



Irving Oil Presentation to the USDA Annual Outlook Conference

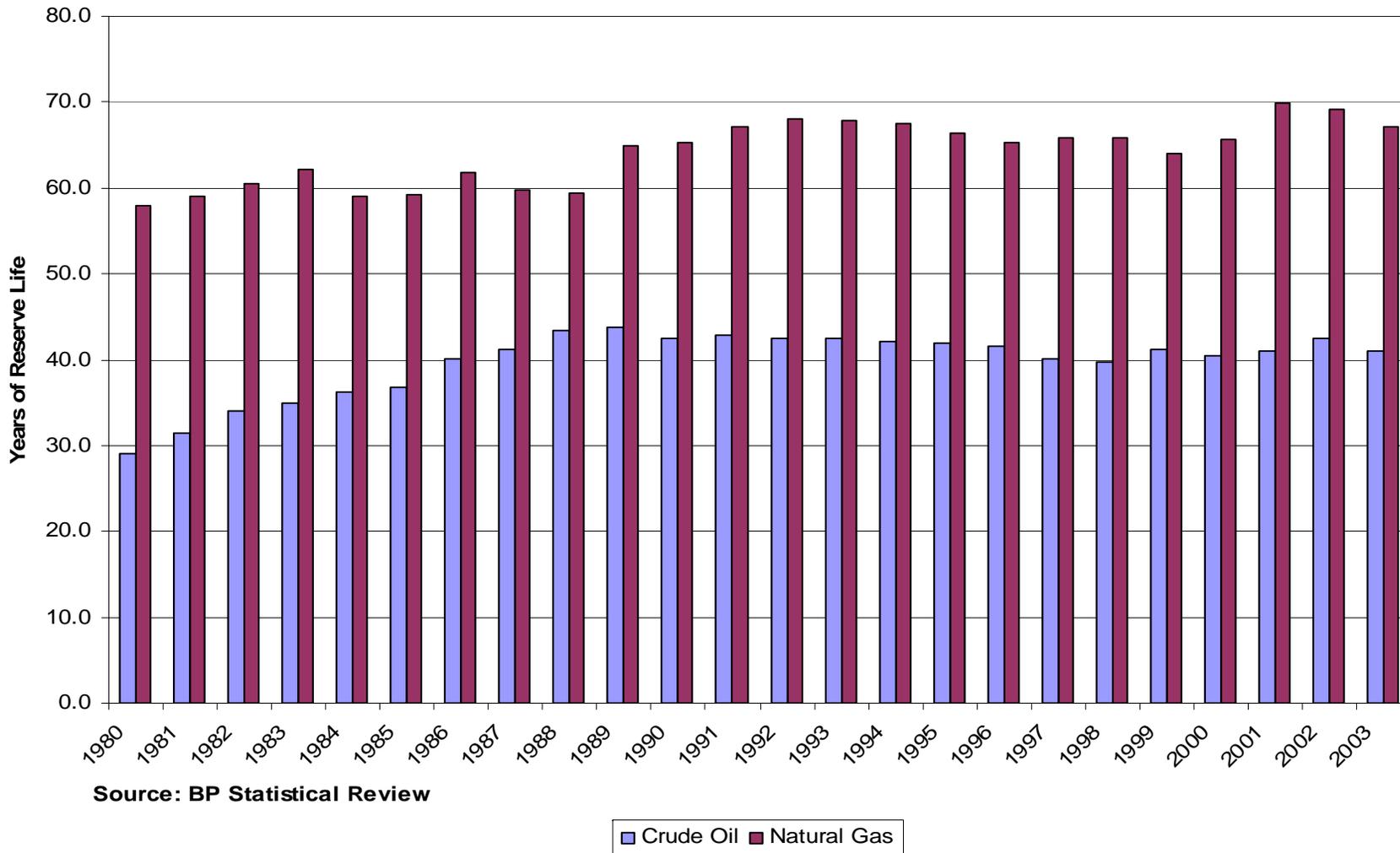
Kevin J. Lindemer

