



CORNERSTONE ANALYTICS

MAY 25, 2017

**POST-OPEC CLIENT
CONFERENCE CALL**

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DRAIN THE SWAMP...

OPEC Production and Quotas, Million barrels/day

	<u>Quota</u>	<u>Apr '17 Output</u>	<u>Nov '16 Output</u>	<u>Apr vs Quota</u>	<u>Apr vs Nov '16</u>
Saudi Arabia	10.058	9.980	10.640	-0.078	-0.660
Iran	3.797	3.750	3.800	-0.047	-0.050
Iraq	4.351	4.410	4.650	0.059	-0.240
UAE	2.874	2.910	3.130	0.036	-0.220
Kuwait	2.707	2.710	2.830	0.003	-0.120
Qatar	0.618	0.620	0.650	0.002	-0.030
Nigeria		1.380	1.530		-0.150
Libya		0.550	0.580		-0.030
Algeria	1.039	1.060	1.120	0.021	-0.060
Venezuela	1.972	2.020	2.120	0.048	-0.100
Angola	1.673	1.660	1.690	-0.013	-0.030
Ecuador	0.522	0.530	0.550	0.008	-0.020
Gabon	0.193	0.200	0.230	0.007	-0.030
Total Crude		31.780	33.520	0.046	-1.740
NGLs/Condensates		6.790	6.771		
TOTAL OPEC		38.570	40.291		

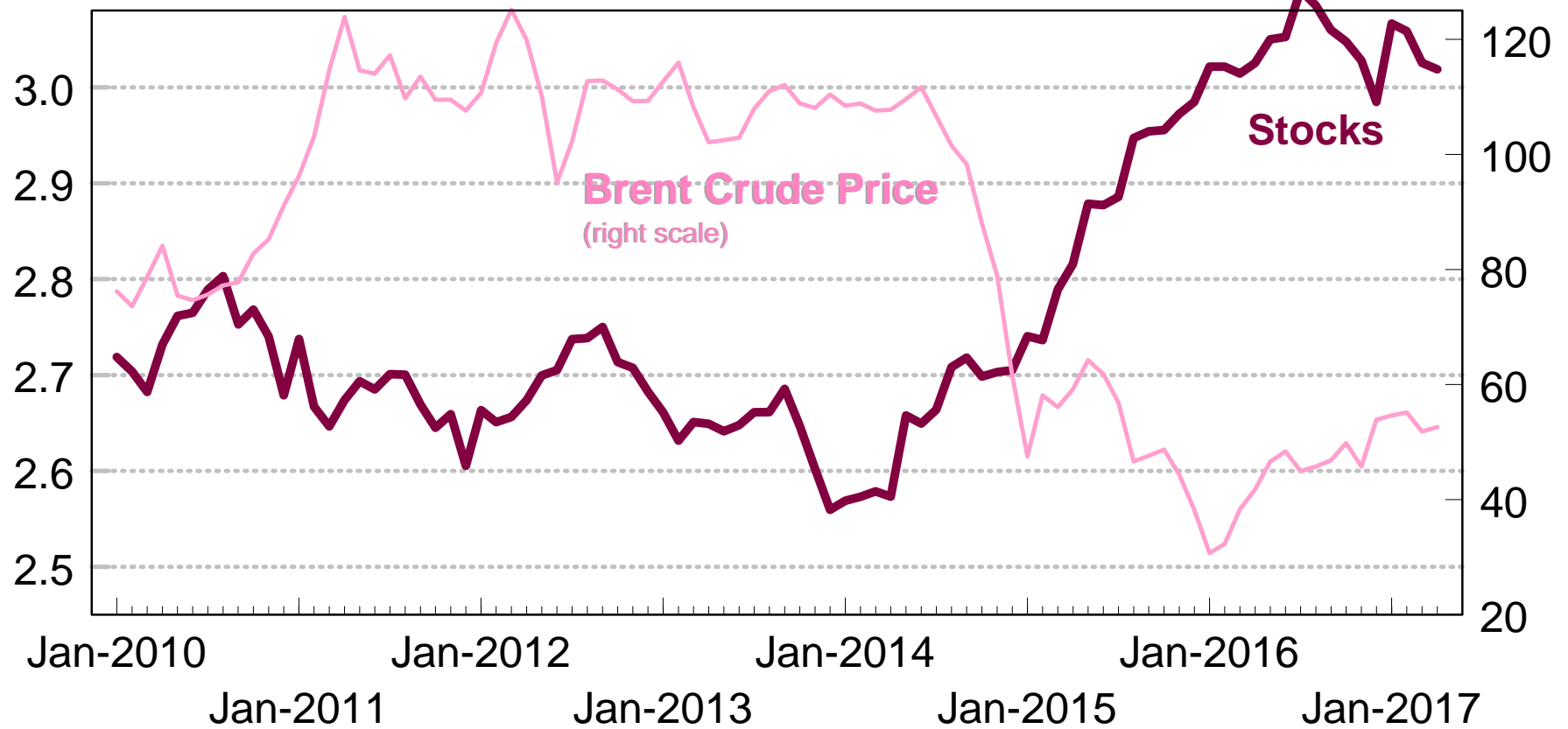
*Equatorial
Guinea will
be #14
Current
production
is 260,000
b/d*



