



September 21, 2007

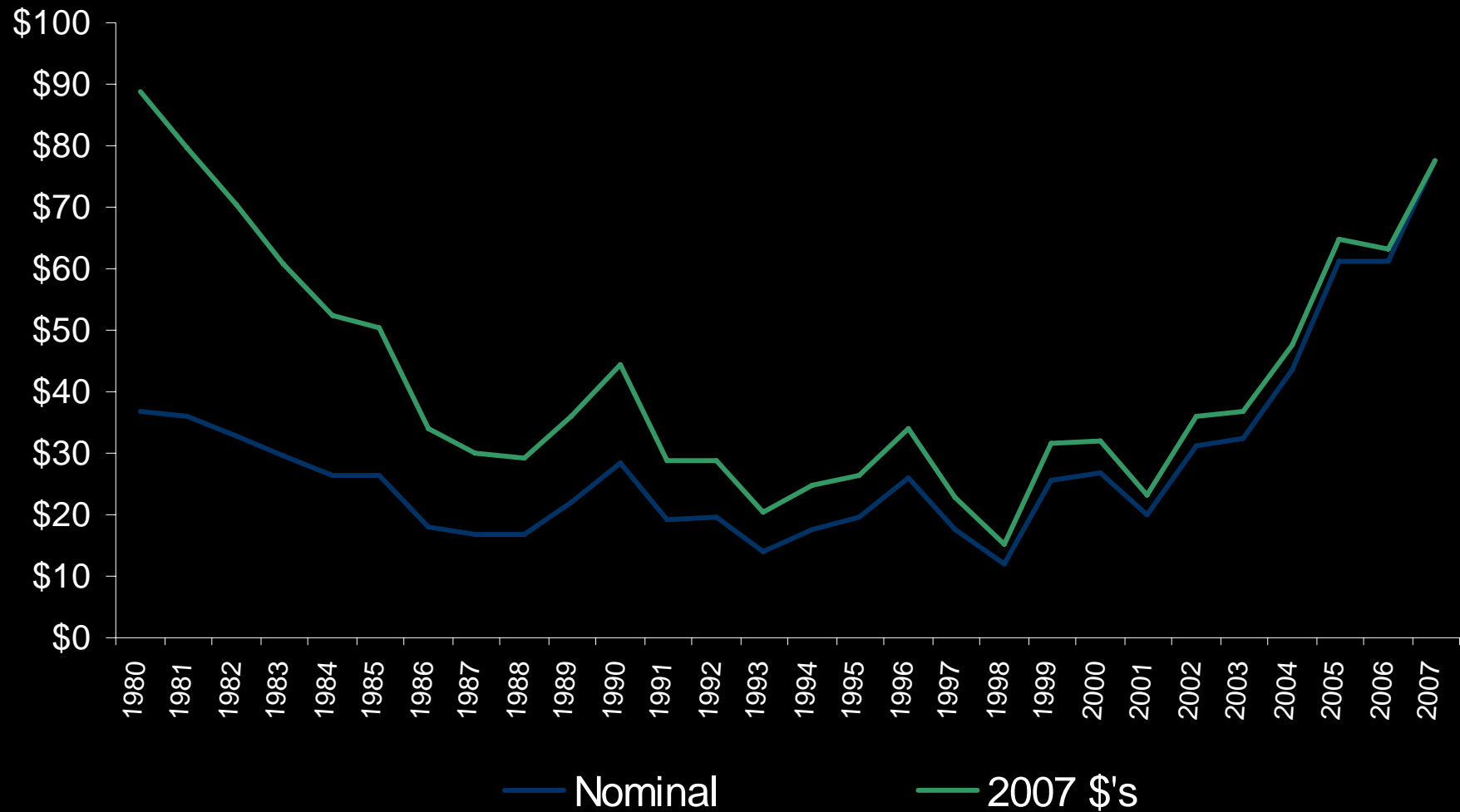
Alaska Permanent Fund

Oil Prices...*“What is the Future?”*

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Historical Oil Prices



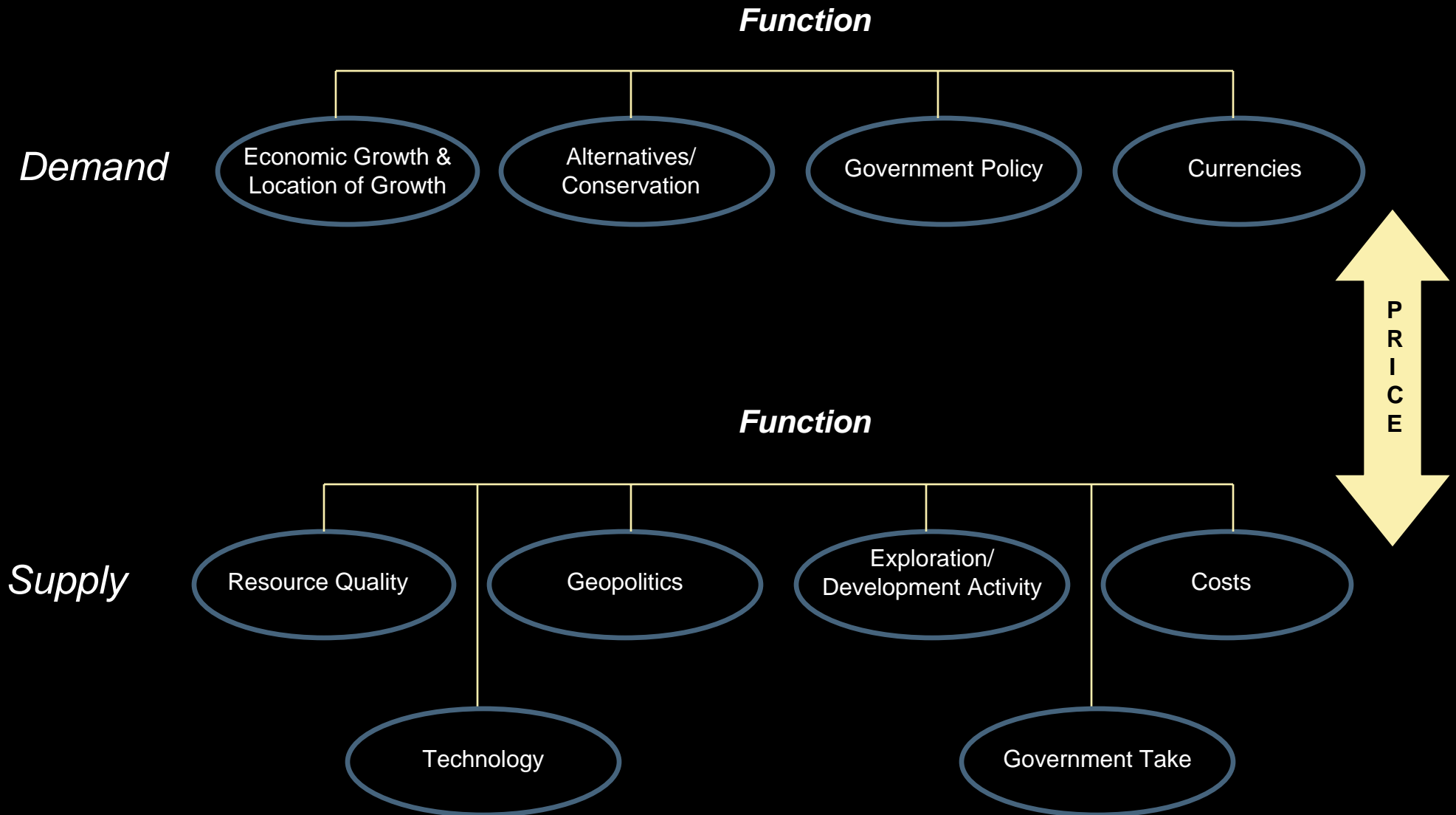
Source: Bloomberg

Oil Price – “*What is the Future?*”

