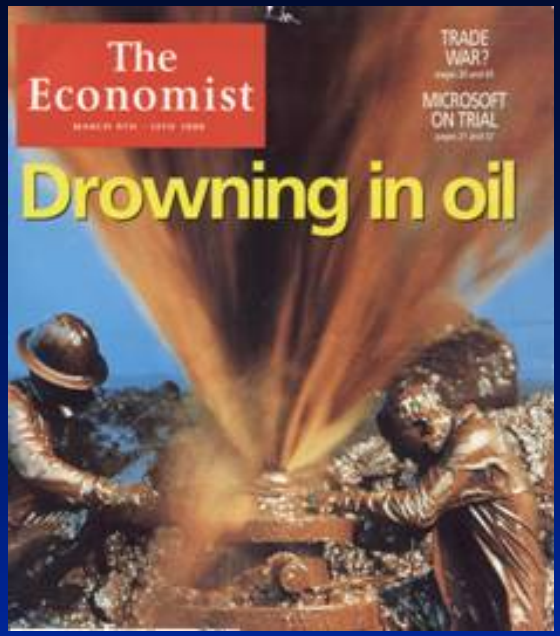
OIL

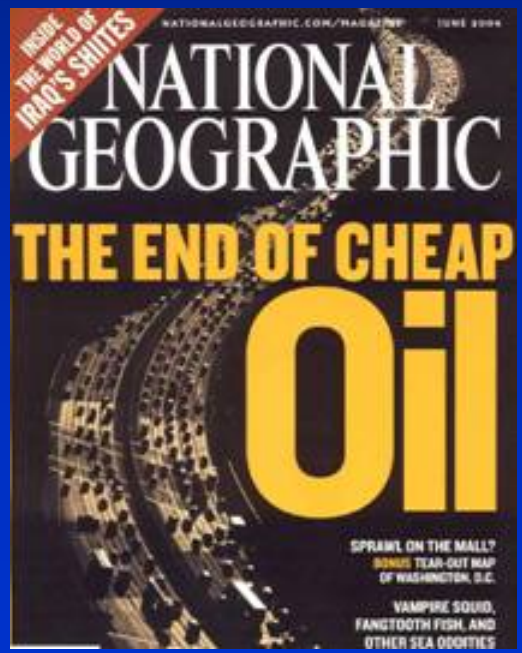
# Program

- World Oil Consumption
- World Oil Production
- Hubbert's Peak
- Occidental Petroleum Corporation
  - Business Model
  - Competitors
  - Production
  - Financials
  - Threats
- Red Baron's Forecast

# The Changing Perception of the Oil Industry's Dynamics




Spring 1999




Summer 2004

Fall 2003

Source: The Economist

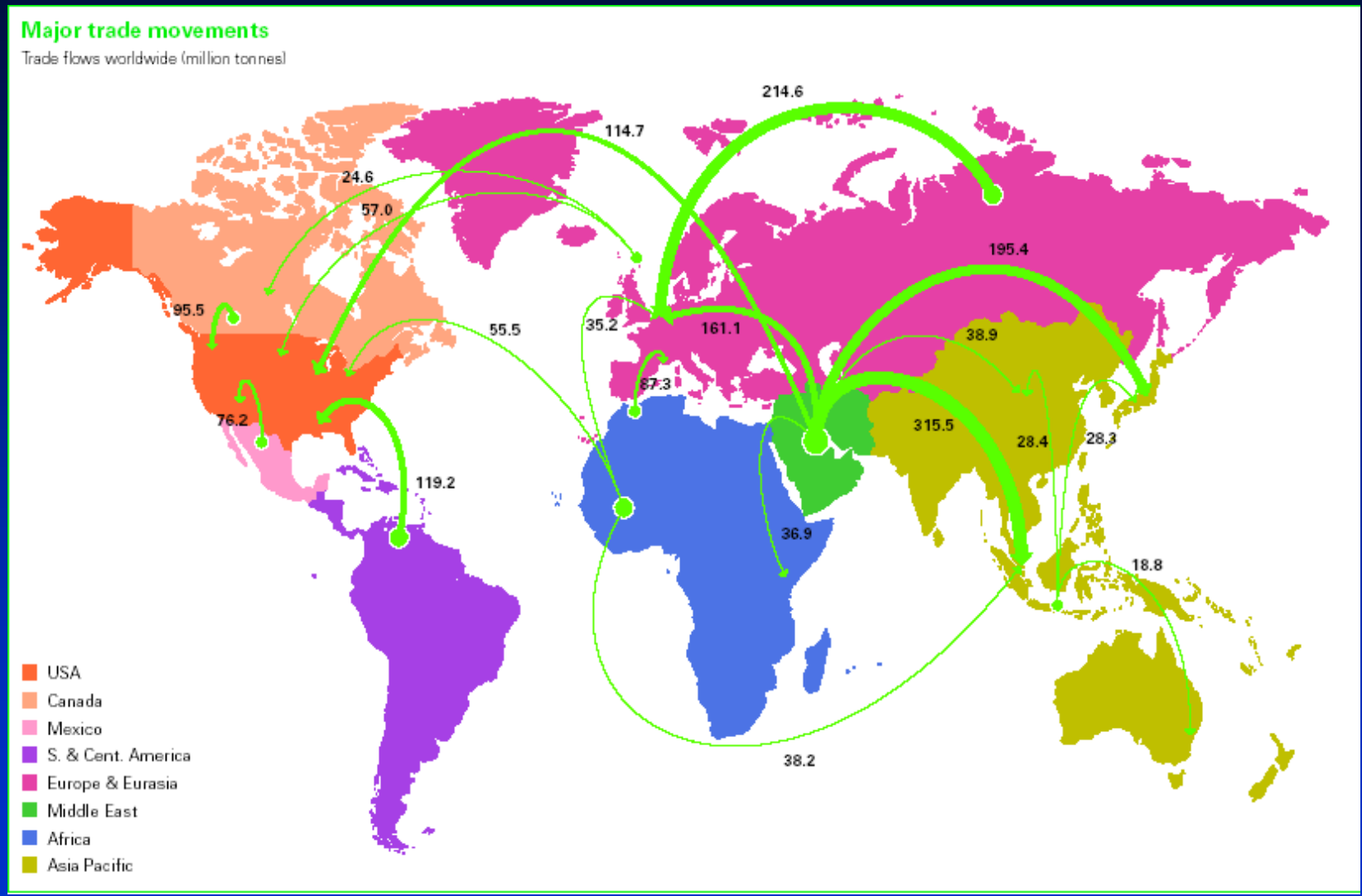
**Accordingly, in practical terms, the U. S. issue is already resolved.**

