

Non-OPEC Oil Supply: Outlook for 2006 and 2007

*2006 EIA Energy Outlook and Modeling Conference
Global Oil Market Outlook: Short-Term Issues*

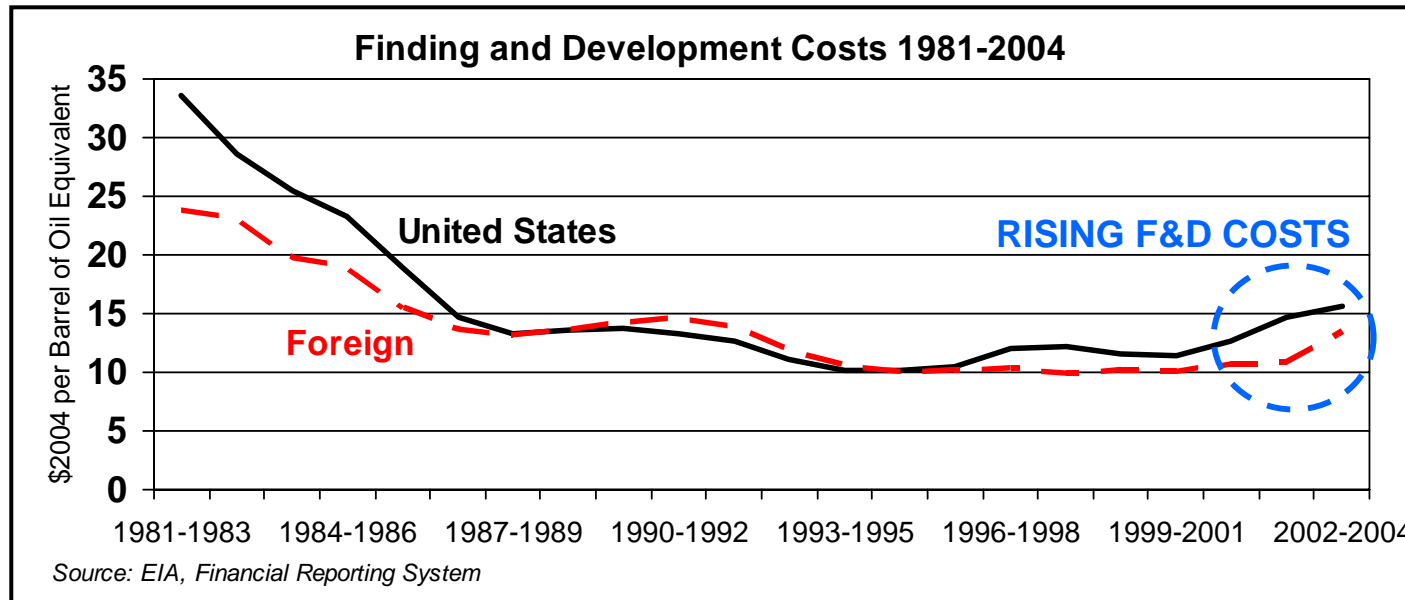
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Outline