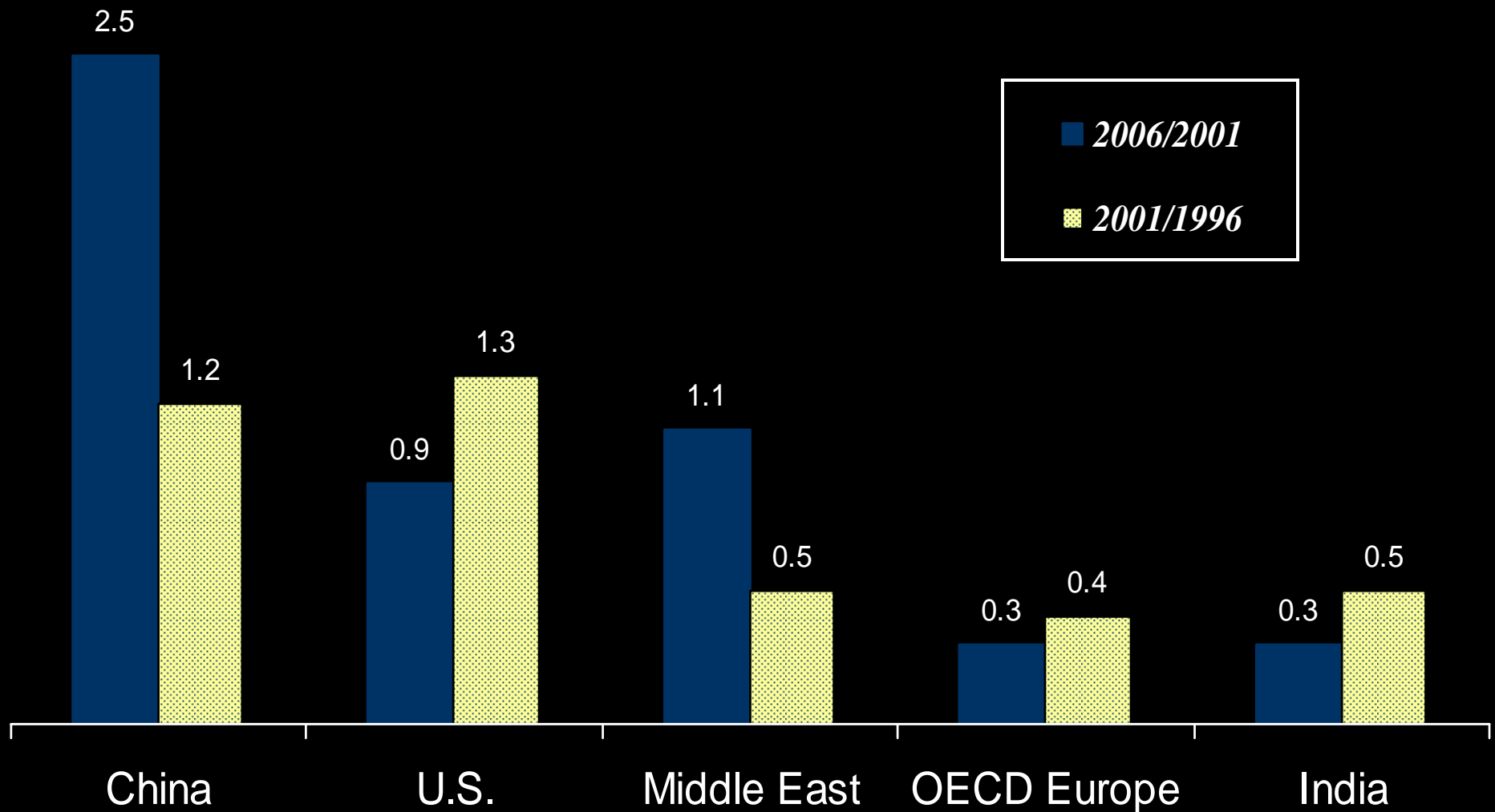
Conclusions

- High prices will be here for the next few years. No near term solution to the high prices.
- Global push to increase supply is just starting.
- Longer term the combination of alternatives and new supply should push prices lower assuming the resource is available
- Alternatives are important on the margin but new supply and/or change in consumption is more important.
- Geopolitics and government intervention could make things a lot worse or the opposite.

Economics – “101 for Oil”

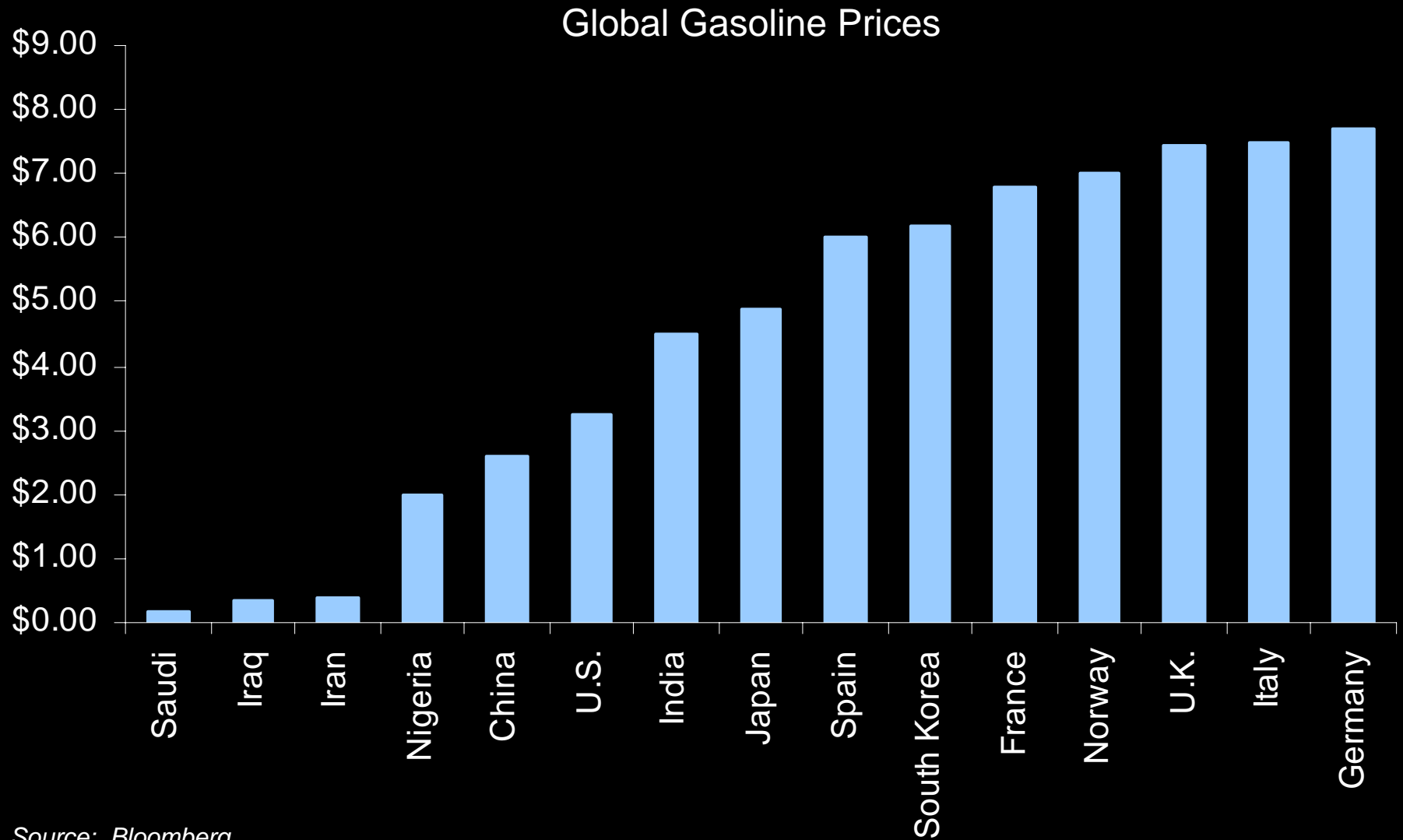


Growth in Demand has become Emerging Market Dependent (*Million BPD*)