**The remaining question is:**

**World**

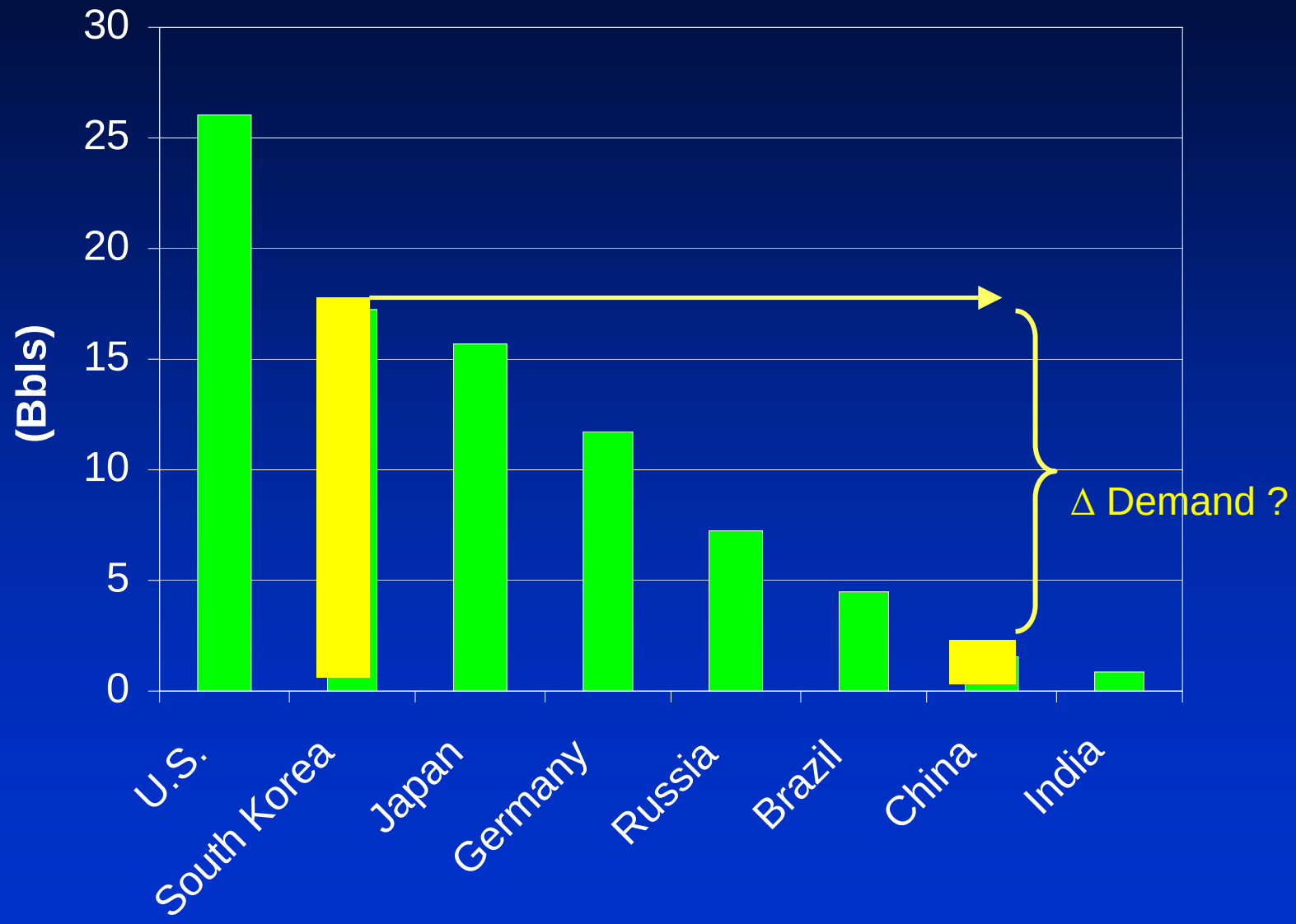
**Is the ~~U.~~S. Running Out of Oil?**

# World Oil Trading to Meet Demand

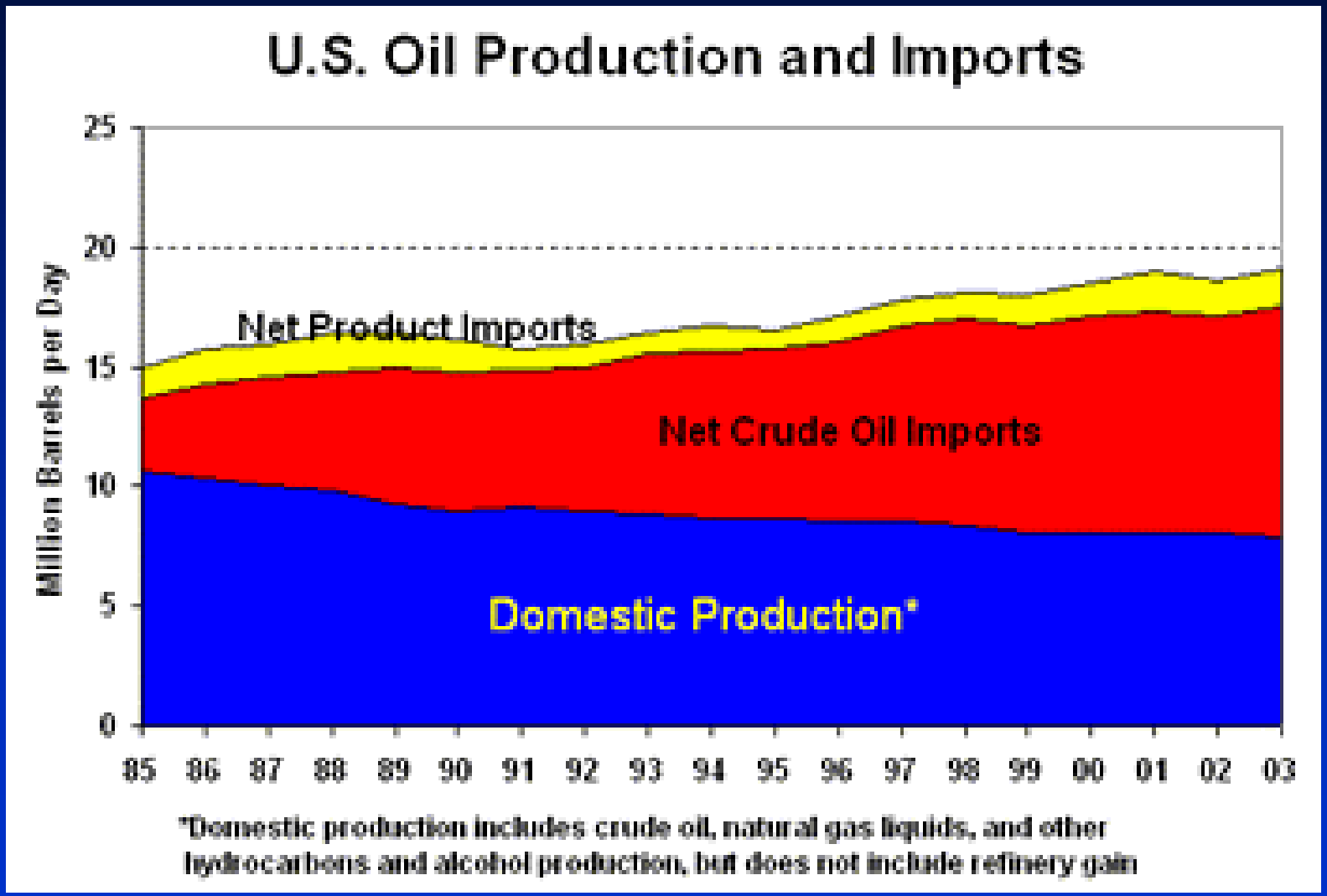



Source: BP

# World Per Capita Annual Oil Consumption

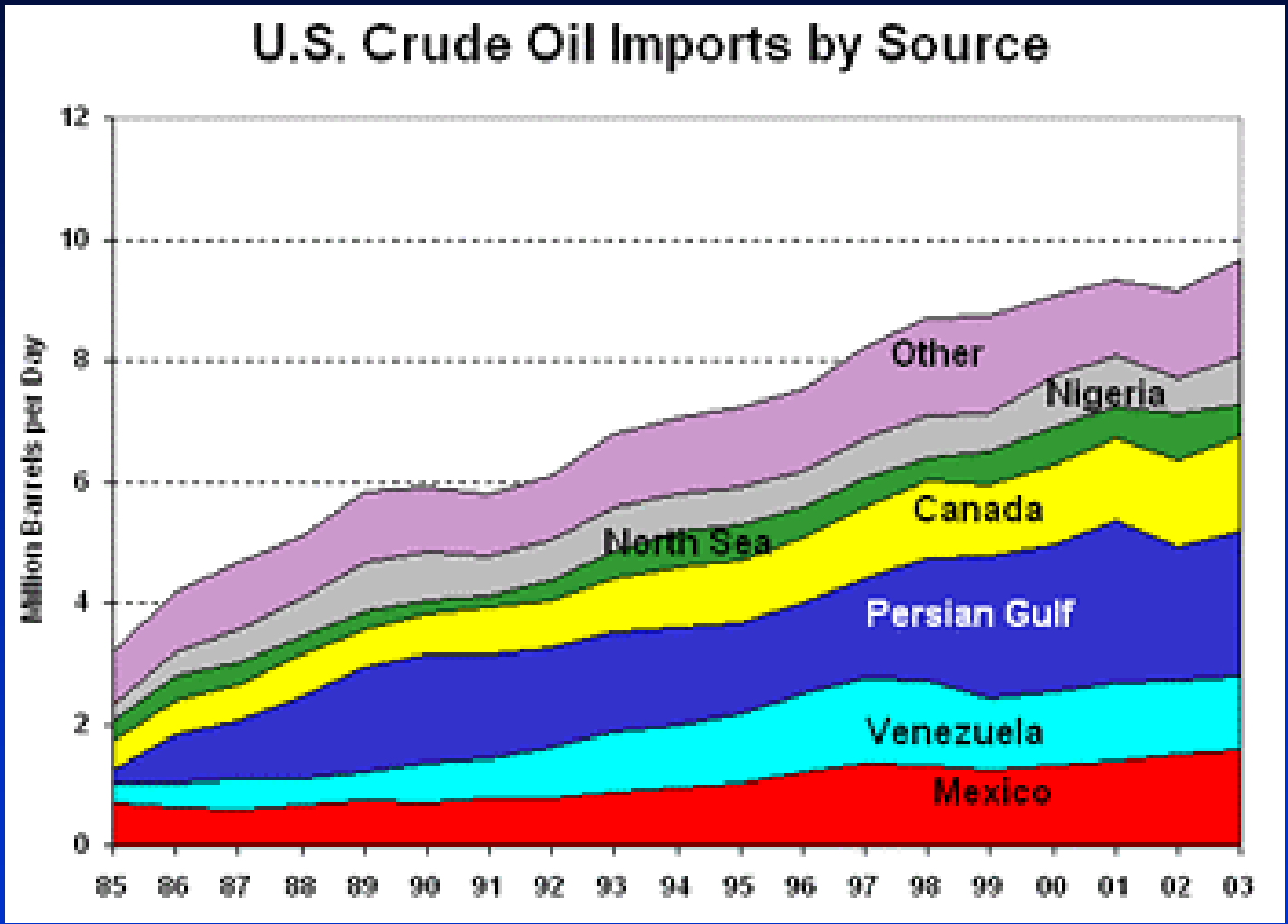


# US Oil Demand

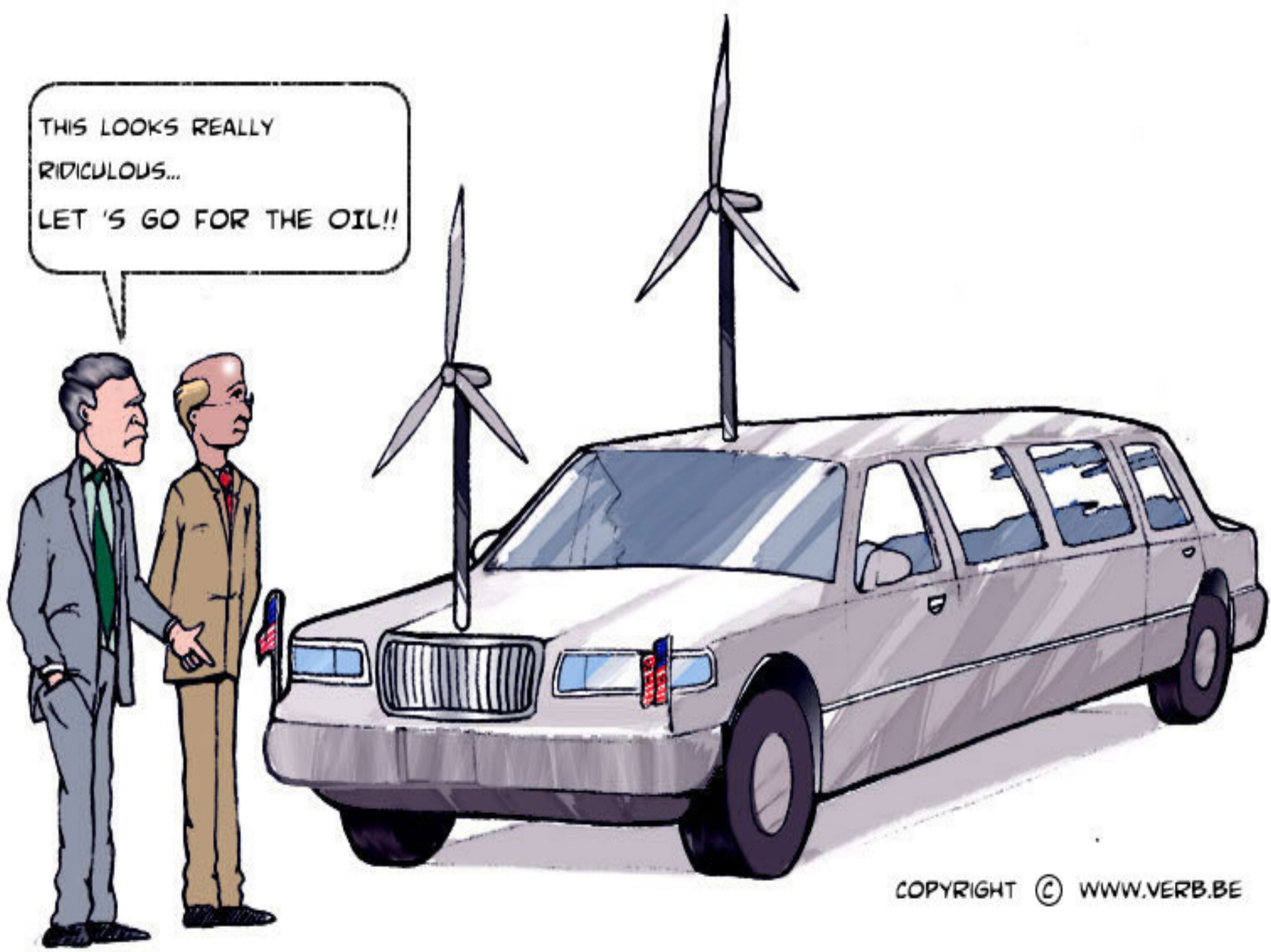



Source: http://www.eia.doe.gov

