

ARC Energy Charts

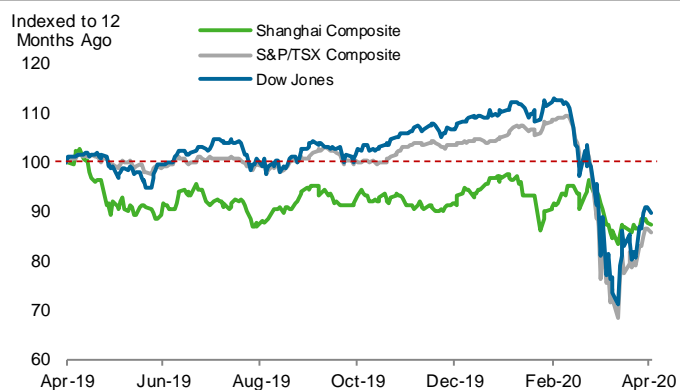
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Chart Watch

- 5 WTI weakened relative to Brent
- 12 OPEC plus agrees to an historic 9.7 MMB/d cut
- 17 US crude stocks rose sharply last week
- 20 US gasoline consumption plummeted last week
- 40 Canadian rig count has fallen to lowest on record

Spot WTI Crude \$US/B	Edmonton Light \$US/B	Spot Henry Hub \$US/MMBtu	Spot AECO \$Cdn/GJ	Spot AECO Basis \$US/MMBtu	Currency \$US/\$Cdn
22.41 ↓	7.00 ↓	1.74 ↑	1.91 ↑	0.29 ↑	0.7198 ↑

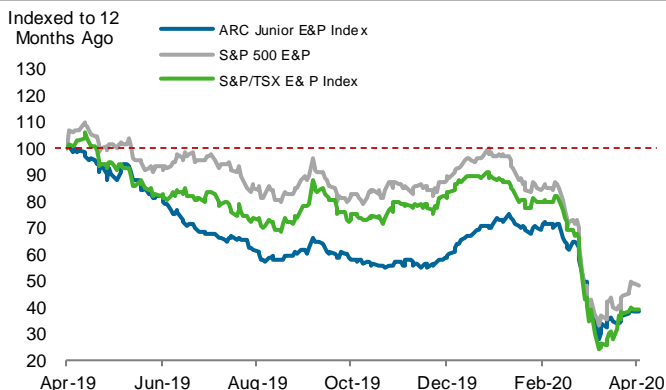
1 Broad Equity Markets Year-to-Date Daily Index Values; Rolling 12-Month History



Broad market indices are one of the many vital signs measuring the health of the economy. Energy demand is a function of economic health.

Source: Bloomberg, ARC Financial Corp.

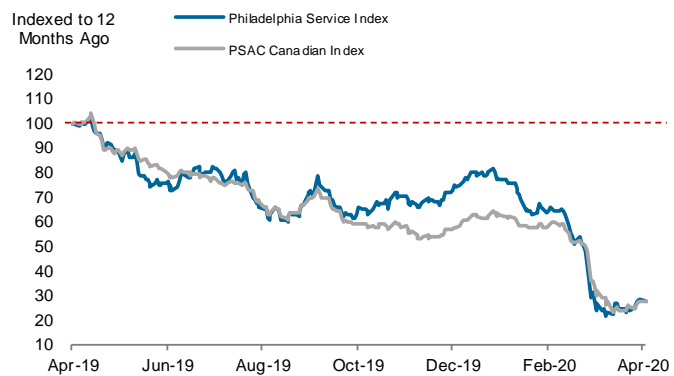
2 Performance of Oil and Gas Equities Year-to-Date Daily Index Values; Rolling 12-Month History



Performance of Canadian and US oil & gas equities are compared against each other.

Source: Bloomberg, ARC Financial Corp.

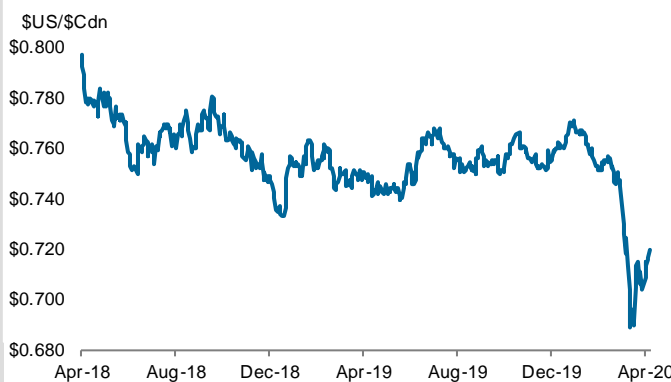
3 Oil & Gas Service Equities Year-to-Date Daily Index Values; Rolling 12-Month History



The performance of Canadian oil and gas service equities are plotted in tandem with the corresponding US index.

Source: Bloomberg, Petroleum Services Association of Canada

4 Canadian Currency Exchange Daily Close Values; Rolling 24-Month History

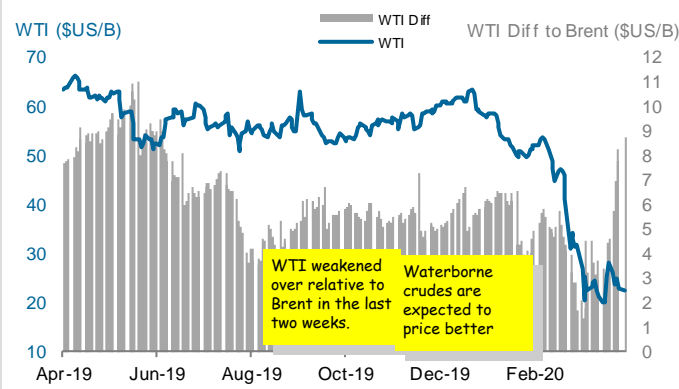


Much of Canada's oil and gas production is sold in US dollars. As such, the exchange rate significantly impacts corporate revenues and profits.

Source: Bloomberg

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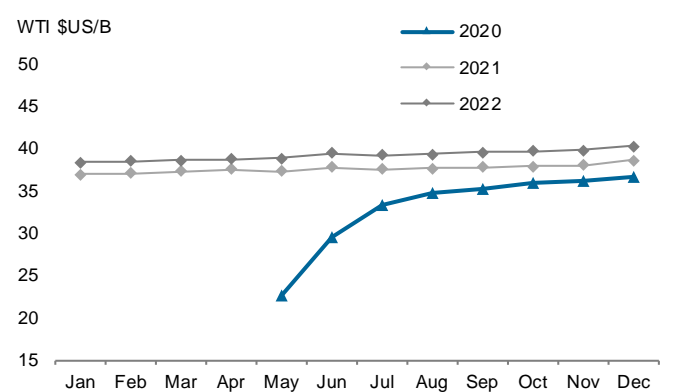
5 WTI Crude Oil Price and Differential to Brent Near-Month WTI and Brent Differential; Rolling 12-Month History



North American crude oil prices can sometimes disconnect from global prices depending on regional supply and demand dynamics.