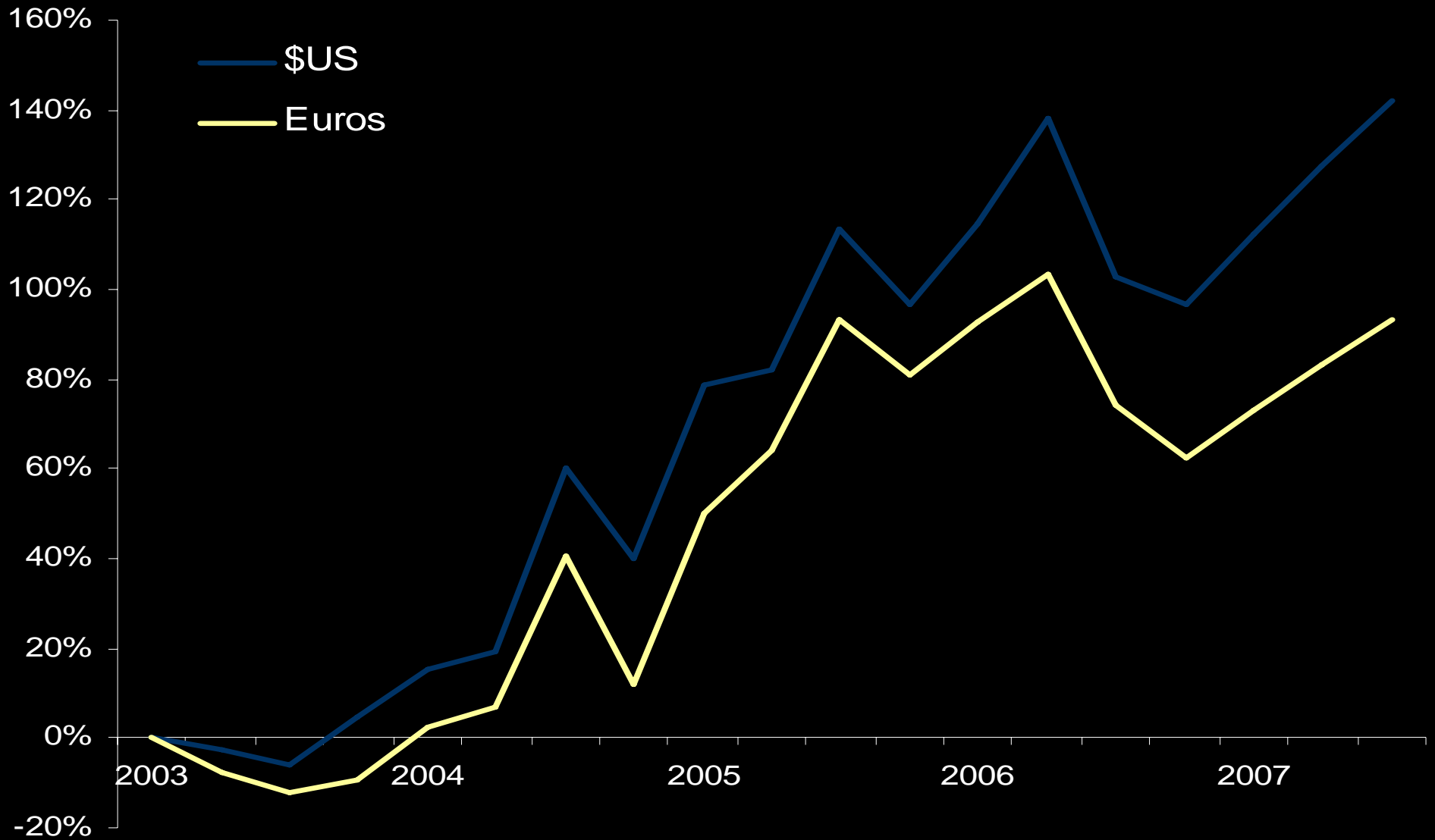
Source: BP, IEA

Do not reflect actual conditions



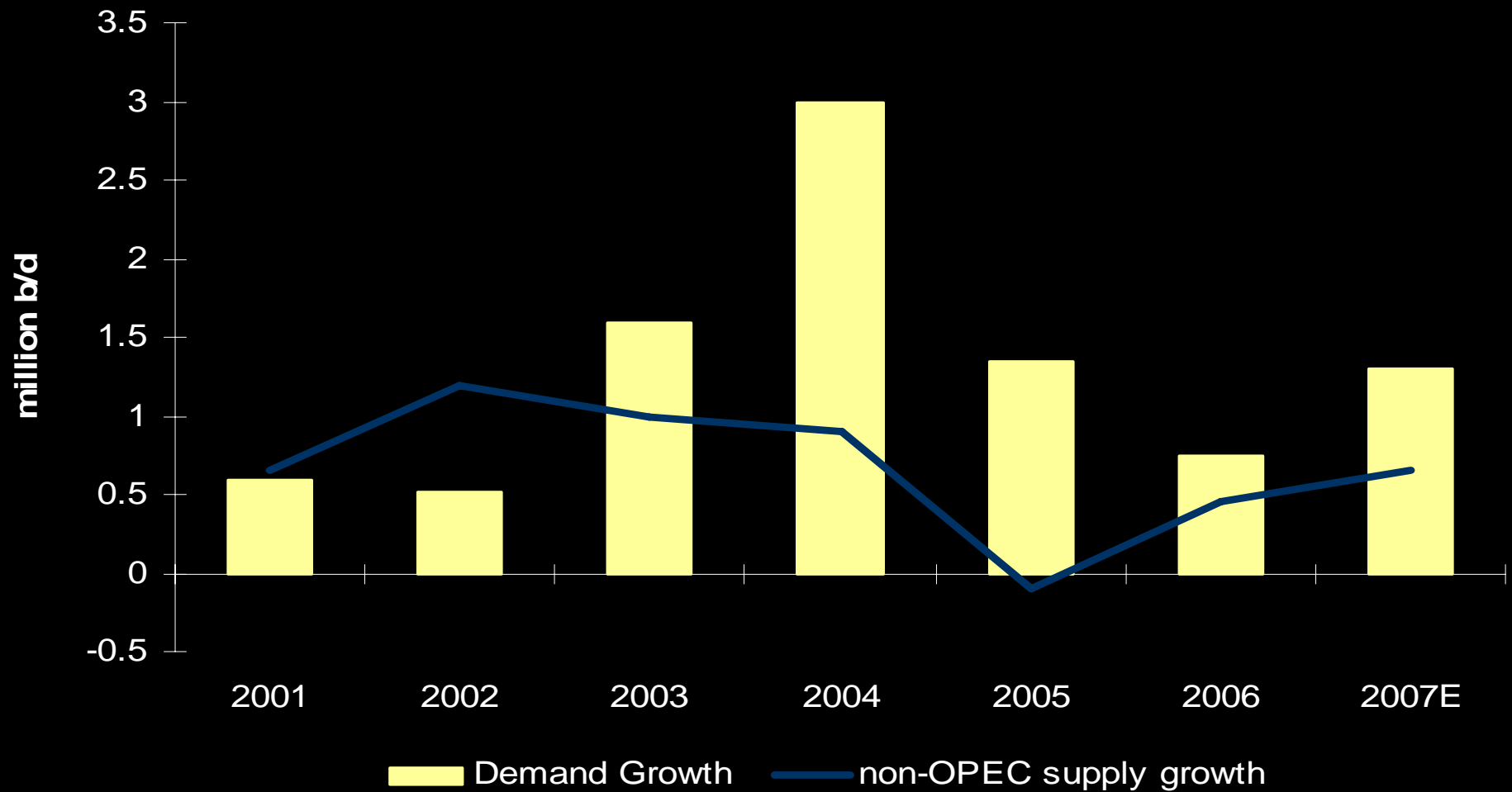
Source: Bloomberg

In Euros, Oil Is Not Nearly as High as One Would Expect



