



Oil Industry Segment Update

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Hess Corporation

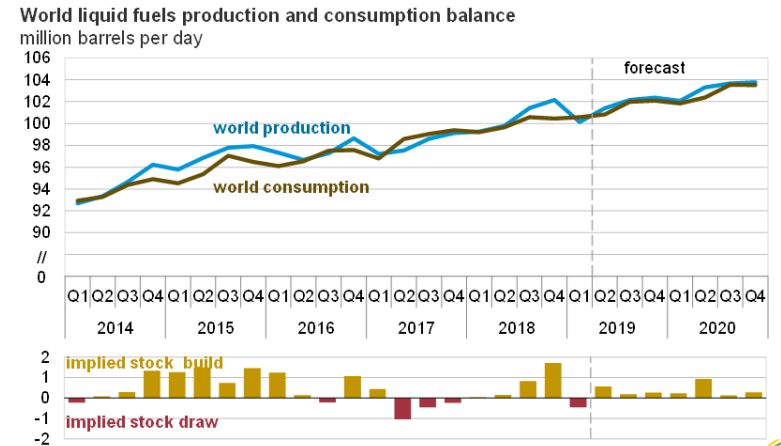
**Rail Energy Transportation Advisory Committee
Surface Transportation Board**

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Oil Industry Segment Market Environment

- Global production exceeds consumption
 - Global production 4Q 2018 102.2 MBPD
 - Global consumption 4Q 2018 100.5 MBPD
 - Global production April 2019 101.4 MBPD
 - Global consumption April 2019 100.8 MBPD
 - Global days of supply April 2019 61.0 Days

[Source: EIA]

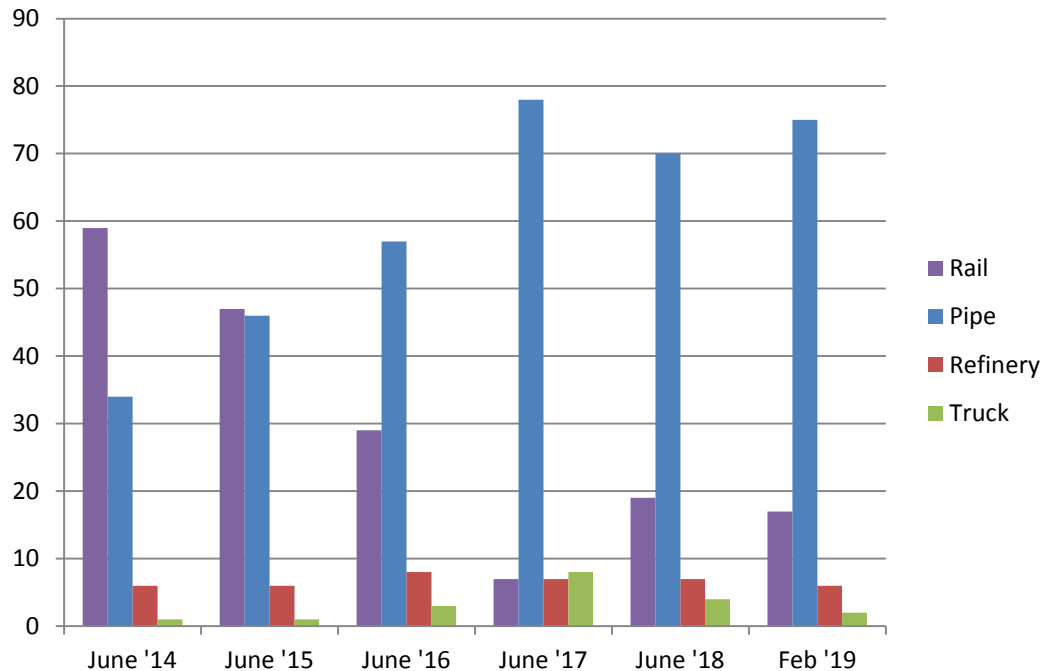


Source: Short-Term Energy Outlook, April 2019



- WTI average price is variable [Source: EIA]
 - Oct \$70.75 Nov \$56.96 Dec \$49.52 Jan \$51.38 Feb \$54.95 Mar \$58.15
- US crude oil production and exports are trending upward [Source: EIA]
 - US production January 11.87 MBPD (avg. 10.96 for 2018 and forecast avg. 12.38 for 2019)
 - US imports January 7.52 MBPD
 - US exports January 2.58 MBPD
- US land rig count trended slightly downward in Q1 [Source: Baker Hughes]
 - March - 2017 = 614 (Texas 60%); 2018 = 787 (Texas 57%); 2019 = 812 (Texas 56%)
- CBR volumes have been trending upward since Q3 2017 [Source: EIA]
 - Annual originated US C/L's (000's) – '15 410, '16 212, '17 129, '18 152 (est.) [Source: AAR]

