36%

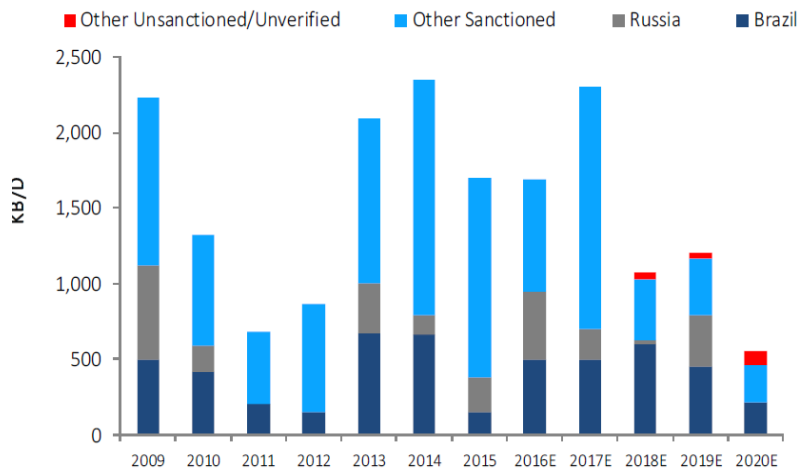
WORLDWIDE RIG COUNT									
2016	Latin America	Europe	Africa	Middle East	Asia Pacific	Total Intl.	Canada	U.S.	Total World
Jan	243	108	94	407	193	1045	192	654	1891
Feb	237	107	88	404	182	1018	211	532	1761
Mar	218	96	91	397	183	985	88	478	1551
Apr	203	90	90	384	179	946	41	437	1424
May	188	95	91	391	190	955	42	408	1405
Jun	178	91	87	389	182	927	63	417	1407
Jul	186	94	82	390	186	938	94	449	1481
Aug	187	96	81	379	194	937	129	481	1547
Sep	189	92	77	386	190	934	141	509	1584
Oct	183	87	77	391	182	920	156	544	1620
Nov	181	97	79	380	188	925	173	580	1678
Dec	184	99	78	376	192	929	209	634	1772
Avg.	198	96	85	390	187	955	128	510	1593
2015	Latin America	Europe	Africa	Middle East	Asia Pacific	Total Intl.	Canada	U.S.	Total World
Jan	351	128	132	415	232	1258	368	1683	3309
Feb	355	133	132	415	240	1275	363	1348	2986
Mar	351	135	125	407	233	1251	196	1110	2557
Apr	325	119	120	410	228	1202	90	976	2268
May	327	116	100	398	217	1158	80	889	2127
Jun	314	113	103	401	215	1146	129	861	2136
Jul	313	108	94	391	212	1118	183	866	2167
Aug	319	109	96	393	220	1137	206	883	2226
Sep	321	109	96	396	218	1140	183	848	2171
Oct	294	108	93	403	213	1111	184	791	2086
Nov	284	108	90	419	208	1109	178	760	2047
Dec	270	114	91	422	198	1095	160	714	1969
Avg.	319	117	106	406	220	1167	193	977	2337

# SOME IOC CASH FLOW BREAKEVEN !

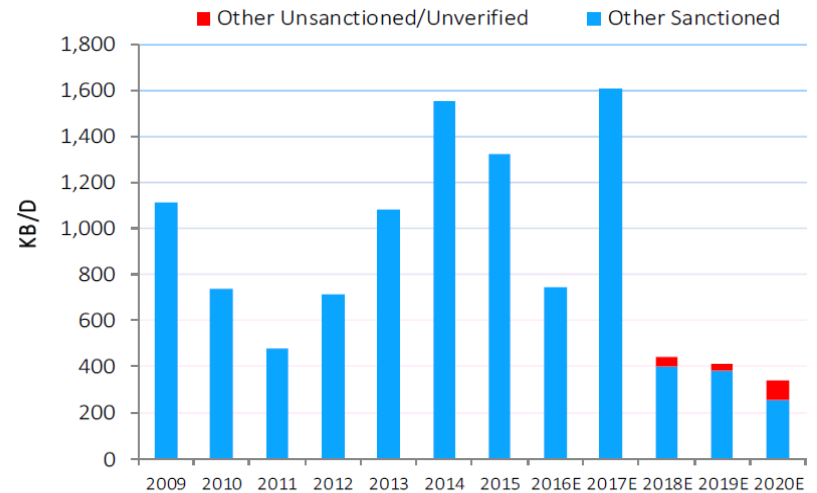
- Threshold oil prices for cash flow breakeven:
- **BP** believes that it is in the process of achieving cash flow neutrality assuming \$50 to 55/bbl oil prices next year.
- **STATOIL** reaffirmed its target of \$60/bbl for 2017 and \$50/bbl for 2018,
- **TOTAL** at \$60/bbl for 2017.
- **CHEVRON TEXACO** reiterated its commitment to attaining cash flow neutrality in 2017 regardless of price, inclusive of asset sales.
- **EXXON MOBIL** continues to offer leading financial resilience, reiterating their belief that they could achieve cash flow breakeven all the way down to \$40/bbl next year if necessary.
- Note : Source Simmons
- **Definition of cash flow breakeven** :The point in the ongoing operation of a business at which sales revenue equals fixed and variable costs and cash flow is neither positive nor negative.