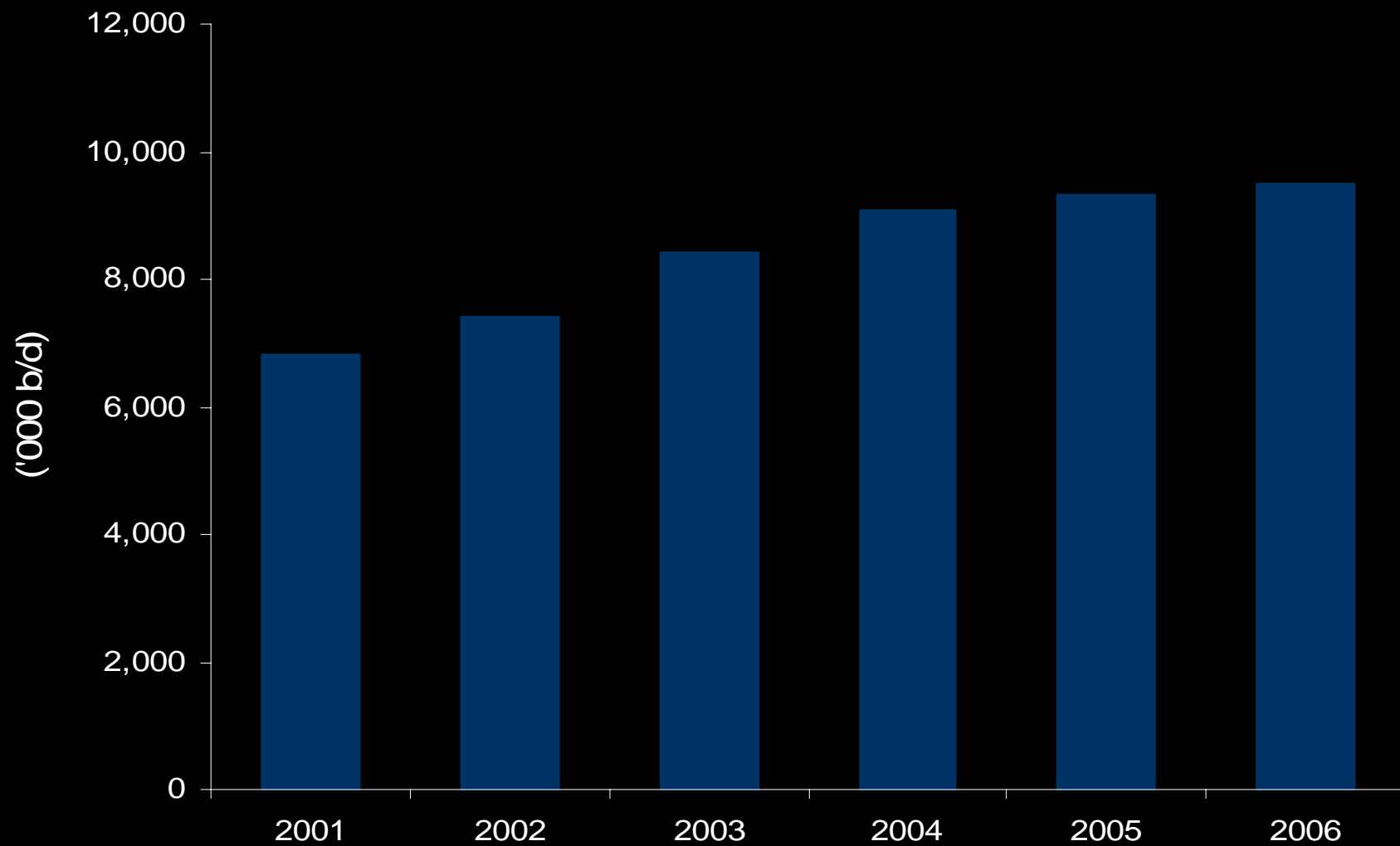
Source: Bloomberg

Oil Demand Growth vs. Non-OPEC Supply Growth



Source: IEA

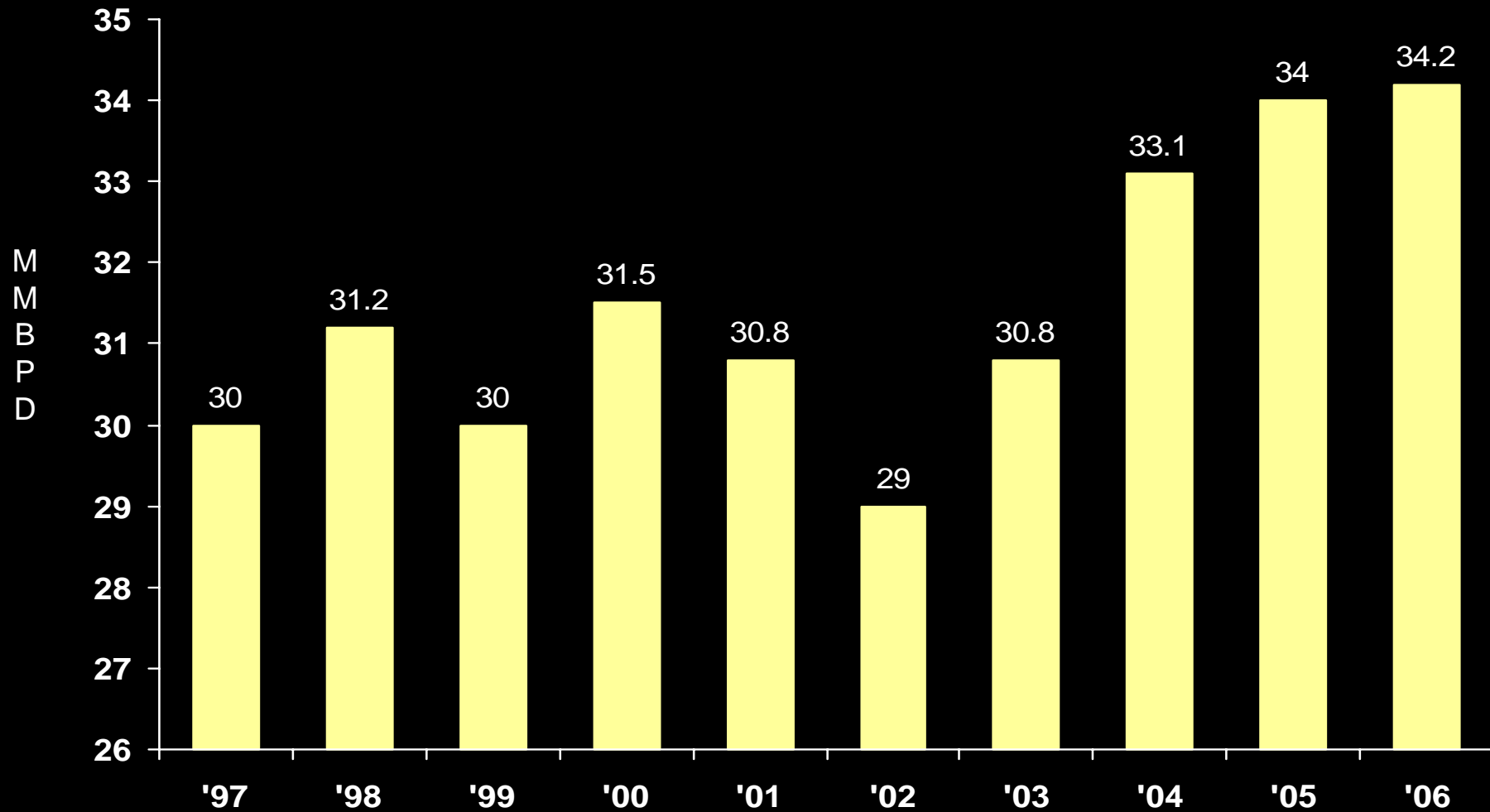
Russia – Growth Slowing After Being Source of Increased Demand



