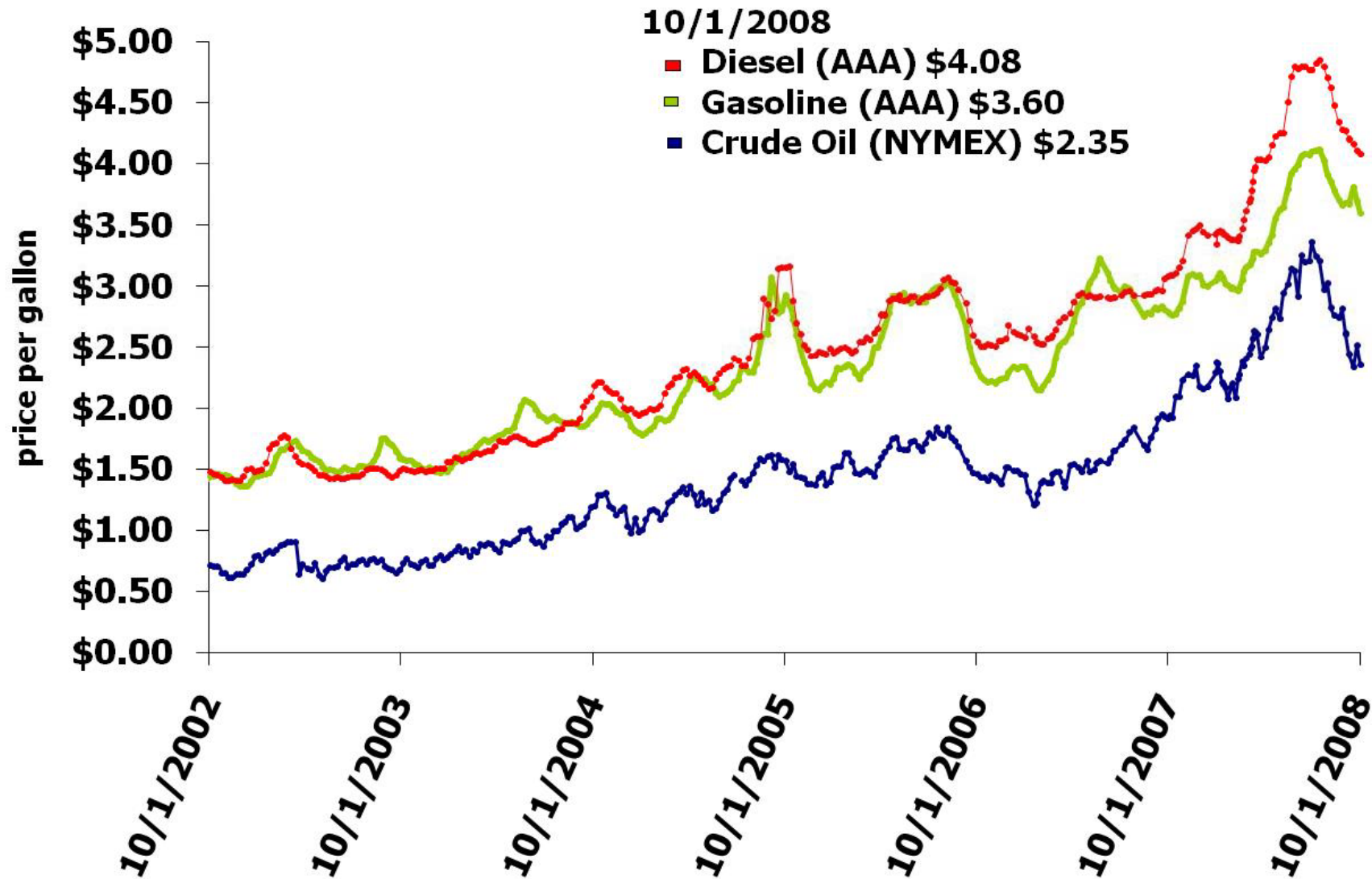




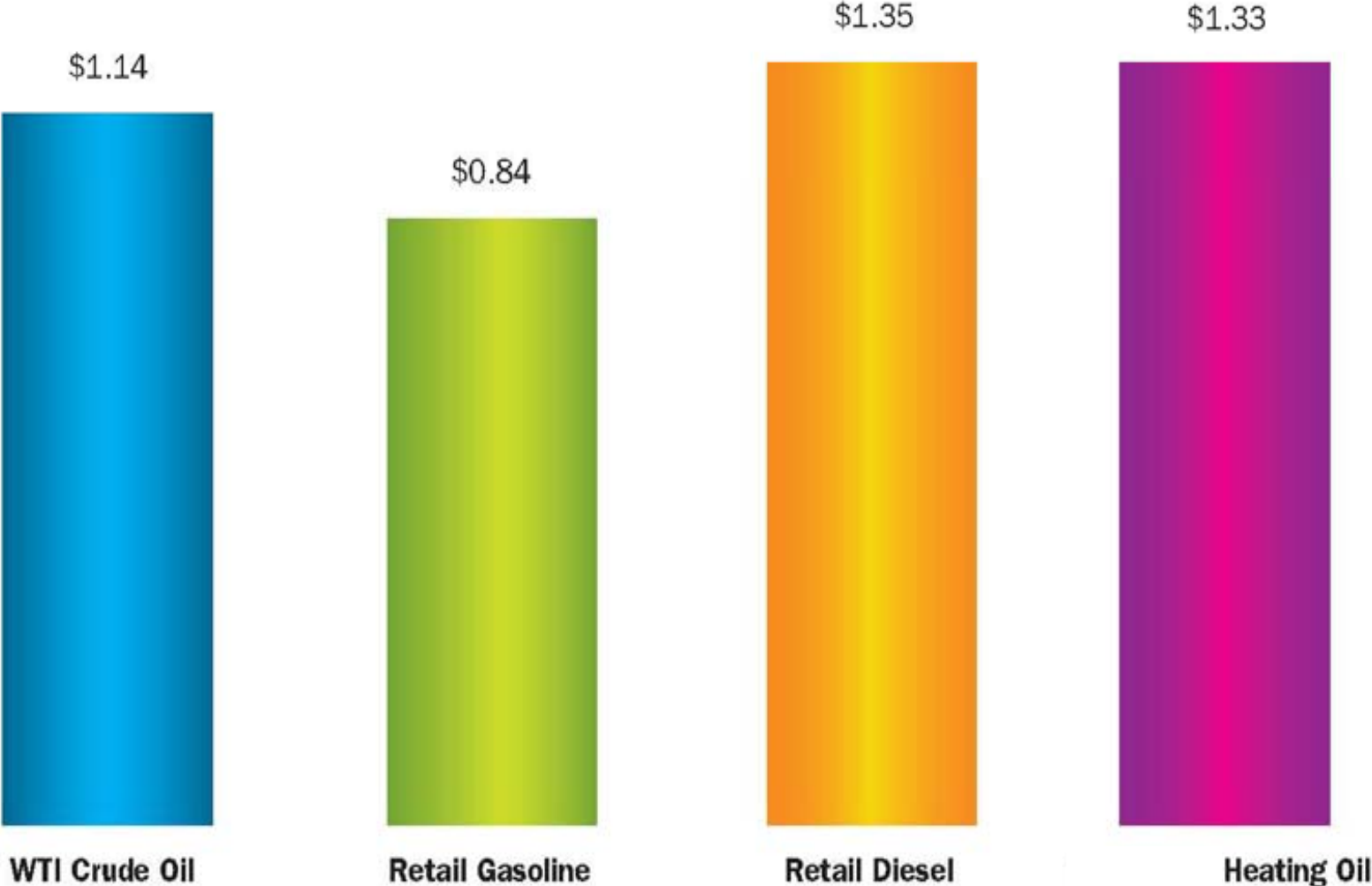
**America's Oil and Natural Gas Industry**  
**The Truth About Oil and Gasoline**  
**August 29, 2008**

## Diesel, Gasoline and Crude Prices



Source: NYMEX (WTI crude oil) and AAA (gasoline and diesel)

**Average Price Increases Year to Date (cents per gallon) — January 1 to September 23**



Source: NYMEX (WTI crude oil and heating oil) and AAA (gasoline and diesel)