Source: Bloomberg

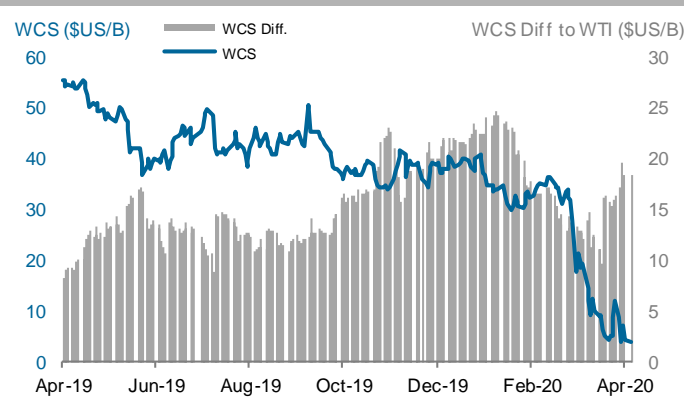
6 US Crude Oil Futures West Texas Intermediate (WTI) 2020 to 2022



Forward prices for WTI are plotted against months in the calendar year. Years are distinguished by color and symbol coding.

Source: Bloomberg

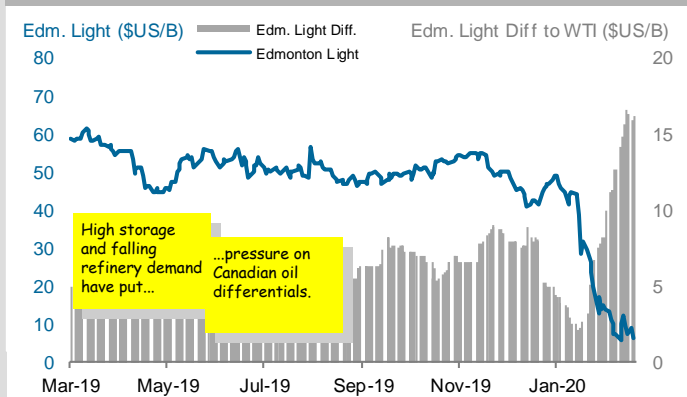
7 Canadian Heavy Oil Price Differential to WTI Western Canadian Select (WCS) Differential; Rolling 12-Month History



The differential should reflect quality differences and transportation costs. Greater discounts can result from infrastructure or refinery outages.

Source: Bloomberg

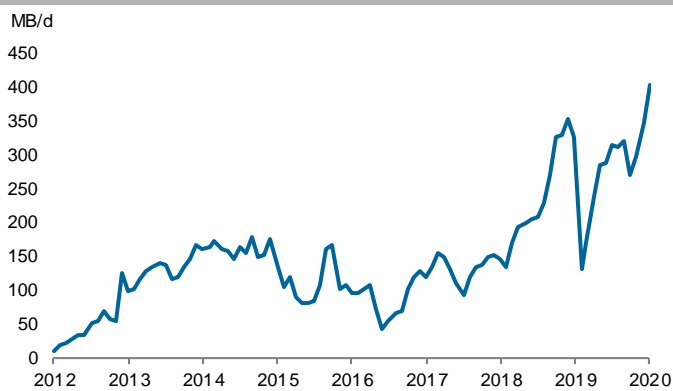
8 Canadian Light Crude Oil Price Differential to WTI WTI and Edmonton Light differential; Rolling 12-Month History



The differential should reflect the transportation cost from Alberta to Cushing. Greater discounts can result from infrastructure or refinery outages.

Source: Bloomberg

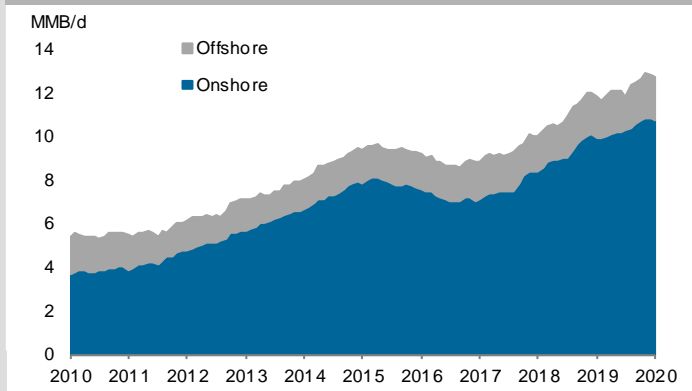
9 Canadian Crude Oil Exports by Rail Monthly; 2012 to Present



Rail is expected to grow as the pipelines have hit the limit for moving additional barrels of crude oil, and supply is still growing.

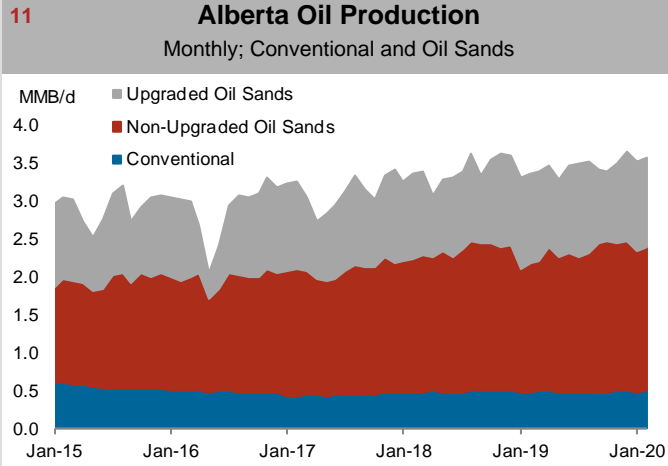
Source: National Energy Board

10 Total US Oil Production Monthly; 2010 to Present



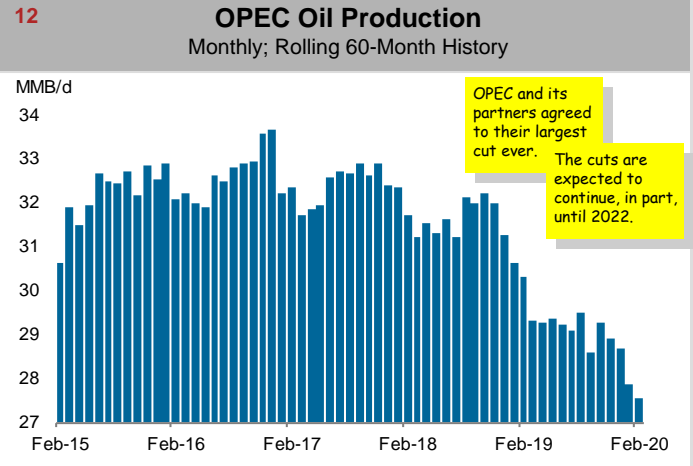
The advancement of drilling and completion methods is increasing US crude oil production.