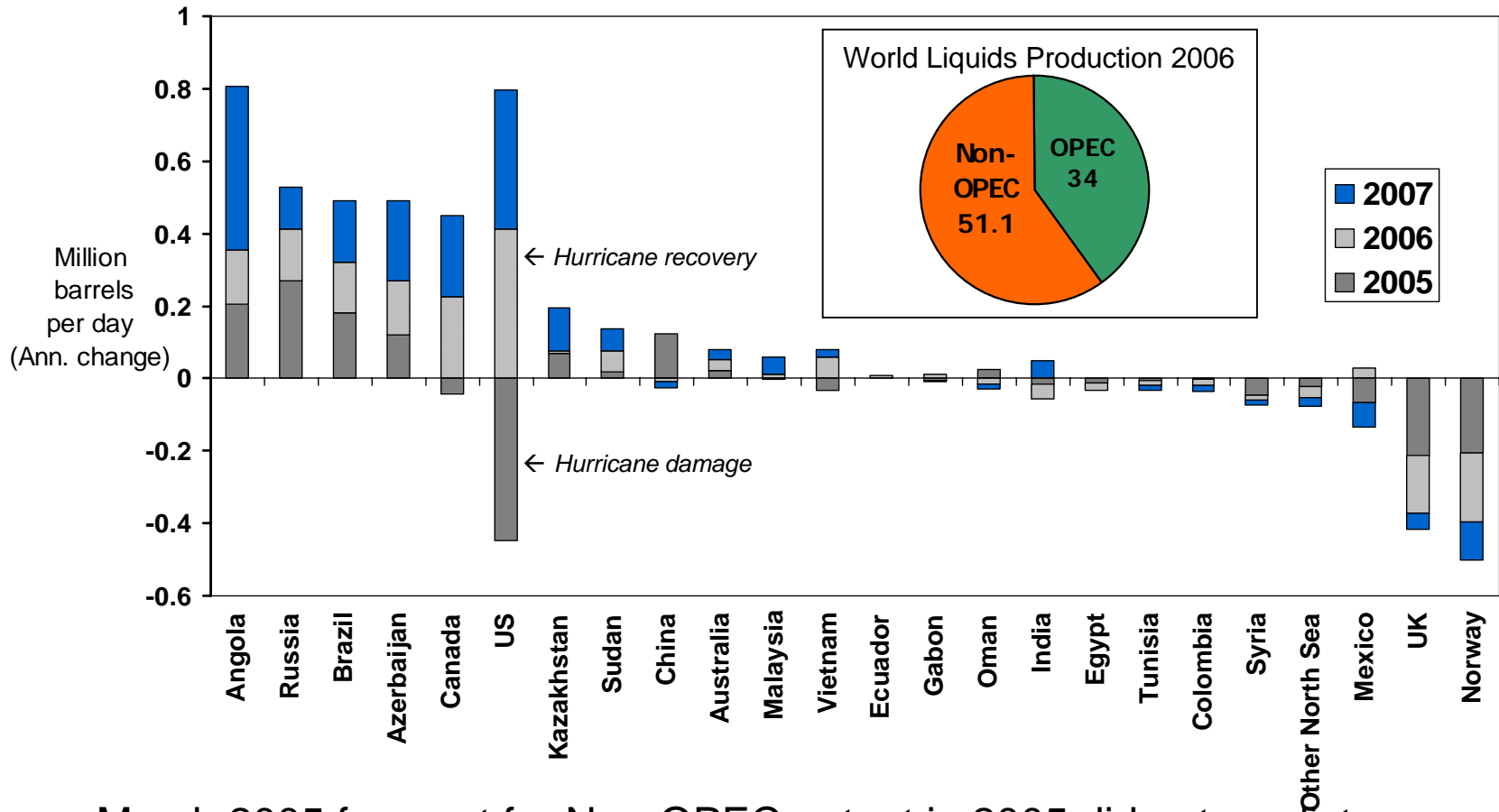
- I. Worldwide trends
- II. Regional focus on fundamentals
- III. Conclusions

A company's financial strength enables new field development and mature field upkeep.



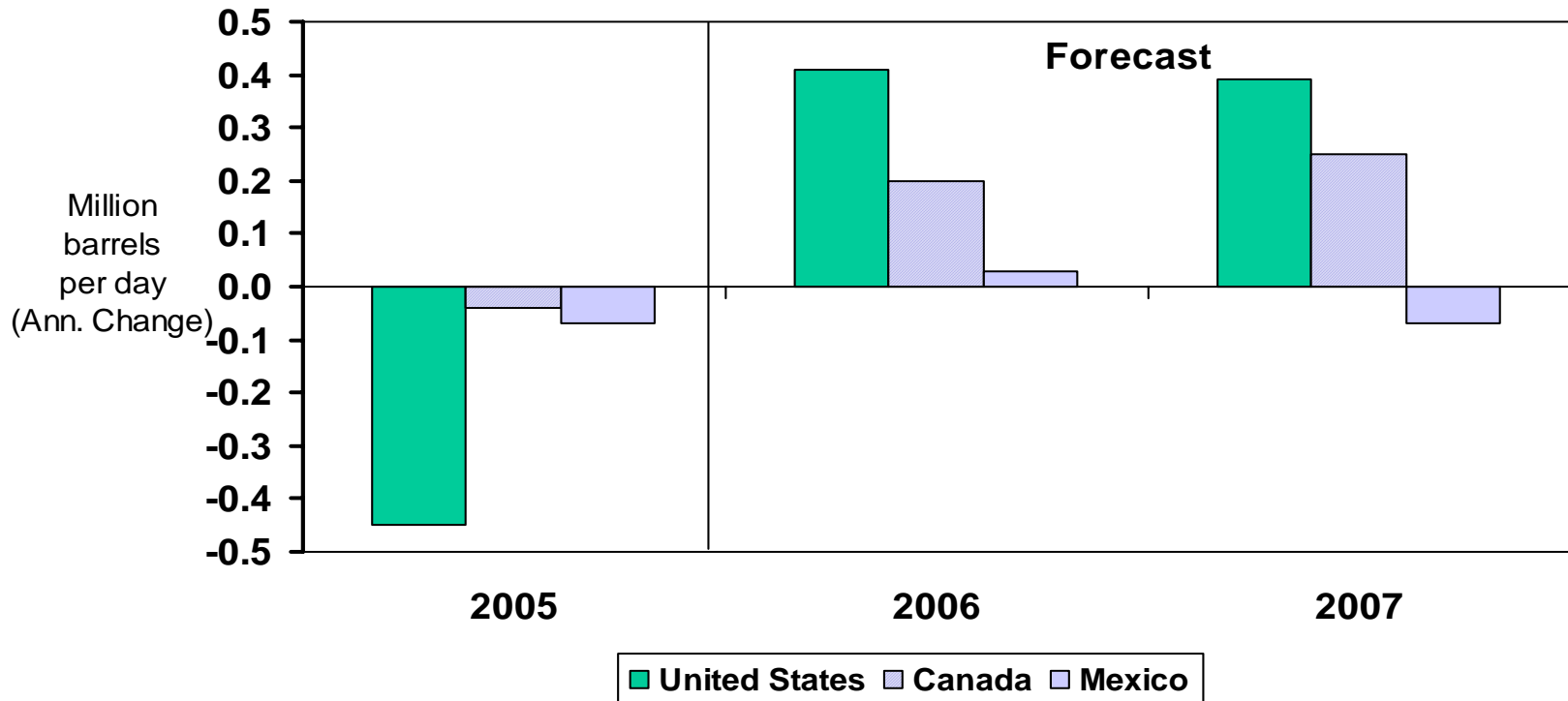
- 2000-2004: expenditures for exploration and development increasing.
- Higher rates of decline at mature fields means production becomes more capital intensive.
- Rig accessibility can derail project schedules and rates remain high after Gulf hurricane impact.
- Companies benefit from current high prices, but in some areas the company does not fully collect economic rents.

