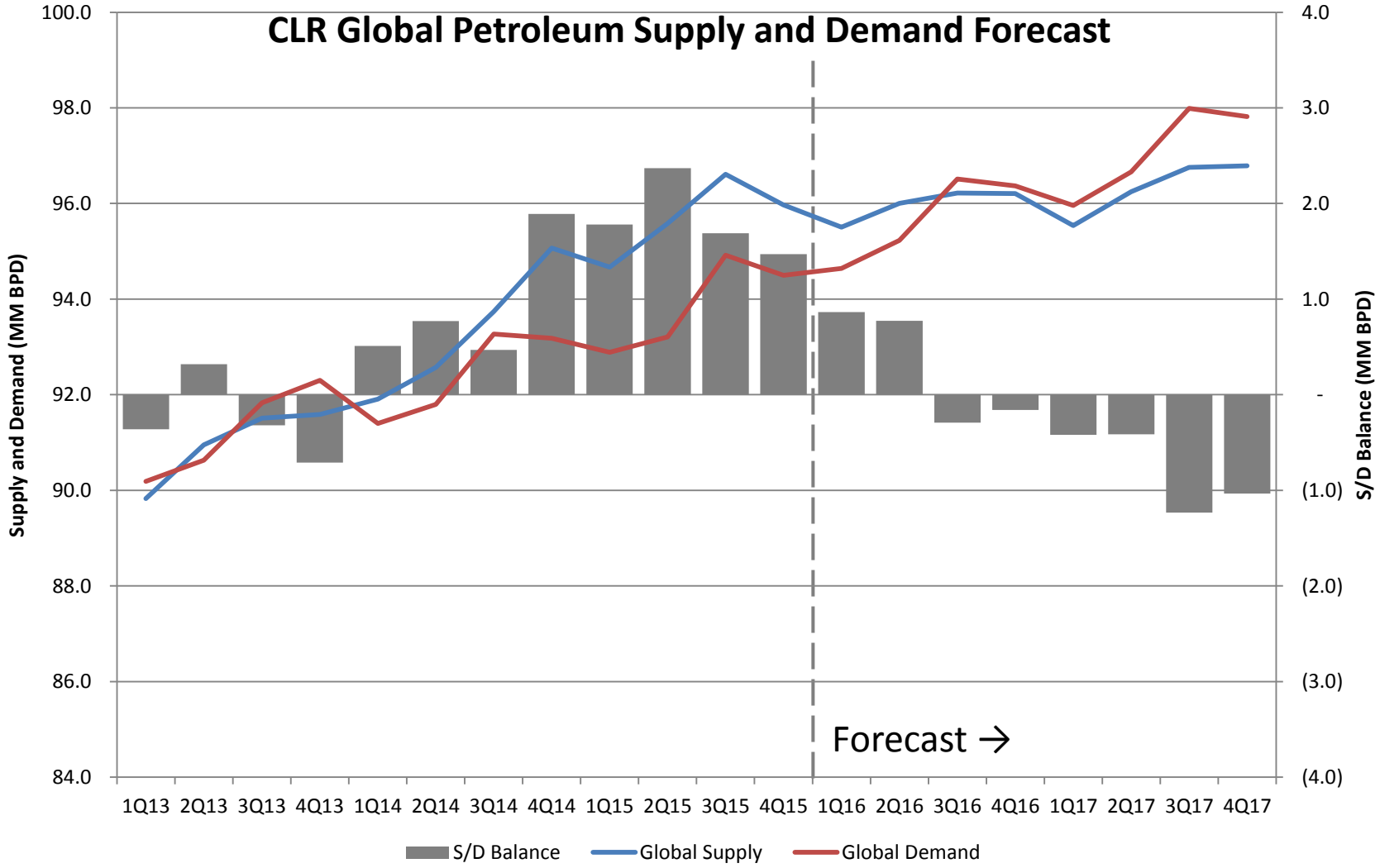
CLR anticipates market balance in 2H16, leading to undersupply situation in 2017



Sources: EIA, CLR.

Undersupply based on capex cuts, base decline rates, strategic stock builds

- Shale decline rates are much higher than conventional declines. IHS notes that 2014 base declines were:
  - Bakken: 30%
  - Eagle Ford: 43%
  - Wolfcamp-Delaware: 32%
- Additionally, IEA noted in 2013 that without continued investment in work-overs and other EOR techniques, global decline rates could go from 6.5% to 9%.
  - Rystad Energy recently stated that for the 15mm bpd of offshore production around the globe, declines could shift from 5% normally up to 15% in a "no EOR" scenario (or, 1.5mm bpd each year in additional decline)
- Wood Mackenzie tallies $380 billion in deferred projects globally as a result of the past year's price declines, which represents 1.5mm bpd of lost supply in 2021 and 2.9 million bpd of lost supply in 2025
- Lastly, China and India are taking advantage of low prices to increase strategic reserves. Energy Aspects recently noted that China alone could add up to 400,000 bpd of addition SPR demand in 2016.