## Key Factors Affecting Markets



Value of  
U.S. Dollar

Weather



Iraq  
Insurgency

Russia



Nigerian  
Civil Strife



Venezuela



OPEC Decisions

## What consumers are paying for at the gasoline pump



Crude Oil

Refining and  
Retailing

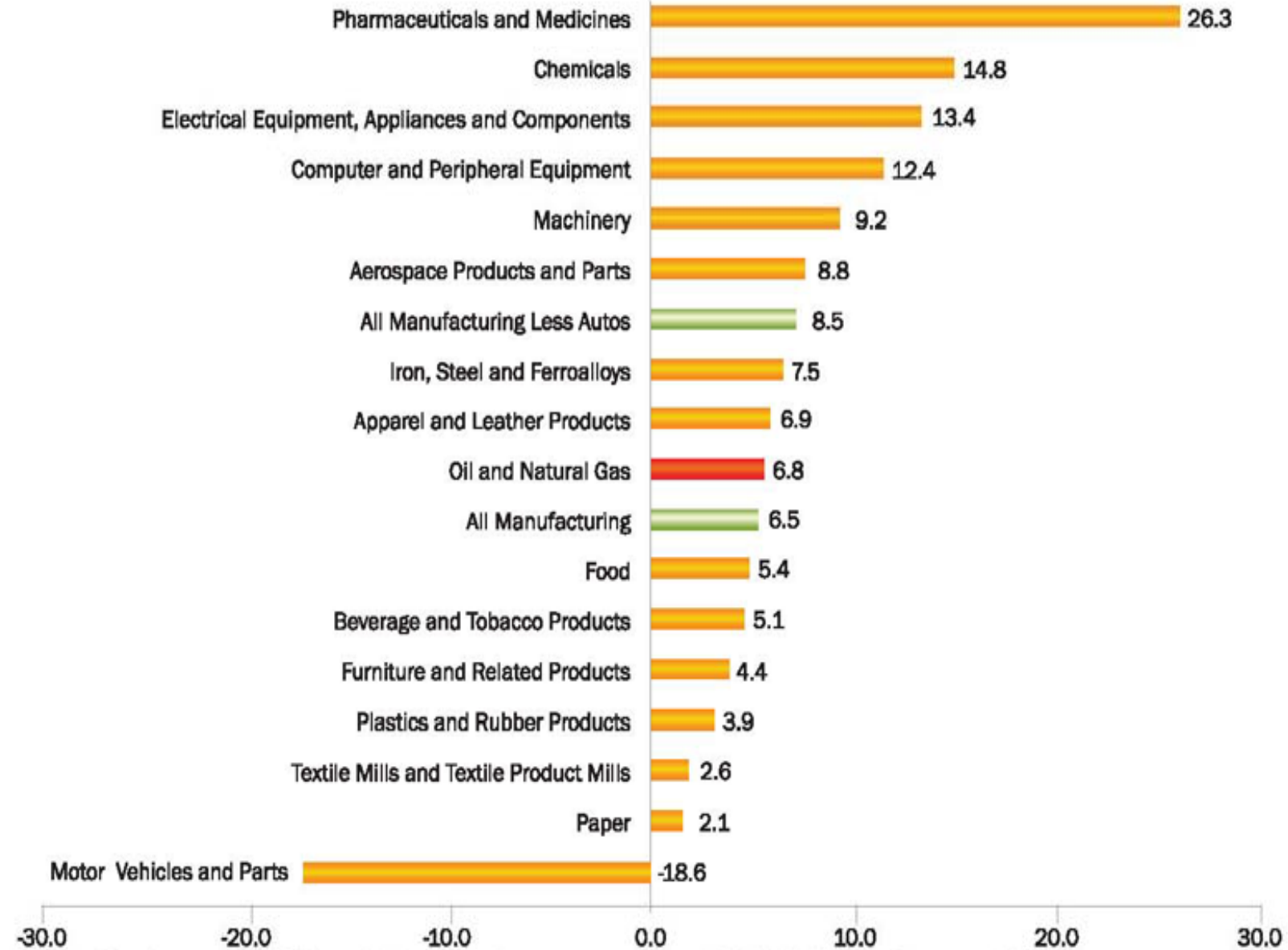
Taxes

# 7.1% Earnings\*

Source: Average of gasoline components from January through June 2008 as reported by EIA.

\*Earnings differ by company. Figure represents average for the first half of 2008 industry earnings for every dollar of sales calculated from data reported by Oil Daily.

## Second Quarter of 2008 Earnings by Industry (net income/sales)



Sources: Based on company filings with the federal government as reported by U.S. Census Bureau and *Oil Daily*.

<b>Total Distillate Inventories (heating oil and diesel fuel) **</b>						
	<b>Week ended Sep 26 Million Barrels</b>	<b>Week ended Sep 19 Million Barrels</b>	<b>Year Ago Million Barrels</b>	<b>% Change from Last Year</b>	<b>Average 2003-2007 Million Barrels</b>	<b>% Change from Average</b>
<b>National</b>	126.4	129.4	133.3	-5.1%	131.2	-3.6%
<b>East Coast</b>	48.8	49.9	56.5	-13.6%	56.7	-13.9%
<b>New England</b>	7.8	7.9	12.2	-35.7%	12.1	-35.5%
<b>Mid-Atlantic</b>	30.6	31.3	32.8	-6.6%	32.5	-5.9%
<b>South Atlantic</b>	10.4	10.7	11.6	-10.4%	12.0	-13.5%
<b>Midwest</b>	28.3	28.8	29.1	-2.7%	29.3	-3.3%
<b>Gulf Coast</b>	33.8	35.5	32.3	4.6%	30.4	11.2%
<b>Mountain</b>	3.1	2.9	2.7	12.4%	2.8	9.6%
<b>West Coast</b>	12.5	12.3	12.7	-1.3%	12.1	2.9%

<b>High Sulfur Distillate Inventories (heating oil)</b>						
	<b>Week ended Sep 26 Million Barrels</b>	<b>Week ended Sep 19 Million Barrels</b>	<b>Year Ago Million Barrels</b>	<b>% Change from Last Year</b>	<b>Average 2003-2007 Million Barrels</b>	<b>% Change from Average</b>
<b>National</b>	38.3	37.0	43.1	-11.2%	51.9	-26.2%
<b>East Coast</b>	27.7	27.5	33.5	-17.2%	36.3	-23.7%
<b>New England</b>	5.4	5.4	9.2	-41.4%	9.6	-44.0%
<b>Mid-Atlantic</b>	20.5	20.5	21.1	-3.0%	22.1	-7.4%
<b>South Atlantic</b>	1.9	1.7	3.2	-41.7%	4.6	-59.9%
<b>Midwest</b>	2.6	2.6	2.9	-10.6%	5.8	-55.6%
<b>Gulf Coast</b>	6.1	5.2	5.2	17.4%	7.5	-18.5%
<b>Mountain</b>	0.39	0.36	0.12	220.5%	0.39	1.4%
<b>West Coast</b>	1.5	1.3	1.4	6.3%	1.9	-21.0%

\*\* Data do not include 2 million barrels transferred from late September through mid-October of 2000 from commercially available inventories to the federal government's Heating Oil Reserve in the Northeast.