February 24, 2005

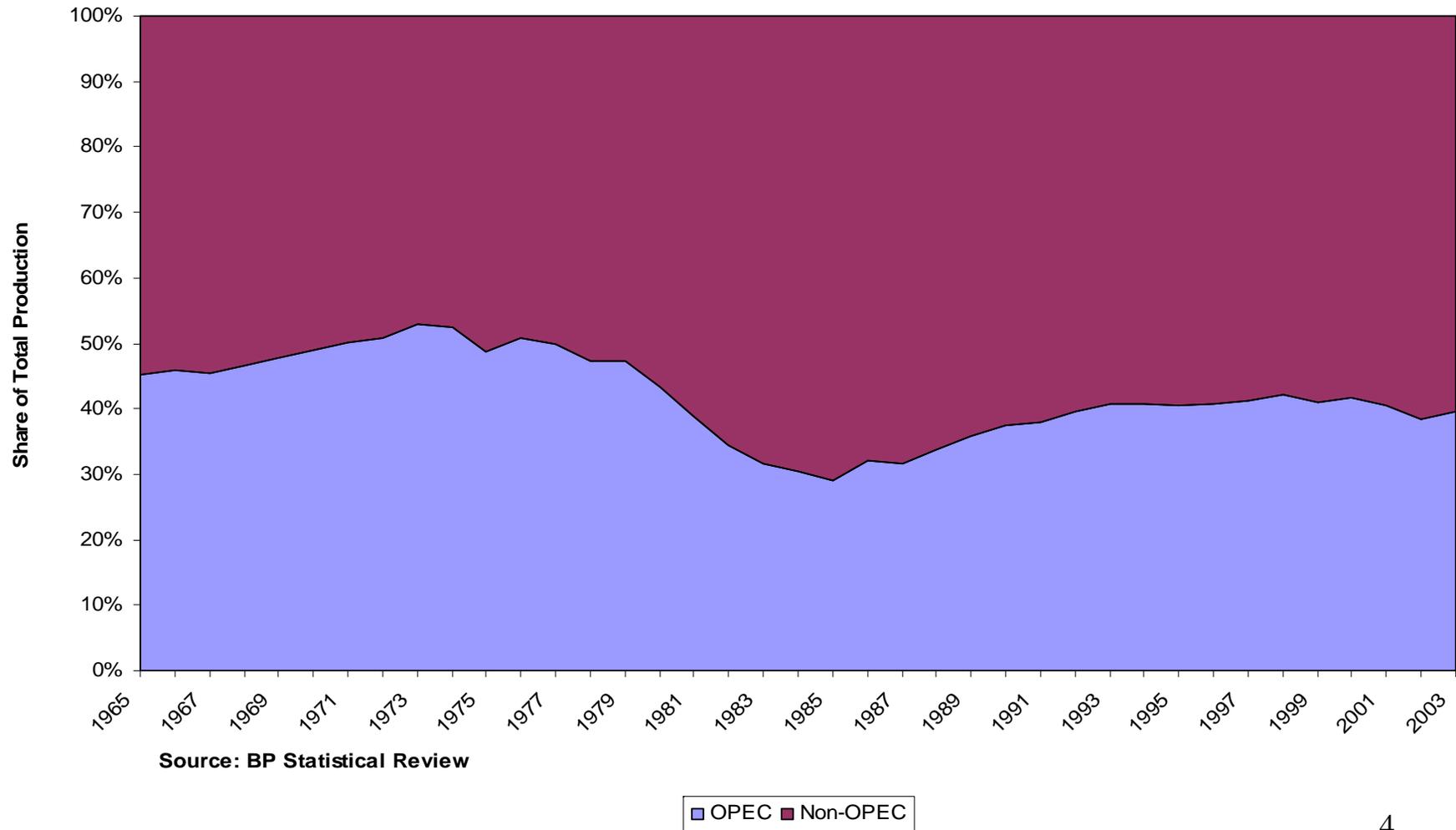
Key Observations

- 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.