# Major project queue declines by 2018

## NON-OPEC MAJOR PROJECT STARTUPS



## NON-OPEC MAJOR PROJECT STARTUPS – EX BRAZIL AND RUSSIA



## 2/ EXXON MOBIL CASE

- **9 months use of funds shows priorities !**
- 1/ dividends has been paid (and even increased) through borrowing and sale of assets)
- Equal 150 % of profits!
- 2/ Investments of PP&E (Property, plant and equipment ) are funded by operation cash flow

Driving long-term value creation

*Billions of dollars  
unless specified otherwise* YTD16

Earnings	<b>6.2</b>
Cash Flow from Operations and Asset Sales <sup>1</sup>	<b>16.9</b>
Upstream Production (MOEBD)	<b>4.0</b>
CAPEX	<b>14.5</b>
Shareholder Distributions	<b>9.3</b>

### Highlights

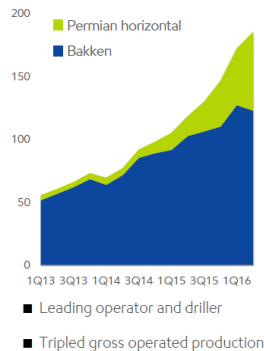
- Resilient, integrated business
- Value-based choices
- Capital and cost discipline
- Reliable, growing dividend

<sup>1</sup> Includes Proceeds Associated with Asset Sales of \$2.2B

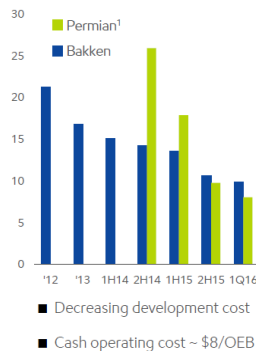
# EXXON US UNCONVENTIONAL PRODUCTION

- US EXXON Production is still increasing
- Development costs are being reduced by nearly 50% between 2012 and 2016.
- At 40 \$/bbl large inventory of wells !

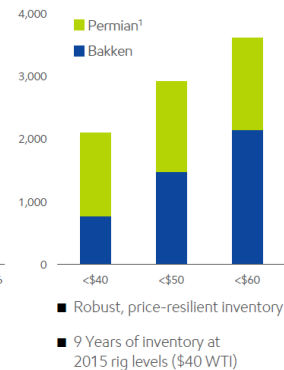
Permian/Bakken Production  
Gross Operated Production (koebd)



Development Cost  
\$/OEB



Permian/Bakken Inventory<sup>2</sup>  
Cumulative Drillwell Inventory



ExxonMobil

<sup>1</sup> Data specific to horizontal Wolfcamp / Spraberry wells  
<sup>2</sup> Drillwell inventory with 10% rate of return at flat real WTI prices

# EXXON INTERNATIONAL UPSTREAM PROJECTS AND EXPLORATION UPDATE

## Rest of the world

- On track to achieve 10 start-ups 2016/17
  - Hebron Utilities and Process Module fabrication complete
  - Upper Zakum island production reached 100 KBD
- Sanctioned Tengiz Expansion Project
- Progressing Guyana resource development
  - Liza-2 confirms significant oil discovery
  - Developing early production concept
  - Drilling Skipjack exploration well
  - Kaieteur Block farm-in

