

LOUISIANA ENERGY CONFERENCE



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LOUISIANA
ENERGY
CONFERENCE
2019 ALL THINGS ENERGY

DUFF & PHELPS

Moderator: Martin Rubio

“The Shifting Geopolitical Landscape and Its Impact on the Domestic Oil & Gas Industry”

Jed DiPaolo, Senior Advisor to Duff and Phelps, formerly 26 years at Halliburton, most recently as Group Senior Vice President of Global Business Development

The Shifting Geopolitical Landscape and Its Impact on The Domestic Oil & Gas Industry

May 2019

Edward J. DiPaolo

Jed DiPaolo Biography

Jed DiPaolo *Senior Advisor*

41-year career within the energy sector.

26 years with Halliburton in various sales, engineering, and management roles, including Regional VP of North America, Regional VP of Southeast Asia, and Group Senior VP of Global Business Development.

Since retiring from Halliburton, Mr. DiPaolo has served on 13 public and private boards, including:

- Chairman of the Board for Boots & Coots, Inc. (AMEX:WEL) and Seventy Seven Energy (NYSE:SSE), a spin-out out of Chesapeake Energy Corporation.
- Successfully restructured Seventy Seven Energy through Chapter 11 Bankruptcy and facilitated its sale to Patterson-UTI (NASDAQ:PTEN).
- Executed the IPO of Edgen Group on NYSE.
- Currently, the Lead Director of Evolution Petroleum (AMEX:EPM), and a Member of the Board of privately-held Deep Well Services and Danos Energy Services.

Currently serves as Senior Advisor to Duff & Phelps.

Current and Prior Board Representations



Innicor Subsurface Technologies Inc.

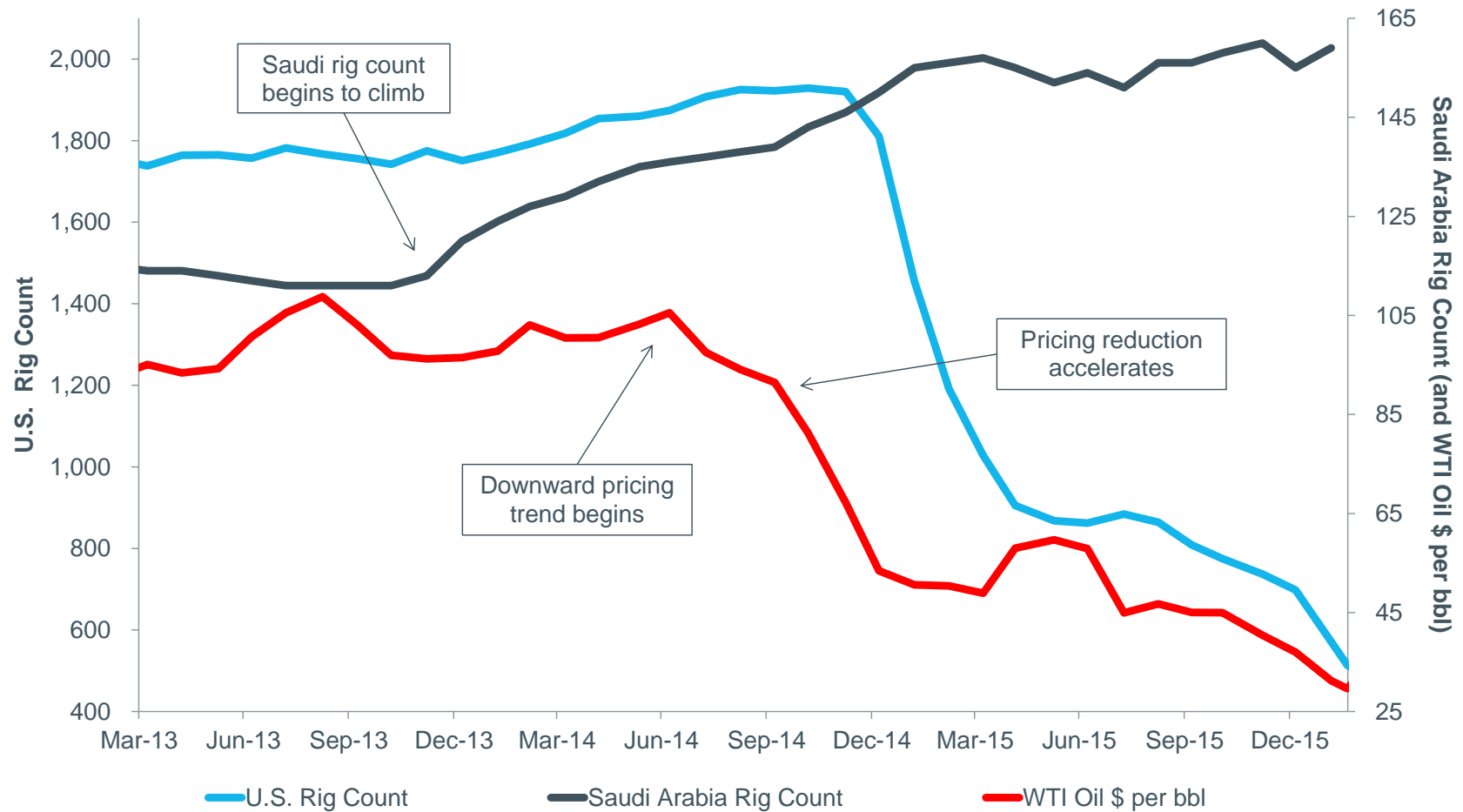
Oil is a Geopolitically Driven Commodity