Source: Bloomberg, U.S. Energy Information Administration



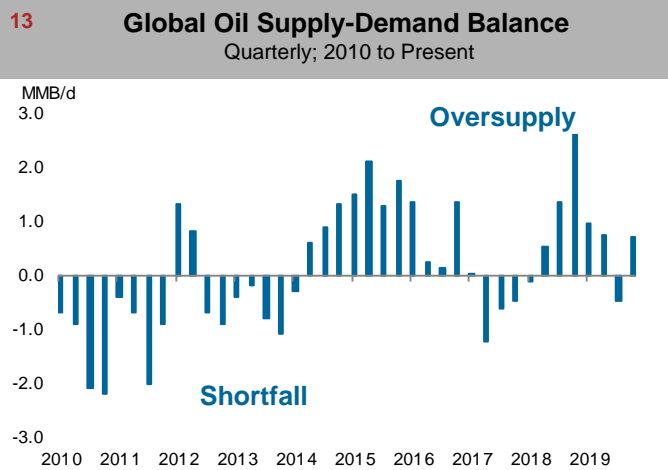
Most of Canada's oil production comes from Alberta; split between oil sands and conventional production.

Source: Alberta Energy Regulator



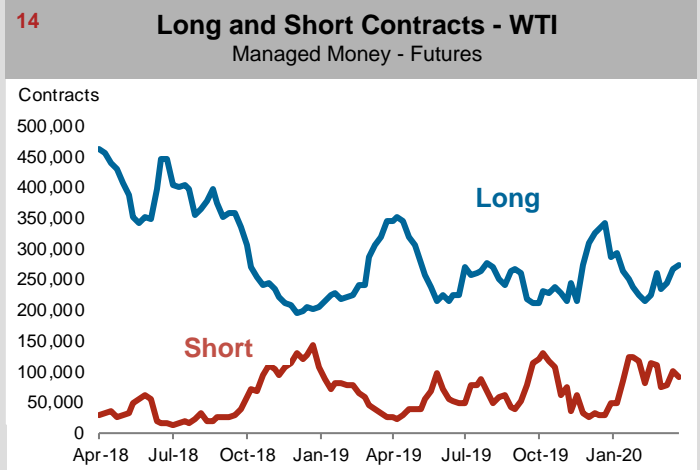
OPEC's production levels relative to its sustainable and spare capacity influences global crude prices. Note: scale has been expanded.

Source: Petroleum Intelligence Weekly



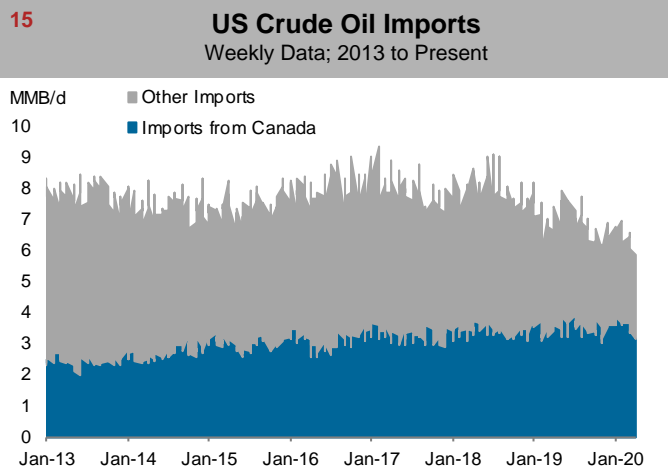
Negative numbers indicate a global crude shortfall, while positive numbers indicate an oversupply.

Source: International Energy Agency



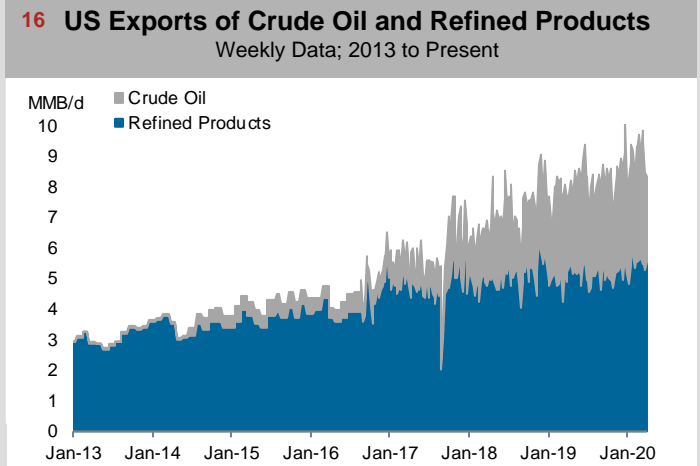
Long contracts take the position that WTI oil price will increase, while short contracts expect a decline.

Source: Bloomberg, U.S. Commodity Futures Trading Commission



Crude oil imports from Canada are taking market share from overseas imports.

Source: U.S. Energy Information Administration

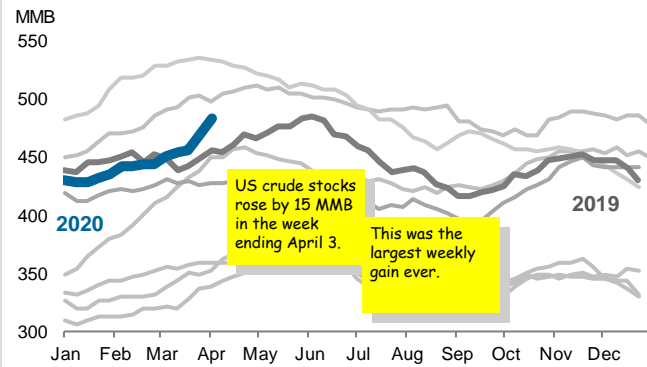


The US exports more refined products than crude oil. With the rapid growth of tight oil, most export growth should come from crude oil exports.

Source: U.S. Energy Information Administration

17 US Crude Oil Stocks

Historical Tracks and Current Year Levels

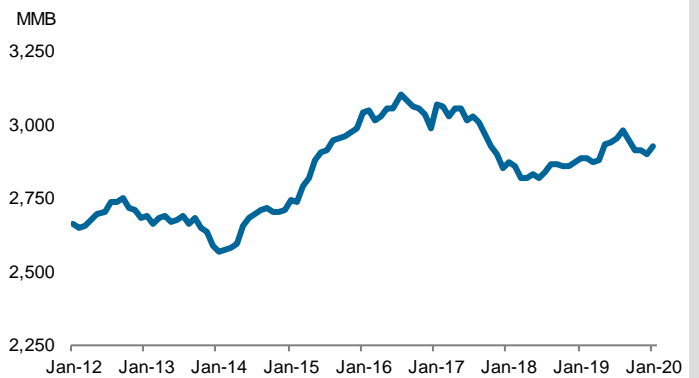


US crude oil stock levels can affect crude oil prices. Stock levels for the current year are represented by the blue line.