Source: IEA

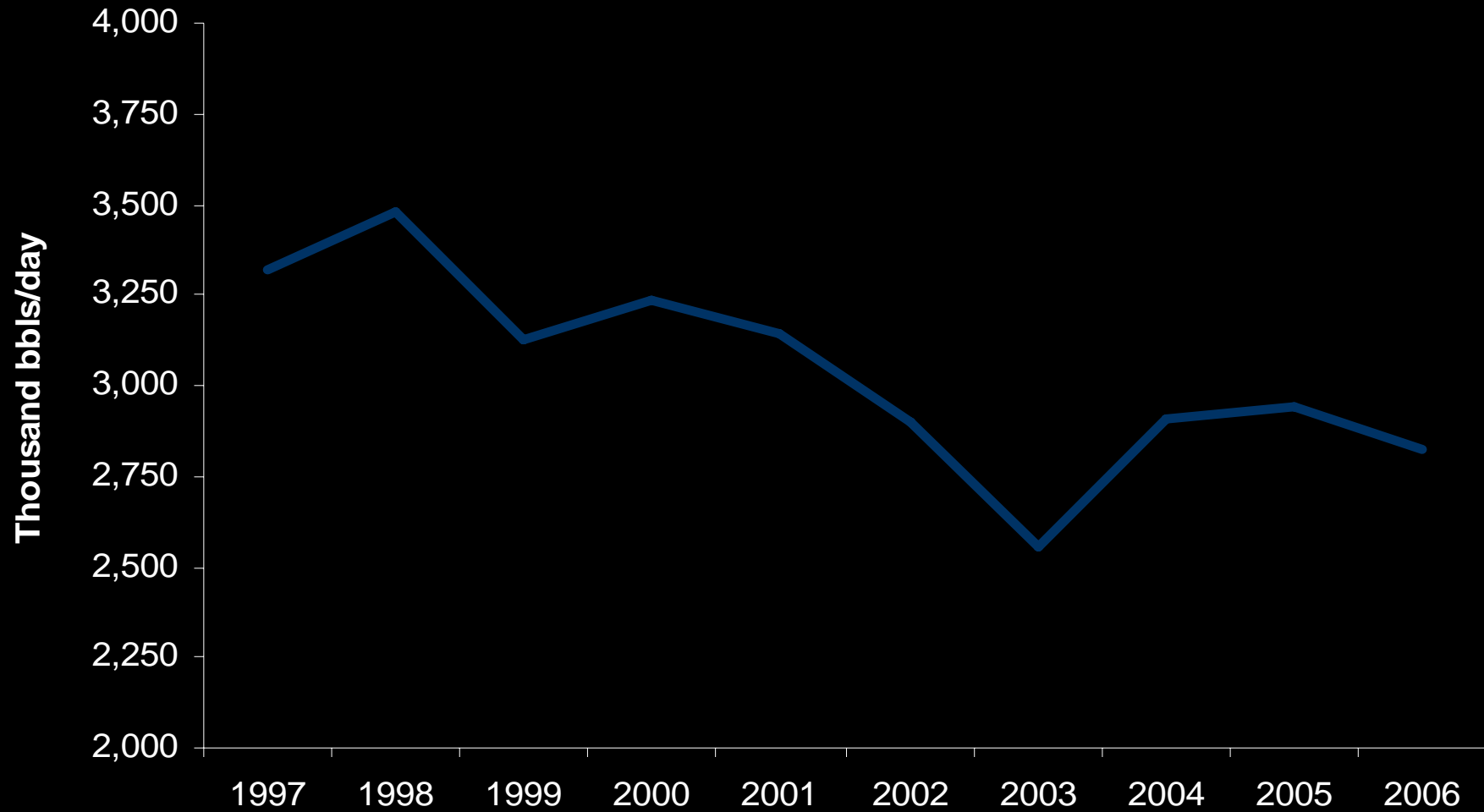
OPEC Production

Has been the main source of satisfying demand the last 3 years



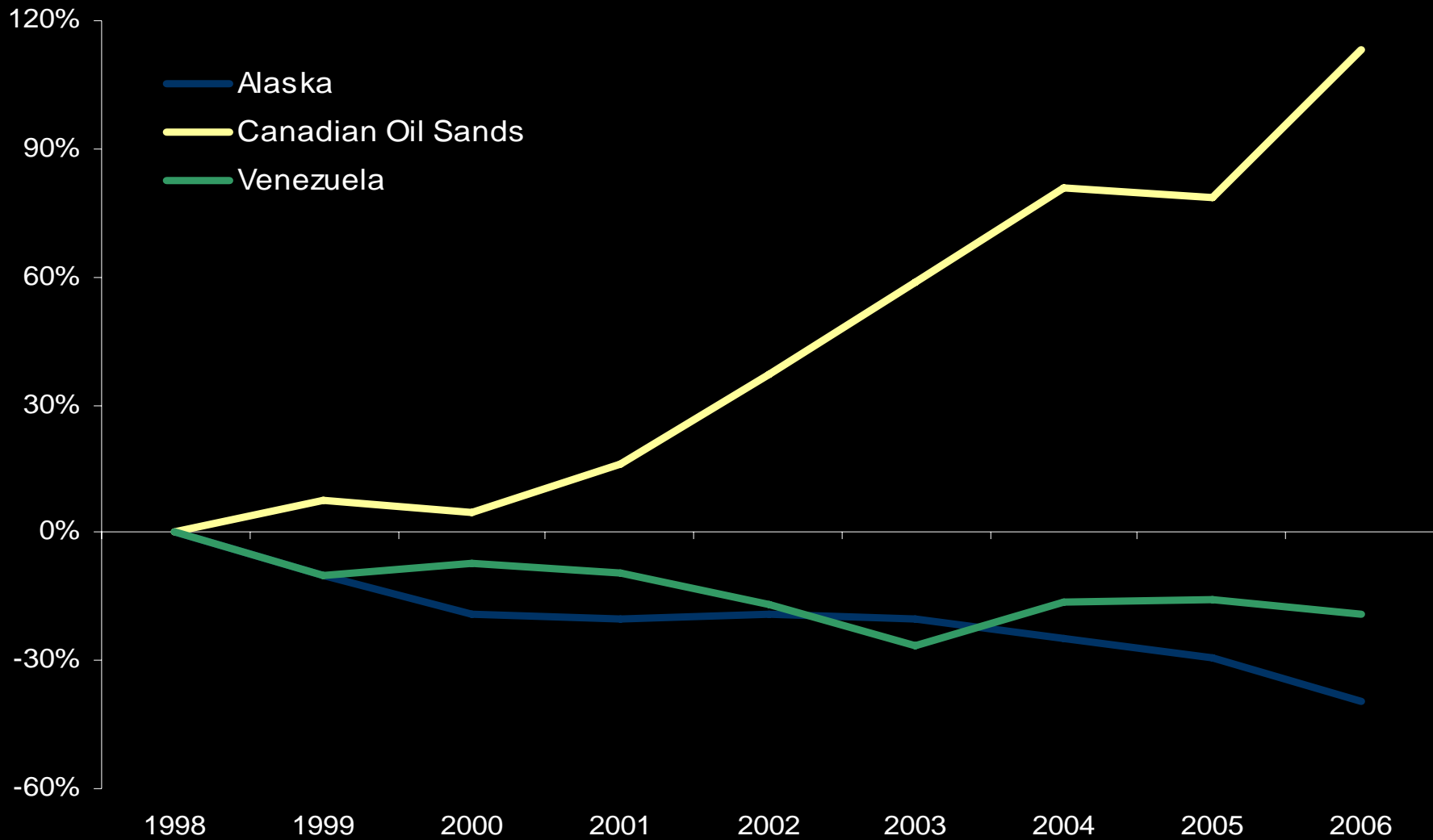
Source: BP

Venezuela's Oil Production – *Excellent Example of Negative Geopolitics*