EIA expects Non-OPEC supply growth of 900,000 bbl/d in 2006 and 1.6 million bbl/d in 2007.



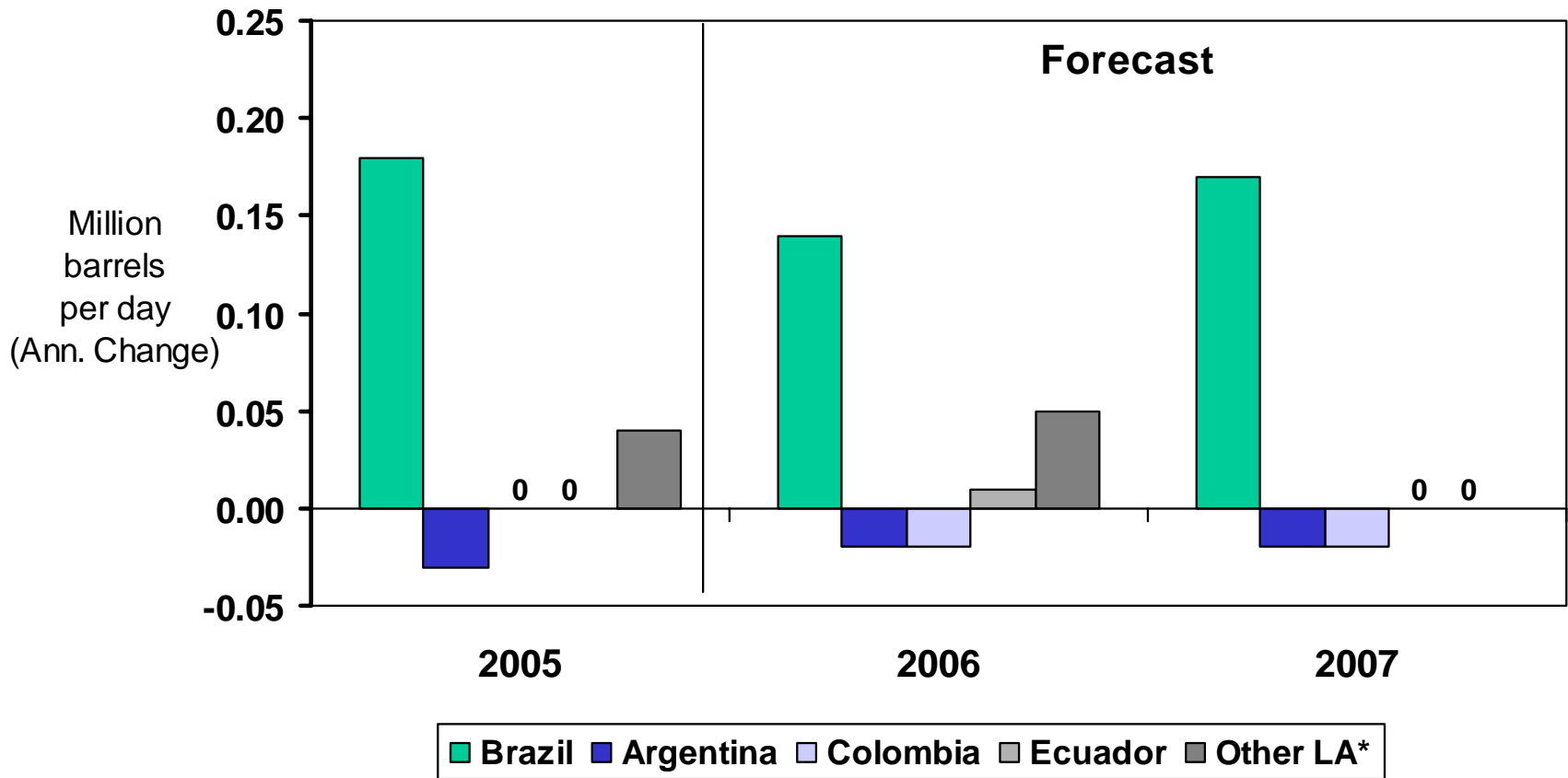
- March 2005 forecast for Non-OPEC output in 2005 did not predict hurricane effects but was within 100,000 bbl/d of actual.
- Majority of Non-OPEC oil supply growth in 2006 and 2007 will come from the FSU and West Africa.

