

Oil Industry Segment Update

Lee K. Johnson

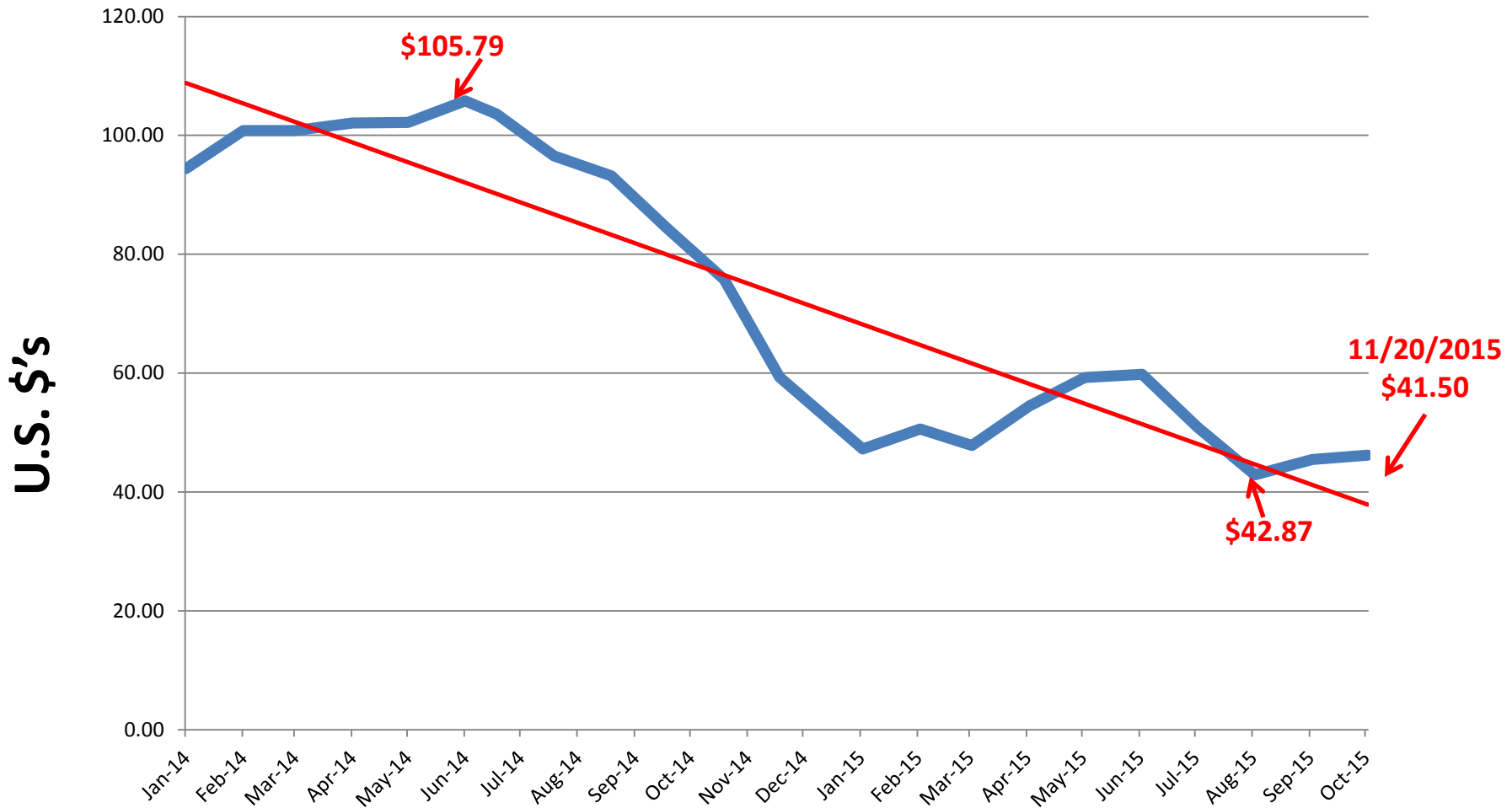
Hess Corporation

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

December 1, 2015

WTI Price Decline

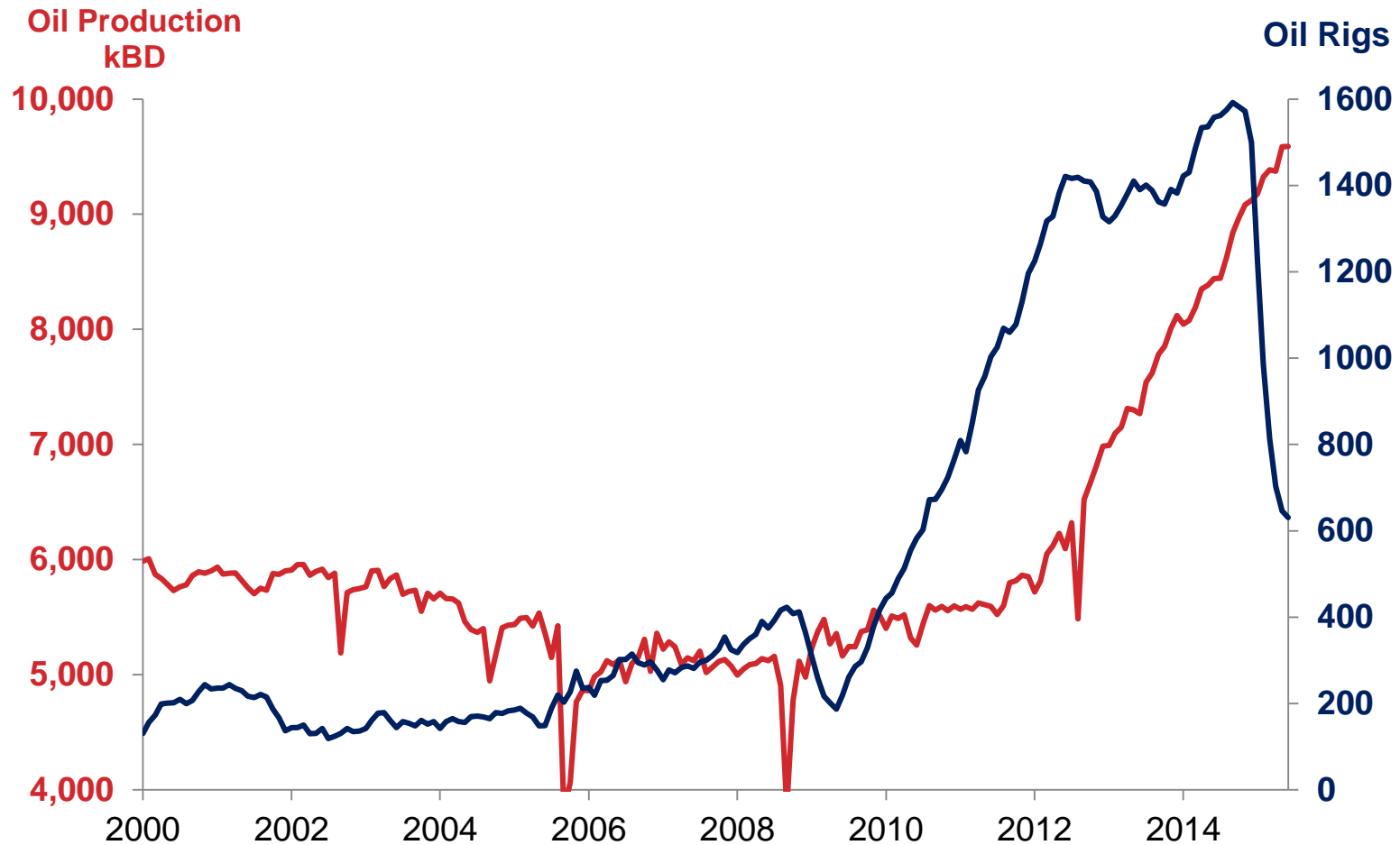
