Oil Industry Segment Update

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Rail Energy Transportation Advisory Committee
Surface Transportation Board

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US Crude Oil Market Environment

• Global crude oil inventories at high levels [Source: EIA Weekly Report]

• Prices remain low and volatile
  – Cushing WTI Spot [Source: EIA Daily Reports]
    • April 4, 2014 = $101.46
    • April 3, 2015 = $48.91
    • April 6, 2016 = $36.82
    • March 27, 2017 = $47.02

• US land rig count down 61% from 2014 peak [Source: Baker Hughes]

• US production declined (-3.1%) from 3/’15 to 3/’17 [Source: EIA]

• Saudis overtook U.S. as #1 producer in 2016 [Source: EIA]

• Current economics favor pipe over rail [Source: RBN Energy]

• CBR volumes have declined to below 2012 levels [Source: AAR]
<table>
<thead>
<tr>
<th>Region</th>
<th>2014 Peak (October)</th>
<th>March 2016</th>
<th>March 24 2017</th>
<th>Count ‘16/’17 Change</th>
<th>% ‘16/’17 Change</th>
<th>% Change From Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>1,551</td>
<td>392</td>
<td>652</td>
<td>+260</td>
<td>+66%</td>
<td>-58%</td>
</tr>
<tr>
<td>Eagleford</td>
<td>202</td>
<td>40</td>
<td>72</td>
<td>+32</td>
<td>+80%</td>
<td>-64%</td>
</tr>
<tr>
<td>Permian</td>
<td>36% of US 560</td>
<td>156</td>
<td>48% of US 315</td>
<td>+159</td>
<td>+102%</td>
<td>-44%</td>
</tr>
<tr>
<td>Williston</td>
<td>194</td>
<td>33</td>
<td>43</td>
<td>+10</td>
<td>+30%</td>
<td>-78%</td>
</tr>
<tr>
<td>All Other</td>
<td>595</td>
<td>163</td>
<td>222</td>
<td>+59</td>
<td>+36%</td>
<td>-63%</td>
</tr>
</tbody>
</table>

Source: Baker Hughes
Oil and Gas Average Annual Employment
(Seasonally Adjusted)

Source: U.S. Bureau of Labor Statistics
Volume of Crude by Rail Carloads
Originated Carloads on US Class I Railroads (1,000’s)

Source: AAR
Williston Basin Crude Oil Modal Share

Source: ND Pipeline Authority  [* Preliminary]

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Production/BOPD</th>
<th>Rail/BOPD est.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2013</td>
<td>814,301</td>
<td>553,725</td>
</tr>
<tr>
<td>1/2014</td>
<td>1,013,929</td>
<td>730,029</td>
</tr>
<tr>
<td>1/2015</td>
<td>1,274,173</td>
<td>739,020</td>
</tr>
<tr>
<td>1/2016</td>
<td>1,189,142</td>
<td>475,657</td>
</tr>
<tr>
<td>1/2017</td>
<td>980,294 *</td>
<td>254,876 *</td>
</tr>
</tbody>
</table>

January 2017 Estimated

- Pipeline Export: 58%
- Refined: 8%
- Truck to Canadian Pipelines: 8%
- Estimated Rail: 26%
Williston Basin Crude Oil Production and Export Capacity, BOPD

Source: North Dakota Pipeline Authority
Williston Basin Crude Oil Export Options
(Reported Capacity – Not Market Share)

Refinery & Pipeline
Rail
Total

Rail: Loading terminal capacity/not railroad

Source: North Dakota Pipeline Authority
Closing Thoughts

• Oil shippers continue the pursuit of zero defects in the safe and compliant shipping of crude oil by rail

• Marketplace continues adapting to the effects of high global inventories and instability at low price levels

• US unconventional oil producers continue responding to market realities with an efficiency/productivity focus

• US crude oil production has declined since 2015 but is gradually recovering

• The most rapid production growth is in the Permian

• Surplus capacity remains in the crude-by-rail marketplace

• Additional pipeline capacity is coming on line