North American growth dependent on hurricane recovery and on development of Canadian oil sands.



- US production recovery from GOM Hurricanes, field development in North Slope of AK add to growth.
- Despite declining conventional production in the W. Canada Sedimentary Basin, total Canadian oil production will increase due to:
 - Rising oil sands production and new offshore projects (White Rose, 100,000 bbl/d).
- Mexican production growth, if any, depends on level of Cantarell decline (6% in 2006).

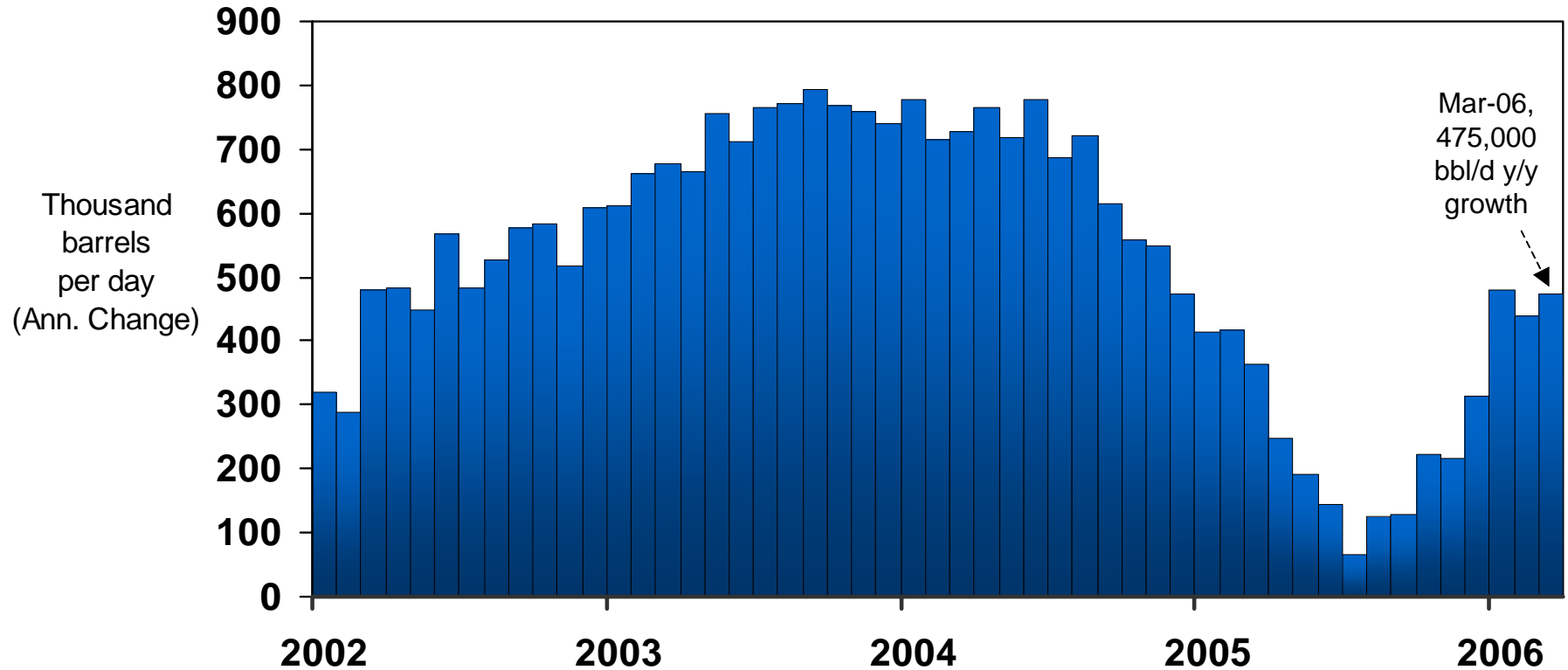
Brazil leads Non-OPEC oil supply growth in Latin America.