Cushing, OK WTI Spot Price FOB



Source: US. EIA – Monthly data/11/20/2015 Bloomberg

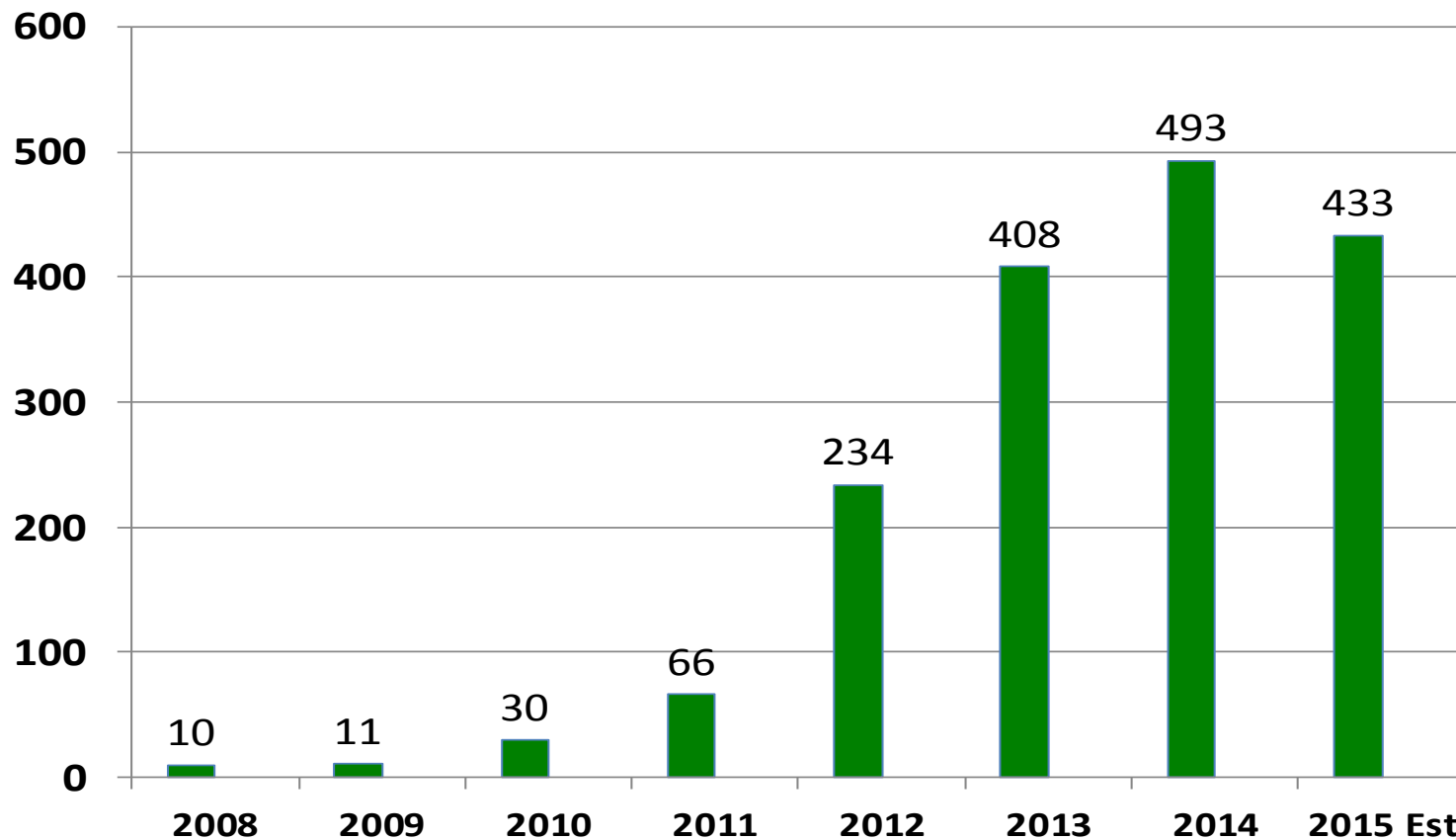
U.S. Production and Rig Counts

Steep Rig Count Decline/Production Relatively Level