National Oil Company (NOC) Defined

- NOCs control 90% of proven oil reserves
- NOCs account for 75% of global oil production
- An oil company fully or majority owned by a national government
- Predominant source of hard currency to fund social budgets
- Usually the largest employer in the country

Saudi Rig Count Momentum

Saudi Arabia Rig Count vs. United States Rig Count



Sources: BHI, EIA

Why OPEC +

OPEC Traditionally Controlled Supply of Oil

- Since 1970 OPEC has developed excess production capacity over demand
- Maintained pricing power through market share

OPEC + Members

Haves

Saudi Arabia

UAE

Kuwait

Qatar

Russia

Want to Be

Iran

Iraq

Azerbaijan

Oman

Kazakhstan

Have Nots

Venezuela

Algeria

Nigeria

Libya

Ecuador

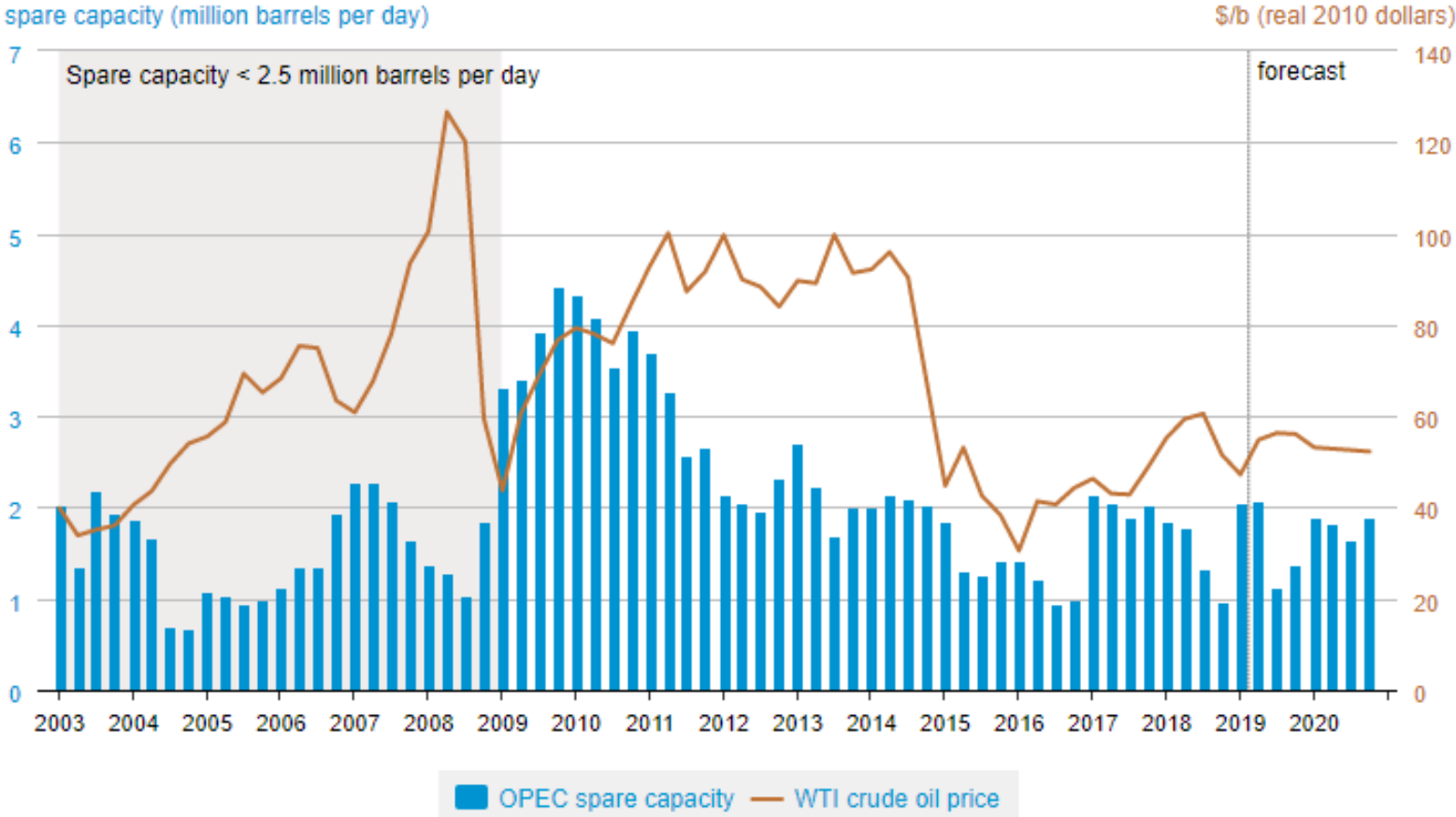
Angola

Bahrain

Collateral Damage Due to The 2014 Oil Price War

- Have Nots OPEC Members
- Deep Water Oil Projects
- North Sea
- Canadian Oil Sands
- Russian Economy
- U.S. Shale Production

OPEC Spare Production Capacity & WTI Prices



Source: EIA

Conflict in the Middle East



Things to Watch

- Iran
- Russia
- Saudi Arabia
- U.S.

Iran

- Willingness to negotiate with the U.S.
- Attack on U.S. military forces, facilities or citizens
- Resumption of nuclear program
- Regime being able to maintain control over population

Russia

- Maintaining its position in OPEC +
- Continuing to support Iran
- Selling of its missile defense system to Turkey
- Improved relationship with Egypt and Israel
- Growing its involvement in Venezuela

Saudi Arabia

- Current royal family maintaining control during generational leadership transition
- Keep peace with old ally in the U.S. while expanding relationship with the Russians
- Dealing with the U.S. as a competitor
- The Saudi's development of a nuclear power program with the U.S. or Russia
- Continuing to lead Arab alliance against Houthis in Yemen

U.S.

- Change in U.S. leadership before and after 2020 election
- U.S. open to negotiate sanctions and attempt to improve current relationships with Iran
- Willingness to take on Iran militarily
- Speed of export growth from the U.S.
- Willingness to intervene in Venezuela quickly

Effects of Geopolitics on the U.S. Oil Market

- Continued growth in exports may force the world oil markets away from a cartel controlled supply market to more of a conventional supply/demand commodity market
- U.S. land activity may be stronger due to our ability to export more crude
- Pricing swings may become more volatile
- Due to these volatility swings, access to future capital may become more difficult

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For more information about our global locations and services, please visit:
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About Duff & Phelps

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