*Does not include Venezuela

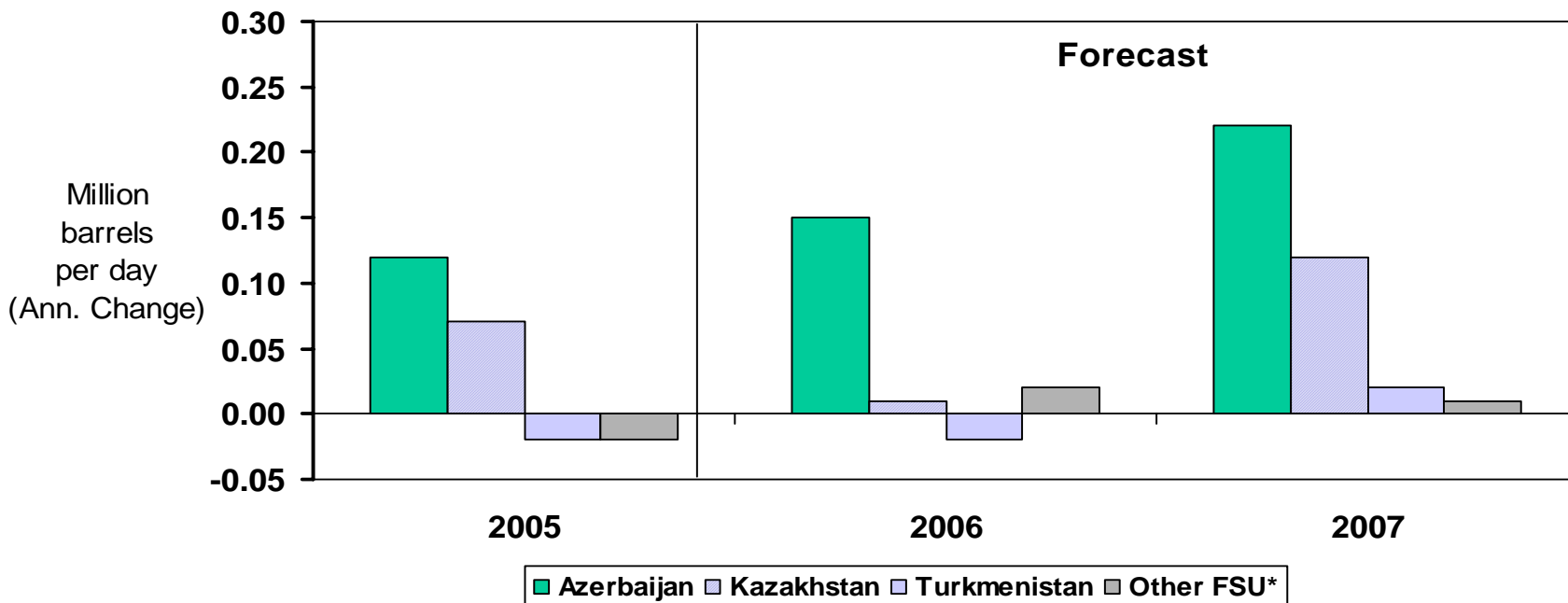
- Production in Brazil will increase as new projects come onstream.
- Delays at Albacore Leste (P-50) push start date to April 2006. In addition, prospective start dates for new fields have been pushed later into the STEO outlook.
- Mature field declines in Argentina and Colombia will offset increased production from Trinidad and Tobago.

Oil supply growth in Russia depends on mature field decline, financial strength of major producers.