# US Import Supply

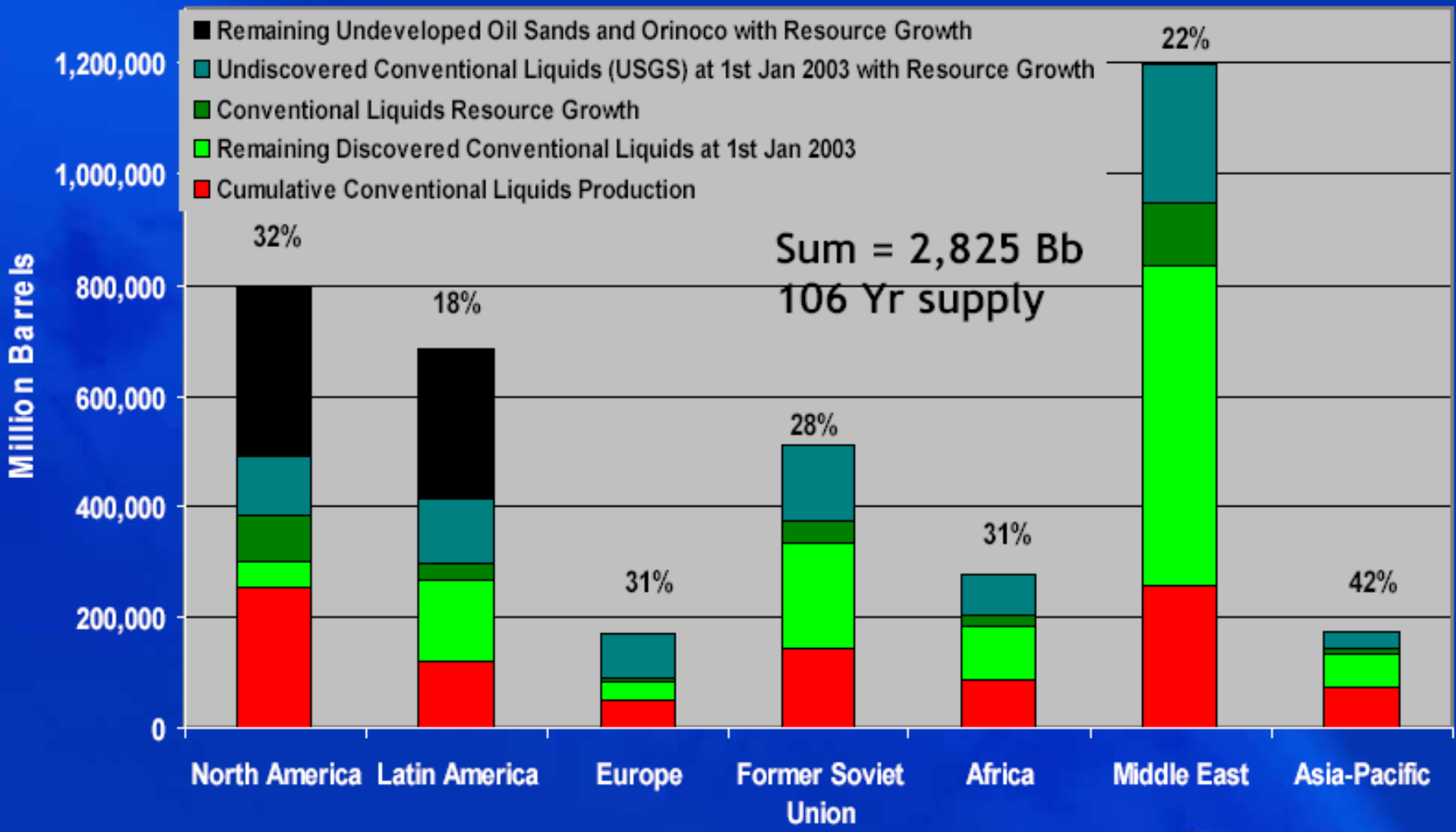



Source: http://www.eia.doe.gov


THIS LOOKS REALLY RIDICULOUS...
LET 'S GO FOR THE OIL!!
COPYRIGHT © WWW.VERB.BE

# World Liquids Resources

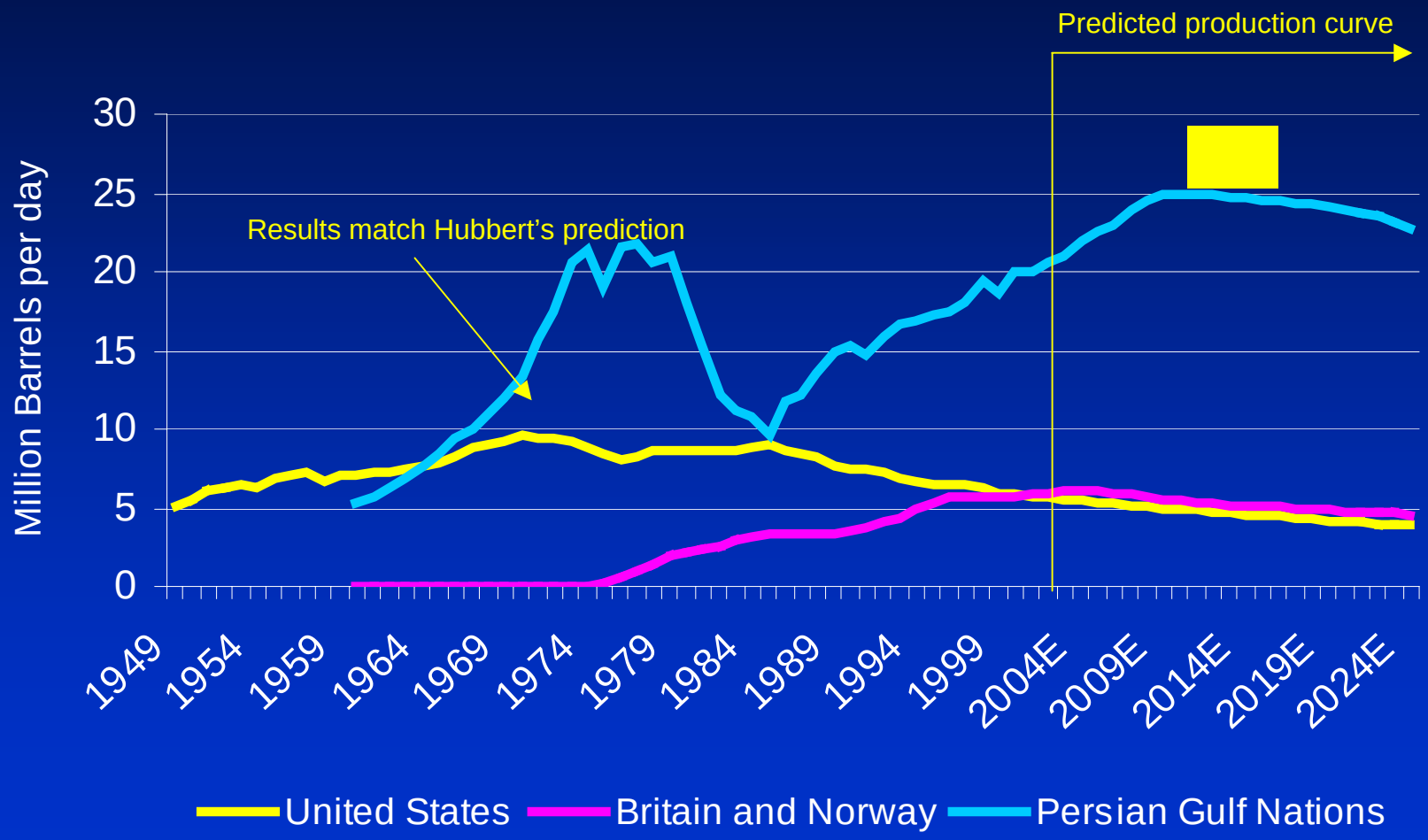
## Produced and Remaining Liquids Resources
## (Including Reserves Growth, Oil Sands / Extra-heavy Oil and Yet-to-Find)