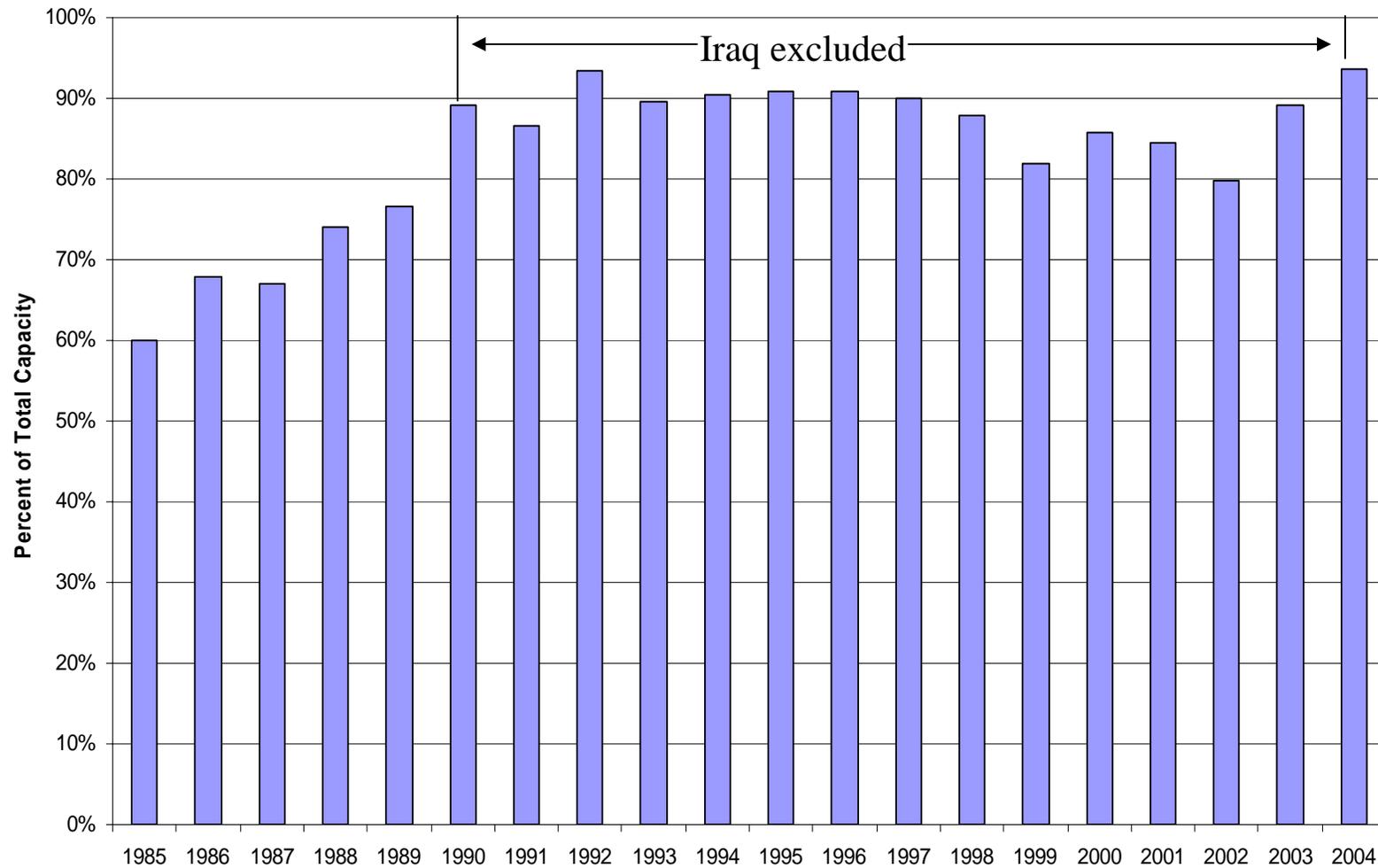
World Oil and Gas: Reserve Ratios



World Crude Oil Production: OPEC and Non-OPEC