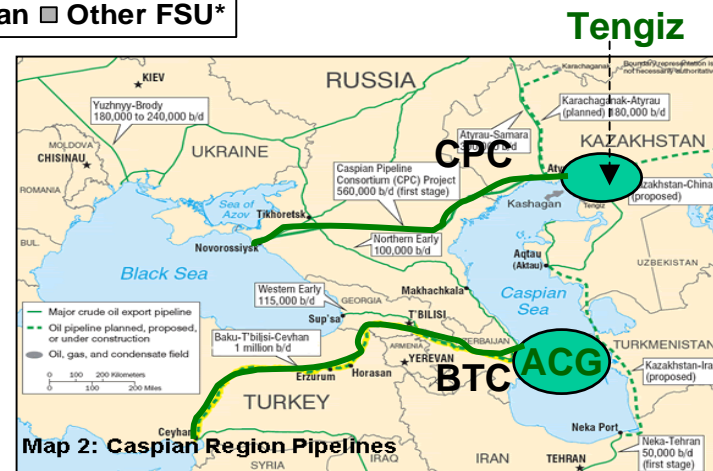
- EIA expects slower but steady oil production growth of 1.5% in Russia in 2006.
- Cold temperatures in Siberia shut in 250,000 bbl/d of production in January and early February. Roughly 100,000 bbl/d of production has rebounded during Feb. and Mar.
- Export taxation hindering maintenance on existing fields and new field development.
- 2007 growth is smaller (1.2%) and may depend on when mature field declines begin.

Caspian region growth from ACG in Azerbaijan and from expansion of existing projects in Kazakhstan.

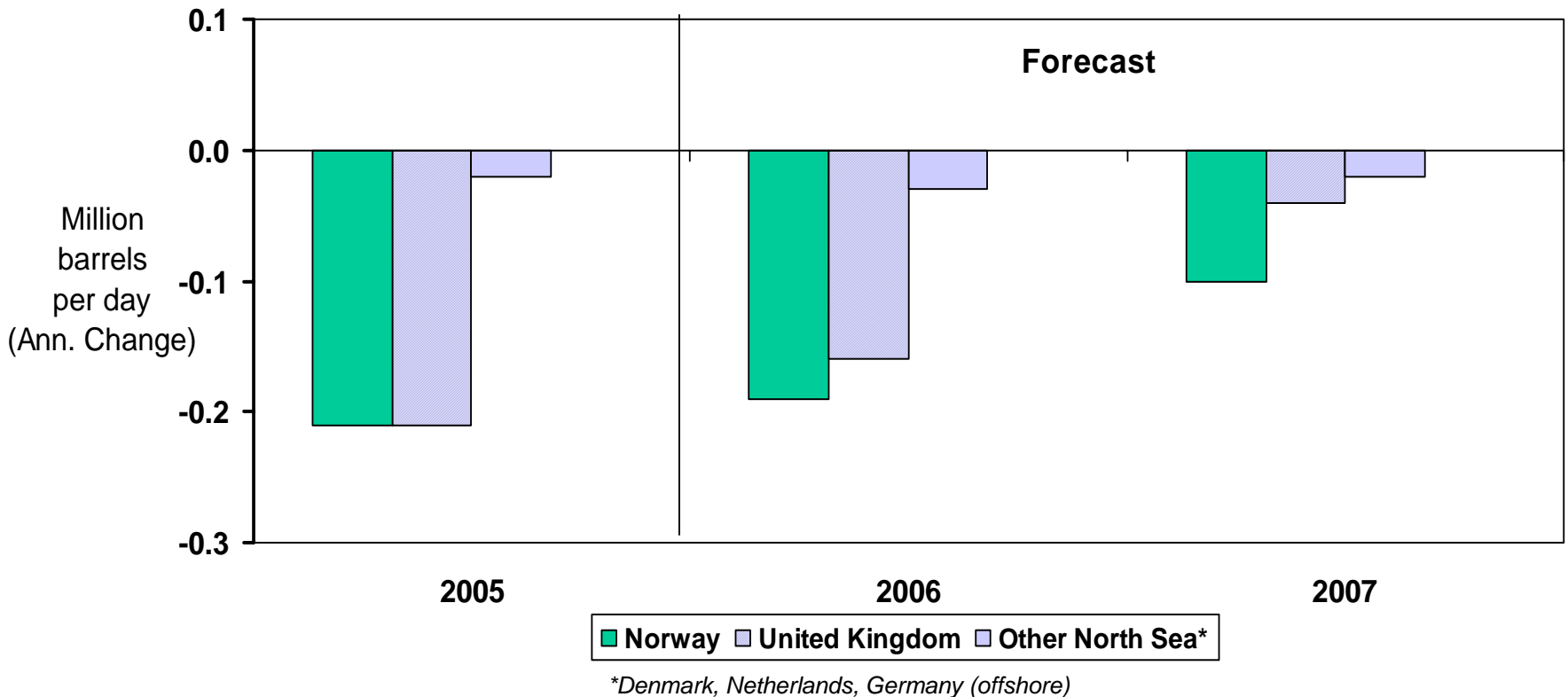


*Ukraine, Uzbekistan, Tajikistan and Kyrgyzstan

- Contingent on infrastructure (pipeline) availability.
- Due to construction problems in Turkey, the Baku-T'bilisi-Ceyhan pipeline is expected to load its first tanker in early summer 2006.
- Part of ACG came online in late December 2005, expected to add an average of 70,000 bbl/d during 2006.