Source: IHS Energy

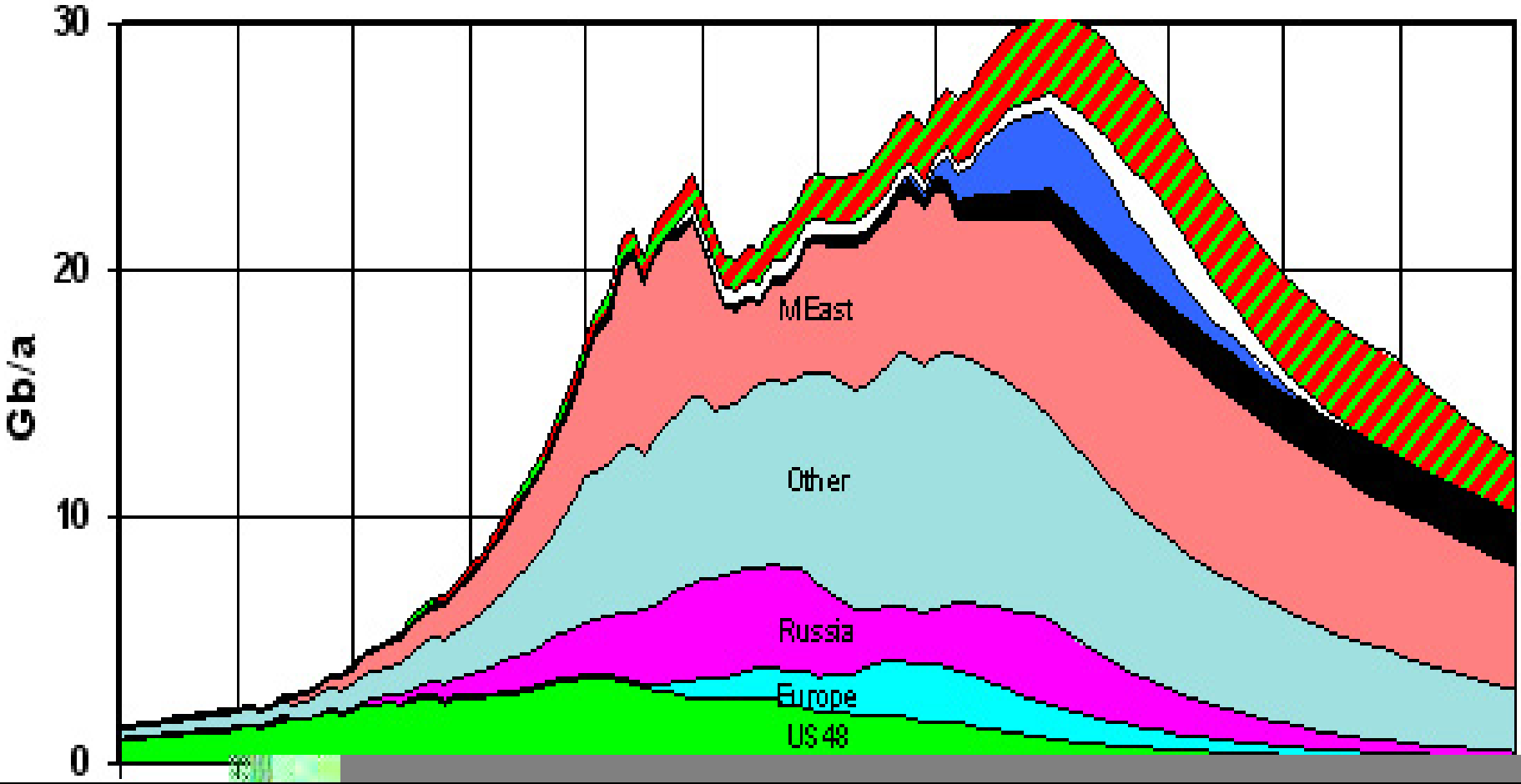
IHS ENERGY

# World Oil Production – "Hubbert's Peak"

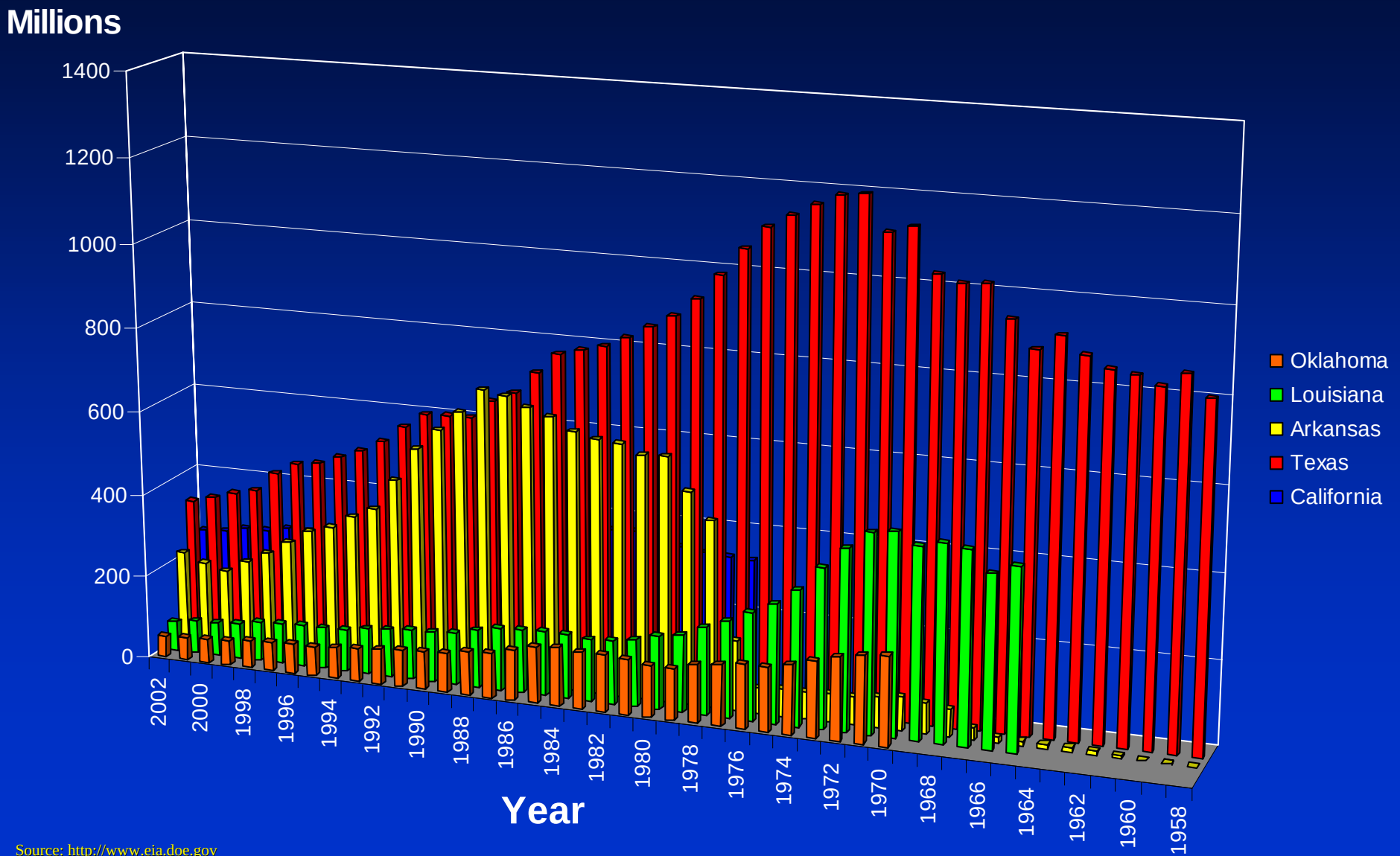


Source: http://www.eia.doe.gov

# Regular Oil & Natural Gas Liquids
## 2003 Base Case Scenario



# Five Highest State's Oil Production




Source: http://www.eia.doe.gov

# A Popular Topic, but No Clear Public Consensus

**"We're draining our reserves dry."**

**Houston Chronicle**
**May 30, 2004**
**Llewellyn King**
**Chairman & CEO**
**King Publishing Co.**
**Publisher for:**
**White House Weekly**
**& Energy Daily**

**"Enough oil to last for 500 years."**

**Houston Chronicle**
**May 30, 2004**
**H. Sterling Burnett**
**Senior Fellow**
**National Center for**
**Policy Analysis**

# Red Baron's View is that both statements are correct, with slight editing….

Cheap

Red Baron's Edit

, if the price is high enough.