Source: U.S. Energy Information Administration

18 OECD Total Industry Oil Stocks

Monthly; 2012 to Present

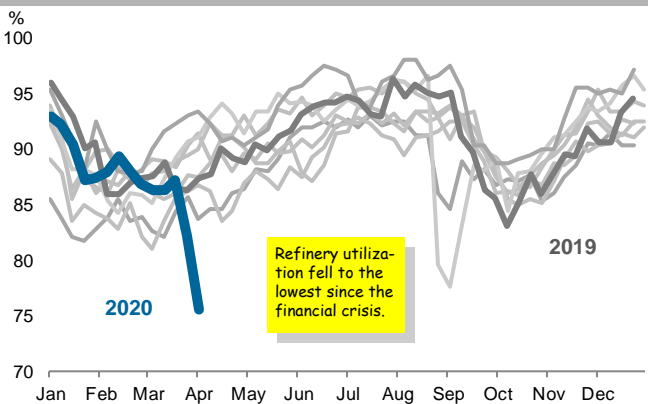


OECD stock levels can affect crude oil prices.

Source: International Energy Agency

19 US Weekly Refinery Utilization Rates (%)

Historical Tracks and Current Year Levels

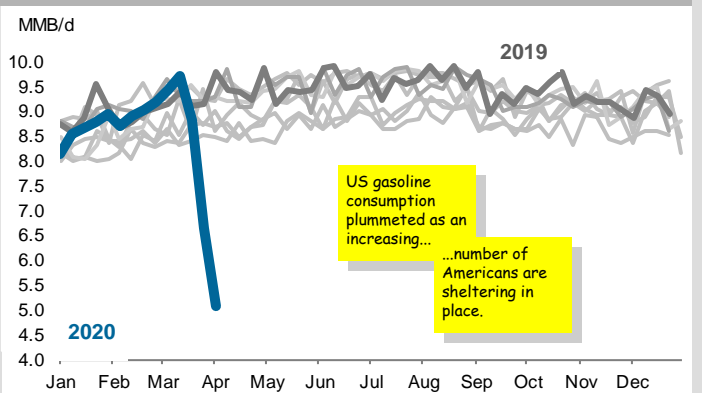


Refinery utilization rates change the supply of refined products, impacting price. Utilization for the current year is blue.

Source: U.S. Energy Information Administration

20 US Motor Gasoline Consumption

Historical Tracks and Current Year Levels

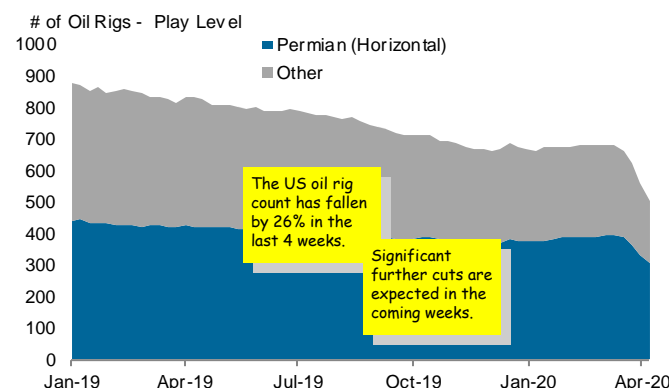


Gasoline consumption accounts for almost half of all oil use in the US. Gasoline consumption for the current year is represented by the blue line.

Source: U.S. Energy Information Administration

21 US Oil Drilling Activity

Baker Hughes Oil Rig Counts; 2019 to Present

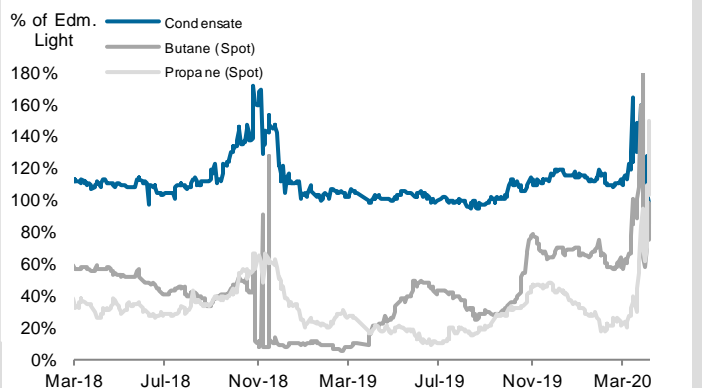


Tracking US oil drilling by major play provides insight into the composition of US oil supply and growth trends.

Source: Baker Hughes

22 Daily NGL Prices as a % of Edmonton Light

Propane & Butane Spot Prices at Edmonton, AB

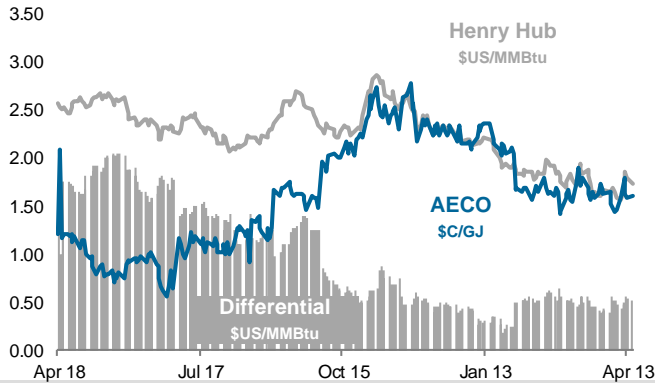


Natural gas liquids have become critical contributors to producer's cash flow. Prices are influenced by the price of oil as well as local supply and demand.

Source: Bloomberg, ARC Financial Corp.

23 Near-Month North American Natural Gas Prices

Daily Prices; Rolling 12-Month History

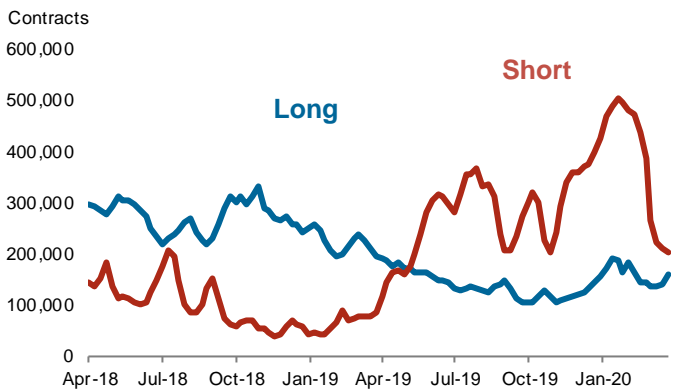


Near-month prices at AECO track Henry Hub prices, the exchange rate and the cost of transportation. Local factors can also affect price.

Source: Bloomberg

25 Long and Short Contracts – Henry Hub

Managed Money - Futures

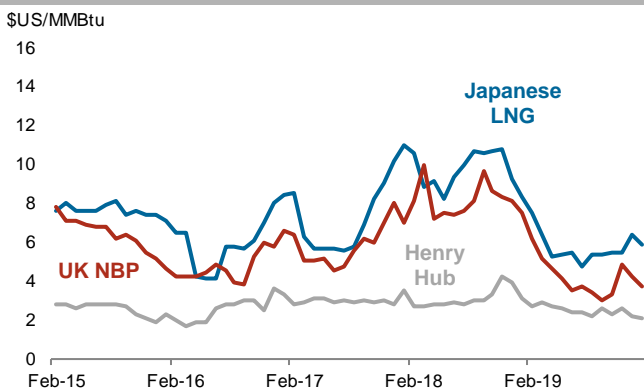


Long contracts take the position that Henry Hub gas price will increase, while short contracts expect a decline.