North Sea infrastructure development helps stem decline rates of 6-12 percent at mature fields.



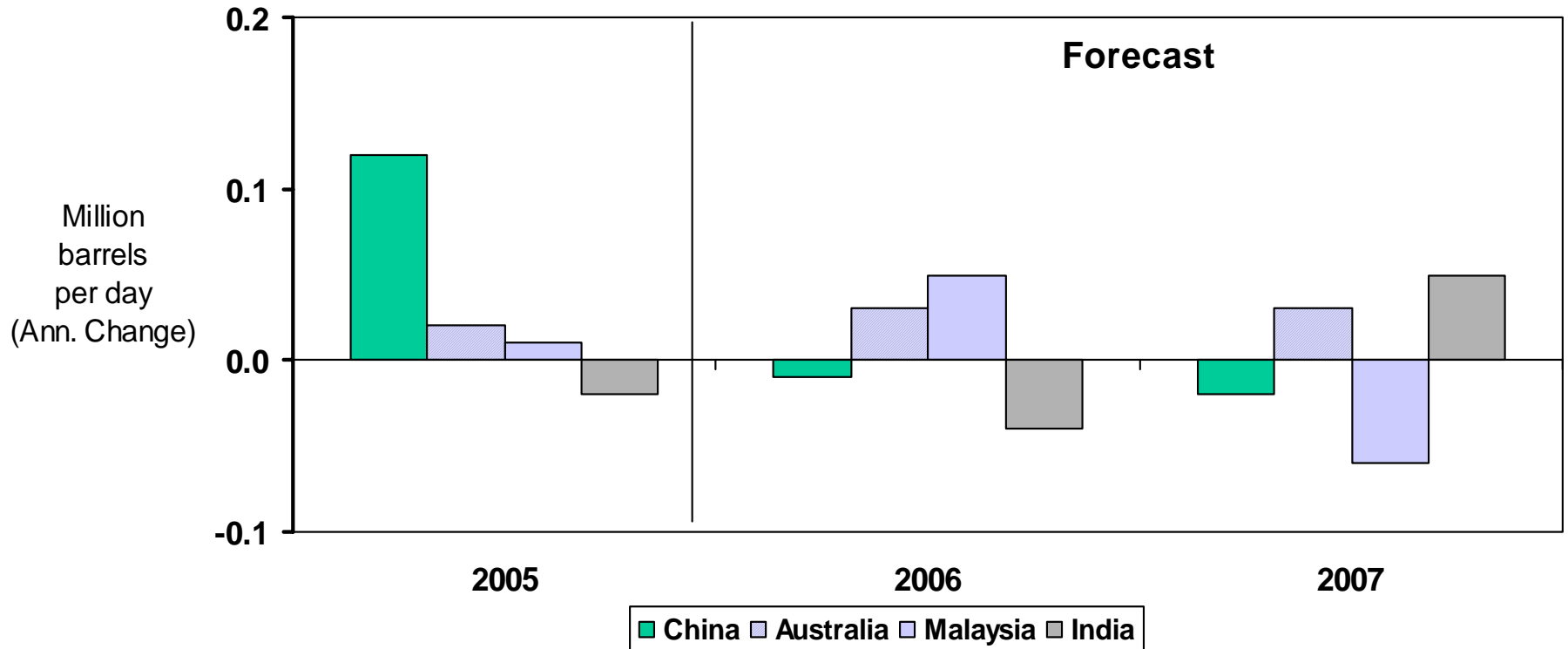
- North Sea liquids production continues to decline, but at a slower rate due to added capacity in 2006 and 2007.
- Early maintenance (scheduled and unscheduled) in Norway could lower production in 2006.
- In the UK, several fields totalling up to 120,000 bbl/d throughout 2006 will likely stem the rate of decline in 2006. Buzzard, the largest of these is expected to come online at 85,000 bbl/d in late 2006 and ramp to 150,000 bbl/d by mid 2007.