Red Baron's Edit

**"We're draining our reserves dry."**

Houston Chronicle

May 30, 2004

Llewellyn King

Chairman & CEO

King Publishing Co.

Publisher for:

White House Weekly

& Energy Daily

**"Enough oil to last for 500 years."**

Houston Chronicle

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National Center for

Policy Analysis

# Occidental Petroleum Corporation

**March 5, 2005**

# Oxy Business Model

## Building Blocks for Profitable Growth

- Exploration
- Enhanced Oil Recovery (EOR)
- Acquisitions

# There's one pipeline that's still working for the oil companies...

# OCCIDENTAL PETROLEUM CORP (NYSE: OXY)

| **Financial Information** (millions of dollars) | **Q303** | **Q304** | **% Change** |
|---|---|---|---|
| **Corporate** | | | |
| Revenue (24)**c** | 178,584 | 231,026 | 29.4 |
| Net Income (24) | 10,515 | 16,356 | 55.5 |
| **Worldwide Lines of Business Net Income** | | | |
| Petroleum (26) **d** | 13,98 | 19,934 | 42.5 |
| Oil and Natural Gas Production (20)**e** | 10,821 | 14,552 | 34.5 |
| Refining/Marketing (13)**e** | 3,168 | 5,382 | 69.9 |
| Downstream Natural Gas and Power (9) | 773 | 998 | 29.2 |
| Chemicals (9) | 392 | 1,527 | 289.8 |
| **Domestic Net Income by Function** | | | |
| Oil and Natural Gas Production (13) | 5,376 | 6,399 | 19.0 |
| Refining/Marketing (13) | 2,552 | 3,830 | 50.1 |
| **Foreign Net Income by Function** | | | |
| Oil and Natural Gas Production (6) | 3,309 | 4,989 | 50.8 |
| Refining/Marketing (4) | 865 | 1,552 | 79.3 |

# Comparative Total Returns

## 5 Years (12/31/98 - 12/31/03)*
(Percentage)

* Data Source: Bloomberg

# Major Oil Companies

# Number of Independent Companies with Mkt Cap > $150 MM

Source: http://www.eia.doe.gov

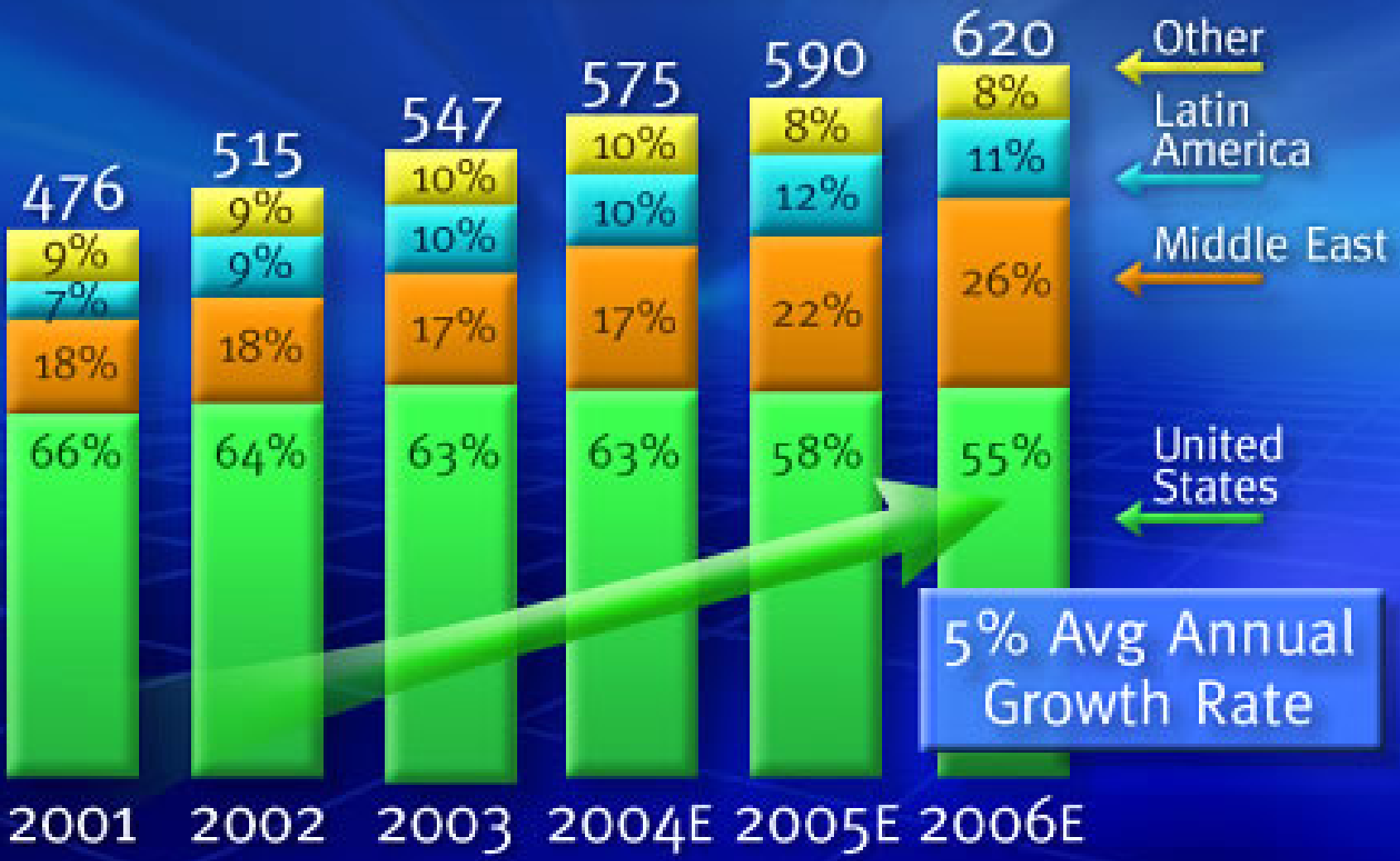
# Worldwide Production

*Millions BOE*

Qatar

# Oil & Gas Production Forecast

*Thousands BOE/Day*



# Finding & Development Costs*

## 2001-2003 Average
## All Sources
## ($/BOE)

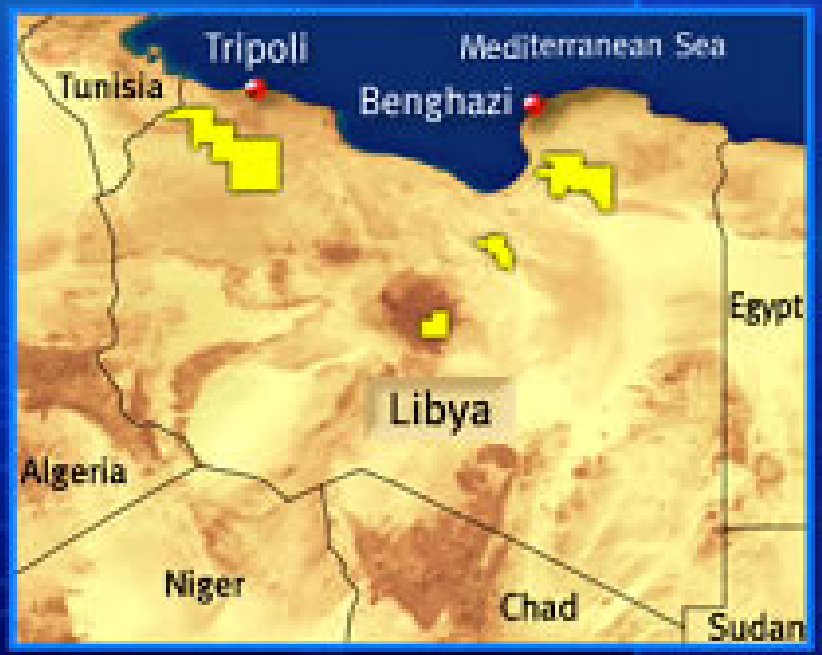
*Total 2001-2003 exploration plus development costs incurred divided by reserves additions, including purchased reserves - per SEC filings.