Volume of Crude by Rail Carloads

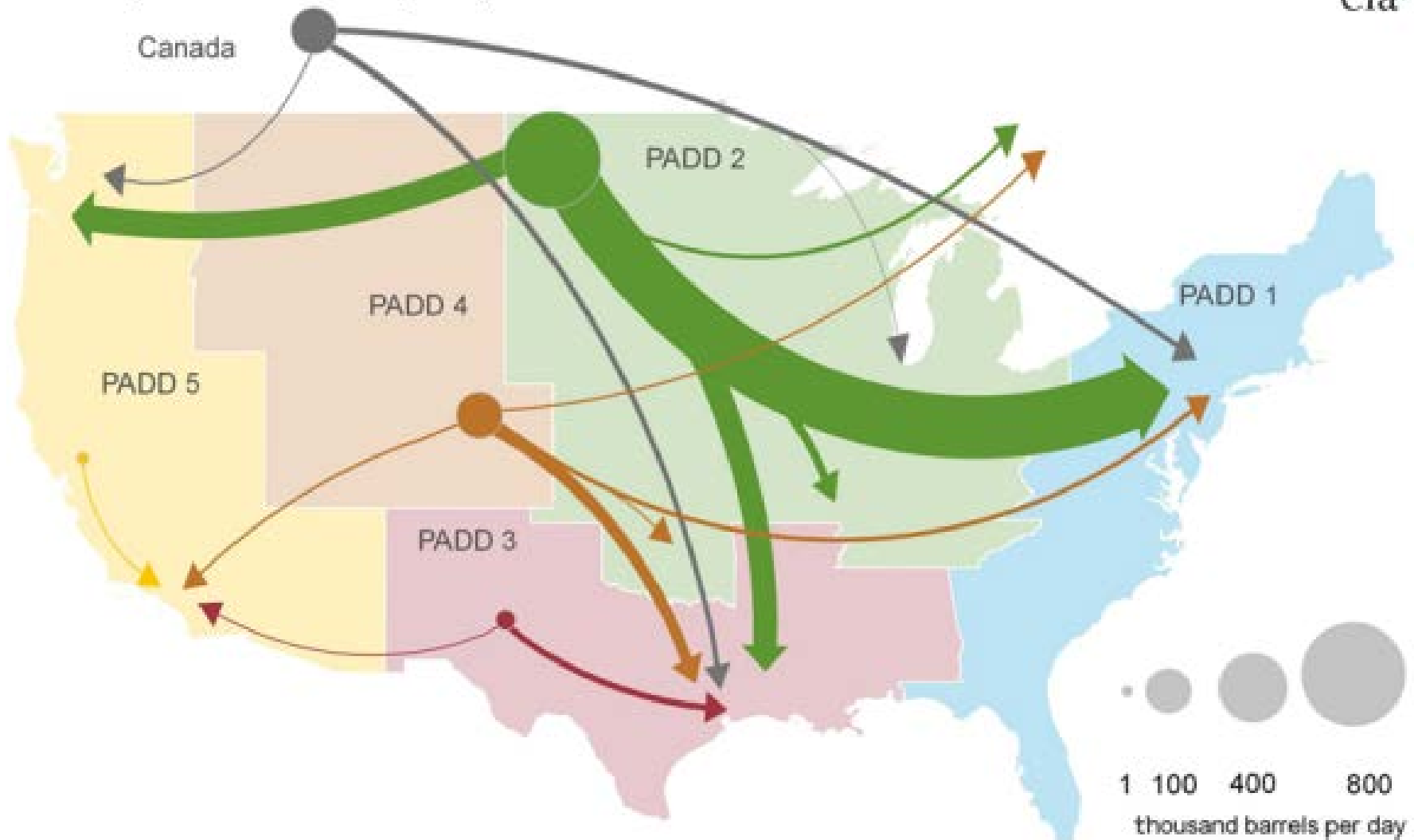
Originated Carloads on US Class I Railroads (1,000's)



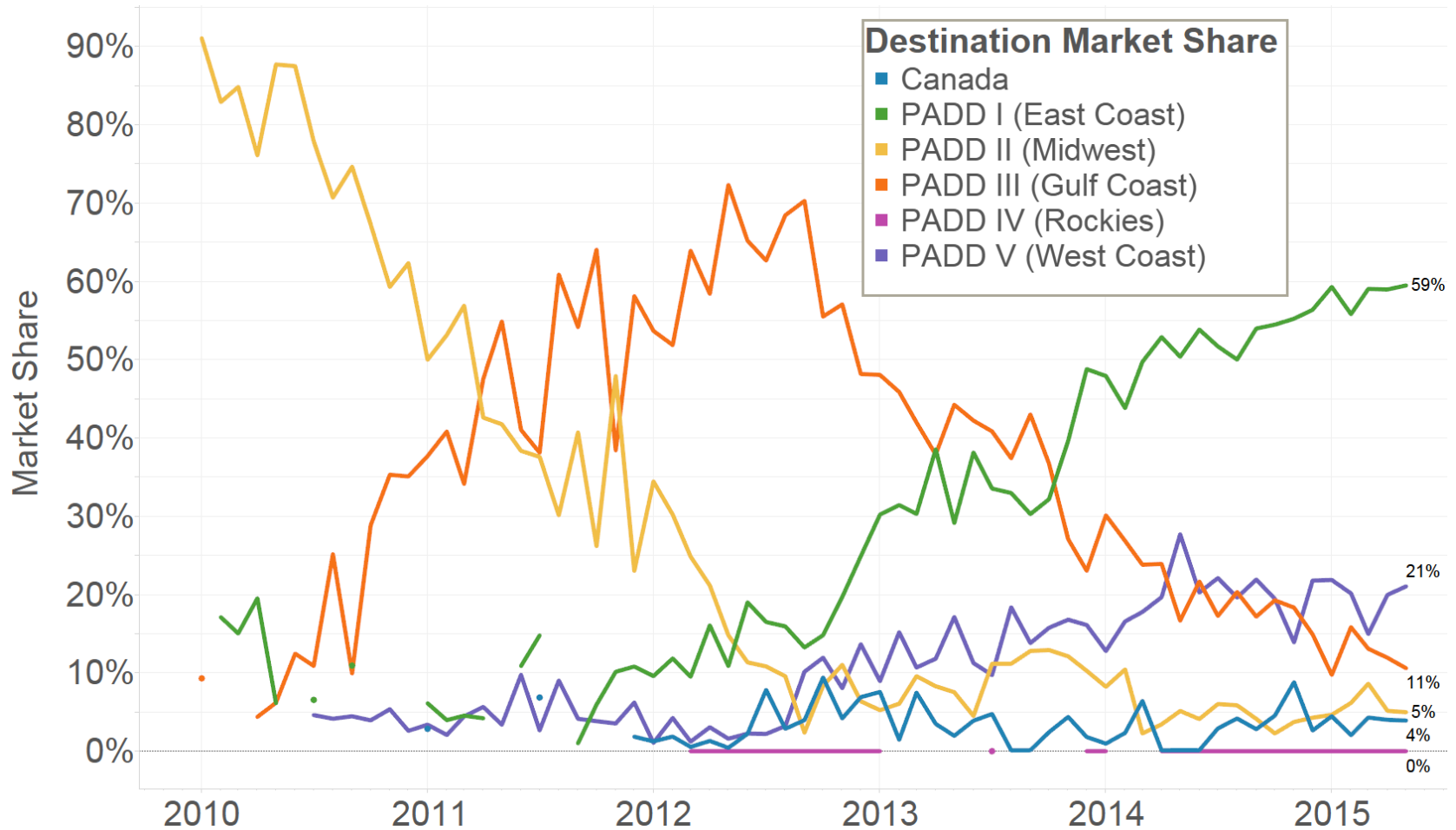
Note: AAR reported 3Q 2015 actual 101,167 carloads