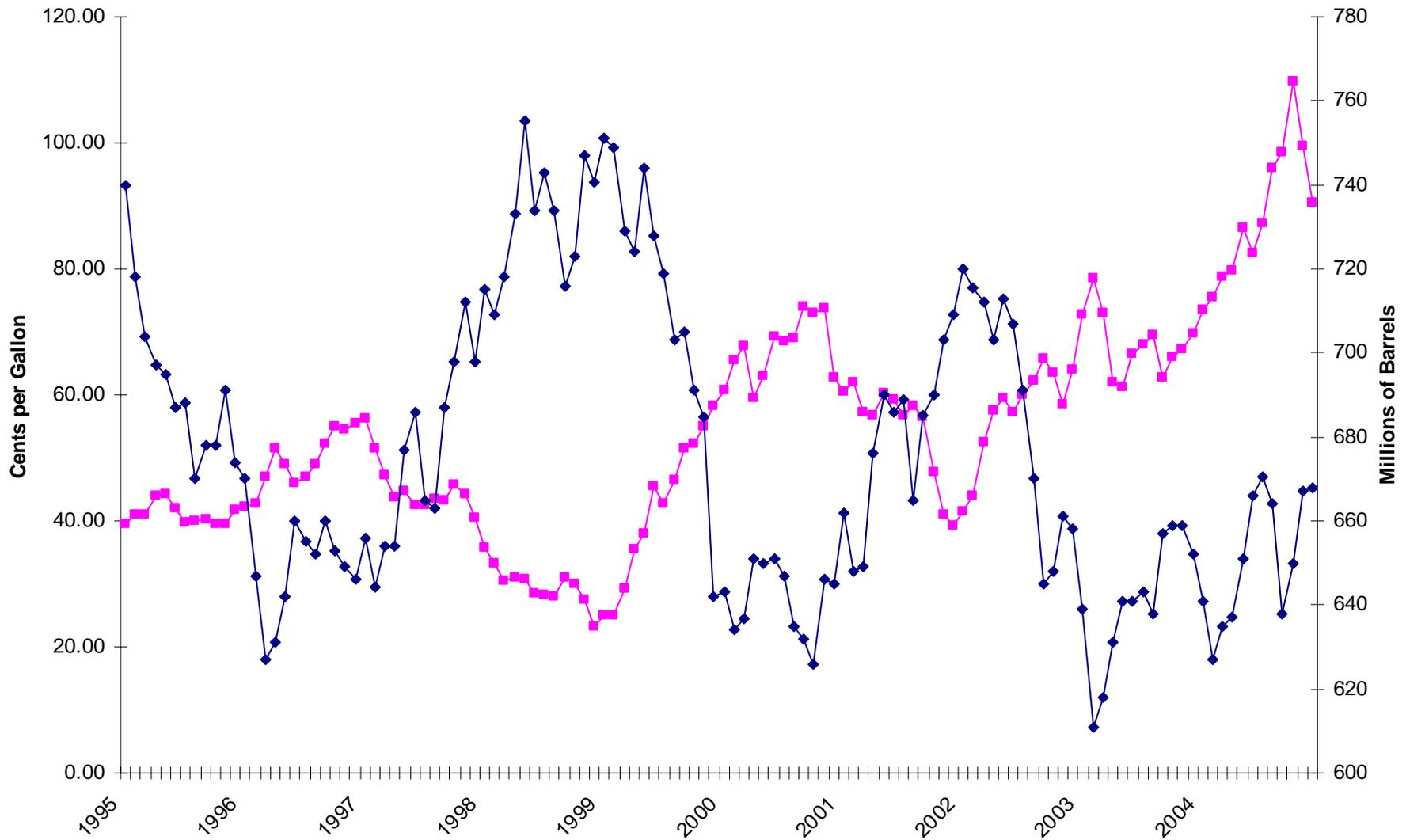


OPEC Capacity Utilization



Source: Cambridge Energy