Conclusions

- Relationship between oil prices and non-OPEC supply: goes both ways.
- Largest growth on a per barrel basis will come from US, Russia, W. Africa, Caspian, and Latin America.
- Offset by large declines from the North Sea, Mexico, and the Middle East.
- AEO forecasts non-conventional growth of 2 million bbl/d from 2005-2010, but not until late in short term outlook.
- Non-OPEC supply growth of 2.5 million bbl/d between 2005 and 2007 (including Canadian oil sands).
- Demand will rise over 3.5 million bbl/d between 2005 and 2007.
- 1 million bbl/d growth in “Call on OPEC”.

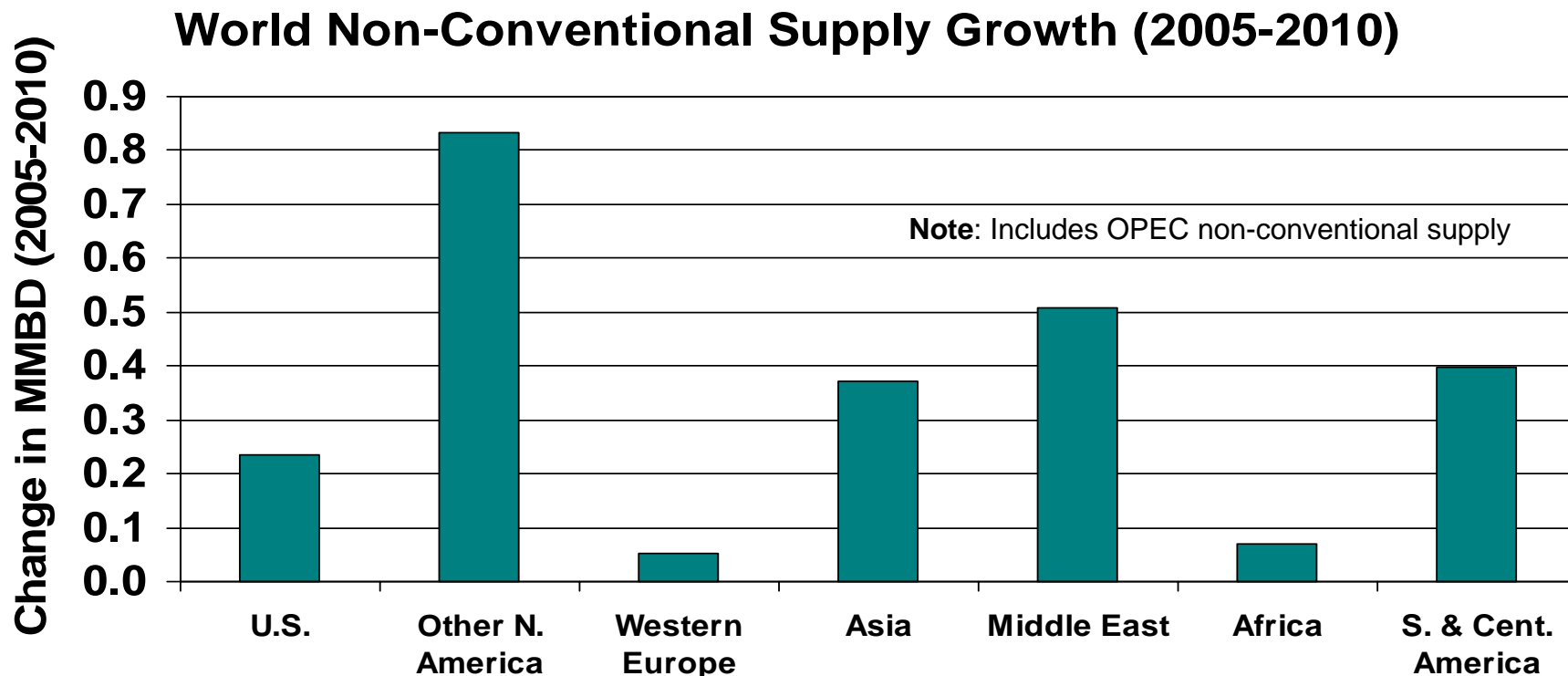
Appendix

Maturing fields in Asia dampen expected growth from small new projects.



- In China, Daqing field workovers have been more successful than in previous years
- India's Mangala field not expected until 2007, but Bombay High back online by Summer 2006
- FPSO usage in Australia dampening outlook for new production: Enfield and Mutineer-Exeter.

World non-conventional oil supply may grow over 2 MMBD by 2010 but mostly not until after 2007.



Source: EIA. *Annual Energy Outlook, 2006*

- Canadian oil sands production growth adds over 800,000 bbl/d by 2010 but are largely dependent on adequate infrastructure and fuel supply.
- In Qatar, Oryx GTL (35,000 bbl/d during 2006) and Pearl GTL (70,000 bbl/d by 2009) comprise largest part of Middle East non-conventional growth.