# United States

## 2003 Production

# Libya – Recent Developments

Occidental Production Areas




**1999** Oxy Receives US Permission for Technical Teams to Visit Libya for Data Exchanges

**2004** US Removes Travel Restrictions for US Citizens' Travel to Libya

US Grants Oxy the Right to Negotiate Its Return to Libya

Oxy CEO & Key Staff Visit Libya to Meet with Ghadafi and Other Senior Libyan Officials

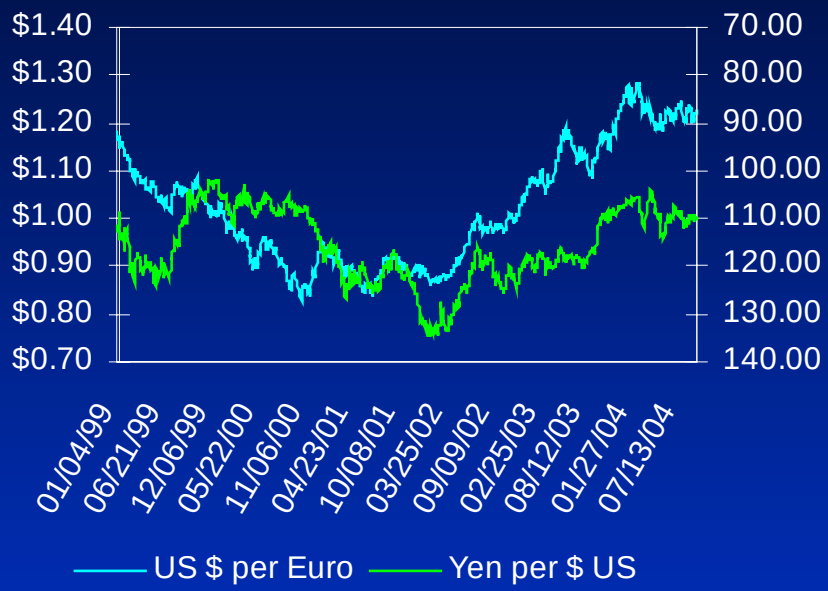
US Lifts Remaining Sanctions

# Refining/Downstream

# Hurricane Ivan

# Other Forces / Considerations

## US Dollar



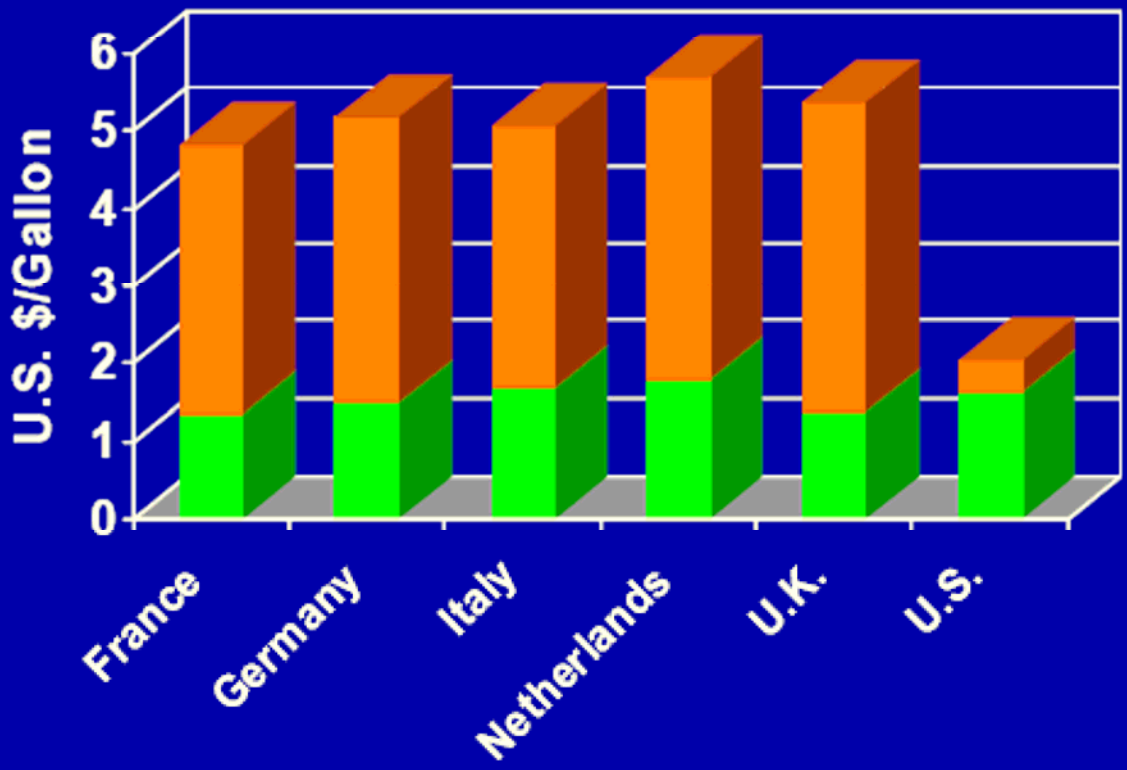

**$1 = 0.757863EUR**

**2/27/05**

**$1 = 105.21 JPY**

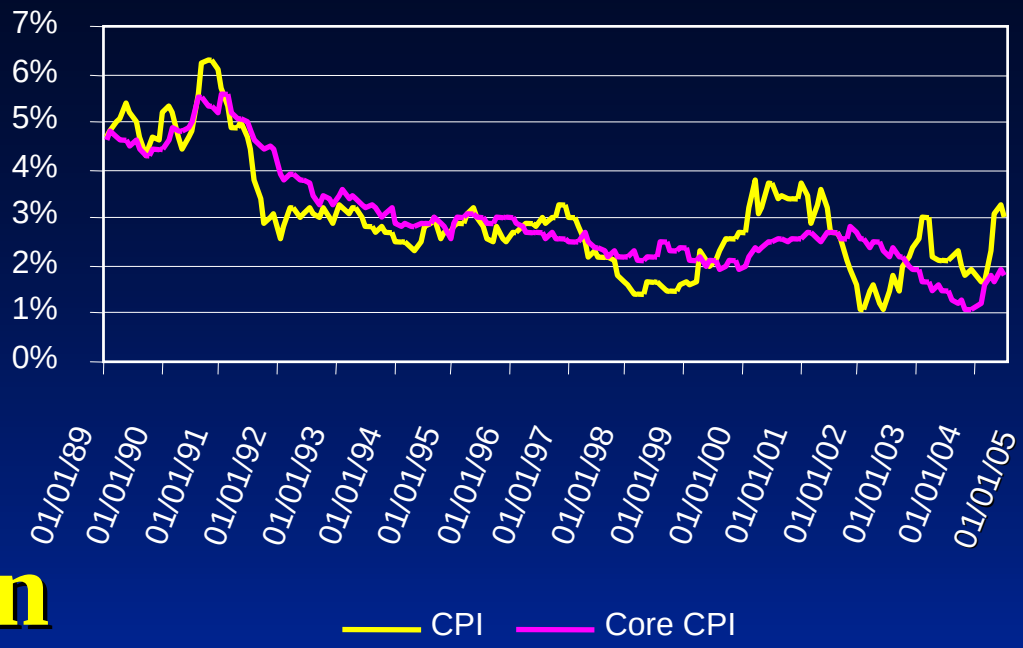
**2/27/05**

# *Taxes Make Gasoline Prices Higher in Europe*




Source: EIA, Weekly Petroleum Status Report
(Average for Jan-May 2004)

# Inflation


7%
6%
5%
4%
3%
2%
1%
0%
01/01/89
01/01/90
01/01/91
01/01/92
01/01/93
01/01/94
01/01/95
01/01/96
01/01/97
01/01/98
01/01/99
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01/01/01
01/01/02
01/01/03
01/01/04
01/01/05
CPI
Core CPI