Research Associates

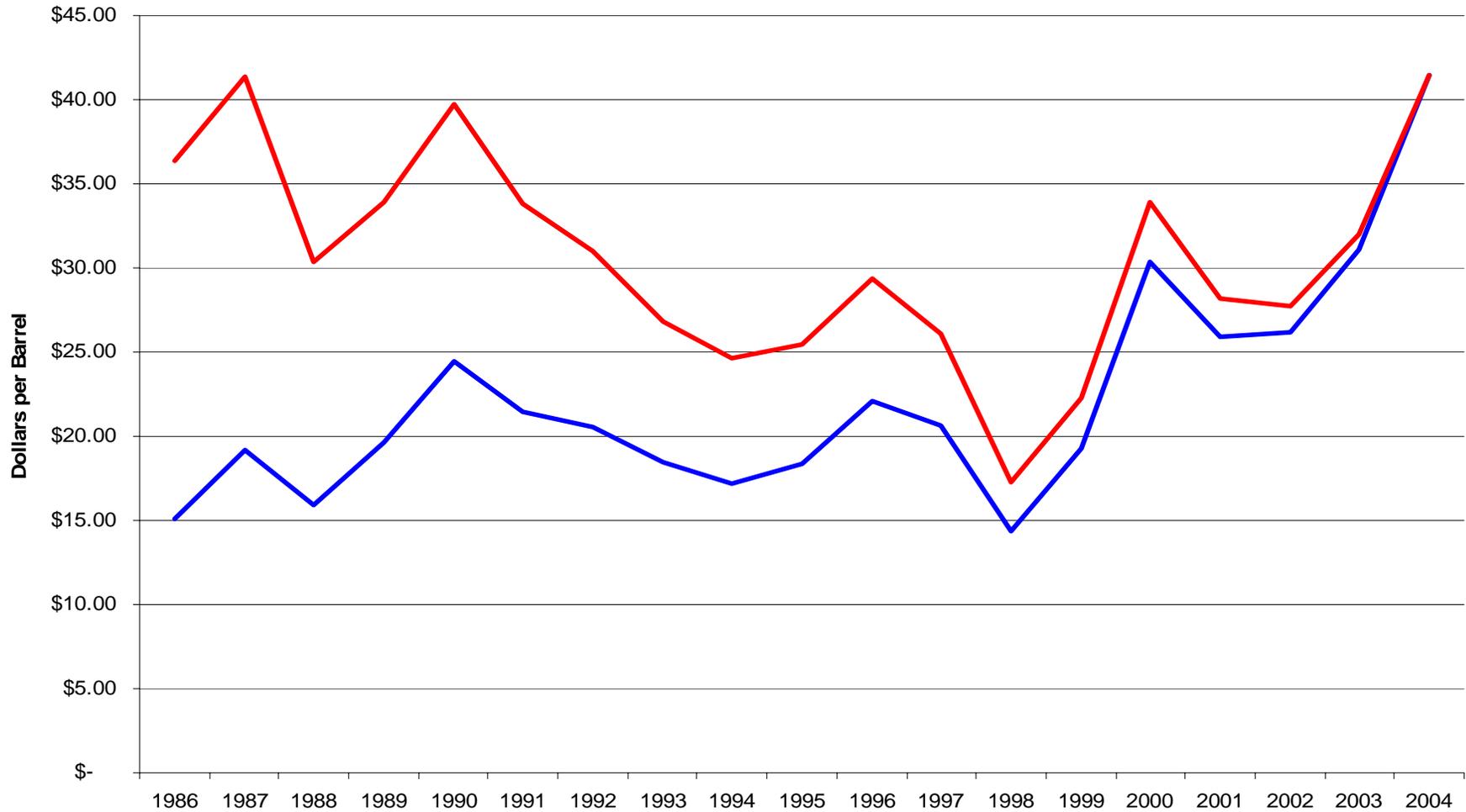
US Crude Price Compared to Inventory Levels