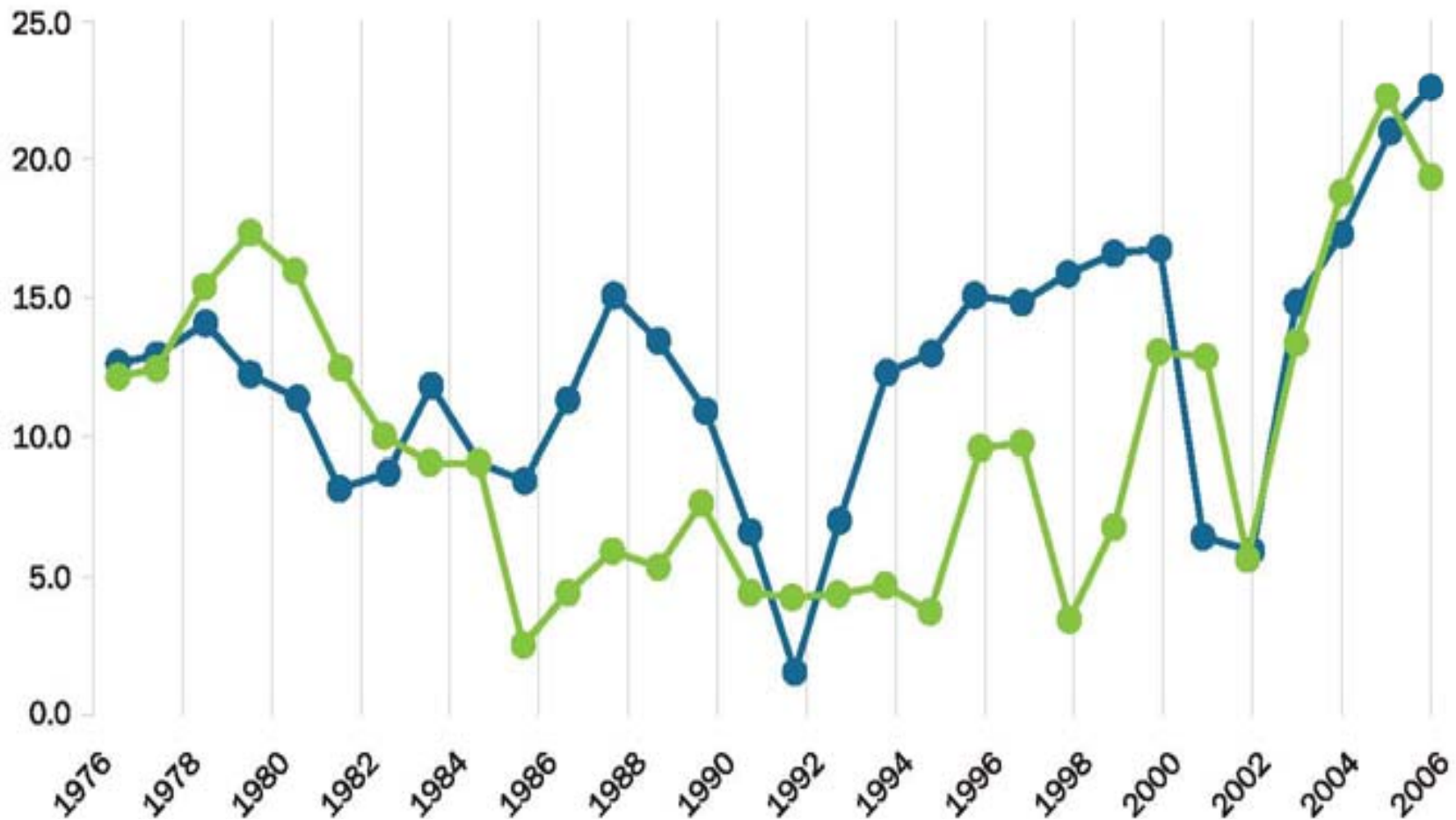
## Policy Choices Needed to Ensure Future Energy Security

- ❖ Encourage Energy Efficiency.
- ❖ Encourage investment in long-term energy initiatives and advanced technologies.
- ❖ Reduce barriers to increasing domestic supplies.
- ❖ Rely on market forces to allocate products.
- ❖ Refrain from new taxes that make it more expensive to develop our domestic supplies.
- ❖ Support the need to participate actively in global energy markets rather than isolate the U.S.

### Return on Investment (net income/net investment in place)

● S&P Industrials

● U.S. Oil and Natural Gas



Source: EIA, Performance Profiles of Major Energy Producers, various issues and 2006 S&P figure compiled by PWC from Compustat data.

## Capital Spending

### WHERE FUNDS WILL GO FOR US PROJECTS

Table 1

	2008, million \$	Change 2008-2007, %	2007, million \$	Change 2007-2006, %	2006, million \$
<b>Exploration-production</b>					
Drilling-exploration .....	130,200	4.2	125,010	0.8	124,000
Production .....	24,750	4.2	23,760	0.8	23,560
OCS lease bonus .....	5,250	87.8	2,795	205.8	914
<b>Subtotal .....</b>	<b>160,200</b>	<b>5.7</b>	<b>151,565</b>	<b>2.1</b>	<b>148,474</b>
<b>Other</b>					
Refining .....	13,000	57.0	8,280	-8.0	9,000
Petrochemicals .....	1,000	19.0	840	7.7	780
Marketing .....	3,000	20.0	2,500	0.0	2,500
Crude and products pipelines ..	6,629	269.1	1,796	1,173.8	141
Natural gas pipelines .....	5,710	30.8	4,367	94.5	2,245
Other transportation .....	1,200	23.7	970	14.1	850
Mining, other energy .....	1,200	20.0	1,000	0.0	1,000
Miscellaneous .....	5,000	22.0	4,100	10.8	3,700
<b>Subtotal .....</b>	<b>36,739</b>	<b>54.0</b>	<b>23,853</b>	<b>18.0</b>	<b>20,216</b>
<b>Total .....</b>	<b>196,939</b>	<b>12.3</b>	<b>175,418</b>	<b>4.0</b>	<b>168,690</b>