Crude by Rail National Movements

Crude-by-rail movements (2014)

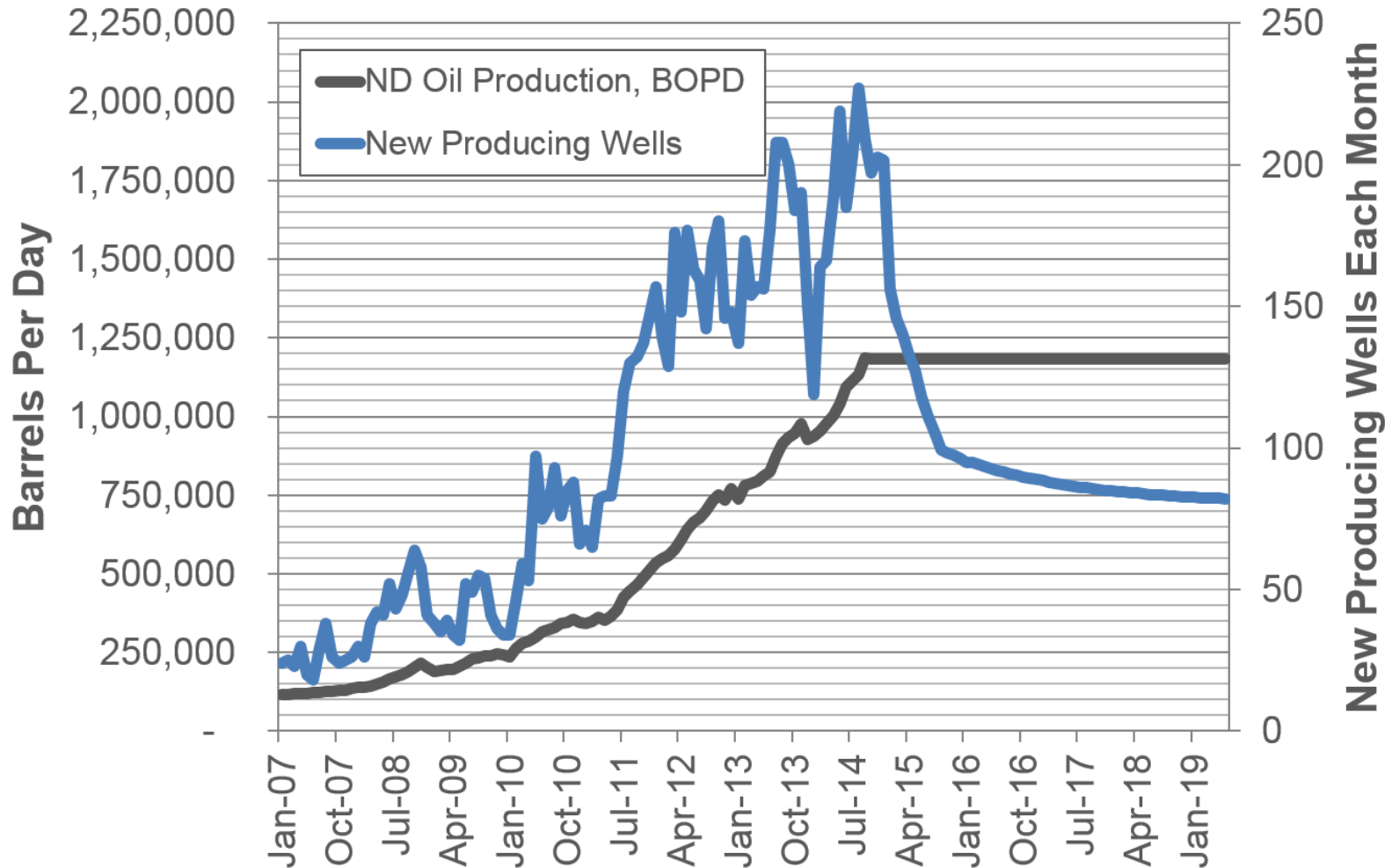


ND Rail Destinations Market Share (May 2015)



Source: North Dakota Pipeline Authority, August, 2015 Update
 Data for Rail Destination Market Share Provided by the US Energy Information Administration