OUTPUT CUT DESIGNED TO WORK DOWN THE INVENTORY OVERHANG...AND LIFT PRICES

OECD Oil Inventories

Excludes emergency stocks, Billion barrels





SAUDI'S "CASH BURN" APPEARED TO MAKE MAINTAINING CUT A MAJOR PRIORITY

Saudi Arabia's 2017 National Budget

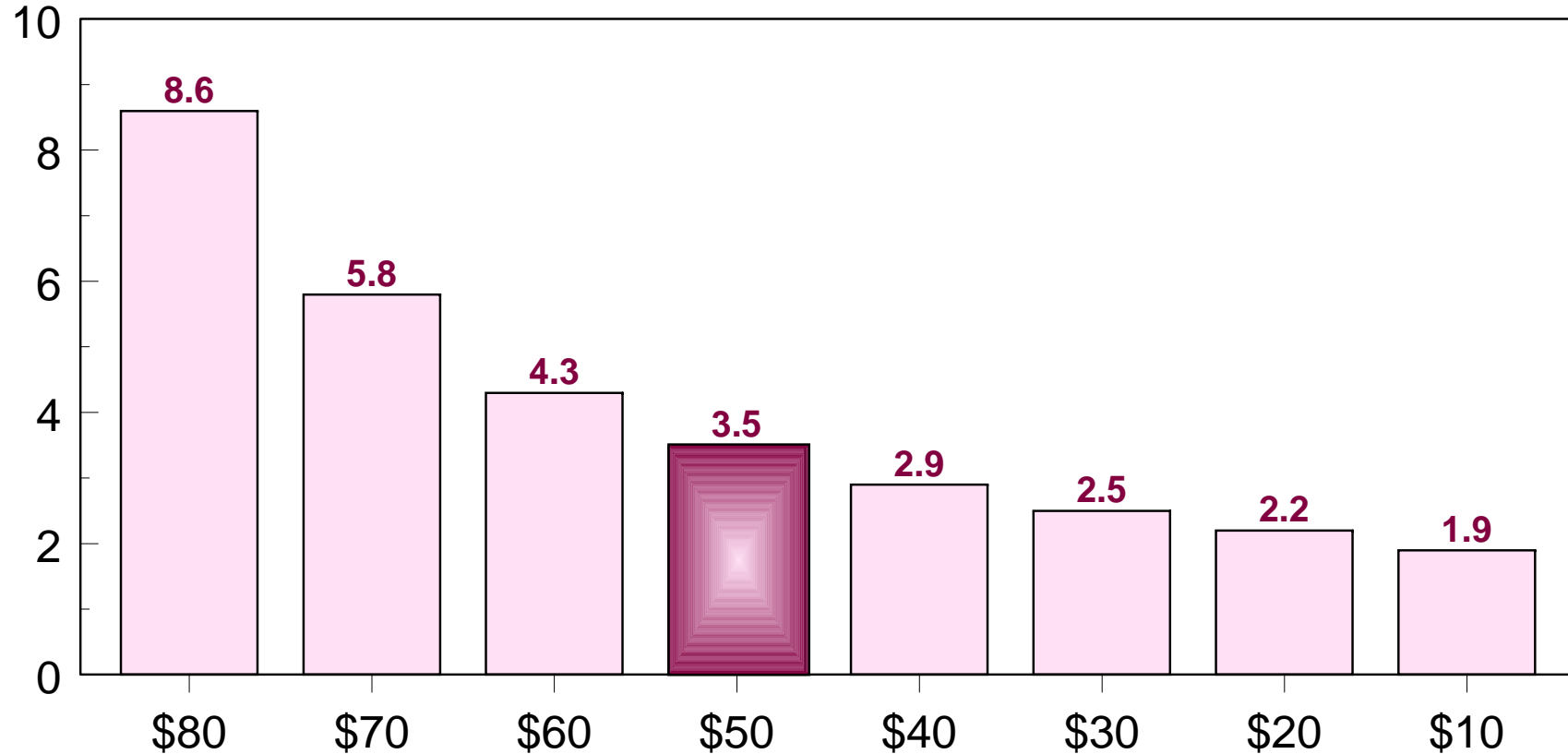
Disclosed Planned Expenditures (Bln \$)	\$240
Legacy welfare programs carried over	\$65
Assumed total budget (Bln \$)	\$305
Projected Oil Exports, Bln bbls	2.81
Projected non-oil income (Bln \$)	57.2
Oil income revenue (Bln \$)	248.1
Implied per barrel revenue for 2017	\$88.26