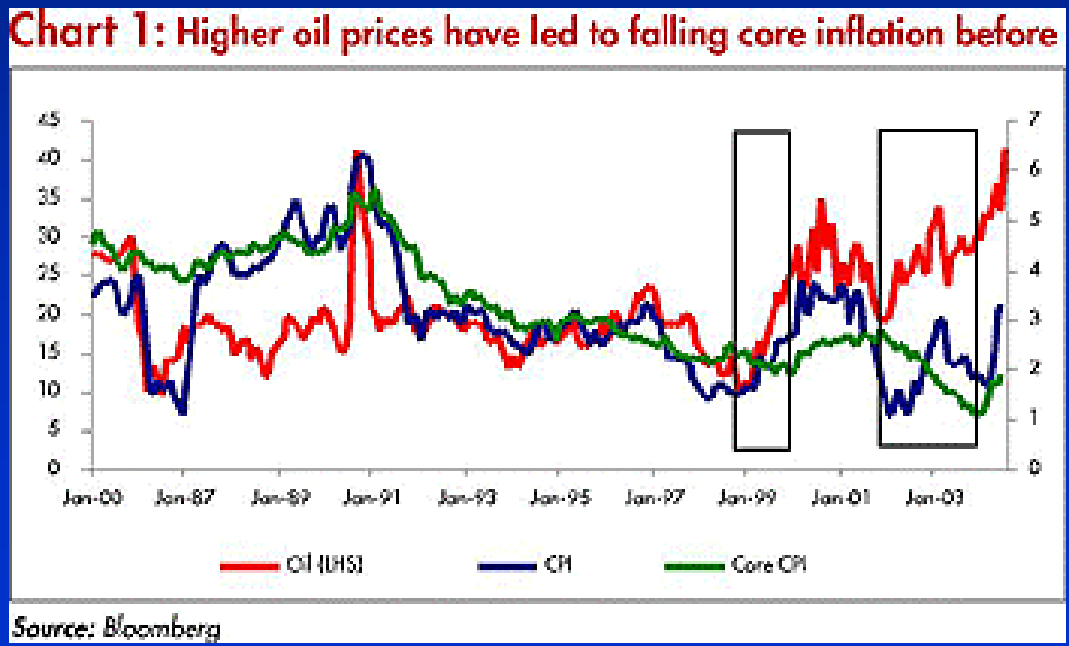
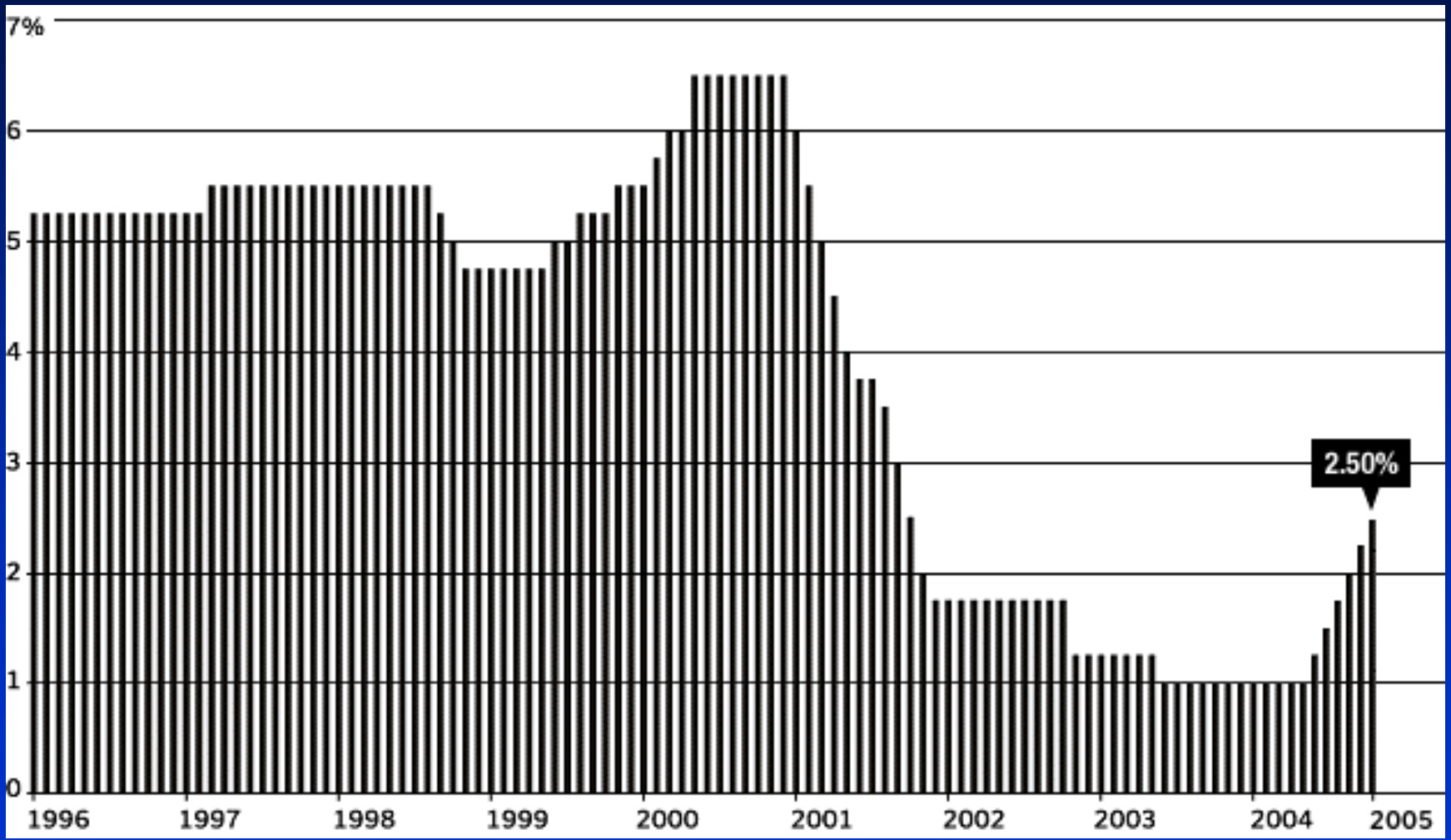
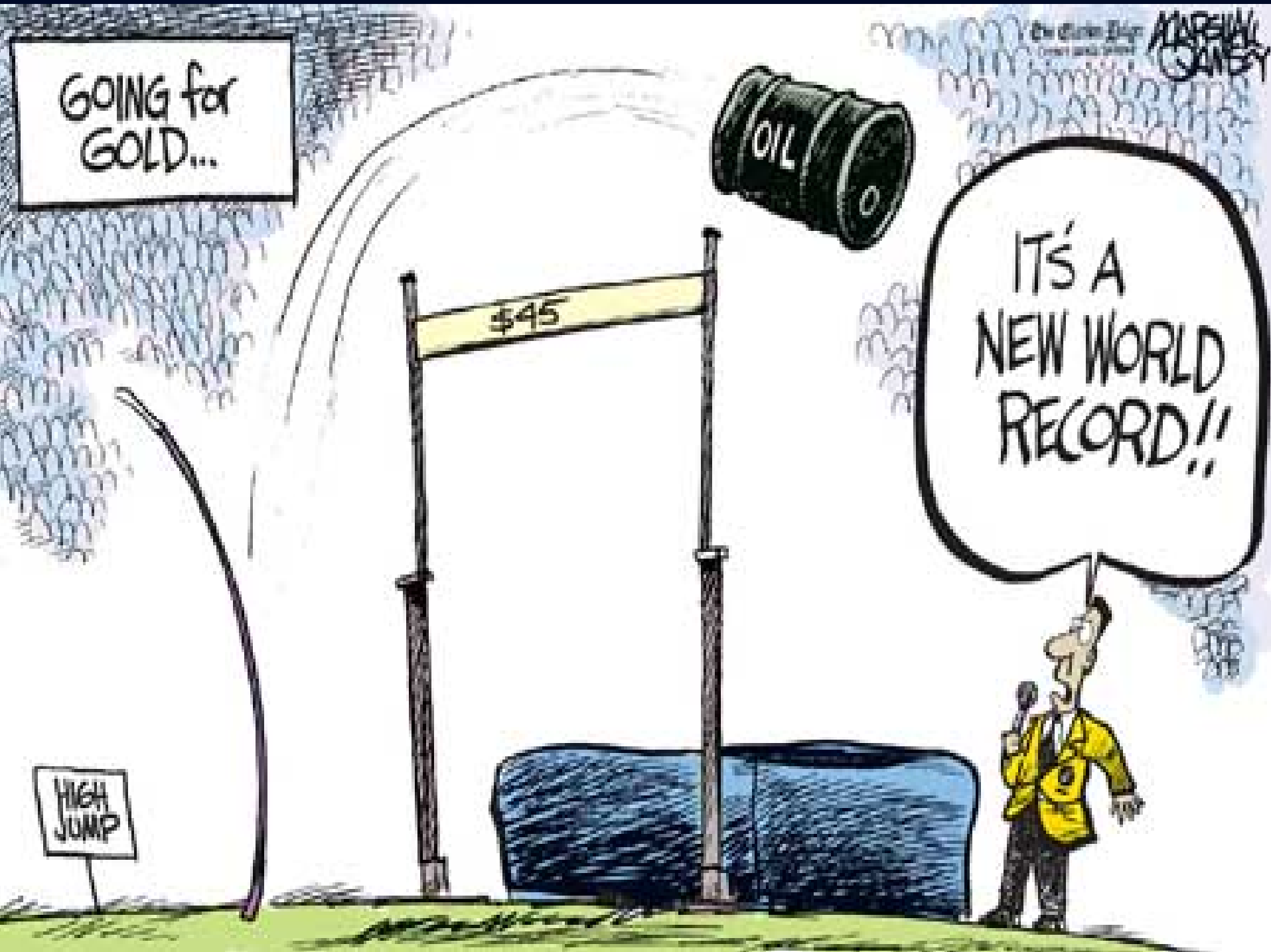


Chart 1: Higher oil prices have led to falling core inflation before
Jan-00
Jan-87
Jan-89
Jan-91
Jan-93
Jan-95
Jan-97
Jan-99
Jan-01
Jan-03
Oil (LHS)
CPI
Core CPI
Source: Bloomberg