Source: US Energy Information Administration

—■— Crude Price —◆— Total Oil Inventory

WTI Crude Oil Price

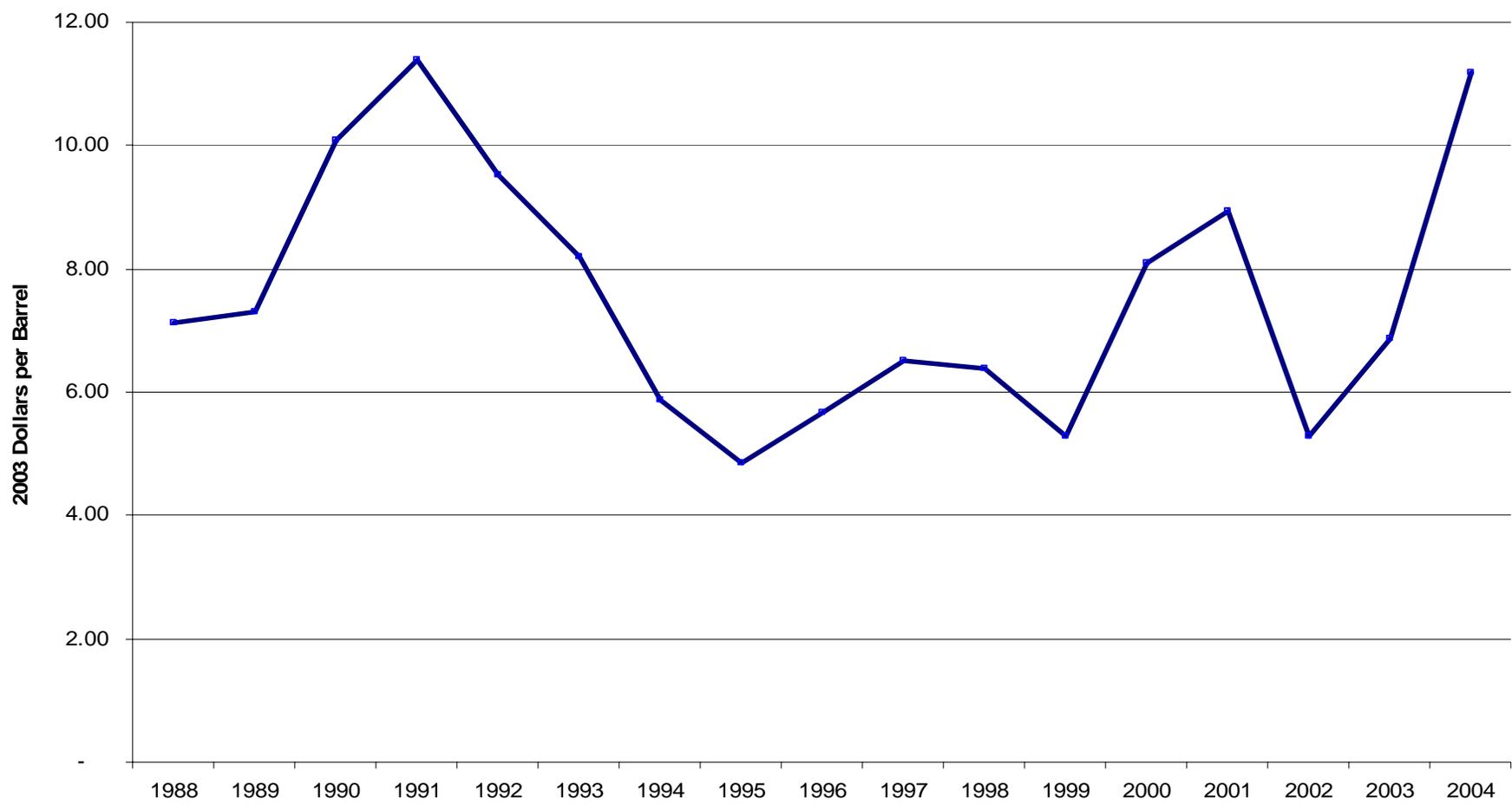