"LOWER FOR LONGER" NOT THE RIGHT CALL

Saudi "Reserve Burn" Under Different Price Scenarios

Years until exhaustion based on annual oil prices, Based on 2017 budget

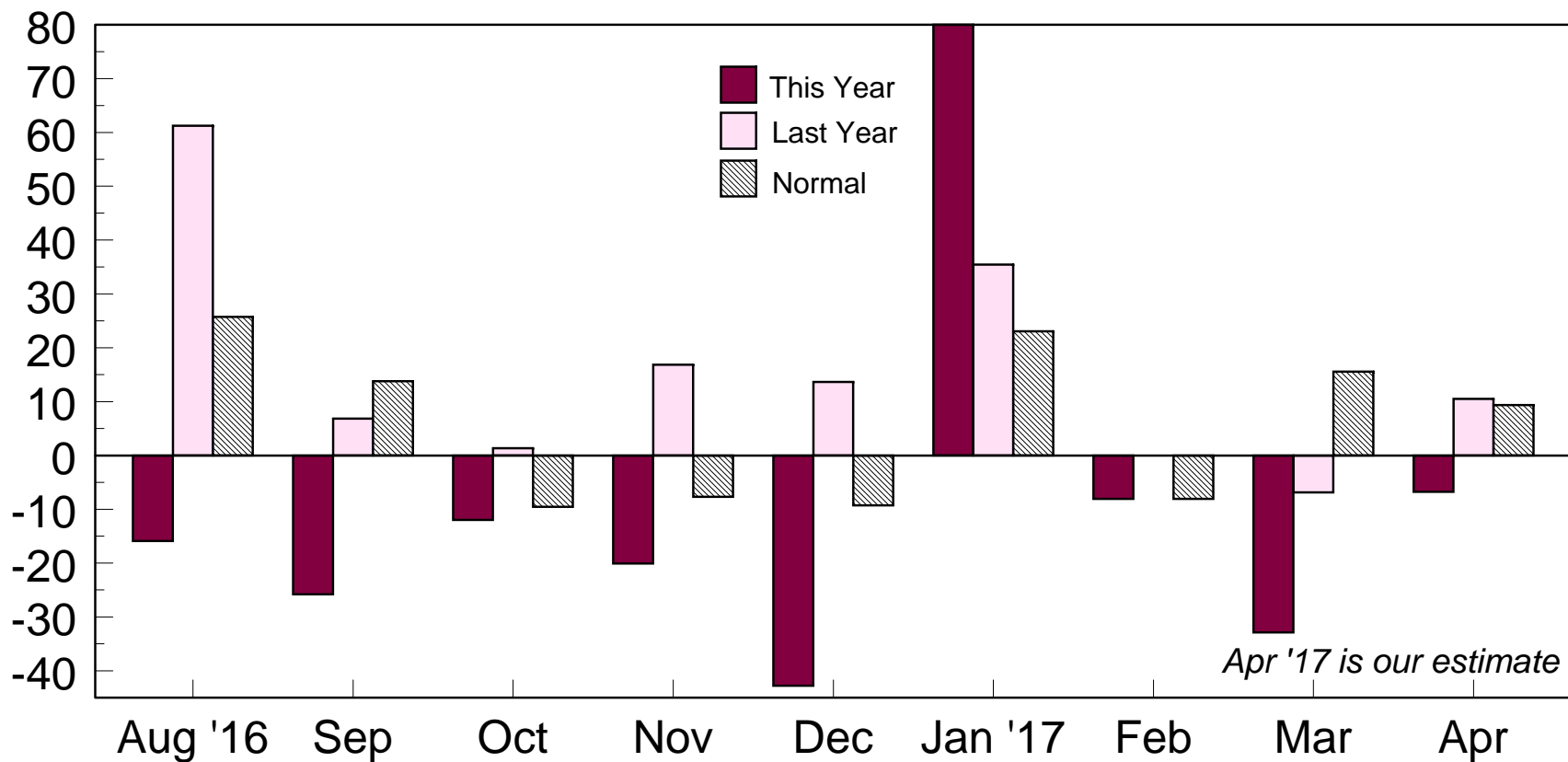




WE ACTUALLY CROSSED THE RUBICON IN 3Q 2016