U.S. is world's premier light-sweet producer in an undersupplied market

- With the lifting of the crude oil export ban, global buyers are now taking interest in U.S. light-sweet crude oil
- The light-sweet crude oil produced in this country is of high quality and in high demand because it requires far less processing
- With geopolitical disruptions in N. Africa and structural declines in North Sea production, the U.S. is the world's only reliable, abundant supplier of light-sweet crude
- The U.S. is an idea supplier because:
  - Counterparties are companies, not countries
  - Deepest financial markets
  - Robust legal framework
- For these reasons, the light-sweet crude oil produced in the U.S. should hold its premium to lower-quality grades

"New Normal" Inventory Model in U.S. means we're not facing an inventory glut

U.S. requires 100+ million barrels of working inventory than in 2010 as a result of greater refining demand and new crude oil supply routes

Reason #1: Higher U.S. refinery runs.

2010: Actual = 353 million barrels/15.2 mmb/d runs = 23.2 days

2015: Actual = 452 million barrels/16.4 mmb/d runs = 27.6 days

2010: Normalized = 380 million barrels (2010 days x 2015 mmb/d runs)

Reason #2: Onshore Inventory Adjusted for Shift from Foreign Crude Imports by Sea

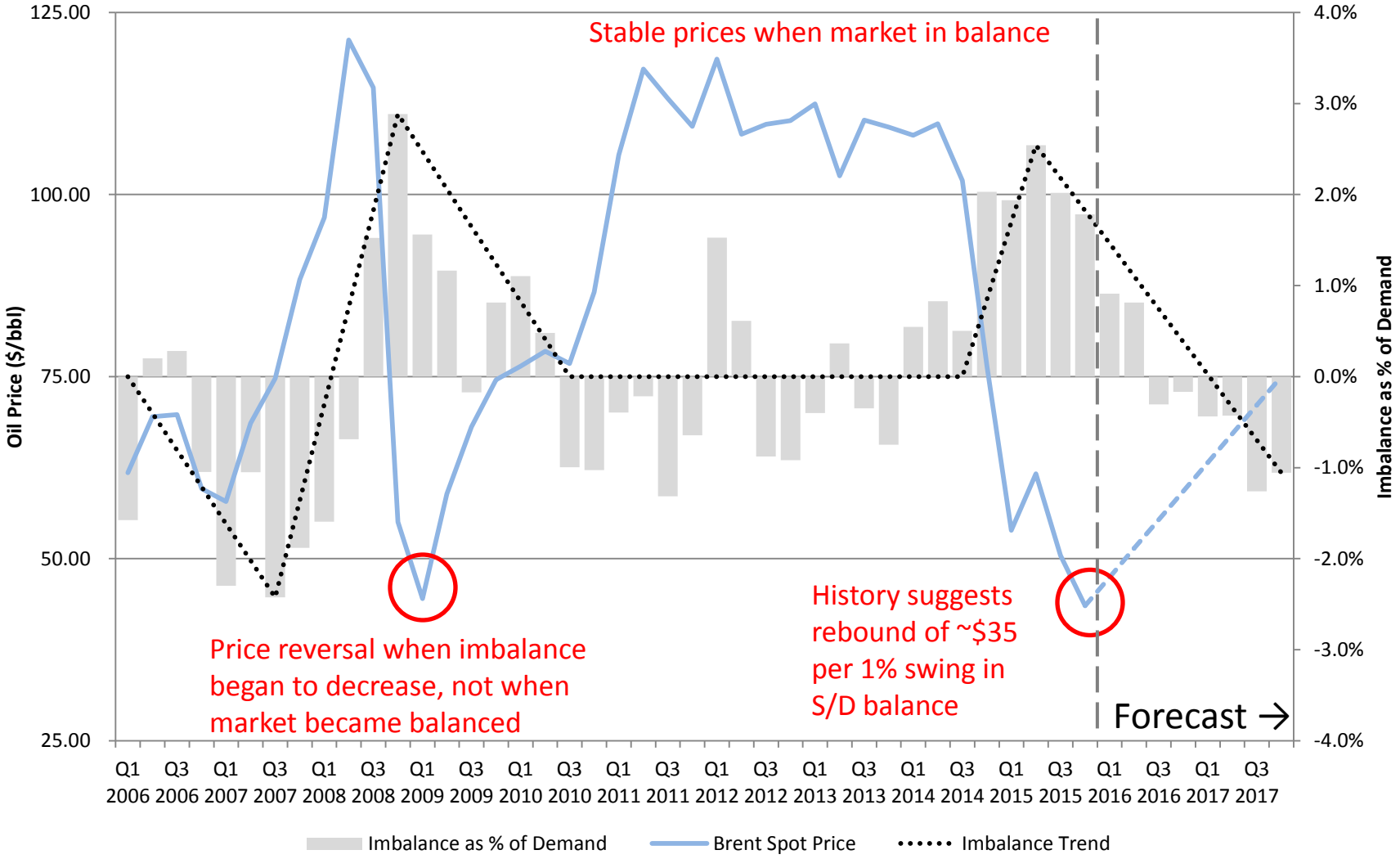
2010: Normalized to account for 2015 onshore origin shift = + 70 mm barrels