Source: U.S. Commodity Futures Trading Commission

27 Global Natural Gas Prices

Japanese LNG, UK NBP, Henry Hub; Average Monthly Prices

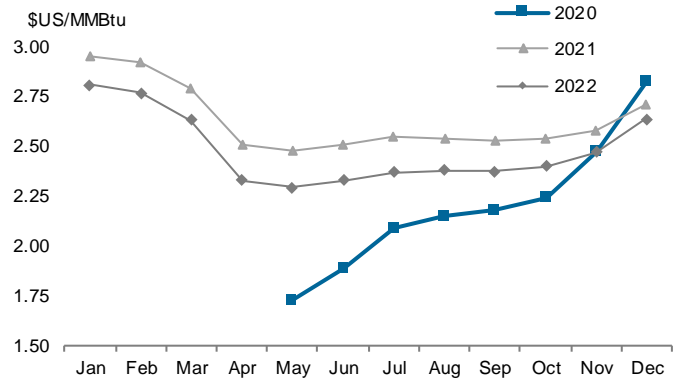


International natural gas prices strongly impact the economics of proposed LNG projects.

Source: Bloomberg, Japanese Ministry of Economy, Trade and Industry

24 US Natural Gas Futures

Nymex (Henry Hub) 2020 to 2022

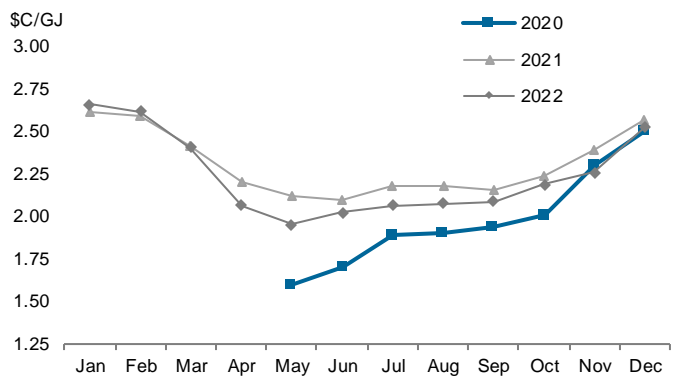


Forward contract prices are plotted against months in the calendar year. Years are distinguished by color and symbol coding.

Source: Bloomberg

26 Canadian Natural Gas Futures

AECO Hub (Bloomberg Estimate) 2020 to 2022

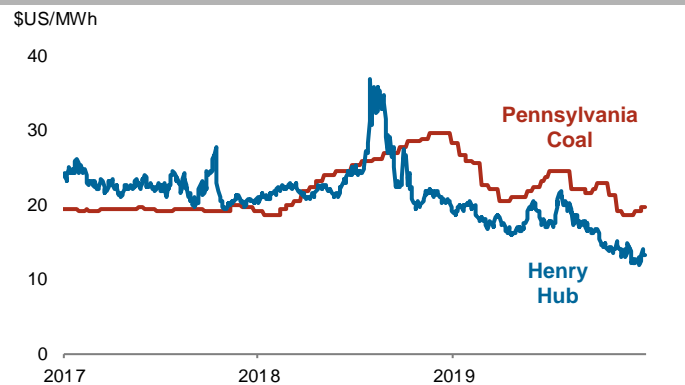


AECO forward prices mimic Henry Hub futures minus a differential.

Source: Bloomberg

28 US Coal and Natural Gas Power Generation Cost

Converted to a \$/MWh Equivalent

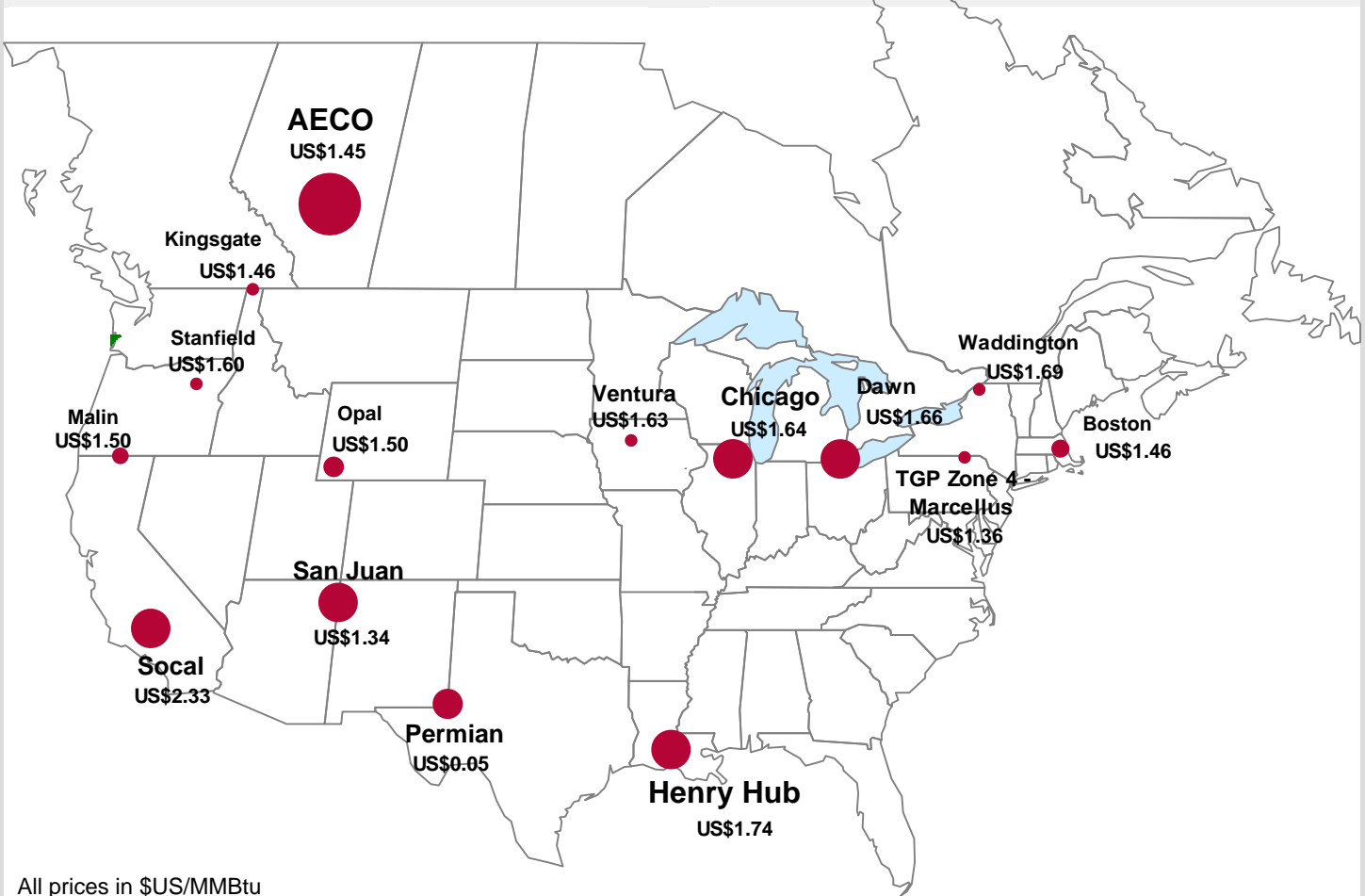


This graph illustrates when it may be economic to begin coal-gas switching in power generation. Average power plant efficiencies are assumed.