OECD Inventory Change

Month/month delta, Million barrels

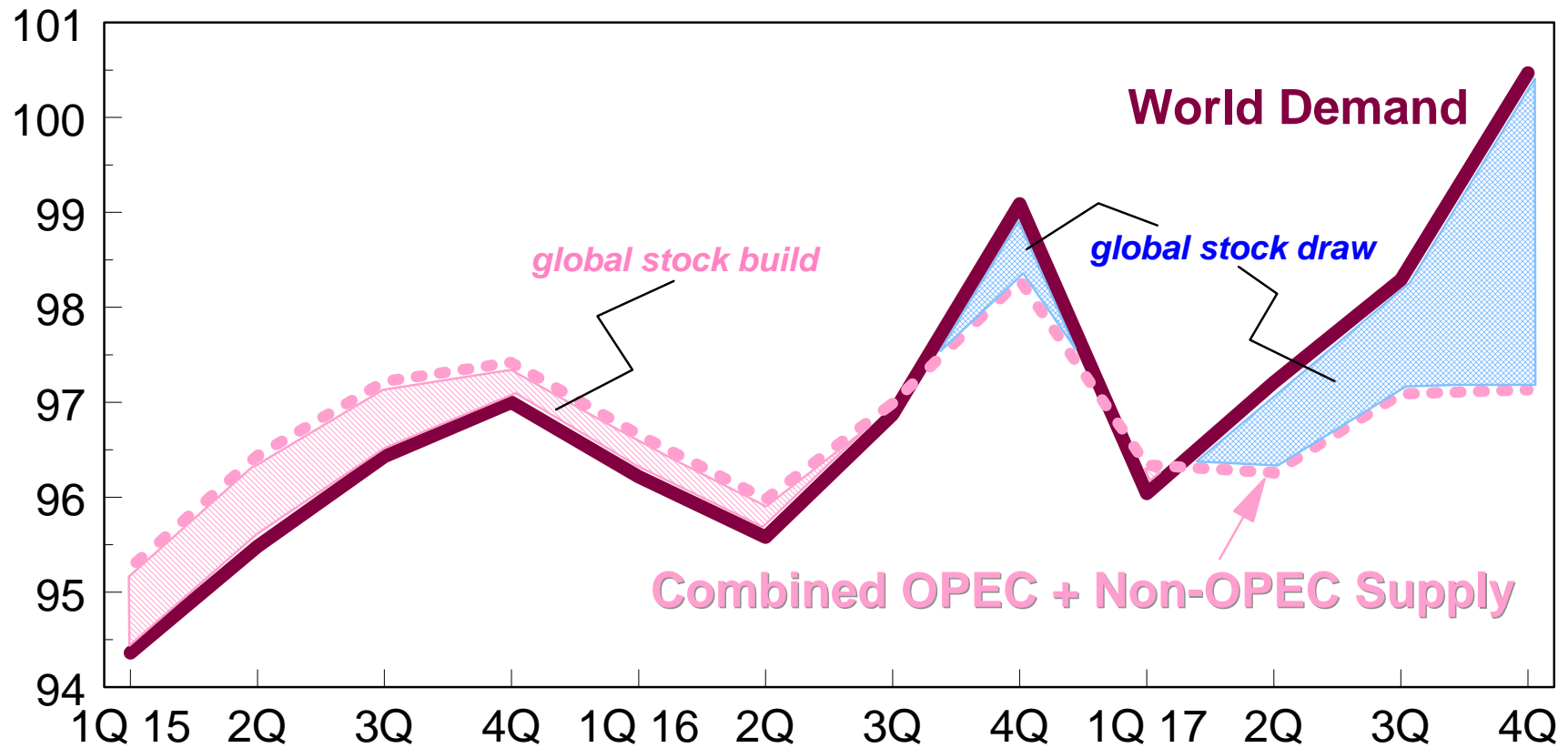




WHAT WE ENVISION

The Global Oil Balance

Quarterly, Million barrels/day

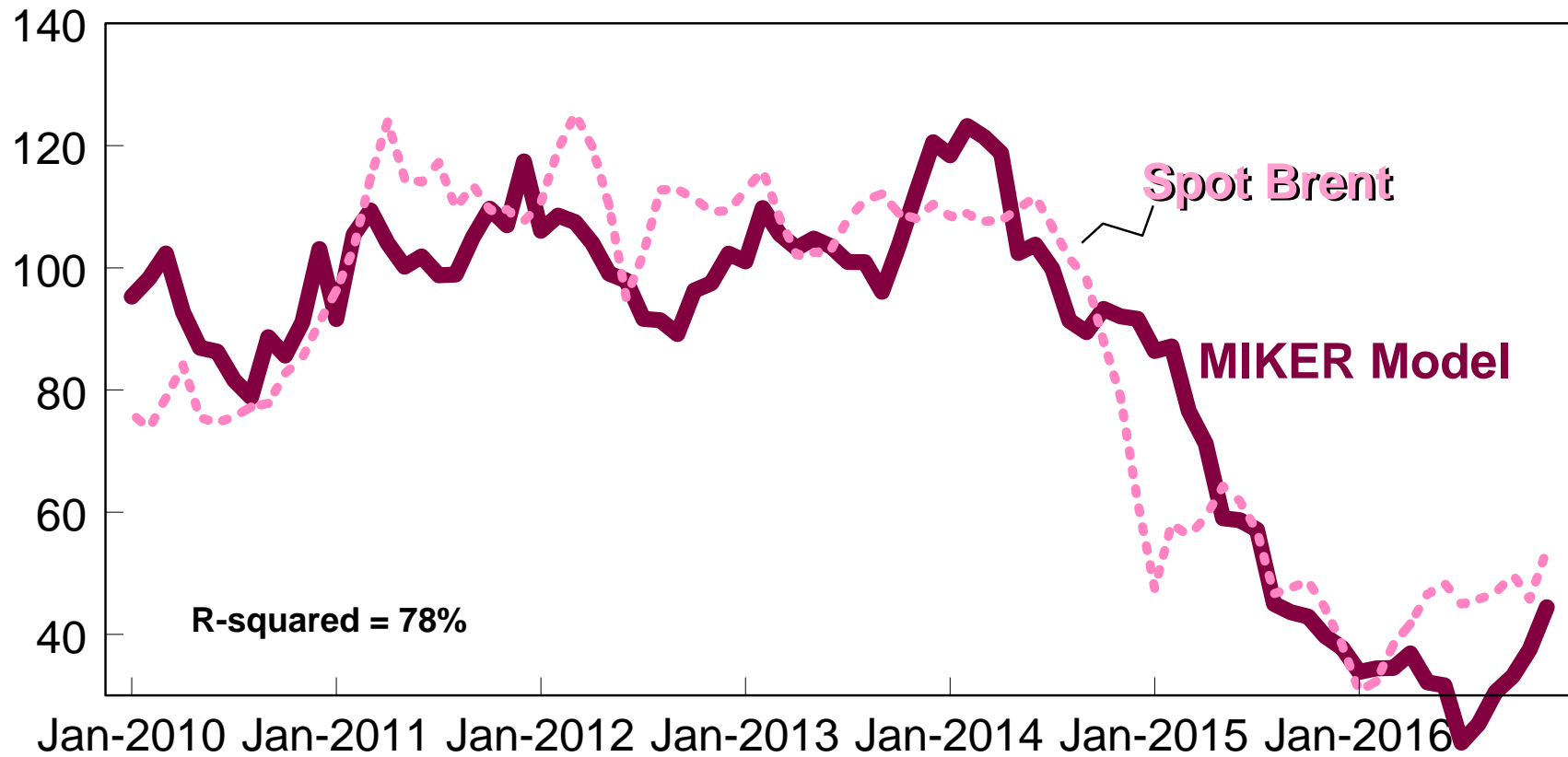




WHAT'S A M.I.K.E.R. ?