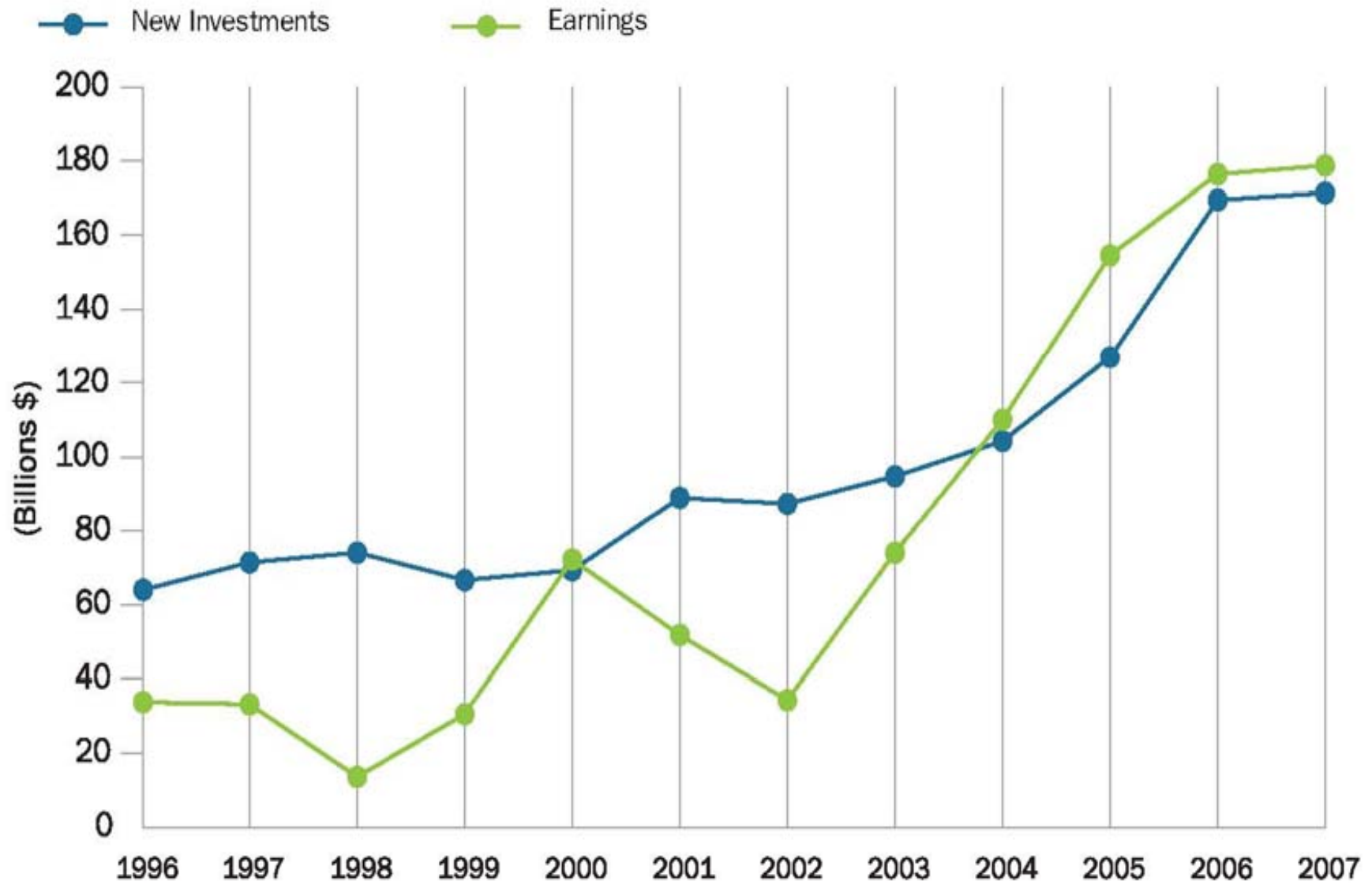
**Net Income – Oil Daily**

**155,770**

**162,769**

Source: Oil and Gas Journal, April 28, 2008

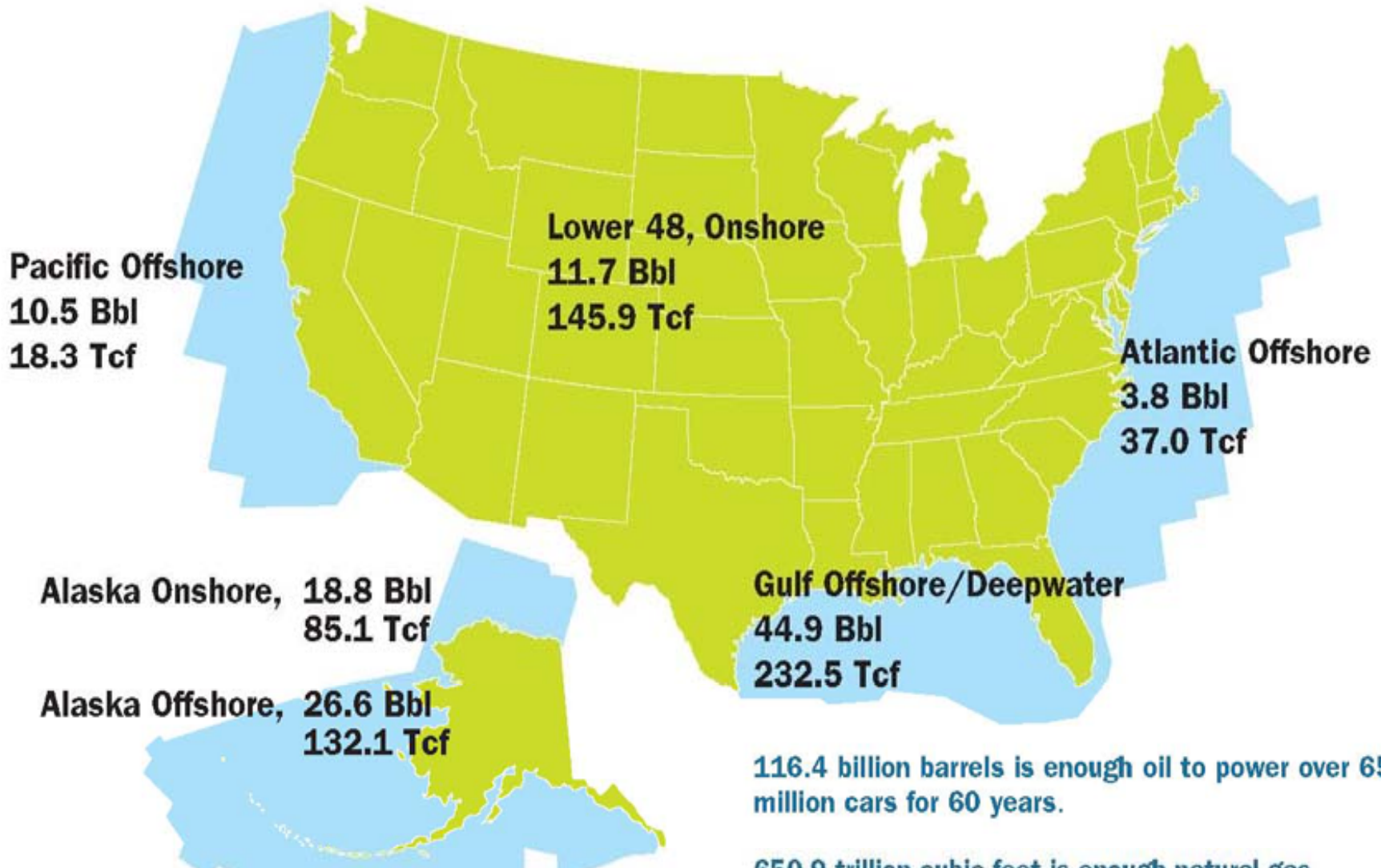
## Oil and Natural Gas New Investments and Earnings



Source: Ernst & Young

## U.S. Crude Oil (Bbl) and Natural Gas (Tcf) Resources

(Undiscovered Technically Recoverable Federal Resources)\*



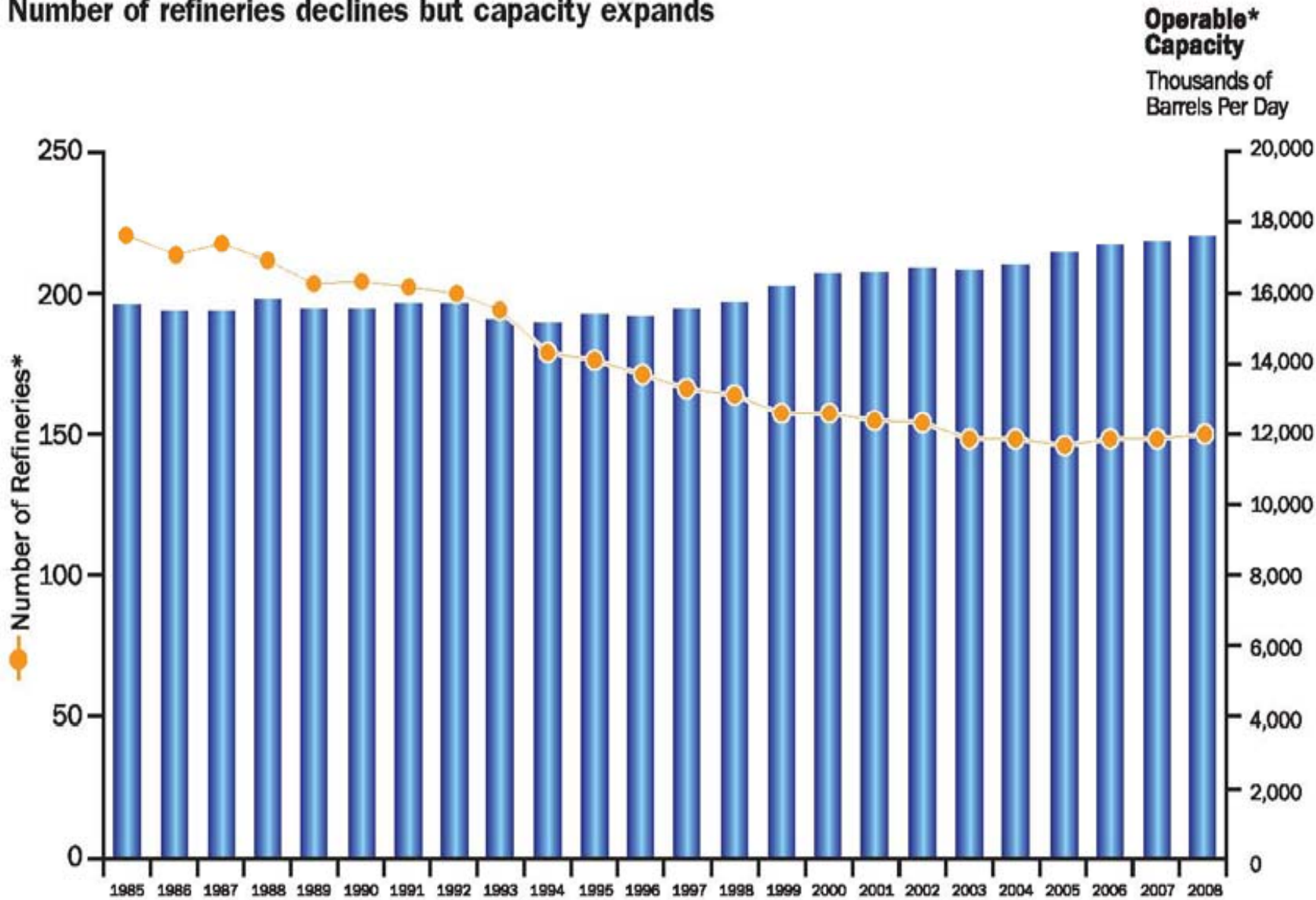
116.4 billion barrels is enough oil to power over 65 million cars for 60 years.

650.9 trillion cubic feet is enough natural gas to heat 60 million homes for 160 years.

