Irving Oil Presentation to the USDA Annual Outlook Conference

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Key Observations

- World oil and gas reserves remain high by historic standards and in line with levels of the past decade
- OPEC production as a share of global oil production remains in the historic range
- In 2004, OPEC capacity utilization rate reached highest level since 1992
- Crude oil prices are inversely correlated to US crude oil and refined products inventories
- In 2004, the price for WTI crude oil averaged about $40/bbl – the same level as the late 1980s in 2004 dollars per barrel.
- The price differential between light/sweet and heavy/sour crude oil as measured by the difference between WTI and Maya reached the widest level since the Gulf War period in 2004 dollars per barrel. This indicates a very tight market for light/sweet crude oil and a surplus supply of heavy/sour crude oil.
- US natural gas prices in 2004 reached the highest level in history in nominal and real dollar terms and have shifted to a sustainable higher level.
- US natural gas imports have risen steadily since the late 1980s with demand now being met by rising LNG imports.
- Natural gas based agricultural inputs are likely to increasingly be sourced from offshore near the lower cost resource base with prices reflecting the alternative value of natural gas in the US market.
World Oil and Gas: Reserve Ratios

Source: BP Statistical Review
World Crude Oil Production: OPEC and Non-OPEC

Source: BP Statistical Review
OPEC Capacity Utilization

Source: Cambridge Energy Research Associates
US Crude Price Compared to Inventory Levels

Source: US Energy Information Administration
WTI Crude Oil Price

Source: Platts

Nominal Dollars vs. 2004 Dollars
WTI minus Maya Crude Oil Prices

Source: Platts

2003 Dollars per Barrel

US Wellhead Natural Gas Price

Source: US Energy Information Administration
US Natural Gas Imports

Source: US Energy Information Administration