The MIKER Model for Brent Crude

Compared against actual monthly average of Brent, \$/barrel

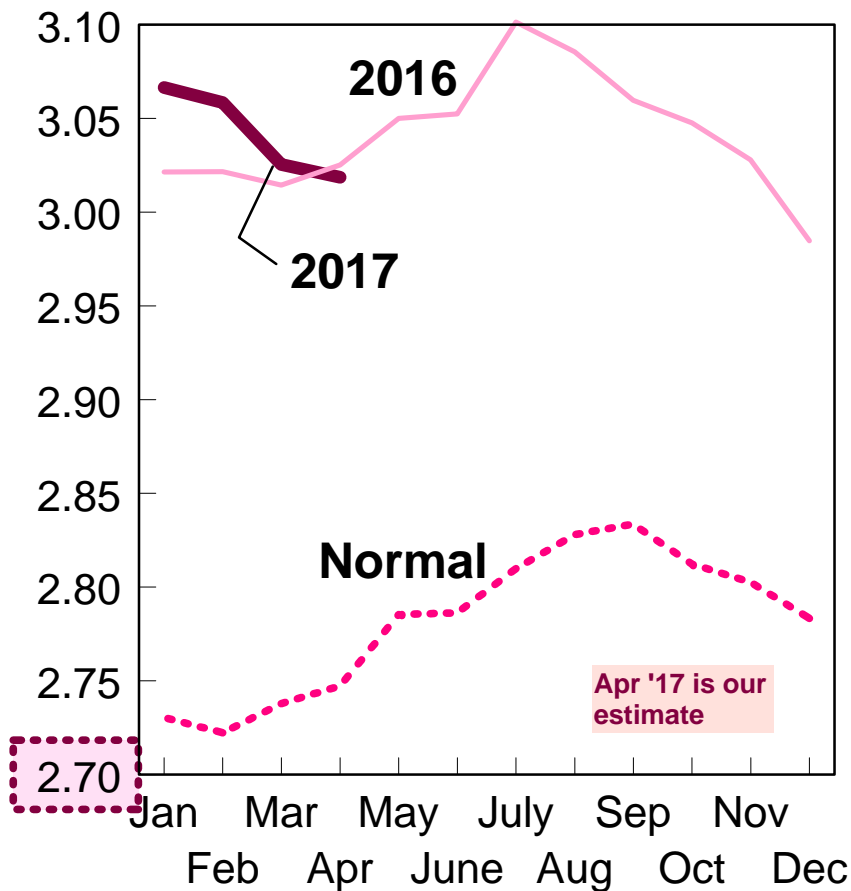




OPEC's 2.7 BILLION INVENTORY TARGET

Total OECD Oil Stocks

Month ending level, Million barrels

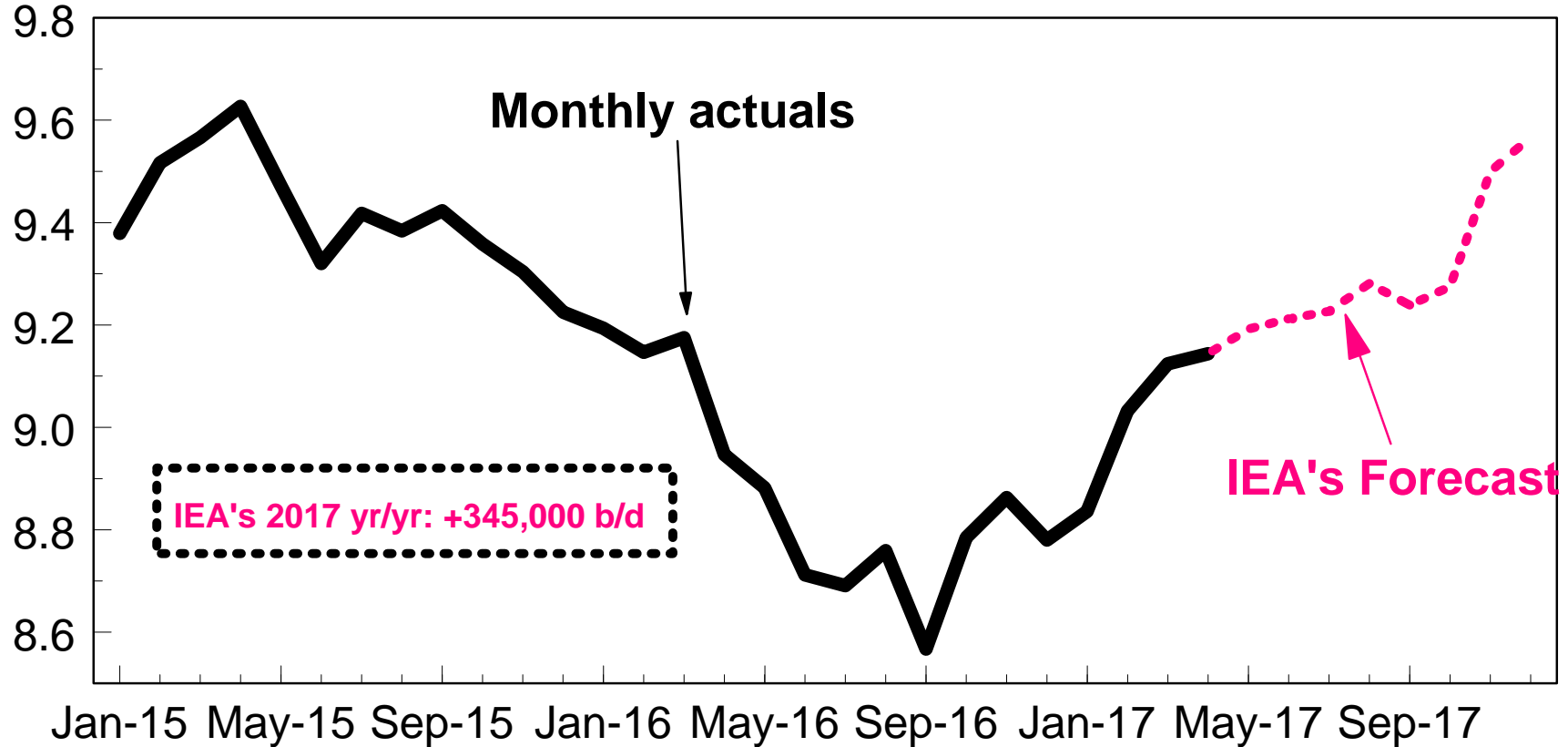