Current ND Price Environment Impact

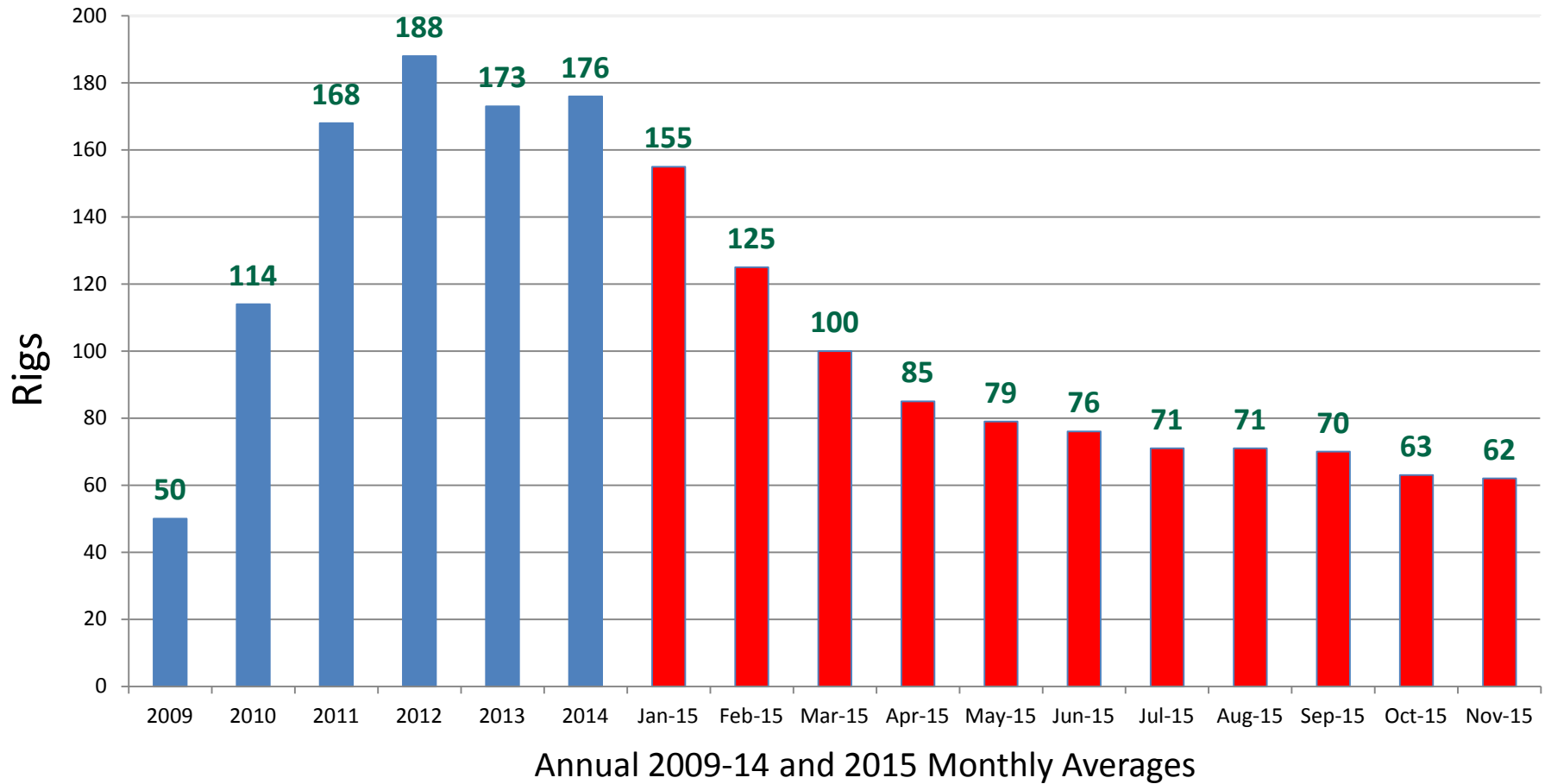


“The number of oil wells in North Dakota that have been drilled but not fracked eclipsed 1,000 for the first time in September...” Reuters 11/13/2015

Source: North Dakota Pipeline Authority

North Dakota Rig Count

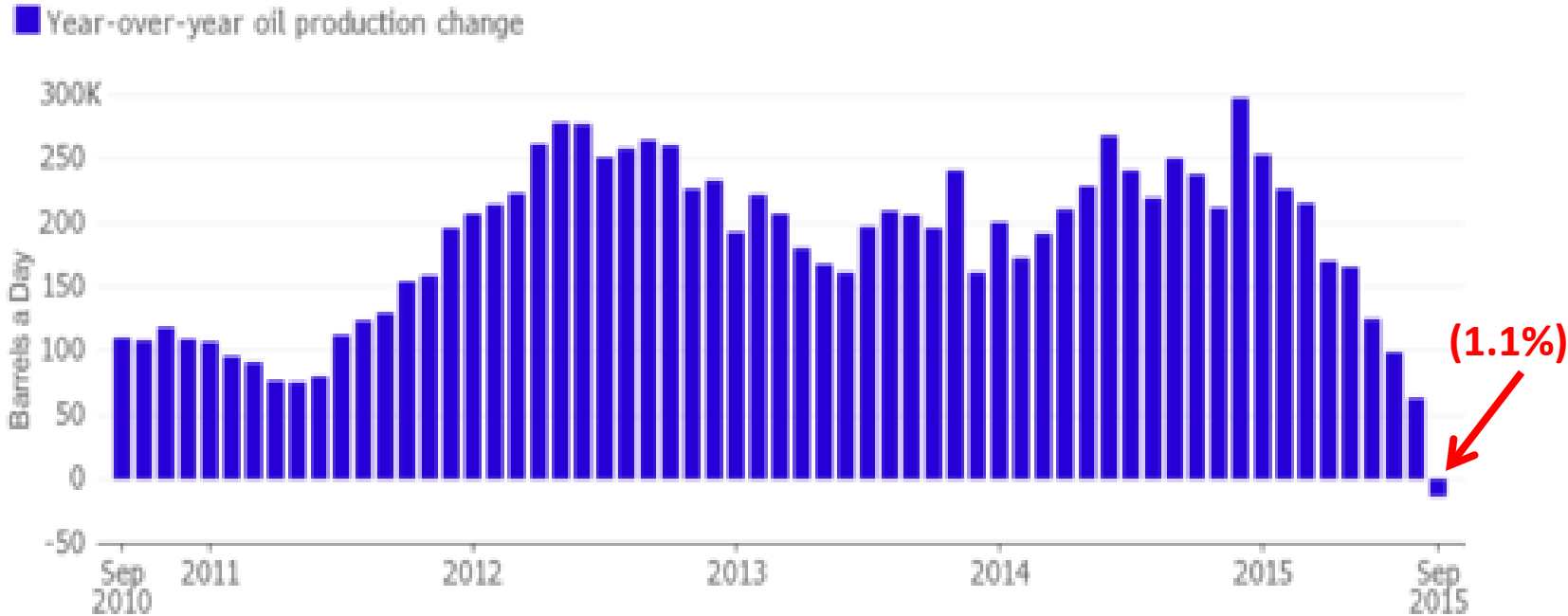
Is This the Bottom?