(23.2 days x 3 million b/d additional onshore reportable supply)

2010: Normalized = 450 million barrels = 380 mm barrels + 70 mm barrels

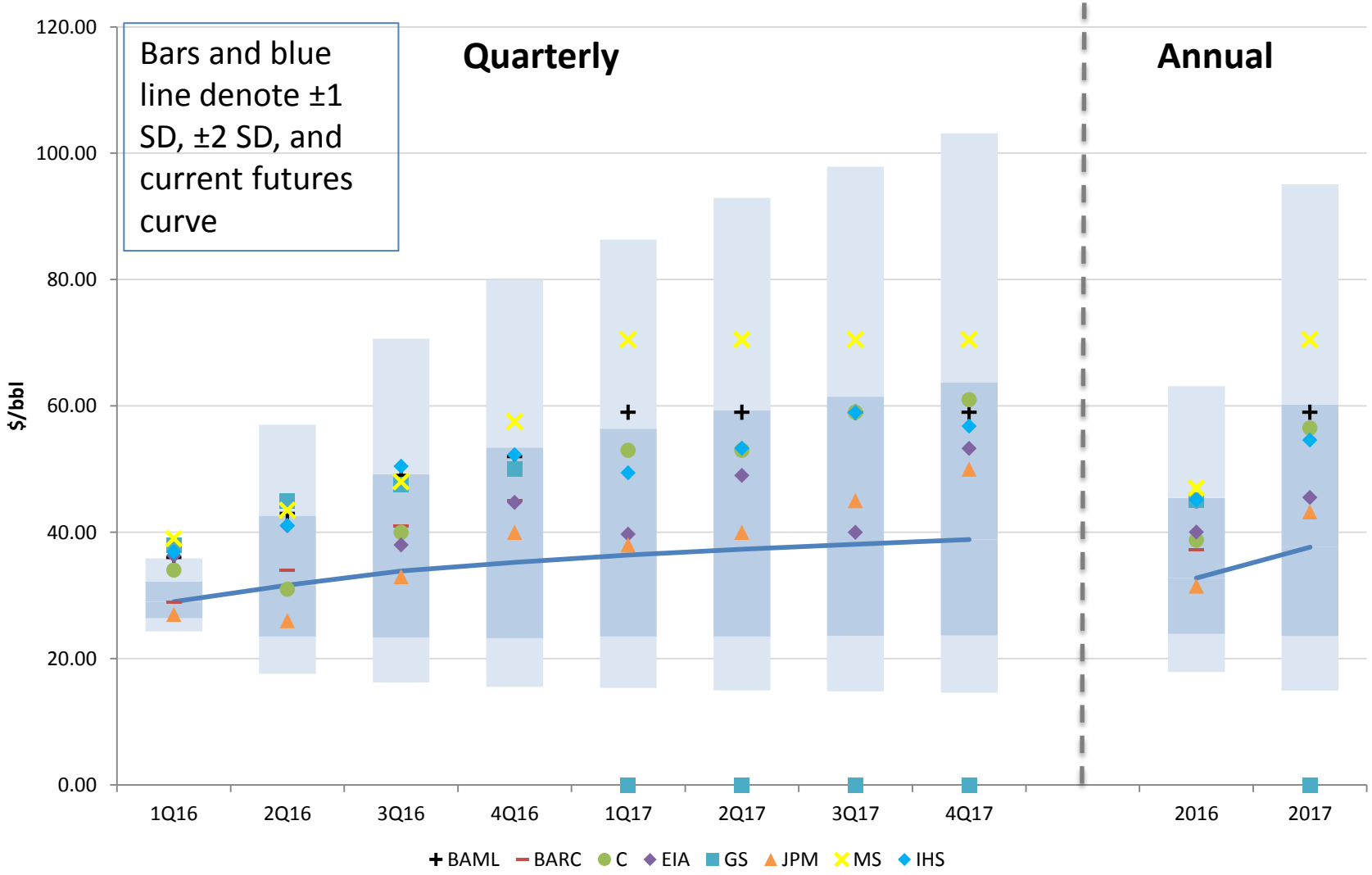
October 2015

History suggests small changes in supply-demand balance lead to large swings in price