## Papua New Guinea

- Proposed acquisition of InterOil Corporation
  - Agreement worth more than \$2.5 billion
  - \$45 per share stock transaction
  - Contingent resource payment
- Access to six licenses covering four million acres
  - Large Elk-Antelope field; 6+ TCFe
  - Additional exploration upside
- Strategic fit with existing PNG business
  - Potential project expansion
  - Project development and operating excellence
  - Commercial/stakeholder relationships

# TOTAL EXAMPLE

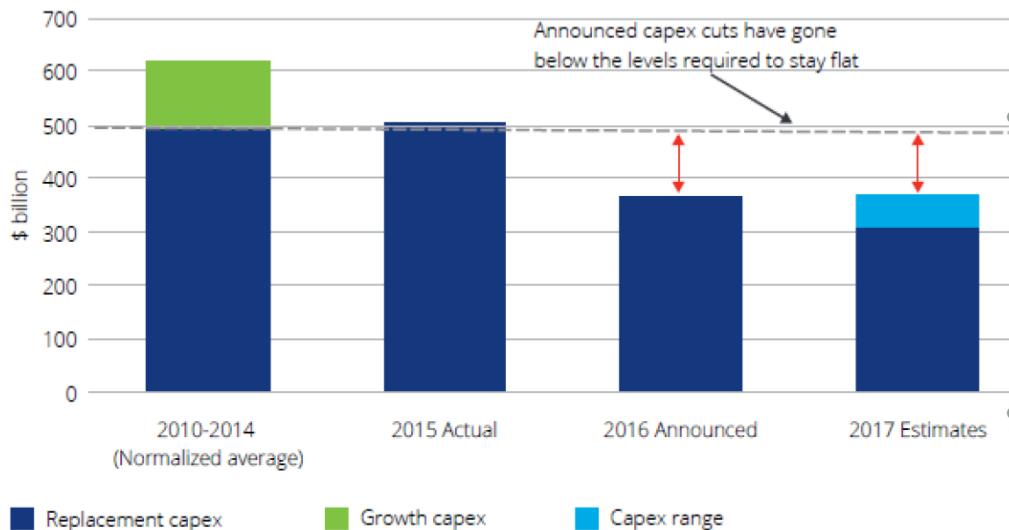
- <sup>1</sup> Résultats du troisième trimestre et des neuf premiers mois de 2016
- En commentant les résultats, Patrick Pouyanné a déclaré :  
« Total réalise à nouveau une solide performance ce trimestre avec un résultat net ajusté de 2,1 milliards de dollars et une marge brute d'autofinancement de 4,5 milliards de dollars. Le Groupe a ainsi généré 13% de cash flow de plus qu'au deuxième trimestre 2016 malgré la baisse de 27% des marges de raffinage et un Brent inchangé.
- Total continue de tirer parti de son modèle intégré et répond efficacement aux défis à court terme grâce à une bonne performance opérationnelle et une forte discipline dans le contrôle des coûts
- Dans l'Amont, la production est en hausse de plus de 4% sur un an. Après Laggan-Tormore, Vega Pleyade et Angola LNG au premier semestre, Incahuasi a démarré en août et Kashagan en octobre. Ainsi les cinq projets majeurs de l'année sont en production.
- Malgré la baisse des marges de raffinage, la contribution de l'Aval est restée forte ce trimestre et s'élève à 5 milliards de dollars de cash flow sur 9 mois, en ligne avec l'objectif annuel
- La discipline en matière de dépenses se poursuit. le Groupe aura investi 18 milliards de dollars en 2016.
- Les coûts opératoires continuent de baisser et les économies s'élèveront à plus de 2,7 milliards de dollars en 2016 soit 10% de plus que prévu en début d'année.
- Le résultat net sur 9 mois est de 5,9 milliard de dollar et la distribution de dividendes a atteint 2,127 milliard de dollars

## **SECTION 3 : PERSPECTIVES FOR 2017**

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# Global upstream spending forecast for 2017 as of may 2016!