Source: Baker Hughes

North Dakota Oil Production Change

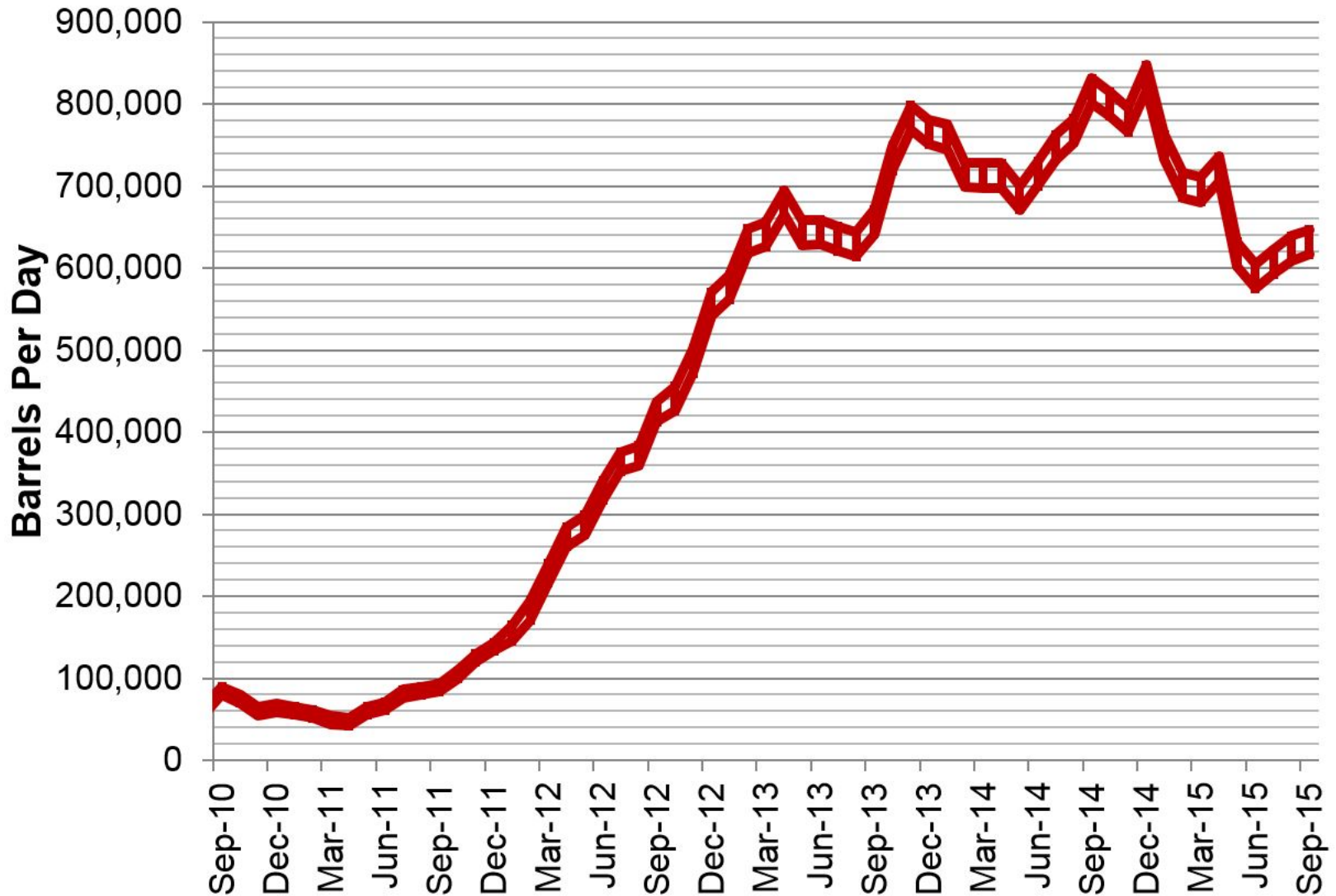
September First Decline in a Decade



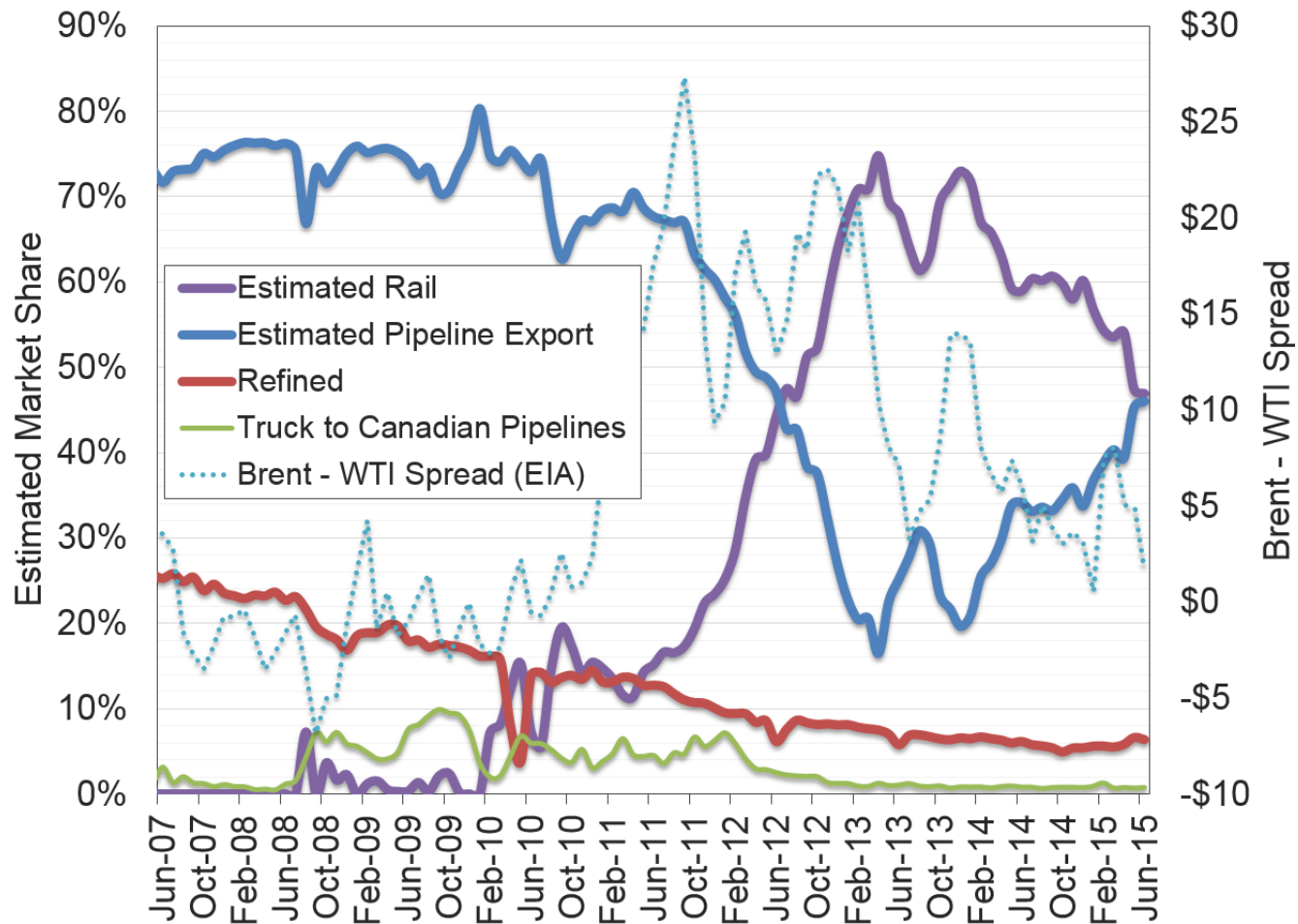
Source: North Dakota Industrial Commission