Source: Platts

— Nominal Dollars — 2004 Dollars



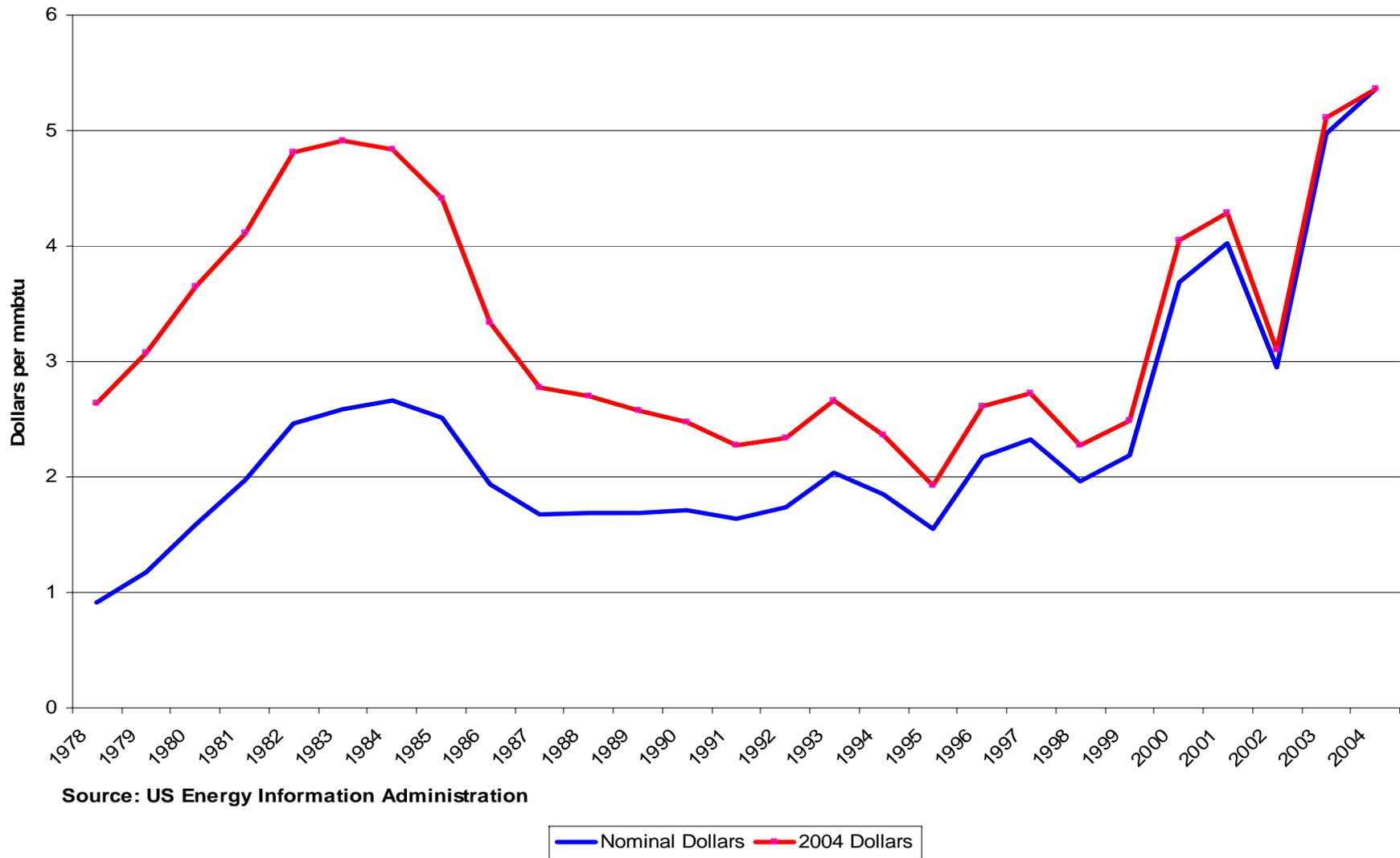
WTI minus Maya Crude Oil Prices



Source: Platts