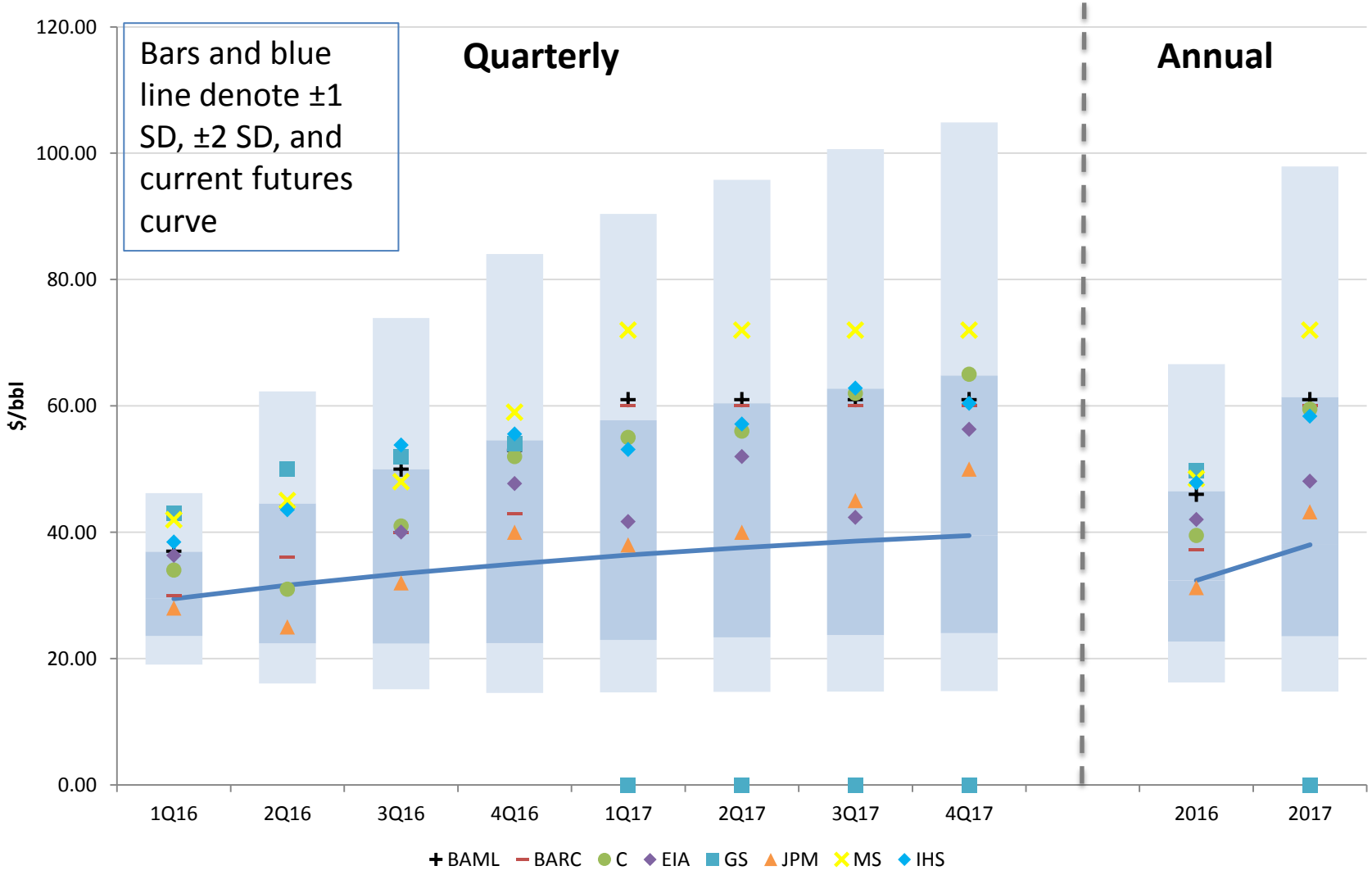


Source: EIA, CLR forecast of supply/demand balance

WTI futures prices & forecasts



Brent futures prices & forecasts



Henry Hub futures prices & forecasts