Source: Bloomberg

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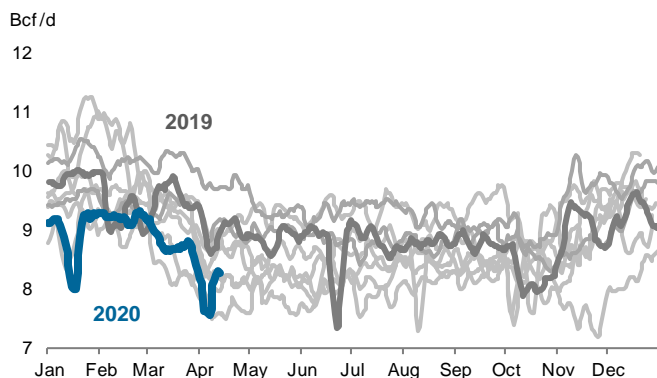
Closing Spot Prices at North American Natural Gas Hubs Superimposed on Relative Physical Volumes Traded



All prices in \$US/MMBtu

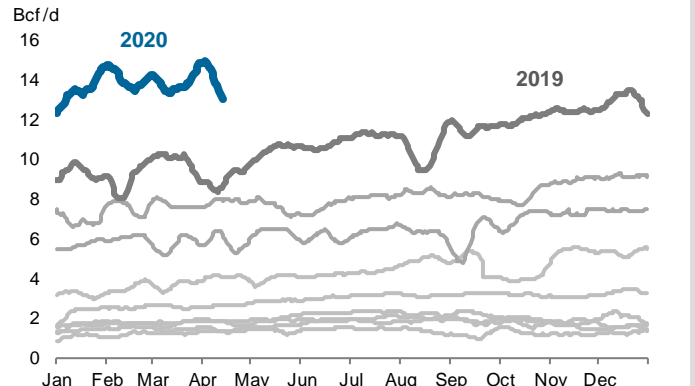
North America has an integrated natural gas market. Prices are determined by regional supply and demand, and pipeline flows.
Source: Bloomberg

30 Pipeline Flows Out of Western Canada Daily; Historical Tracks and Current Year Levels



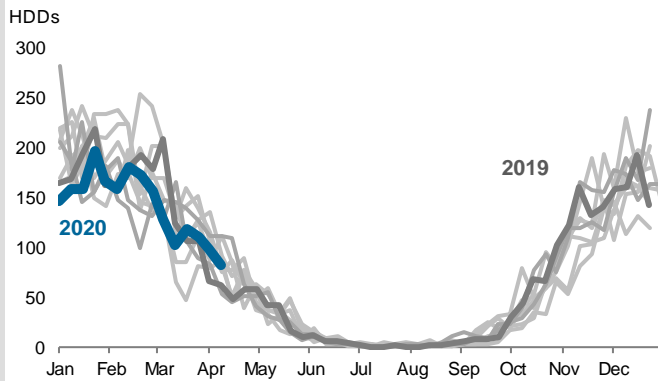
The ability of gas producers to move gas out of the WCSB to eastern markets and the US is a major factor in local natural gas prices.
Source: Various Pipeline Companies

31 US Natural Gas Exports – Excluding Canada Daily; Historical Tracks and Current Year Levels



Between exports to Mexico and LNG shipments, the US is growing as a natural gas exporter. Robust US supply growth has driven this trend.
Source: Bentek

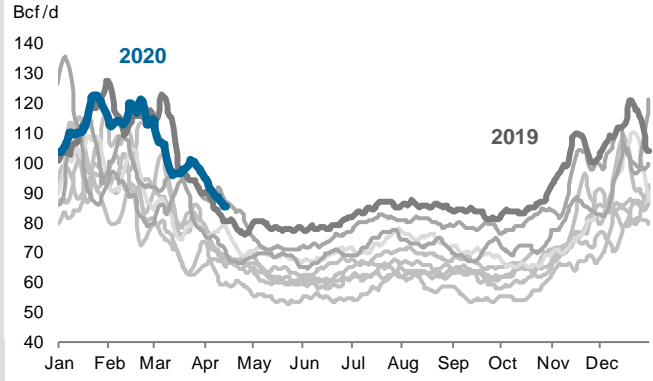
32 US Weekly Heating Degree Days
Source: NOAA



Weekly natural gas demand is directly tied to the weather. The current year is in dark blue.

Source: National Oceanic and Atmospheric Administration

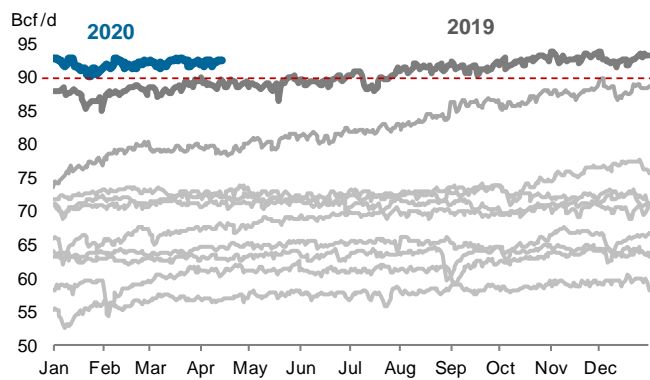
33 US Total Natural Gas Demand
Daily; Historical Tracks and Current Year Levels



Total US demand fluctuates in the summer and during the winter as weather is an important driver of consumption.

Source: Bentek

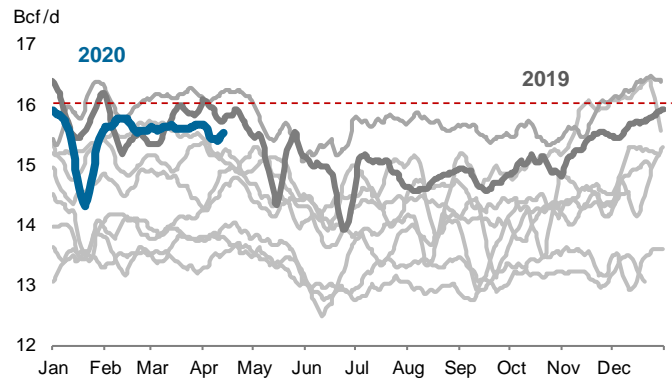
34 Total US Dry Natural Gas Production
Historical Tracks and Current Year Levels



US production started ramping up in late 2007 and continues to grow year over year.