Based on the M.I.K.E.R. model, a 2.7 billion barrel inventory level kicks out a \$99.30/bbl Brent price



ANGST ABOUT USA REBOUND SEEMS OVERBLOWN

US Crude Oil Production, Historical & Forecast
Monthly, Million barrels/day





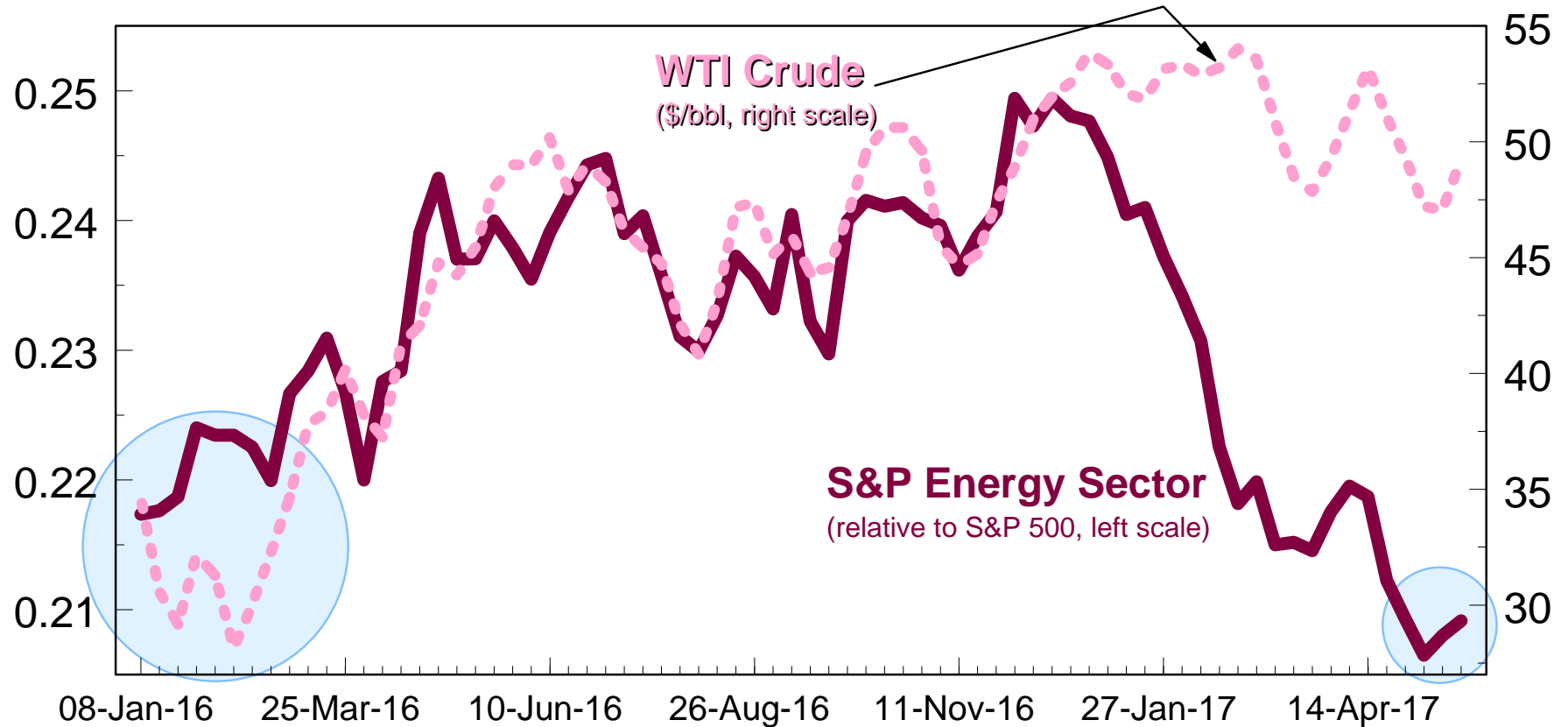
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ENERGY EQUITIES TRADING