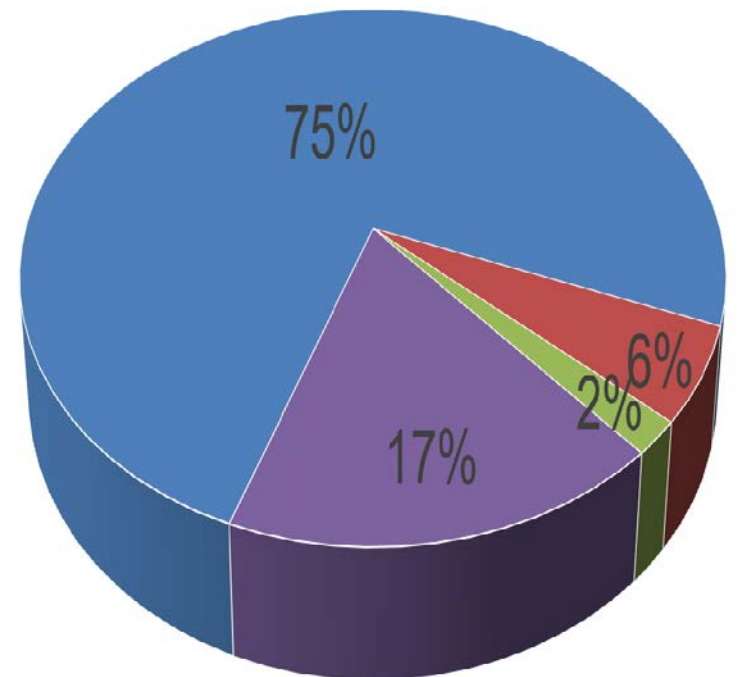
Williston Basin Crude Oil Modal Share



	Average Production/BOPD	Rail/BOPD est.
6/2014	1,092,519	644,586
6/2015	1,211,328	569,324
6/2016	1,027,131	297,868
6/2017	1,032,873	72,301
6/2018	1,225,510	232,847
2/2019	1,335,064	226,961

Source: ND Pipeline Authority

February, 2019



- Pipeline Export
- Refined
- Truck/Rail to Canada
- Estimated Rail

PADD 2 Destinations January, 2019

West Coast	54.6%
East Coast	32.7%
Gulf Coast	12.7%

[Source: EIA]

Permian Oil Production

- Frac sand remains in surplus [Source: WSJ]
- Crude oil production volumes continue to grow [Source: EIA]
- April production 4.1 MBPD [Source: EIA]
- Estimated pipeline and local refining capacity 3.6 MBPD [Source: EIA]
- Pipeline capacity being increased to meet demand [Source: EnSys NA Logistics Review]
- Rail market share increased due to lack of available pipe capacity
 - 2nd half 2018 12.2 MB moved within PADD 3 (approximately 17K C/L's) [Source: EIA]
 - January 2019 2.5 MB moved within PADD 3 (approximately 3.6K C/L's) [Source: EIA]
 - 2nd half 2018 0.63 MB moved PADD 3 to 5 (approximately 900 C/L's) [Source: EIA]
- Potential barriers to long term CBR
 - Cost differential
 - Increasing pipeline capacity
 - Limited rail loading terminal capacity
 - Availability of rail unloading capacity depends on market

Summary

- Global crude oil production surpassed demand with the gap closing
- US crude oil production and exports trending upward; imports relatively flat
- Crude oil prices remain volatile but once again increasing
- US land based rig count trended downward slightly during Q1
- Much US onshore E&P growth remains in pipe centric Texas
 - Permian capacity (pipeline and refining)/production gap has narrowed [Source: Goldman Sachs]
- Texas frac sand capacity development has eliminated Permian shortage
- US production trending upward now exceeding 11.9 MBD
- Permian production trending upward now exceeding 4.1 MBD
- Upward trend in Permian CBR started 2nd half 2018; continued in January
- Bakken production trending upward but down slightly in February to 1.3 MBPD
- CBR volumes up during 2nd half of 2018; primarily in the Permian and Bakken