The NEW Oil Price Environment

Understanding Downturns in the Industry

Todd Montgomery, Murphy Oil Corporation
A Little Background on Me

A&M PETE Graduate
- BS – 1988
- MS – 1989

Worked 25-Years for Anadarko Petroleum Corporation

Current – Murphy Oil Corporation
Senior Vice President Corporate Planning & Services
- Strategic and Long-Range Planning
- Global Oil and Gas Marketing
- Supply Chain Management / Procurement
- Corporate Reserves
Introductory Thoughts

“There’s a lot of blood, sweat, and guts between dreams and success.”
--Paul Bear Bryant
Total U.S. Rig Count vs. WTI Spot Price (1980 – Present)

Key Point: Downturns occur in every major industry
Rigs Dropping Fast

Figure 20: US shale oil rig count (main four regions)

Source: Baker Hughes, Standard Chartered Research
Foreign reserves and Sovereign Wealth Funds provide significant cover for OPEC

Saudi Arabia has ~ three years of reserves to cover current levels of imports and other Gulf countries are better off.

Source: IHS Energy North America services
Turning the Corner in U.S. Oil Supply

- Drastic pullback in U.S. drilling beginning in late-2014
- Lagged effect on production beginning to show in March 2015

Source: Bloomberg
What does the future look like?

More volatility

Energy will continue to be one of the most important needs for the world

Technology will continue to change our game

Oil Price
  • The world cannot sustain $40 oil
  • Saudi will likely not allow $100 oil for some time...
How to Weather the Storm

1. Understand our noble cause – providing energy for the world’s health and welfare...

2. A positive attitude is everything
   - Wanted: People with a work ethic... Is there a job that is “too beneath you?”

3. Don’t become anchored by current events/prices –
   - This is temporary
   - Have a longer term perspective – your career will last 30-years
   - Understand the implications of the “Silver Tsunami”
   - Understand how important energy is...

4. Communication skills are more critical now

5. Your network is more important than ever...

6. Other options that we considered back in “my day”...
   - Delay graduation
   - Graduate school
Other Advice

Have **a minimum** of 6-months emergency fund saved for future downturns

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<tr>
<th>Give people a reason to hire you</th>
<th>Be an entrepreneur</th>
<th>Don’t be passive with your career</th>
<th>Most important</th>
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<tr>
<td>• What sets you apart?</td>
<td>• Don’t expect everything to be handed to you on a silver platter</td>
<td>• Upturns will cycle just like downturns</td>
<td>• Don’t let your career and advancement define your success</td>
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<td>• How can you add value?</td>
<td>• Be a catalyst for economic change and new ideas</td>
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<td>• Success = Being a good mother, father, wife, husband, giving back to the community, etc.</td>
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<td>• Use action words to describe your experience</td>
<td>• Be innovative and creative – especially in the face of challenges and obstacles</td>
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FUTURE EMPLOYMENT

Lessons learned along with tips on what to look for in a new company...

TODD MONTGOMERY
VICE PRESIDENT & BUSINESS SERVICES-EXPRO
What are we going to talk about today?

Texas A&M TALK Last Year:
- What does it take to be a great engineer
- How to get better performance ratings, raises, assignments, etc.

Let’s turn the entire conversation on its’ head:
- Look at this from your viewpoint... What makes a company great to work for?
- Why do people quit/leave/resign?
- The *business side* of the oil and gas business
- Evaluate some case histories
  - Identify “trouble” sign posts
- The *soft side* of the oil and gas business
- What should you look for in choosing your future employer?

Major Objective:
How to discern a great company, average company, poor company.
Why college seniors might choose a particular company

• Pay / Money
• Title or position (Reservoir Engineer, Offshore, etc.)
• Enjoyed working at the company as a summer intern
• Location (Houston, Denver, etc.)
• Liked the recruiter
• Saw value in their training program
• Company culture
• Benefits
  • 9/80
  • Commute
  • Bonus, Stock, Options
  • Company doctor
  • Diversity