Source: Bentek

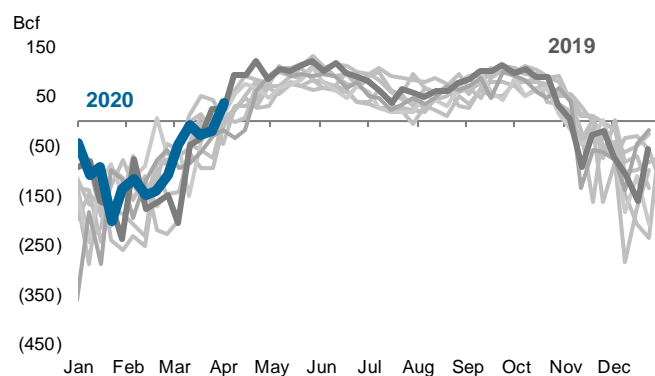
35 Daily Western Canadian Production
Estimated Using Major Pipeline Receipts



This includes receipts on the TCPL, Alliance, WestCoast and TransGas pipelines.

Source: Various Pipeline Companies

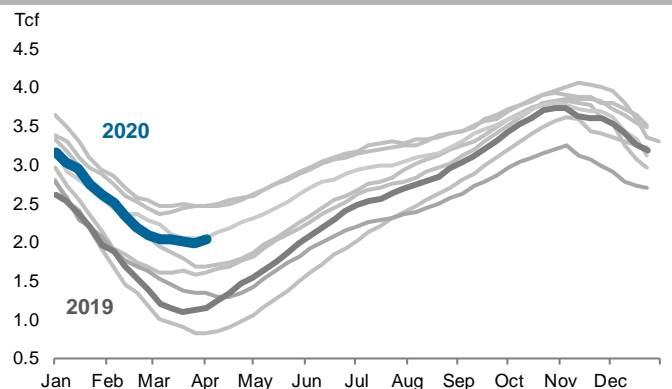
36 Weekly US Natural Gas Storage Net Change
Weekly Injection or (Withdrawals); 2009 to Current



Weekly gas storage reports provide a snapshot of supply and demand. Current year changes are represented by the blue line.

Source: U.S. Energy Information Administration

37 Total Working Natural Gas in US Storage
Historical Tracks and Current Year Levels

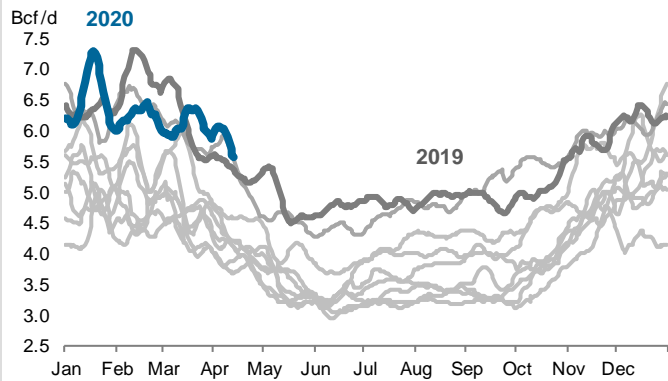


The EIA reports changes in US natural gas inventories held in underground storage facilities on a weekly basis.

Source: U.S. Energy Information Administration

38 Alberta Natural Gas Demand

TransCanada Intra-AB Deliveries; Current Year and Historical Tracks

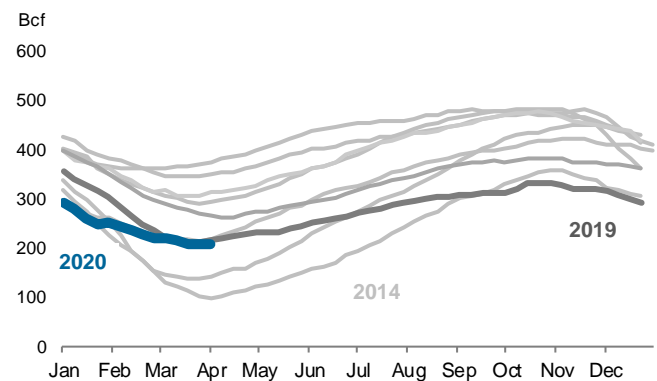


Alberta natural gas demand has grown steadily in recent years, largely driven by new oil sands demand and power generation projects.

Source: TransCanada Pipelines

39 Western Canadian Natural Gas Storage Levels

Weekly; Current Year and Historic Tracks

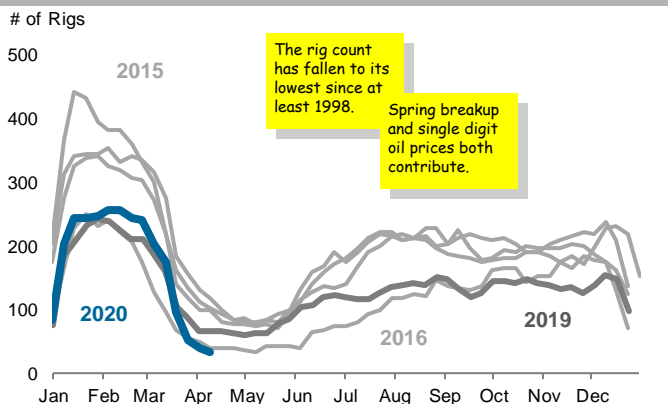


Canada's natural gas storage level provides a good metric if the country is well stocked. Abnormally high or low storage can affect the basis.

Source: Bloomberg

40 Weekly Canadian Oil and Gas Drilling Activity

Baker Hughes Drilling Rig Count; Current Year and Historical Tracks

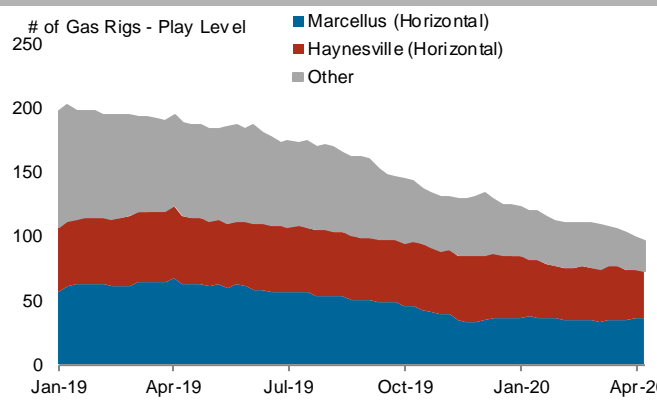


Unlike US drilling activity, Canadian rigs are dispatched seasonally. Capital allocation by operators is driven by views of future oil and gas prices.

Source: Baker Hughes

41 US Gas Drilling Activity

Baker Hughes Gas Rig Counts; 2019 to Present

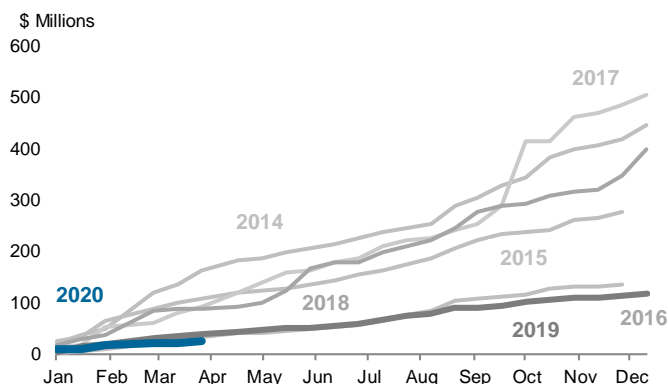


Tracking US gas drilling by major play provides insight into the composition of US gas supply and growth trends.