Bloomberg

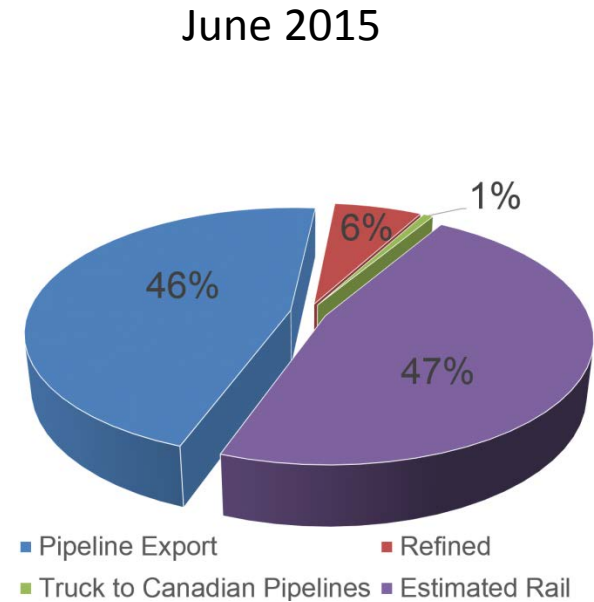
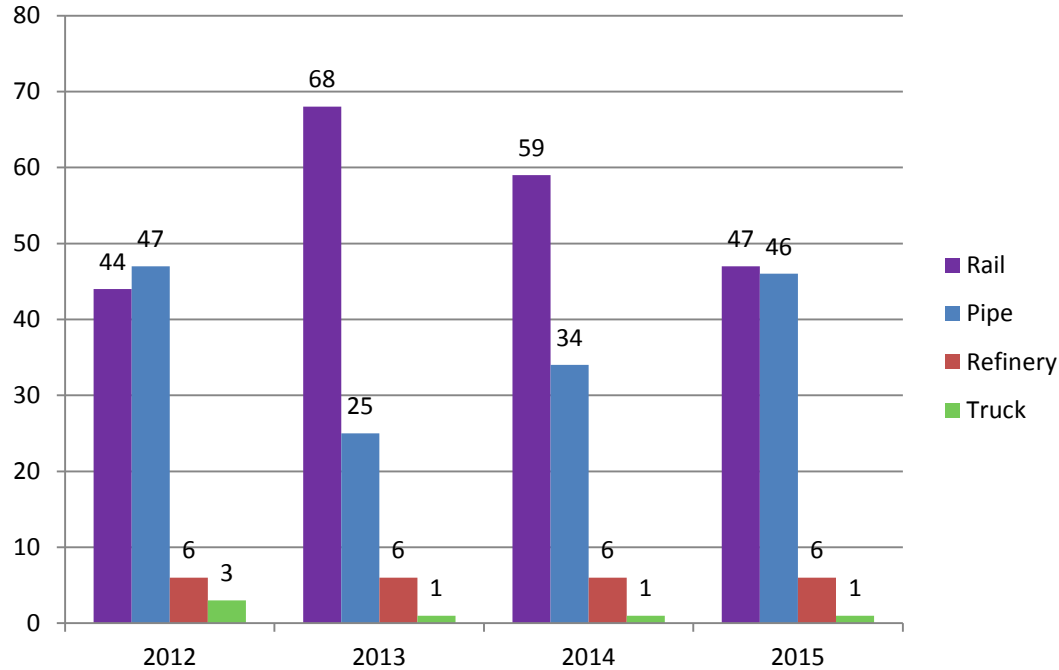
Estimated ND Rail Export Volumes