Source: MMS, BLM, and API calculations

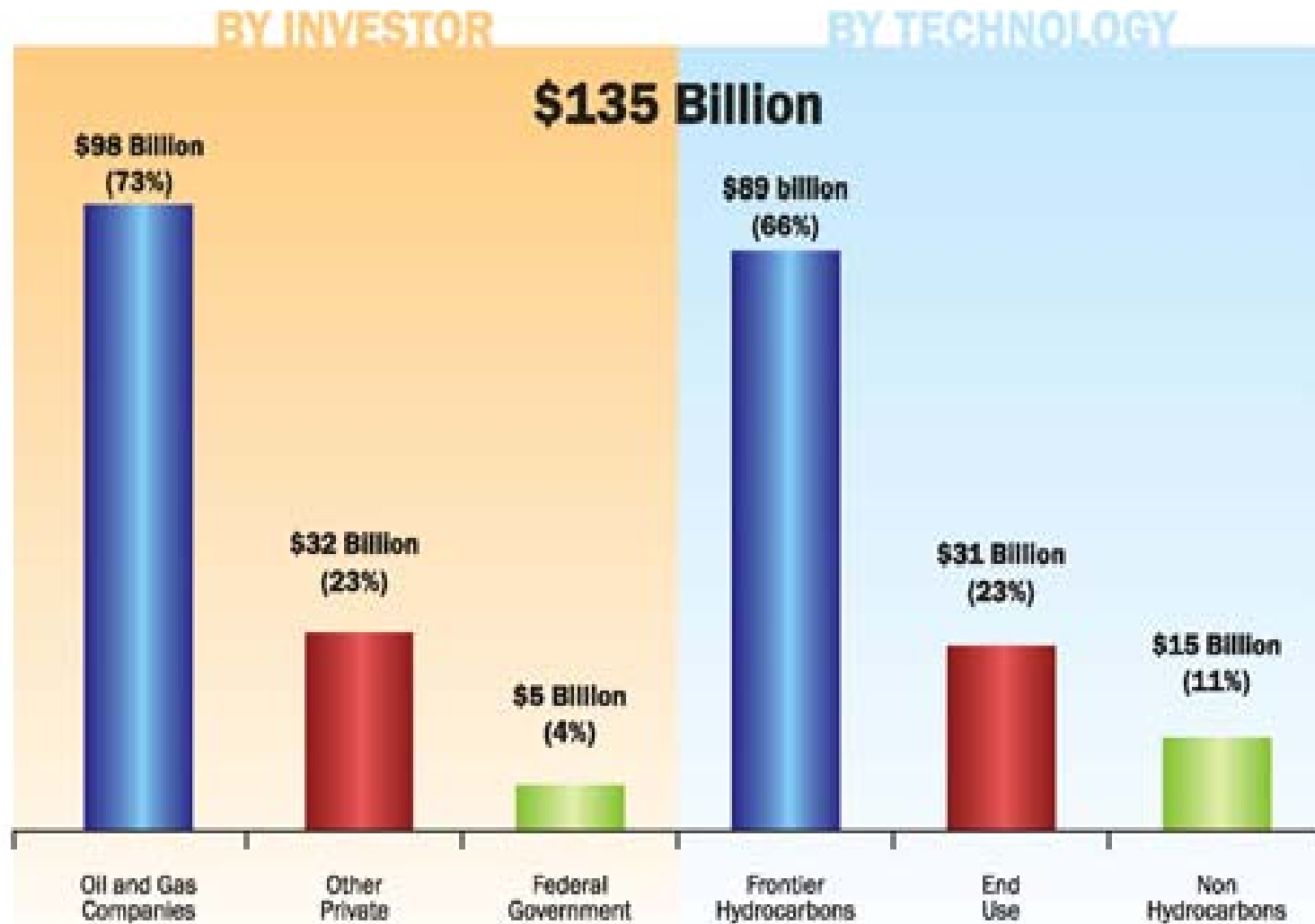
\*Figures may not add exactly to total due to rounding.

# Number of refineries declines but capacity expands



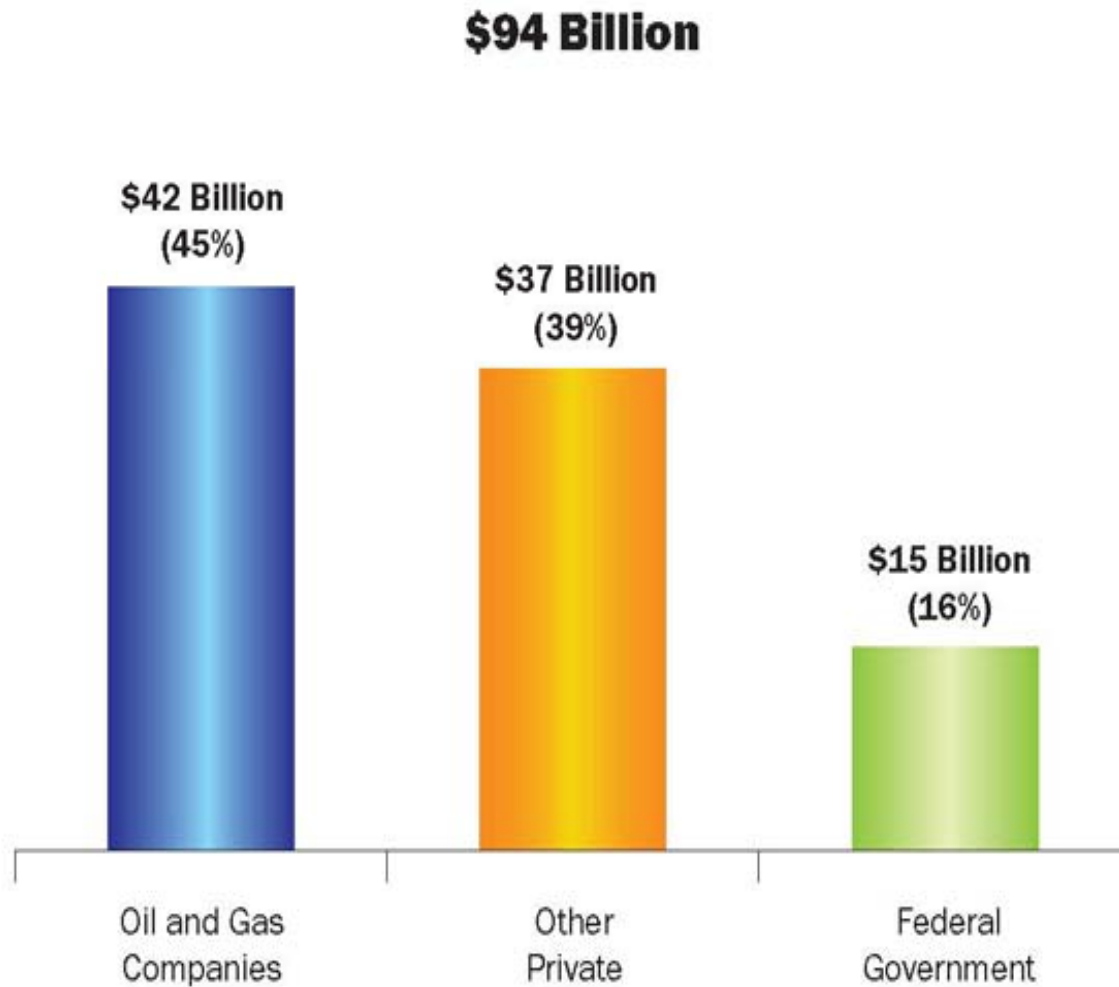
\*Operable as of January 1st  
Source: DOE

## Technology—Our Industry's Investments (2000-2005)



Source: IER and CEE

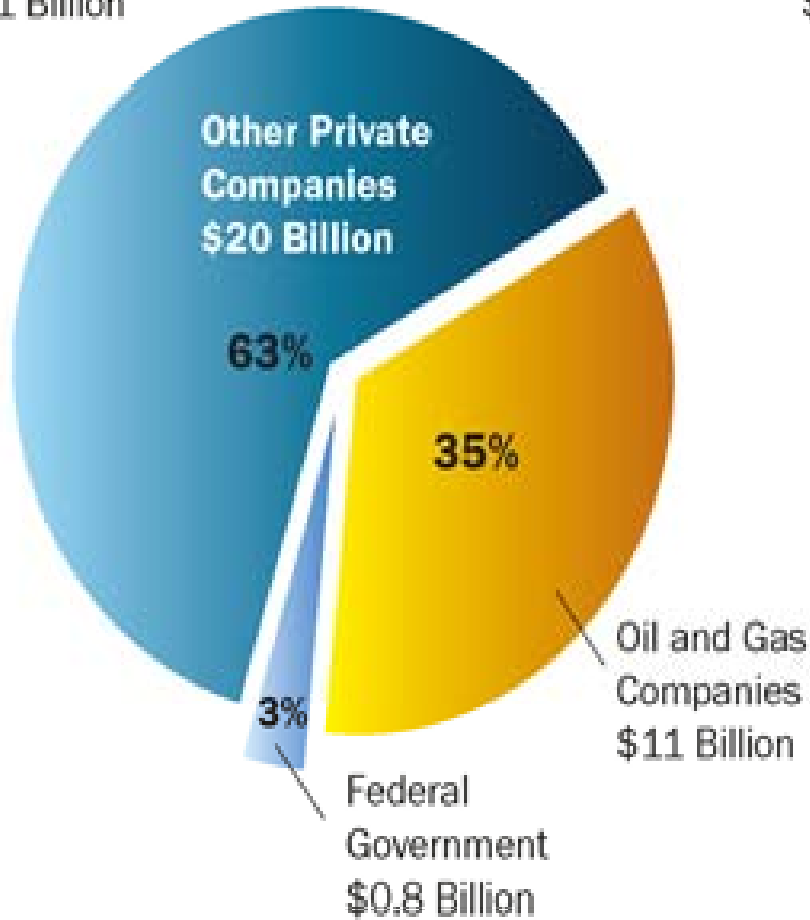
# Carbon Mitigation (2000-2006)