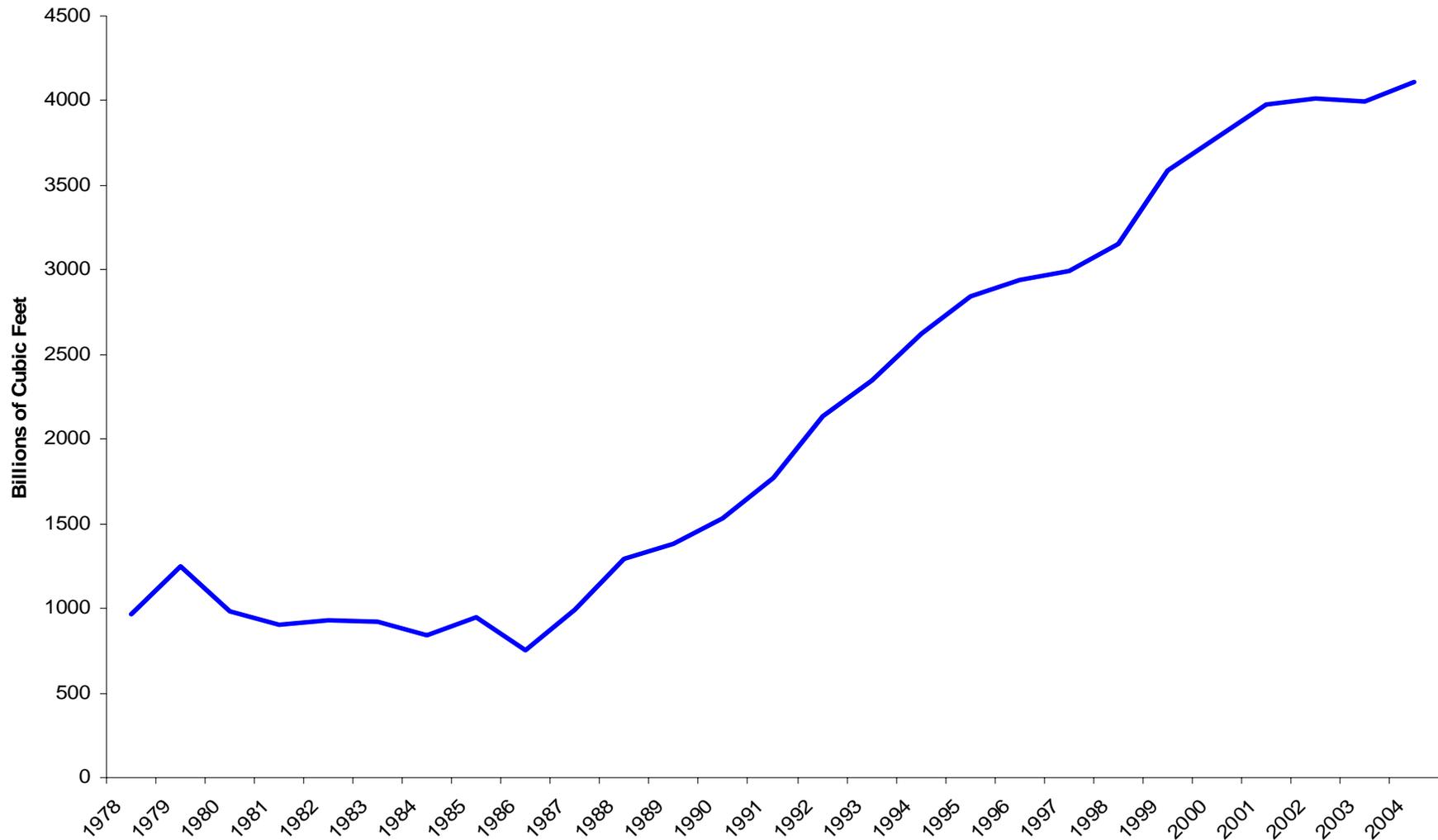


US Wellhead Natural Gas Price





US Natural Gas Imports



Source: US Energy Information Administration