Figure 2. Global upstream spending (ex-MENA, \$ billion)



Source: Deloitte

- Priority is given to replacement capex by Oil companies.
- **2017 spending will depend greatly of the average price for 2016 of the oil barrel and its actual trend in 2017 !**
- As of November 2016 the average price of oil was 42,65 \$/bbl
- In 2015 the annual average price was 52,35 \$/bbl

# Latest Barclays forecast of global upstream spending for 2017 (January 2017) At last some improvements !

- Survey is conducted among approximately 250 oil & gas companies.
- **1/ Following an unprecedented 2 years of double-digit declines, global exploration and production spending is expected to increase 7% in 2017, according to Barclays' latest E&P spending survey.**
- **2/ North America spending will increase 27% in 2017, after a decline of 38% in 2016. The US rig count forecast will average 730 in 2017, ending the year at 850-875 rigs, Barclays said.**
- **3/ International spending will increase 2% in 2017 after falling 18% in 2016.**
- **National oil companies plan to increase spending by 9%, offsetting declines among European IOCs, -7%; US IOCs, -15%; and international E&Ps, -7%.**
- **Barclays also expects growth in almost every region except Europe.**
- **4/ Offshore spending is poised to fall another 20-25% this year, after falling 34% in 2016, Barclays said.**
- 
- Offshore well spending represents 15% of total spending. Barclays forecasts 120 contracted floating rigs by yearend vs. 133 rigs currently.
- Specifically, an online survey showed 80% of North American E&P companies expect oil-field service costs to increase, primarily in pressure pumping and land drilling rigs. Notably, more than 59% of respondents now believe less than 25% of cost reductions are structural, which is a big shift from the 45% of respondents from their survey last September.
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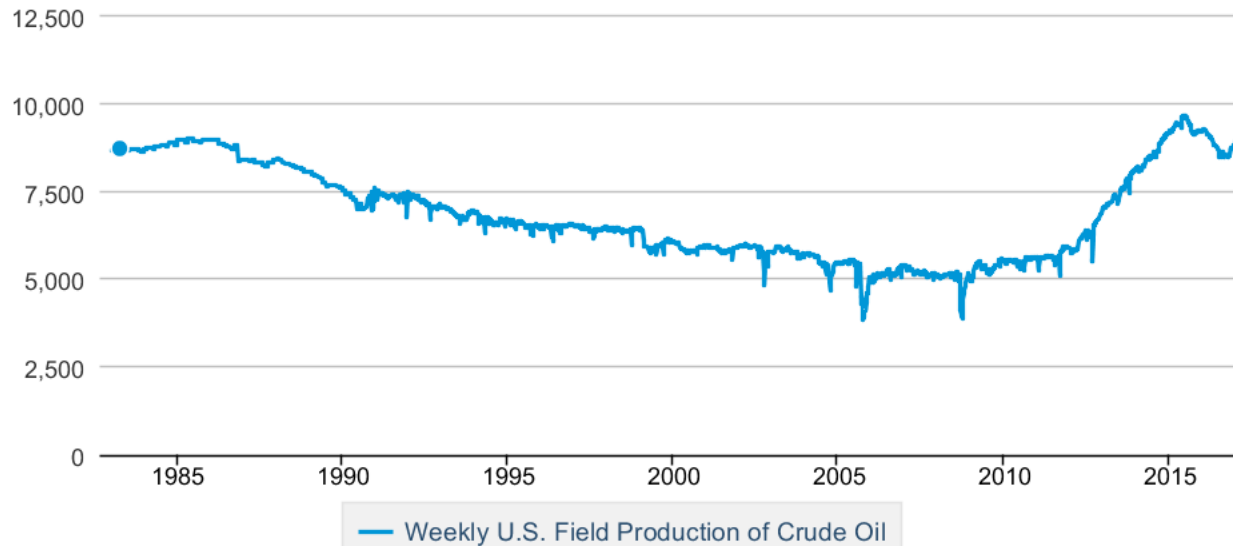
# En conclusion...

- 1/ **Grace à l'accord politique**: réduction de la production OPEP de 1,2 million de baril/jour et des producteurs non-OPEP de 600 000 baril/jour à partir du 1<sup>er</sup> Janvier 2017 les stocks devrait commencer à se réduire... et la production US repartir!
- 2/ La priorité des compagnies pétrolières à ce jour est de rémunérer leurs actionnaires et maintenir leurs cours de bourse (cf Exxon Mobil)et maintenir les capacités de production.
- 3/ Les investissements amont devrait repartir légèrement + 7% après deux ans de fort déclin grâce à une reprise importante des dépenses aux USA et des investissement des compagnies nationales.
- 4/ Les investissements dans l' offshore qui constituent le marché traditionnel du parapétrolier français resteront orientées à la baisse.

# *Et la production US qui repart ! +300000 bpd depuis septembre 2016*

## Weekly U.S. Field Production of Crude Oil

Thousand Barrels per Day



Source: U.S. Energy Information Administration