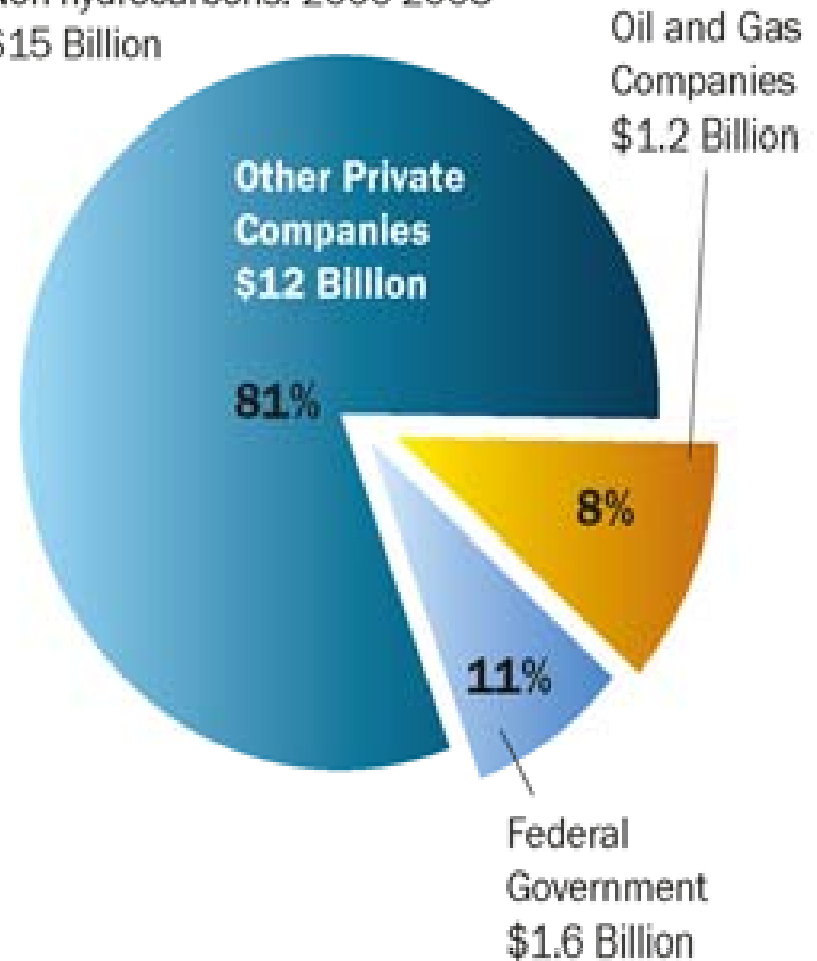
Source: T2 & Associates and CEE

### Leading Emerging Energy Investments by U.S. Firms (2000-2005)

End Use: 2000-2005  
\$31 Billion

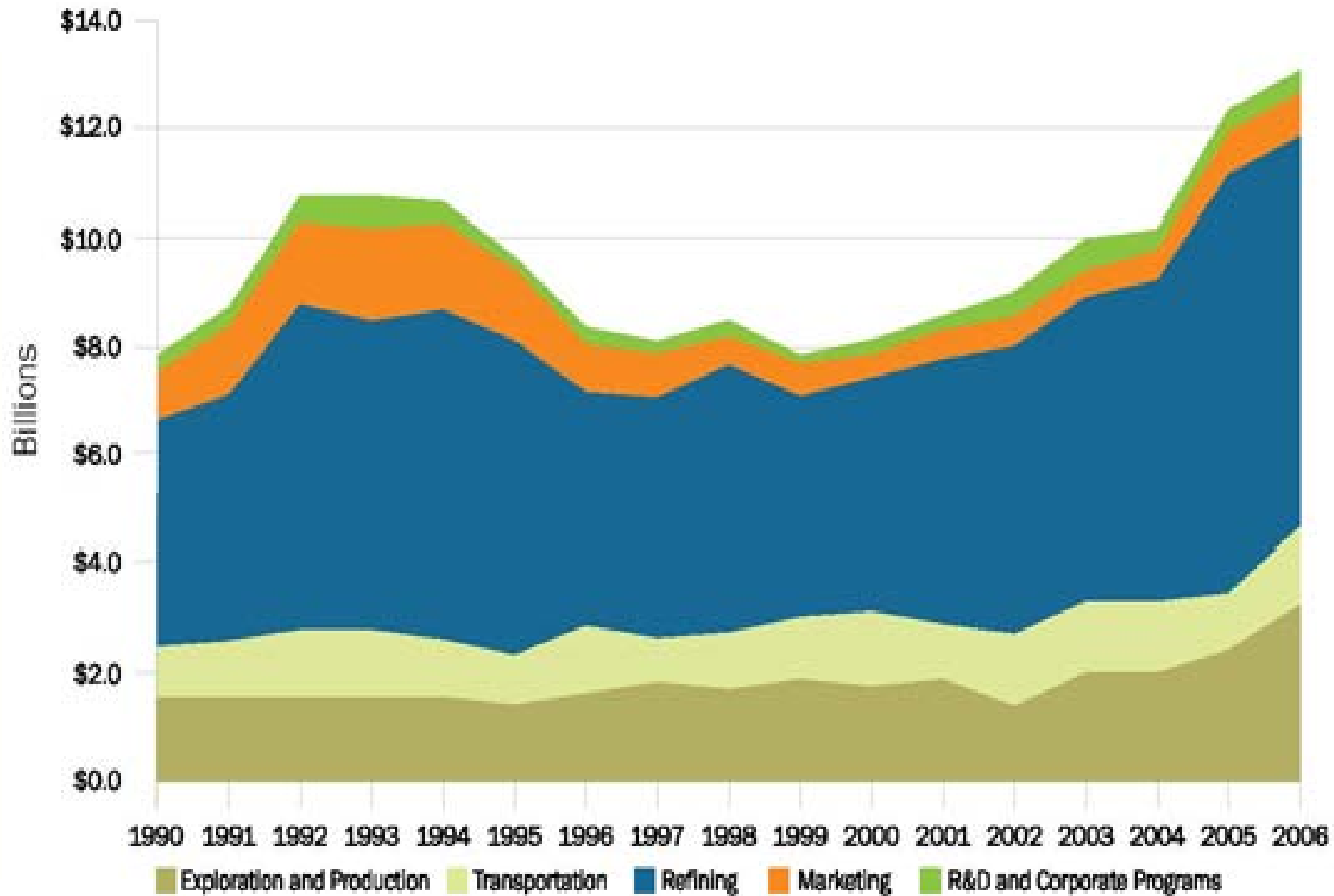


Non-hydrocarbons: 2000-2005  
\$15 Billion



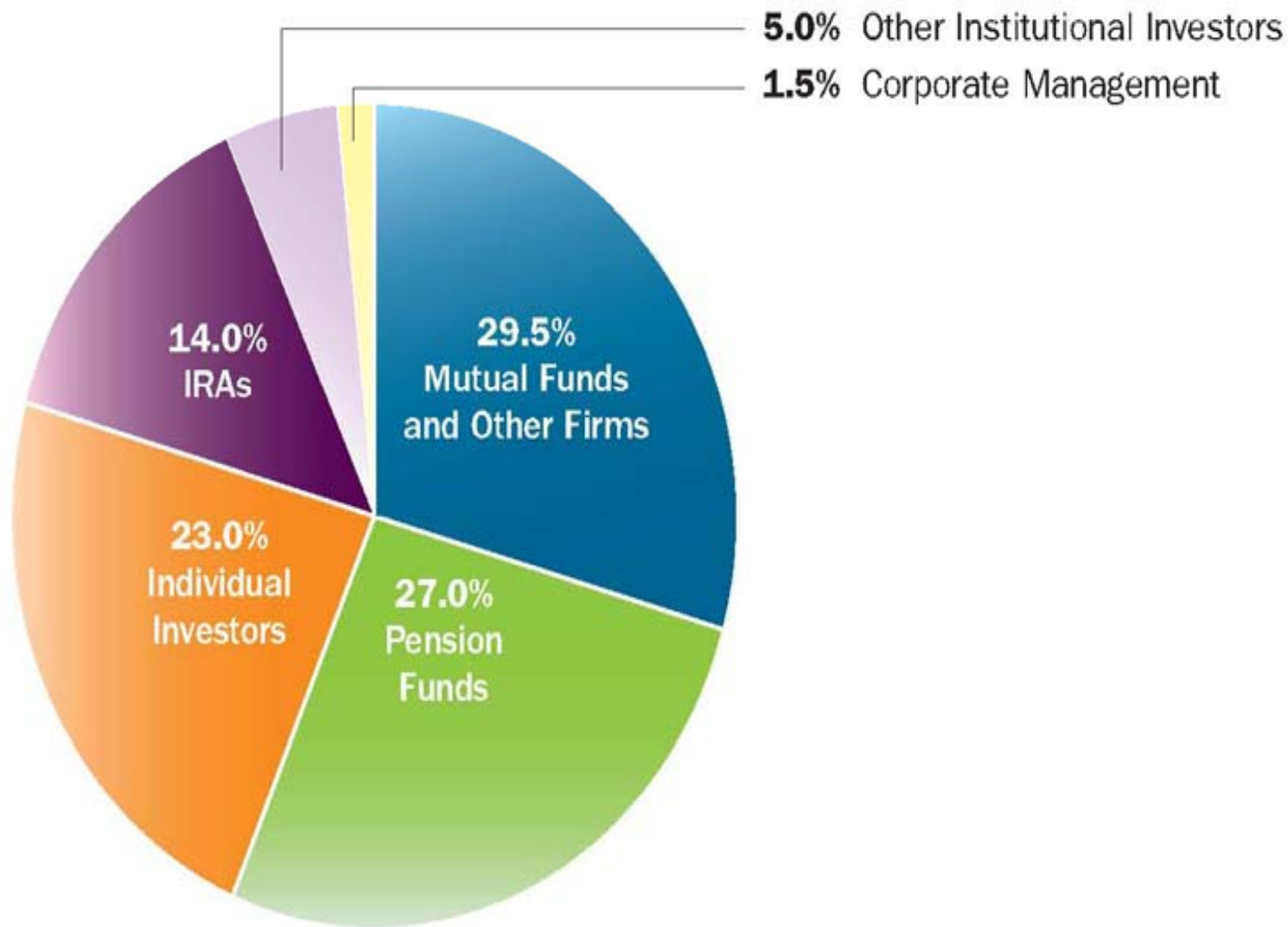
Source: IER and CEE