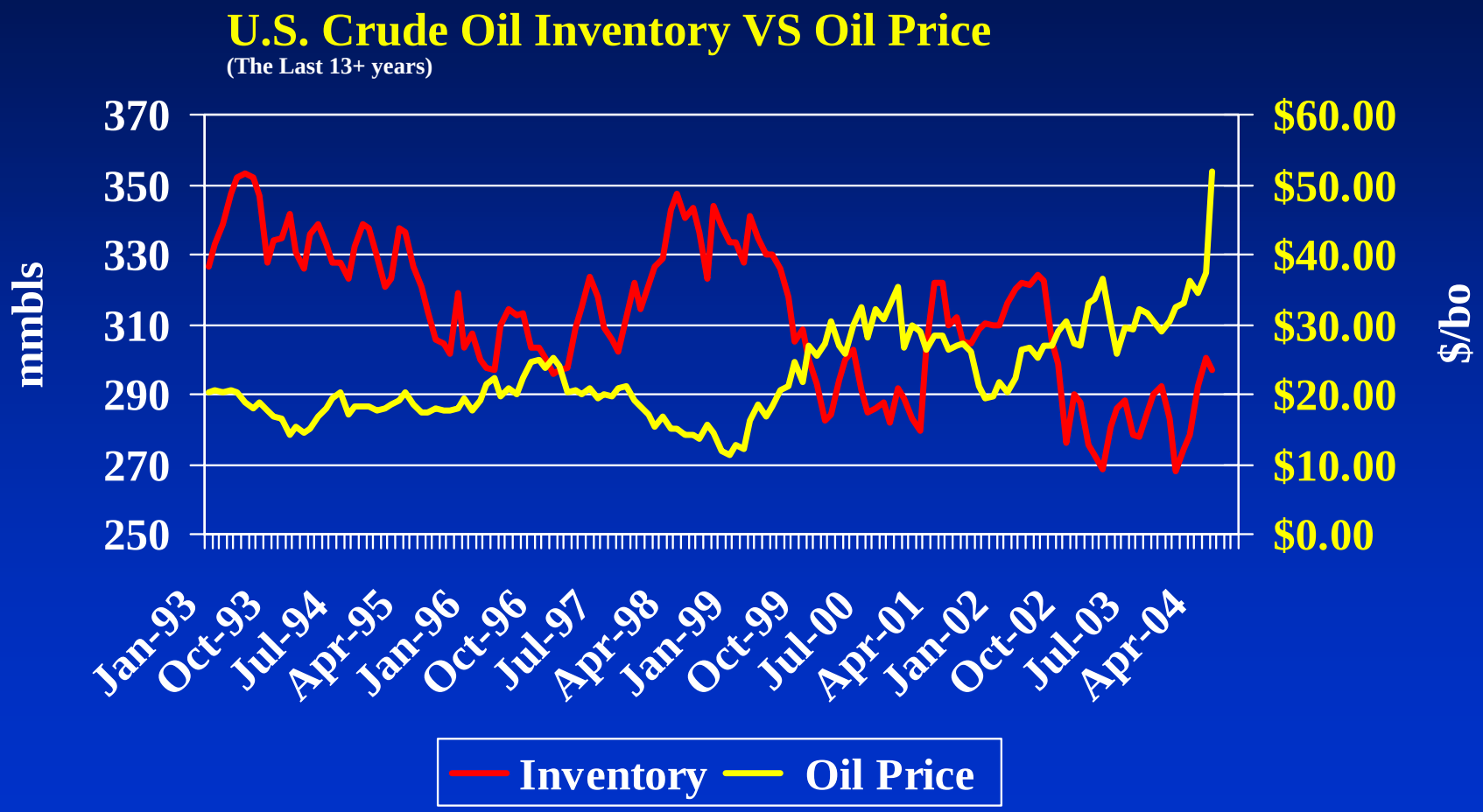
# Changes in the Federal Fund Rate




SOURCE: The Washington Post | GRAPHIC: washingtonpost.com


GOING for GOLD...
OIL
$45
IT'S A NEW WORLD RECORD!!
HIGH JUMP

# Economic Jaws of Inventory & Price – Leading Indicator or Symptomatic Result?



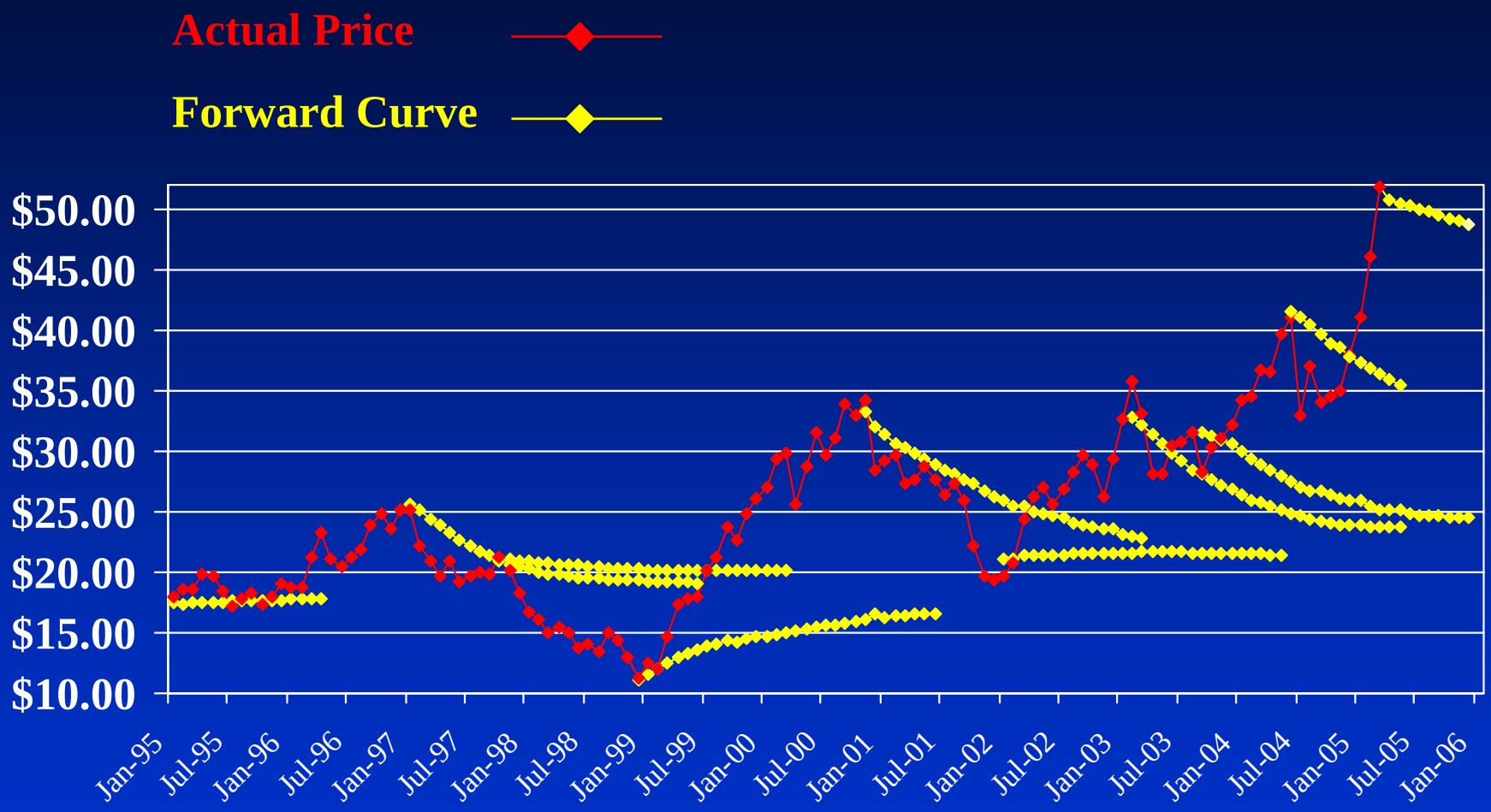

Source: Bloomberg

# Free Markets At Work:

**Sample Factors**

| Impact of Rising Prices | Impact of Low Prices |
| --- | --- |
| •Conservation & Demand destruction | •Unrestrained use & Demand stimulation |
| •Fuel switching | •Fuel switching |
| •Reserve & production expansion | •Reserve & production contraction |
| •Increase in service costs | •Pressure on service costs |
| •Innovation & technology are rewarded ($$$) | •Low cost operators are rewarded ($$$) & technology advances |

# Accuracy of the Market's Vision on Prices

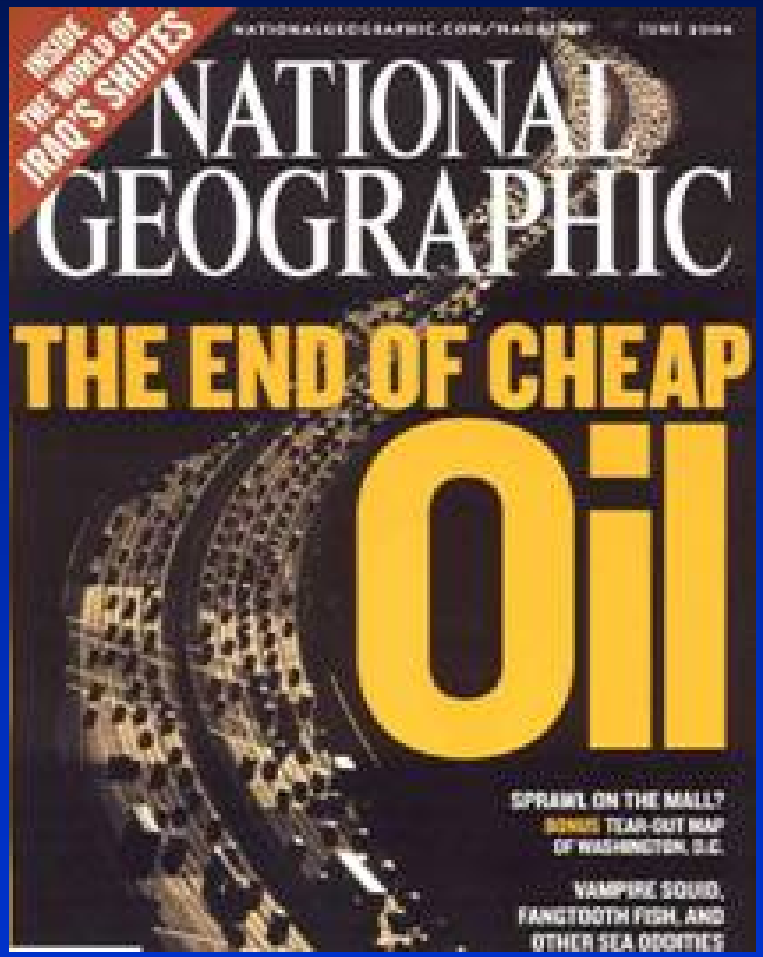



Source: Bloomberg

# Conclusion

- World Oil Consumption - Increasing
- World Oil Production – Increasing to Meet Demand
- Hubbert's Peak – Will Not Last Forever
- Occidental Petroleum Corporation
  - Business Model
  - Competitors
  - Production
  - Financials
  - Threats
- Red Baron's Forecast

**Anything Is Possible**




# You Decide

**Thank You**

**From the Red Barons**

**Juanice Christian**

**Randy Cobb**

**John Lampl**

**Ernesto Miranda**

**Eric Yost**