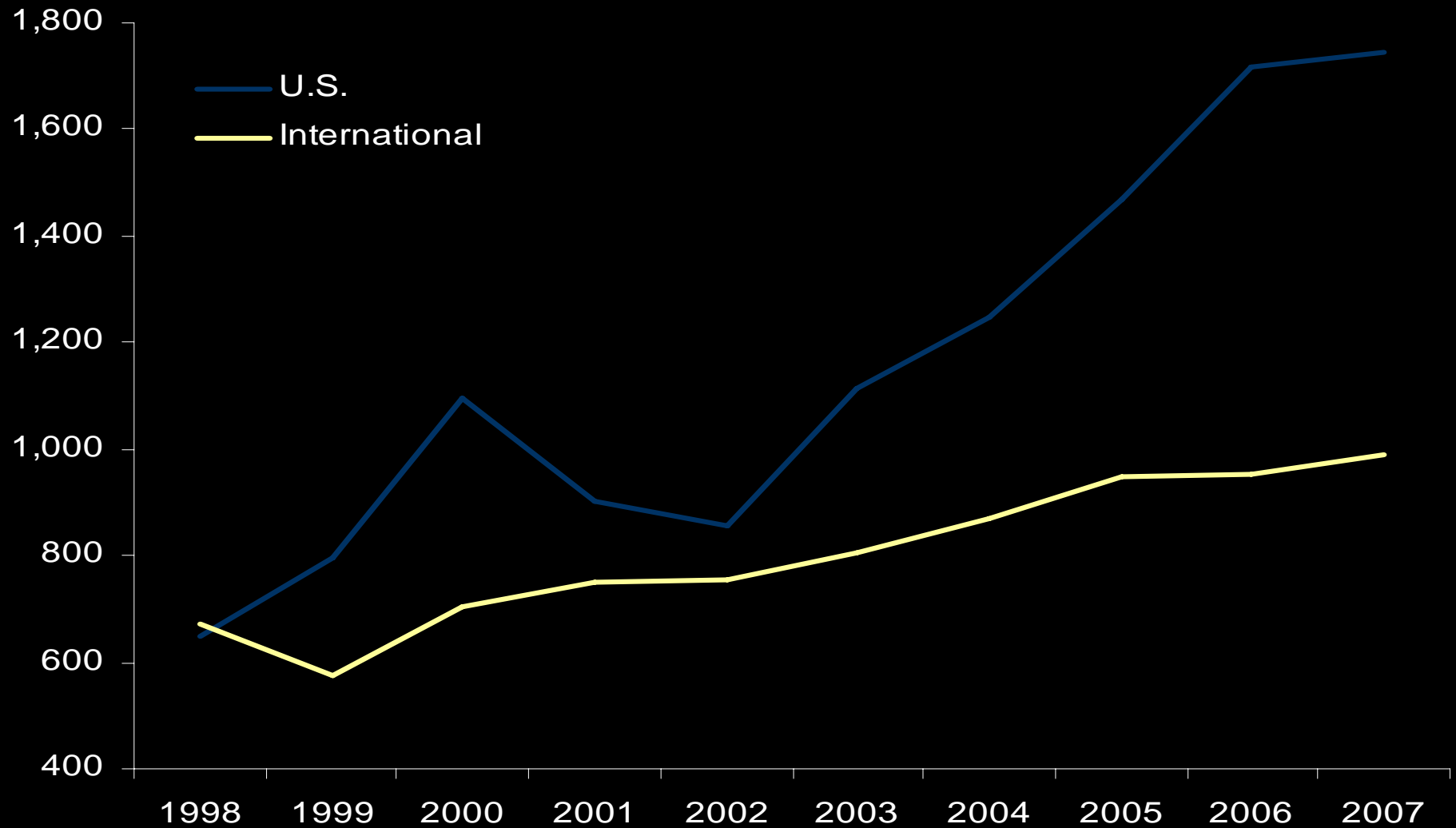
Source: IEA

Canada is an Example of Supporting Growth via the Oil Sands



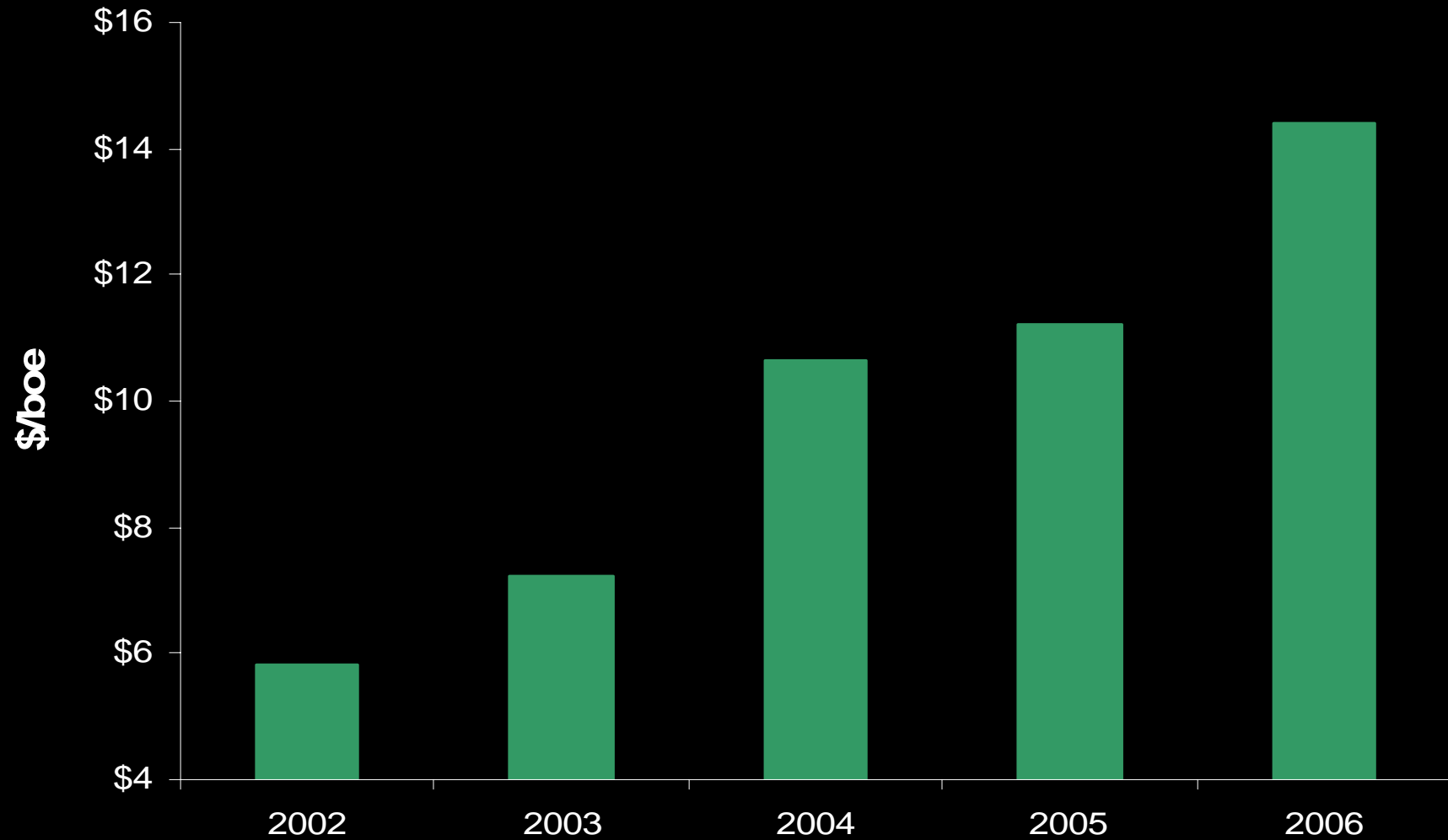
Source: IEA, BP

International Rig Activity Has not Grown Relative to the U.S.