## U.S. Environmental Expenditures since 1990 (by sector)



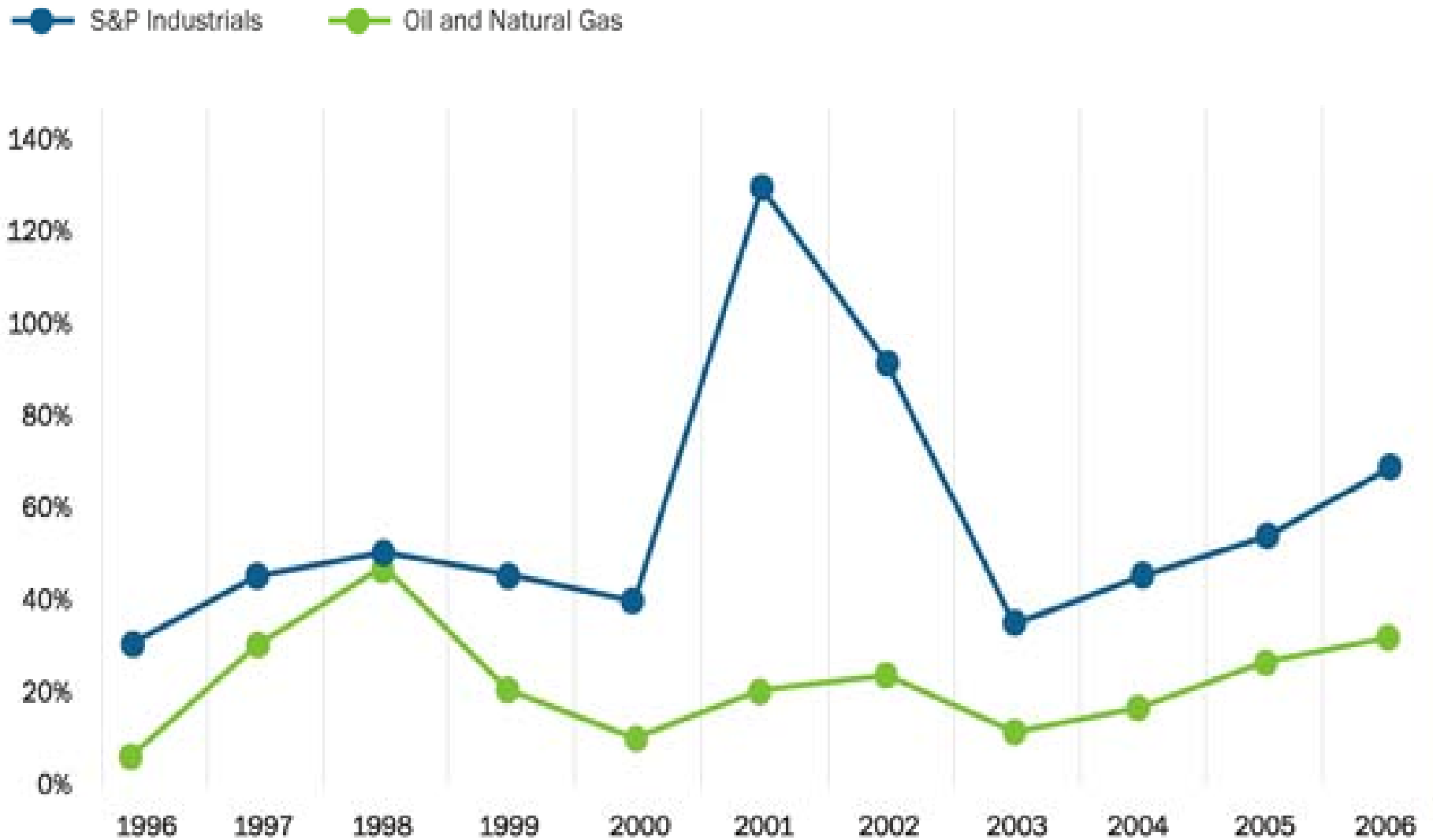
Source: API Statistics, Environmental Expenditures by Oil and Gas Industry, April 2008.

### Who Owns "Big Oil"? (Holdings of Oil Stocks, 2007)



Source: SONECON, *The Distribution of Ownership of U.S. Oil and Natural Gas Companies*, September 2007