Estimated Williston Basin Modal Share

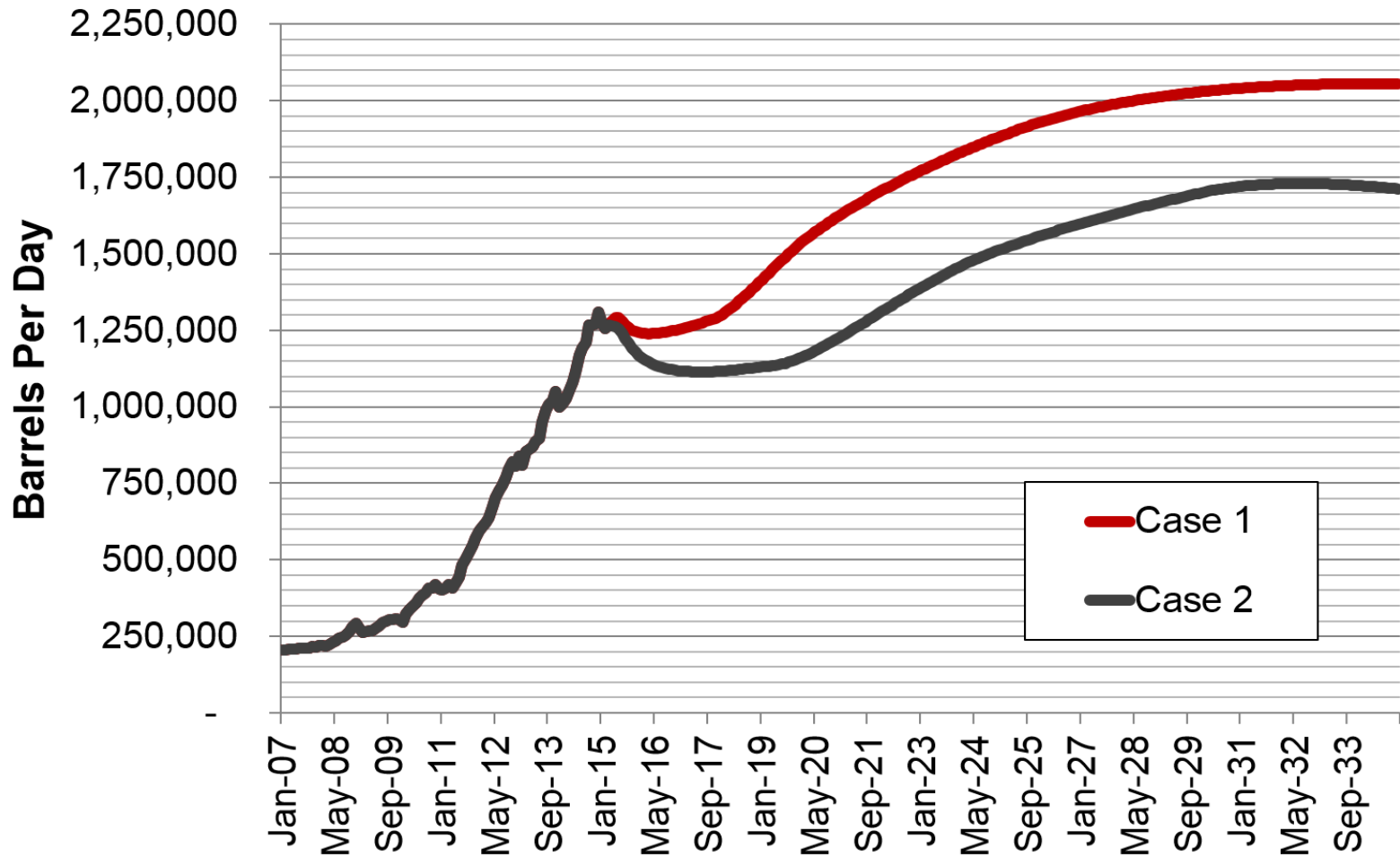


Williston Basin Crude Oil Share



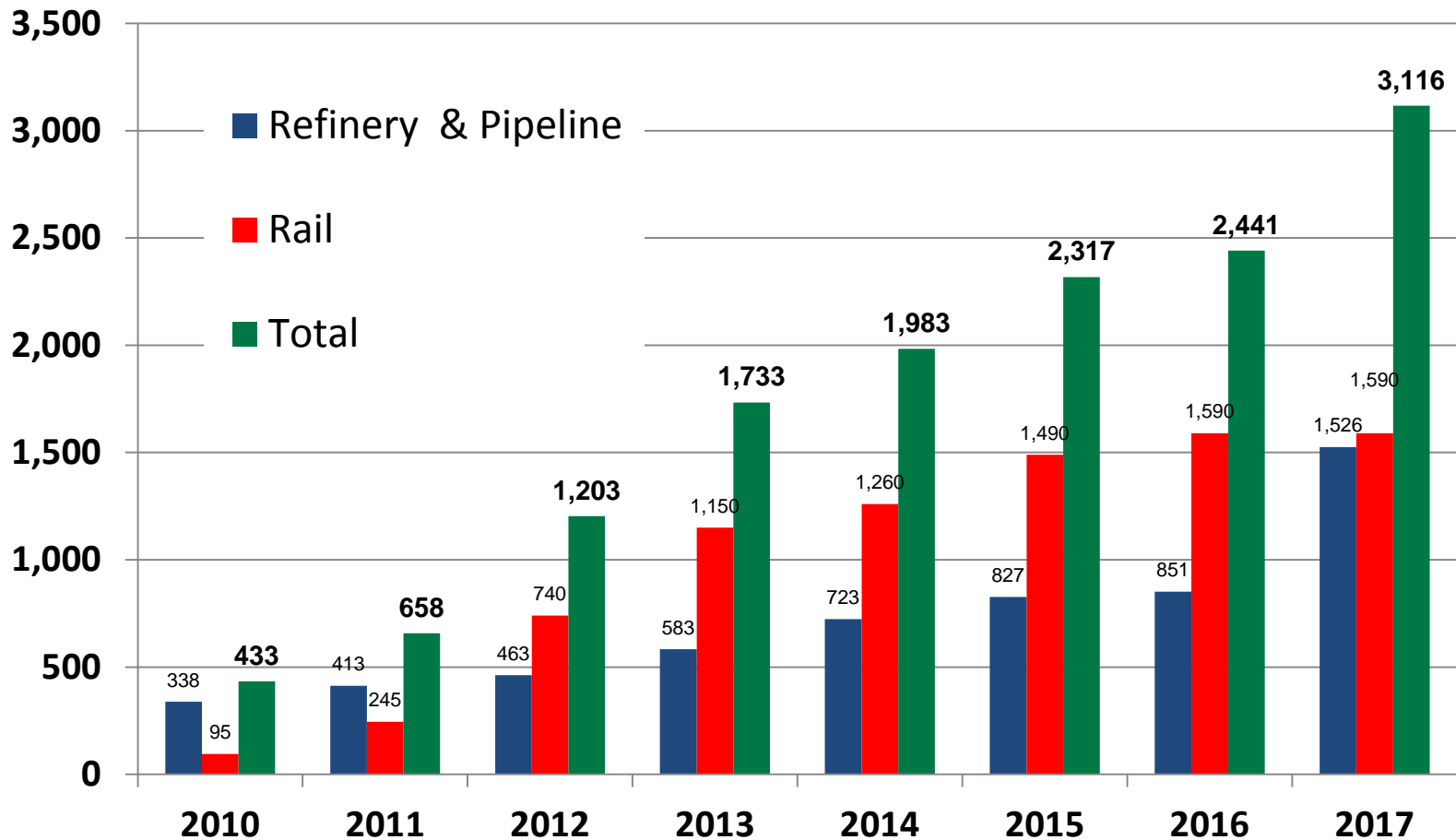
	Average Production/BPO	Rail/BPOD est.
2012	733,600	322,800
2013	973,500	662,000
2014	1,167,100	688,600
2015	1,245,700	585,500

Forecasting Williston Basin Oil Production



Williston Basin Crude Oil Export Options

(Reported Capacity – Not Market Share)



Rail: Loading terminal capacity/not railroad

Closing Thoughts

- Oil has responded quickly to price pressure by focusing on efficiency and cost reduction
- Oil continues pursuit of zero defects in the safe and compliant shipping of crude oil by rail
- National production of crude oil is relatively stable/production in North Dakota leveled in 2Q and 3Q 2015 as predicted; declined year-over-year for the first time in September
- Unconventional production continues to contribute materially to employment, GDP & energy independence
- The rail mode alternative will remain important; particularly to the east and west coasts
- Marketplace seeks the finalization of DOT Rule challenges