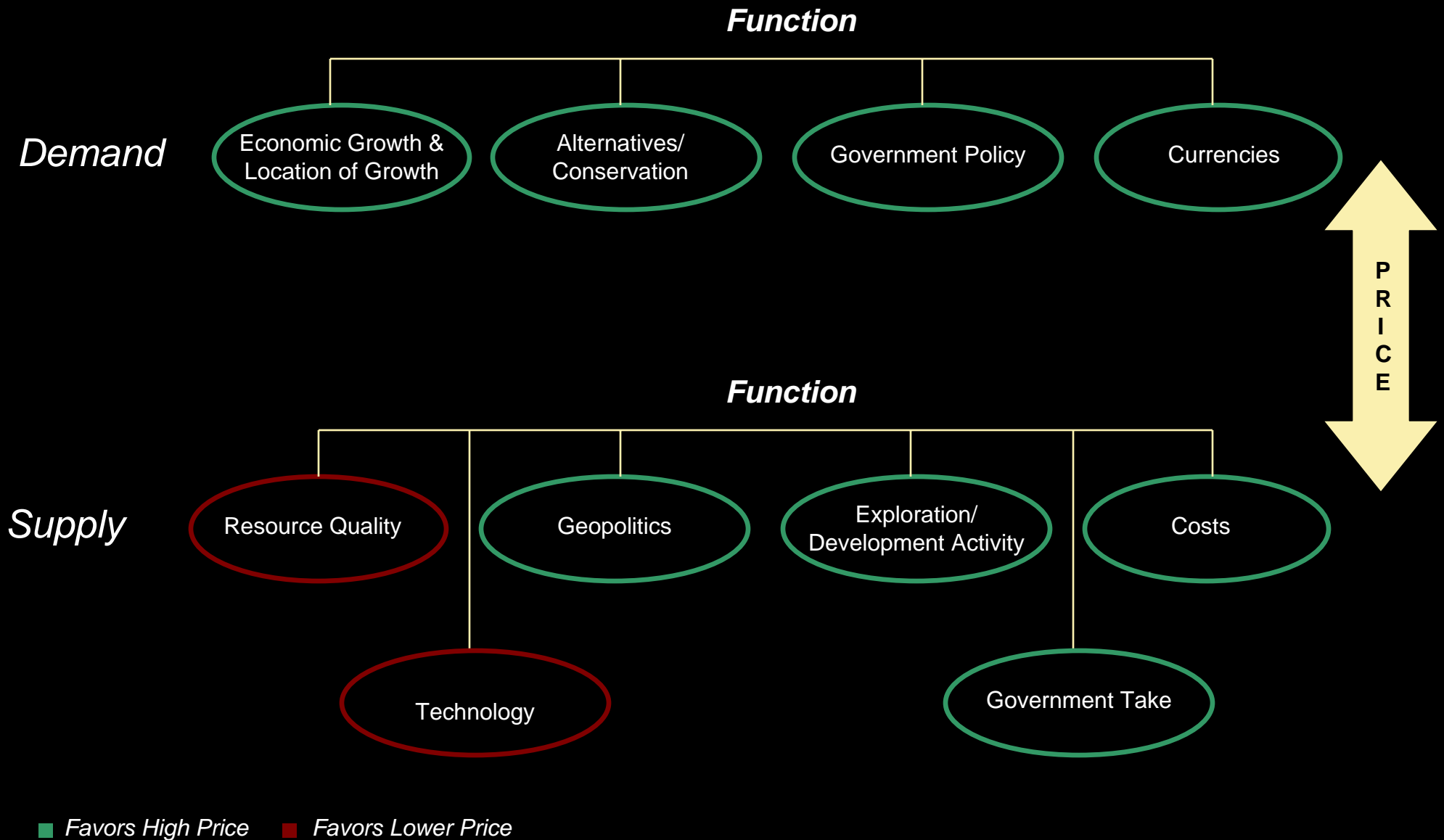
Source: Baker Hughes

Finding & Development Costs have more than doubled

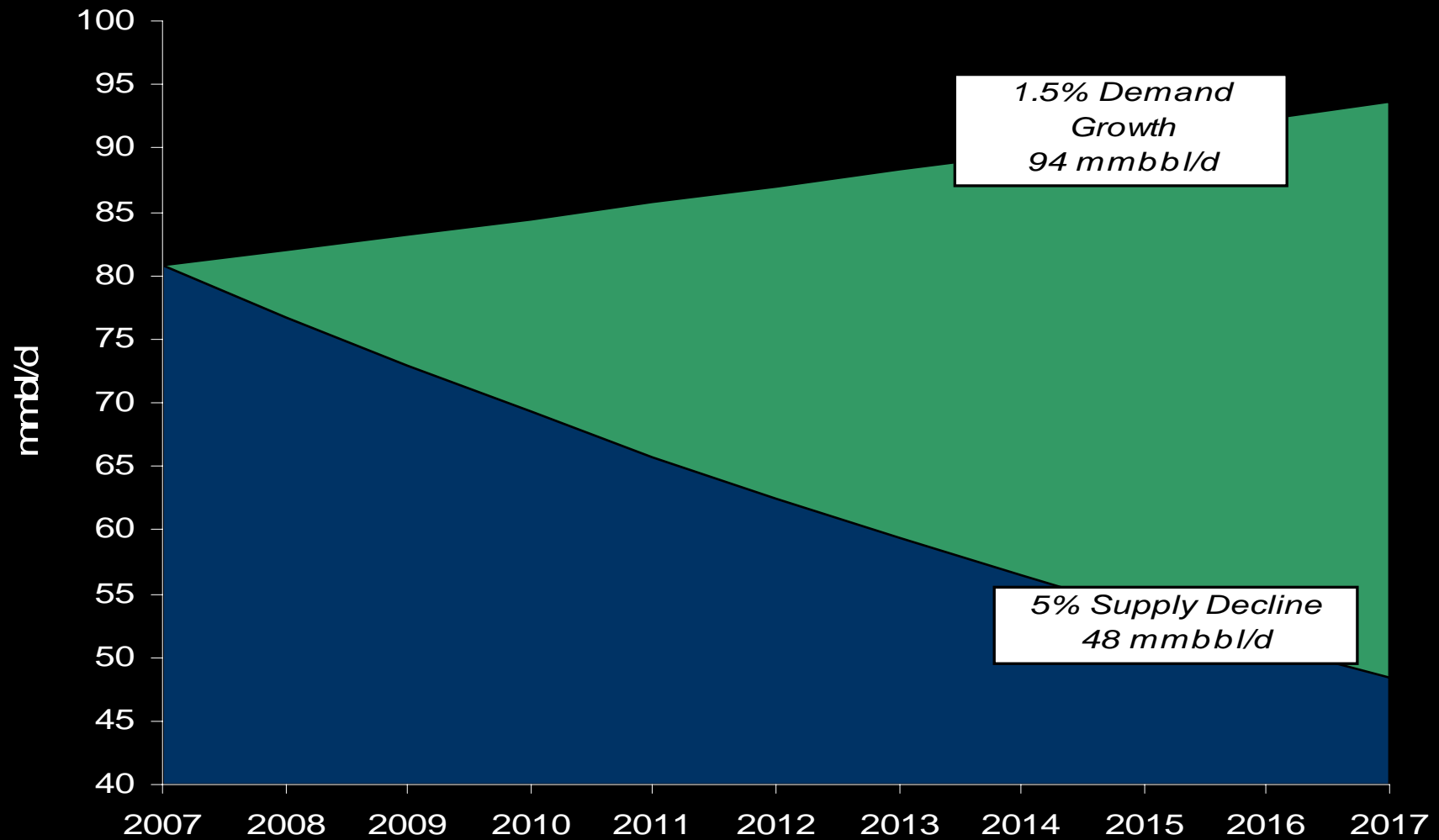


Source: J.S. Herold

High Oil Prices – *The Last 5 Years Driven by Multiple Factors*

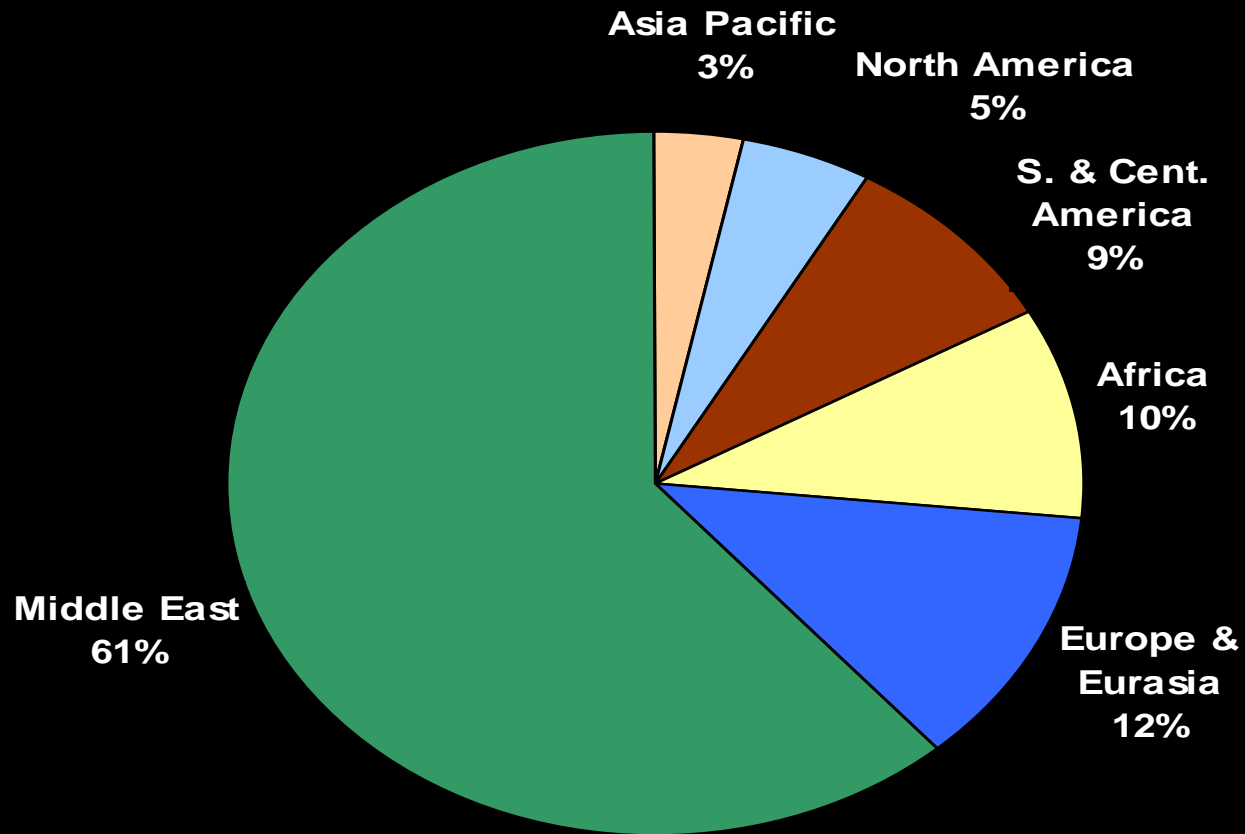


The Resource Challenge is Daunting!