## Stock Repurchases as a Share of Net Income



Source: EIA, Performance Profiles of Major Energy Producers

### Total Income Tax Expenses (billions of dollars)

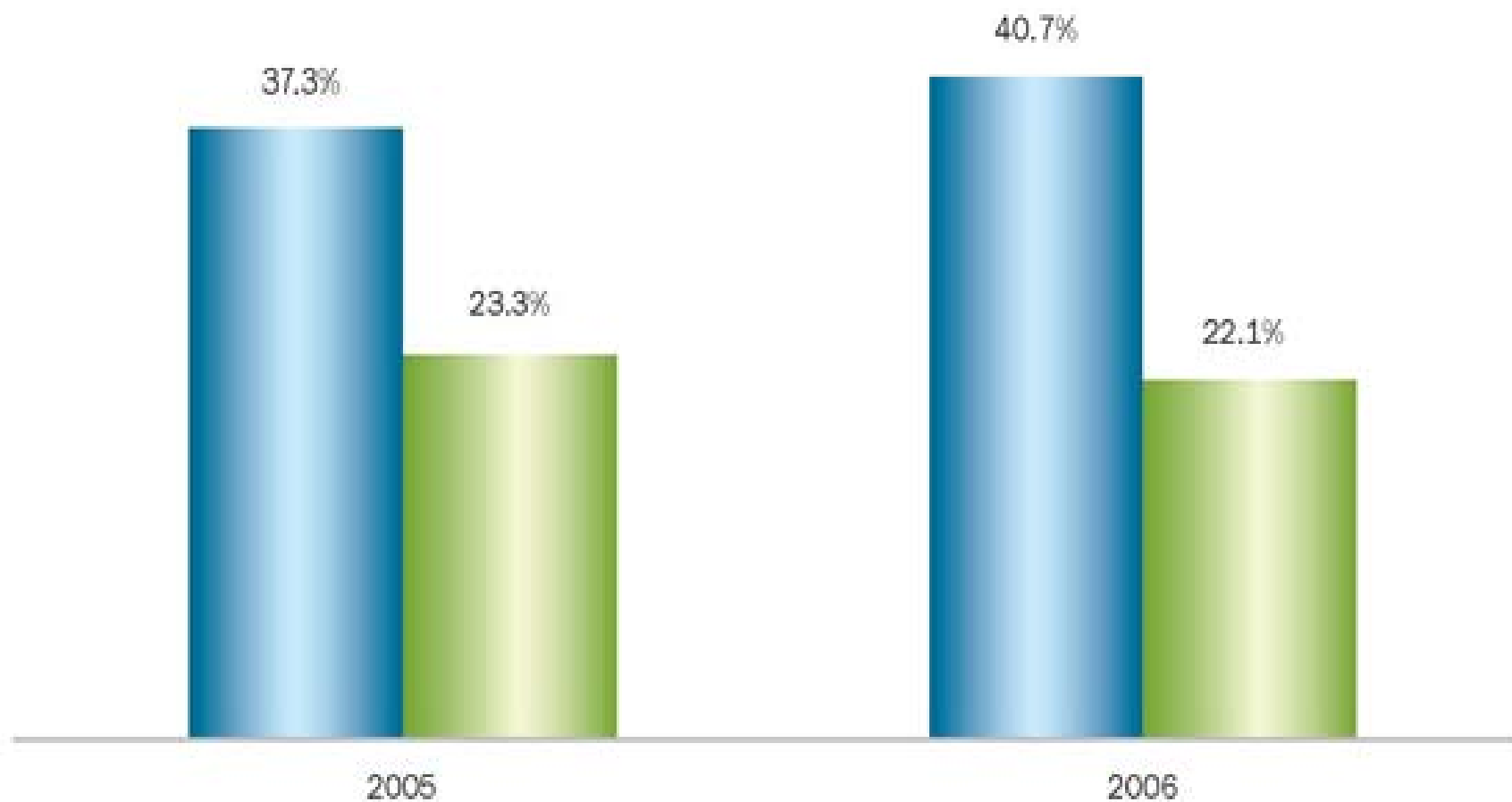


Source: EIA, *Performance Profiles of Major Energy Producers*, Table B12.

## Income Tax Expenses as Share of Net Income Before Income Taxes

Oil Companies<sup>1</sup>

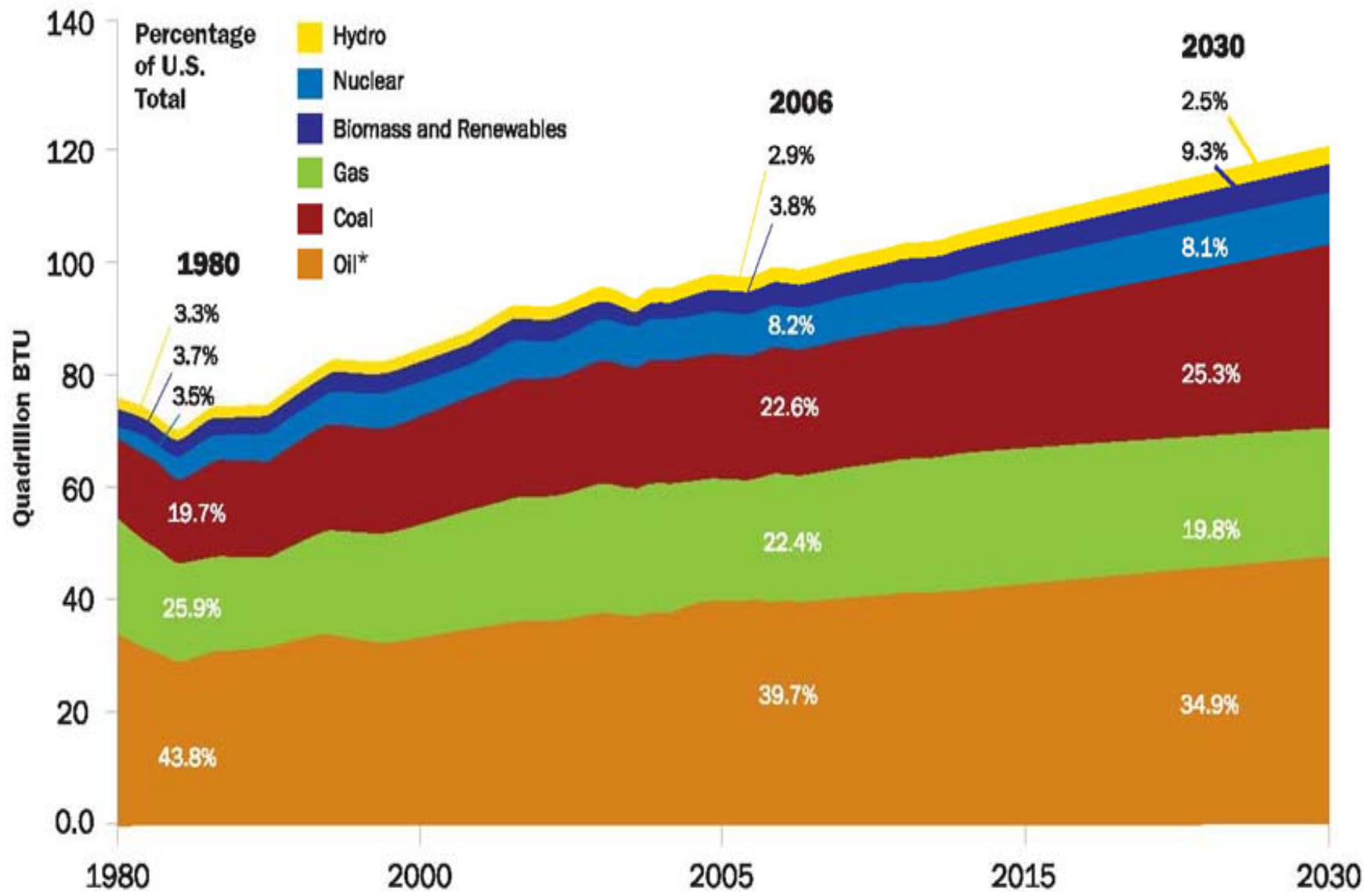
All Manufacturing Companies



Source: EIA, *Performance Profiles of Major Energy Producers*, Table B2

## Future U.S. Energy Demand

- The U.S. will require 19% more energy in 2030, than in 2006.



Source: EIA, AEO 2008

\*excludes ethanol and other biofuels, they are counted in biomass and renewables

<b>Consumption</b>	<b>2006</b>		<b>2030</b>		<b>% Change</b>
	<b>Quads</b>	<b>% Share</b>	<b>Quads</b>	<b>% Share</b>	
Liquid Fuels and Other Petroleum	<b>39.55</b>	39.7%	<b>41.22</b>	34.9%	<b>4.2%</b>
Natural Gas	<b>22.3</b>	22.4%	<b>23.39</b>	19.8%	<b>4.9%</b>
Coal	<b>22.5</b>	22.6%	<b>29.9</b>	25.3%	<b>32.9%</b>
Nuclear Power	<b>8.21</b>	8.2%	<b>9.57</b>	8.1%	<b>16.6%</b>
Hydropower	<b>2.89</b>	2.9%	<b>3</b>	2.5%	<b>3.8%</b>
Other Biomass & Renewables	<b>4.07</b>	3.3%	<b>10.92</b>	9.3%	<b>168.3%</b>
<b>Total</b>	<b>99.52</b>	<b>100.0%</b>	<b>118.01</b>	<b>100.0%</b>	<b>18.6%</b>
<b>Oil and Gas</b>	<b>61.85</b>	62.1%	<b>64.61</b>	54.7%	<b>4.5%</b>
<b>Oil, Gas and Coal</b>	<b>84.35</b>	84.8%	<b>94.51</b>	80.1%	<b>12.0%</b>

\* Oil equals Liquid Fuels and Other Petroleum excluding Ethanol, Biodiesel and Liquids from Biomass, AEO 2008, table A17

^ Other Biomass & Renewables includes Biodiesel and Liquids from Biomass, AEO 2008, table A17

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