Source: Baker Hughes

42 Alberta Crown Land Sales – Excluding Oil Sands

Year-over-Year; Cumulative

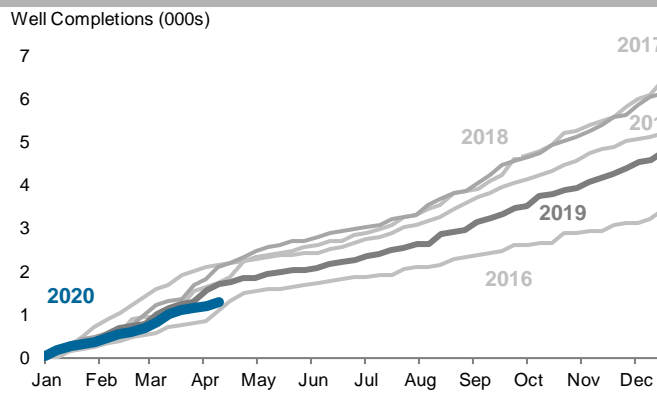


Land prices are an important component of F&D costs. In Alberta, sales of petroleum and natural gas rights are held every two weeks.

Source: Alberta Department of Energy

43 Canadian Cumulative Well Completions

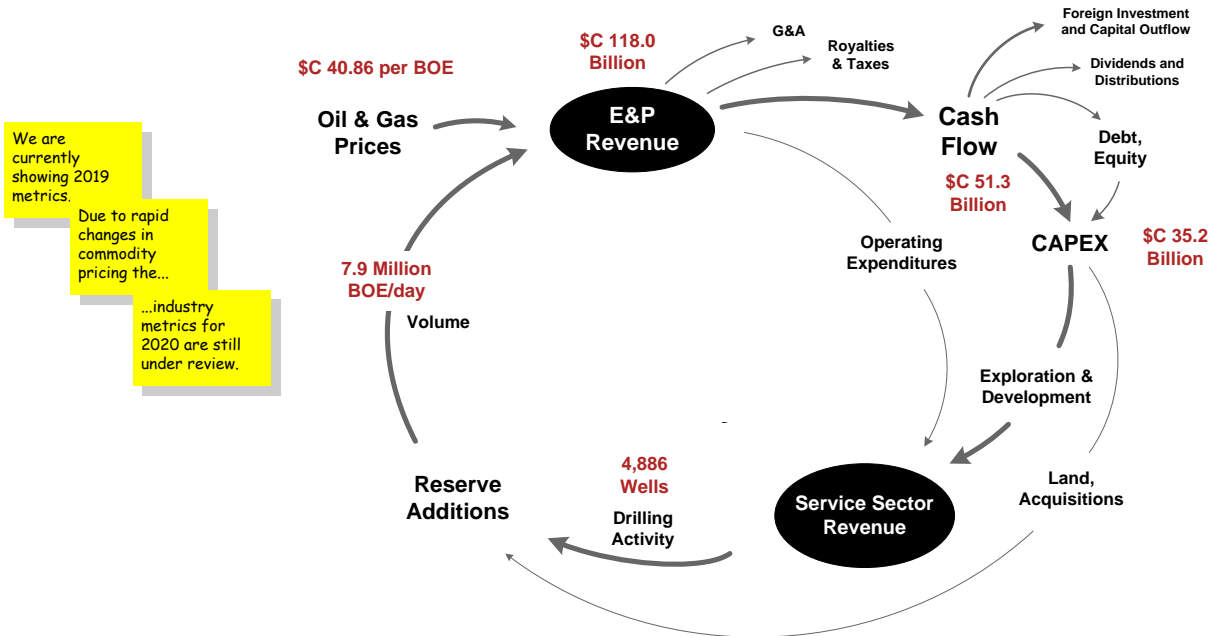
Current Year vs Years Prior



Relative year-over-year drilling activity is highlighted in this chart. Cumulative well completions for the current year are shown in blue.

Source: Daily Oil Bulletin/JWN

Estimated Capital Flow in the Canadian Oil and Gas Economy for 2019
Industry Revenue, Cash Flow, Reinvestment, Drilling Activity and Production



We are currently showing 2019 metrics.
Due to rapid changes in commodity pricing the...
...industry metrics for 2020 are still under review.

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Canadian Industry Statistics: Historical Data and Forecast

Canadian Industry Metrics

	Price			Production Volume				Capital Inflow		Reinvestment			Drilling		Well Split	
	Average Price	Edmonton Par	AECO	Conv. Liquids	Bitumen + Synthetic	Natural Gas	Total Volume	Total Revenue	After-tax Cash Flow	Conv. Oil and Gas	Oilsands	Reinvest Ratio	Wells Compl.	Avg Rig Utiliz.	Oil Wells	Gas Wells
	\$/BOE	\$/B	\$/GJ	Average MBOE/d	Average MBOE/d	MBOE/d (@ 6:1)	MBOE/d (@ 6:1)	\$/ millions	\$/ millions	\$/ millions	\$/ millions	x:1	# / Year	%	%	%
2010	48.41	77.55	3.79	1830	1403	2,434	5,668	101,056	43,569	35,666	17,195	1.16	12,119	41%	56%	40%
2011	55.32	95.24	3.44	1873	1482	2,386	5,740	115,890	53,448	40,139	22,491	1.10	12,827	52%	69%	31%
2012	50.60	86.38	2.27	1905	1743	2,327	5,975	111,389	48,908	39,733	27,199	1.37	11,067	44%	83%	17%
2013	55.95	93.47	3.02	2,023	1,940	2,343	6,306	128,787	54,711	43,165	30,809	1.35	11,071	42%	84%	16%
2014	60.69	95.07	4.23	2,085	1,964	2,480	6,530	144,660	66,977	46,872	33,868	1.21	11,222	45%	78%	22%
2015	37.34	57.63	2.56	1,995	2,381	2,531	6,907	94,127	29,985	31,609	22,929	1.82	5,382	24%	69%	31%
2016	32.61	53.09	2.06	2,013	2,421	2,564	6,998	83,298	23,701	23,040	15,426	1.62	4,060	17%	70%	30%
2017	39.18	62.42	2.10	2,119	2,674	2,605	7,398	105,788	45,031	28,712	13,803	0.94	7,076	30%	70%	30%
2018	39.57	69.24	1.46	2,292	2,913	2,737	7,942	114,705	48,322	27,374	11,661	0.81	6,927	32%	70%	30%
2019e	40.86	68.82	1.71	2,133	3,018	2,758	7,909	117,952	51,280	23,160	12,024	0.69	4,886	24%	70%	30%

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