LOWER THAN WHEN OIL WAS AT \$26

Performance of the S&P Energy Sector

Relative to the S&P 500, Weekly





WHAT'S WITH ALL THE VOLATILITY???

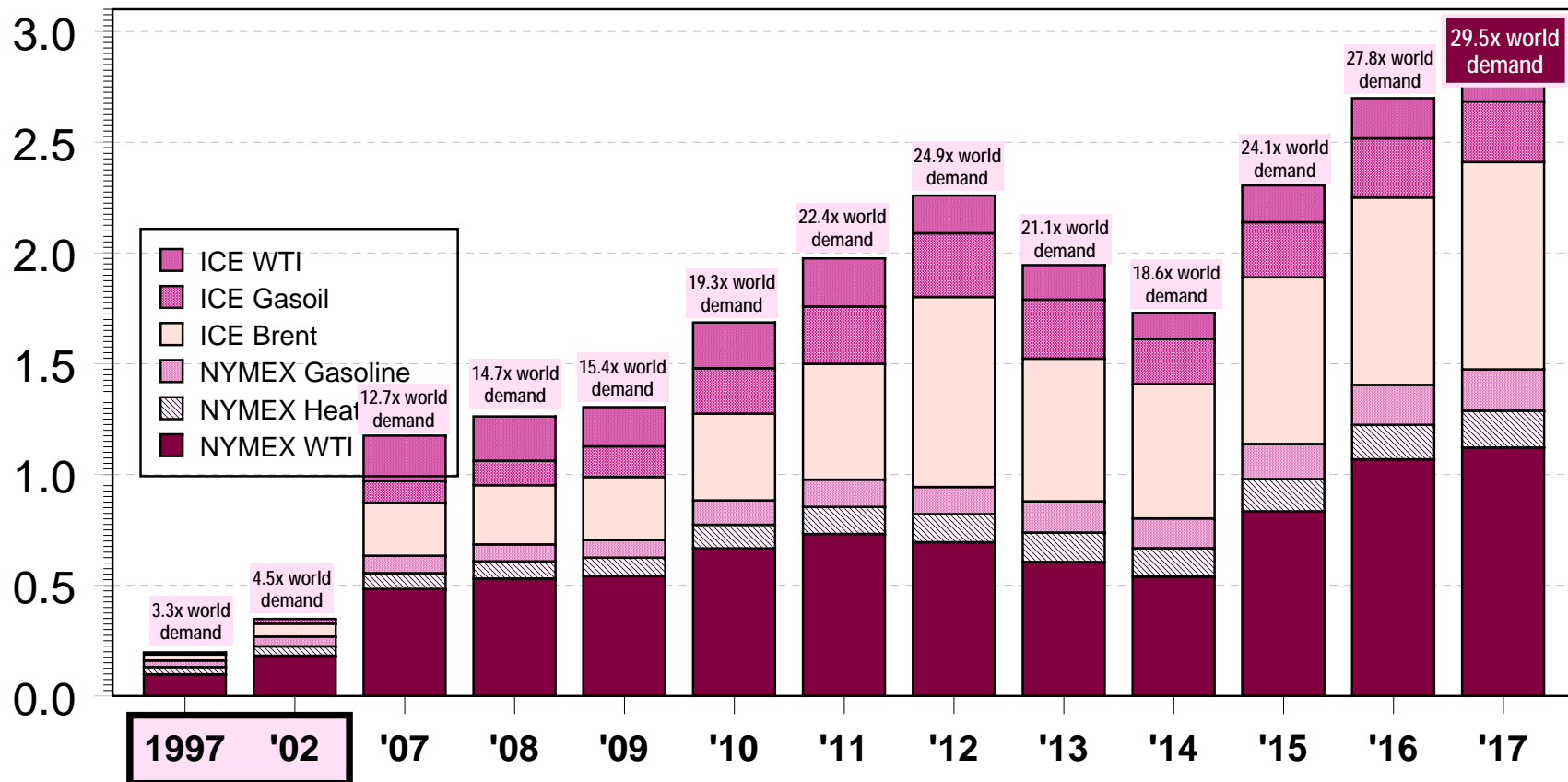




THE PAPER MARKET FOR OIL IS HUGE...

Average Daily Trading Volume of Key Energy Futures

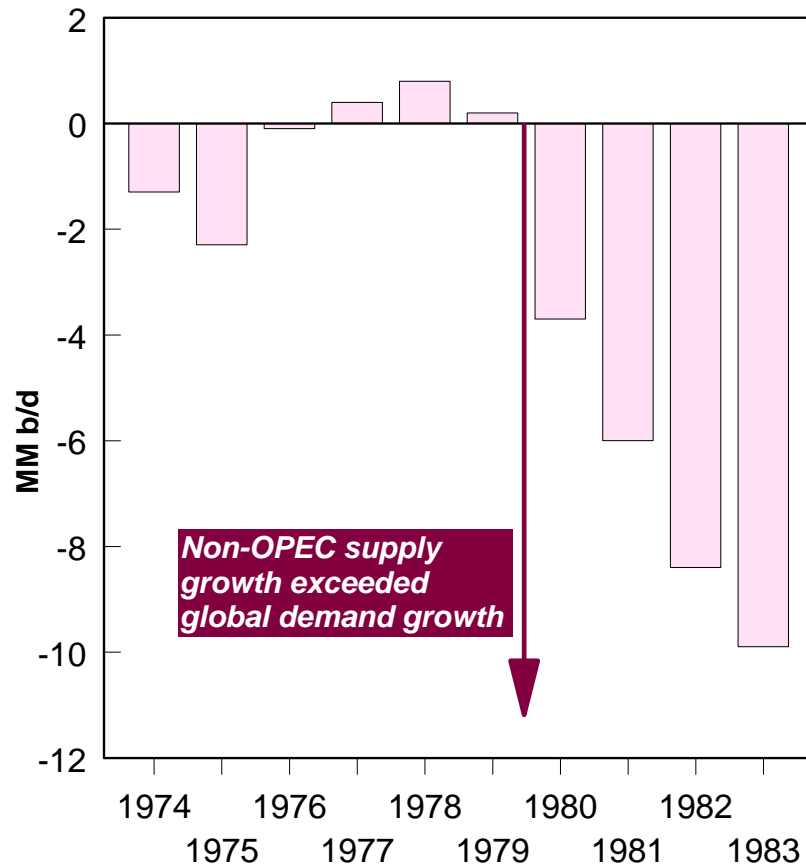
Doesn't include options & OTC, Billion bbl



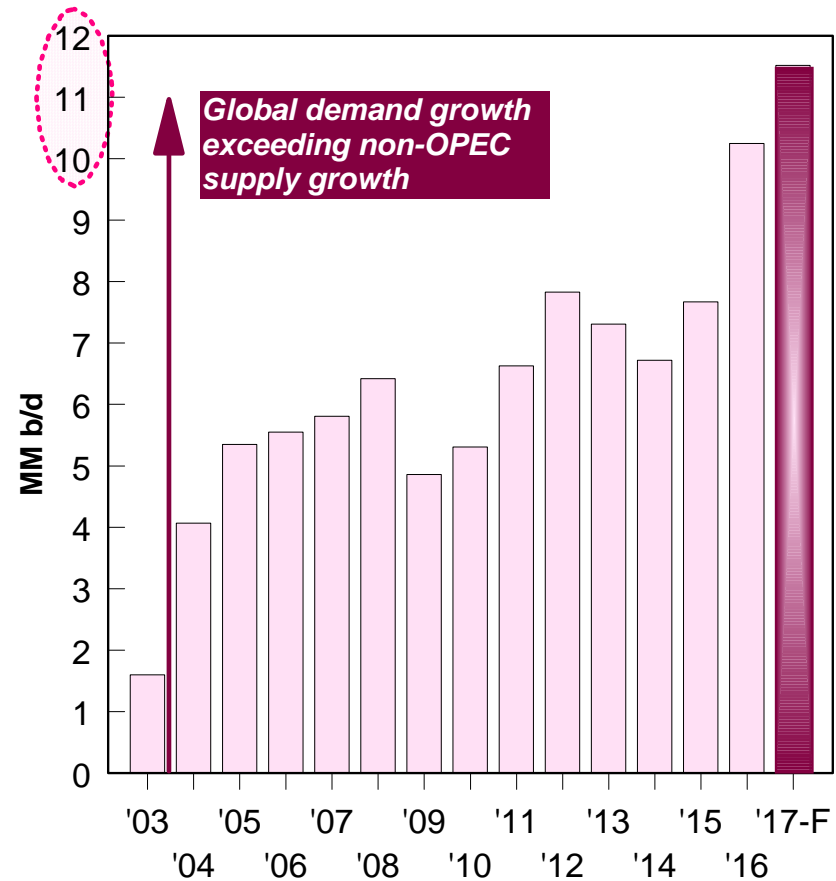


THE BIG BIG BIG PICTURE

Accumulated Demand Vs. Non-OPEC



Accumulated Demand Vs. Non-OPEC





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Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.