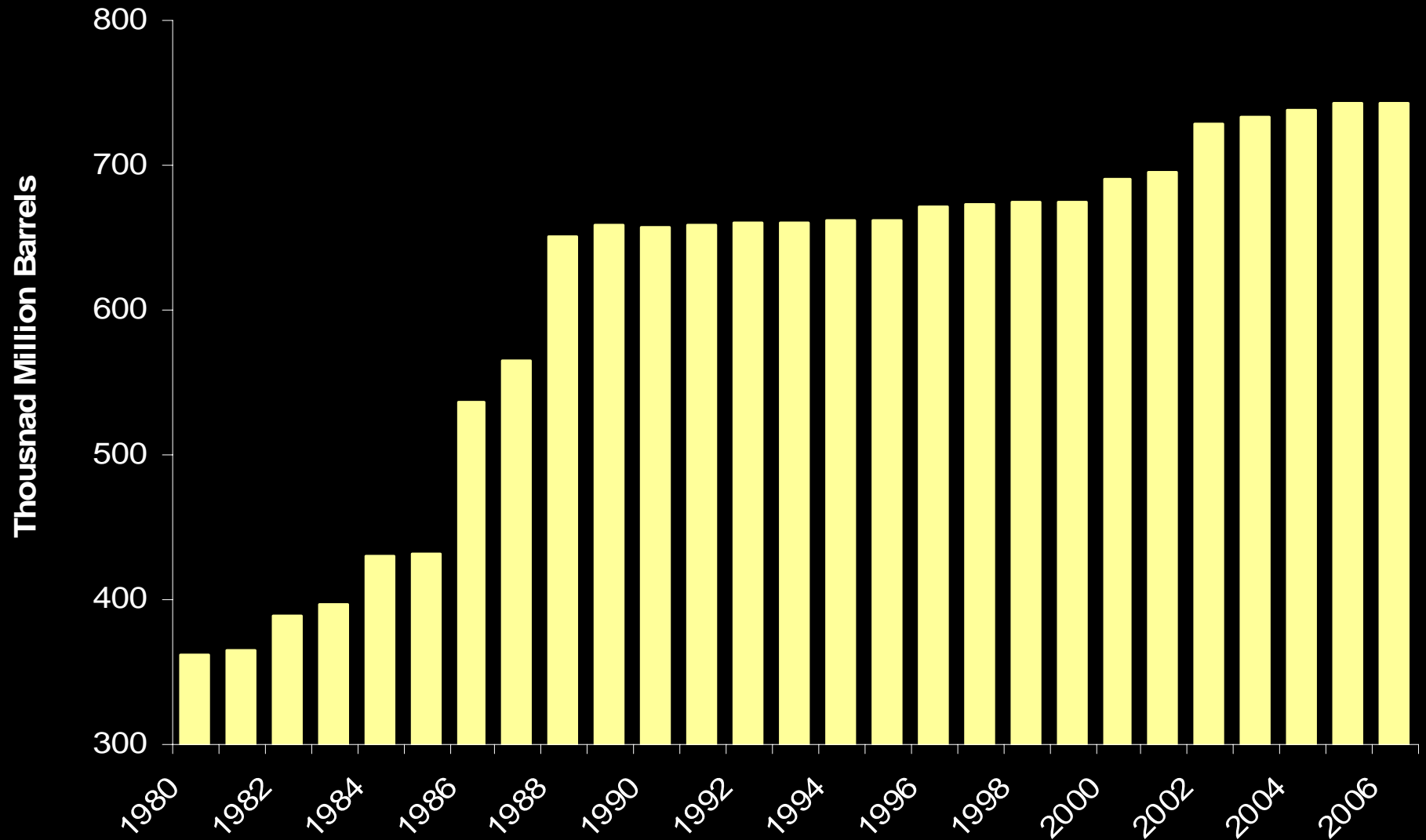
Source: BP

Remaining World Oil Reserves



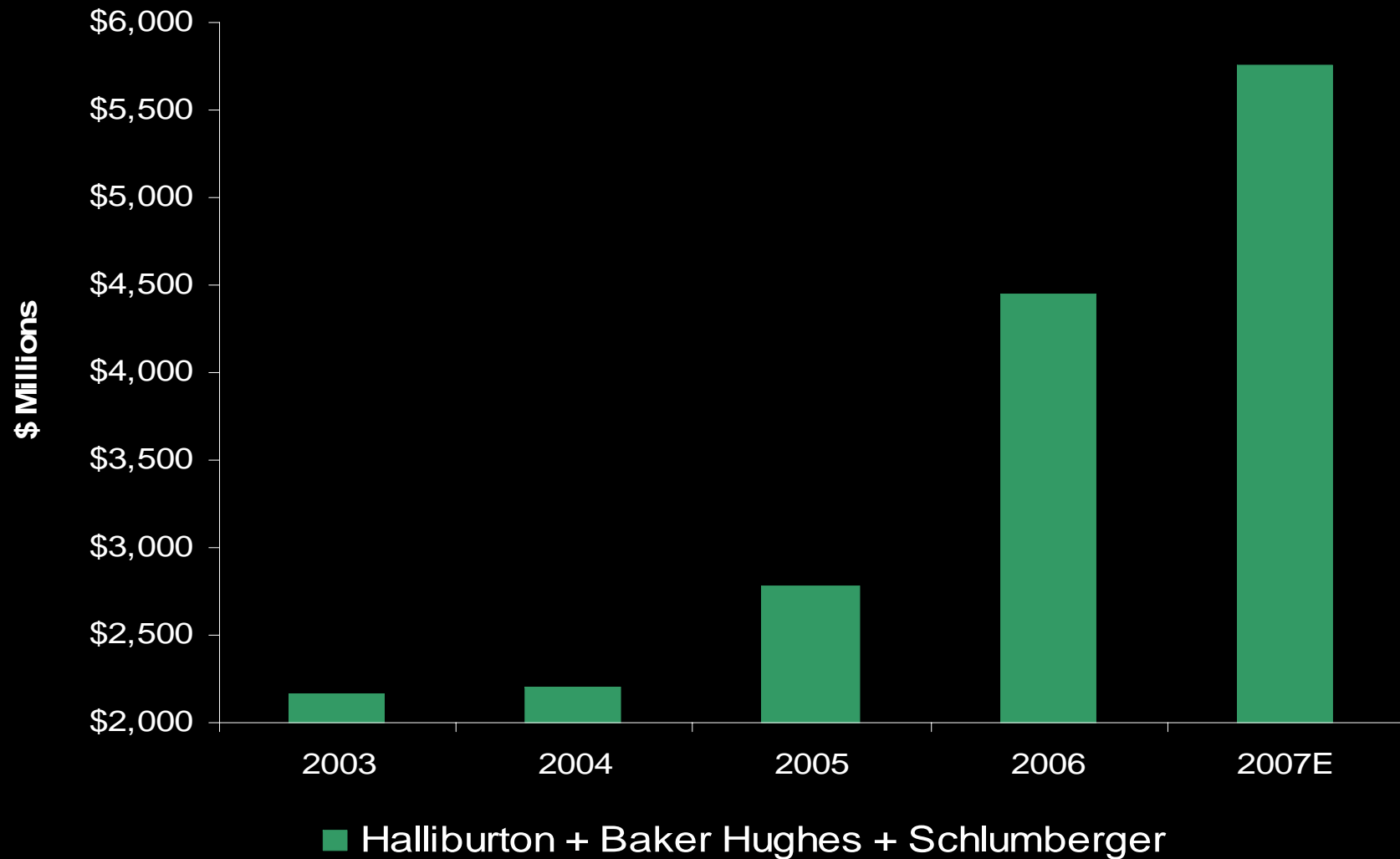
Source: BP

Exact Middle East Reserves Maybe Questionable!



Source: BP

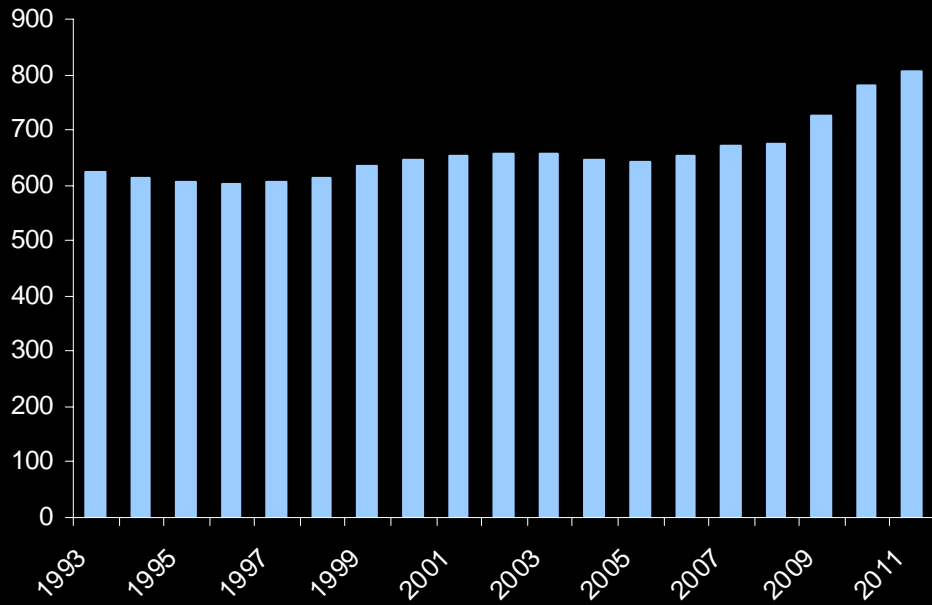
Oil Service Capex Should Drive Costs Lower



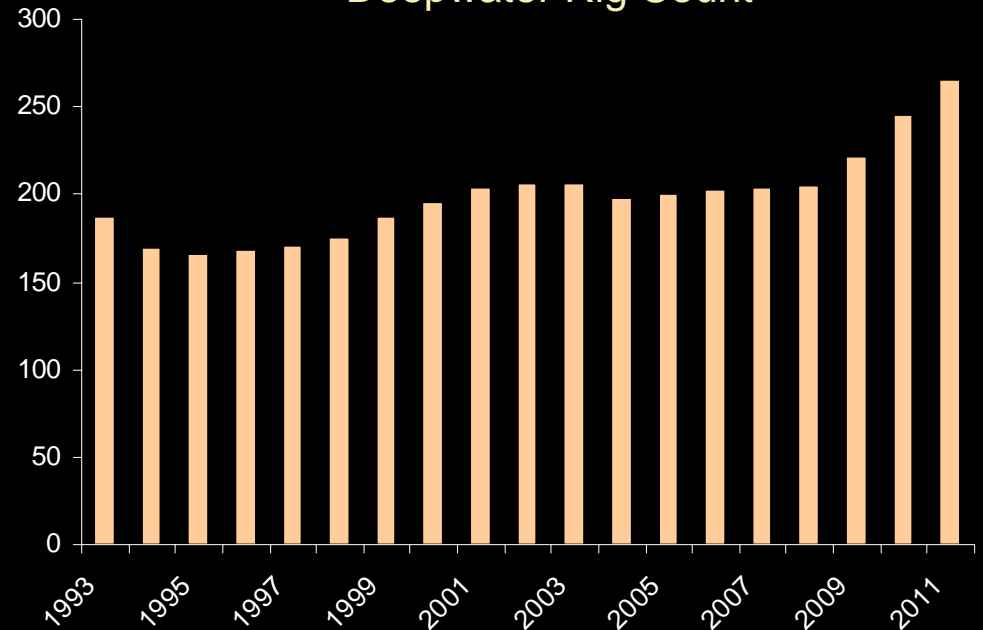
Source: Companies, Alliance Bernstein

Offshore Drilling Will Start to Accelerate

Offshore Rig Count



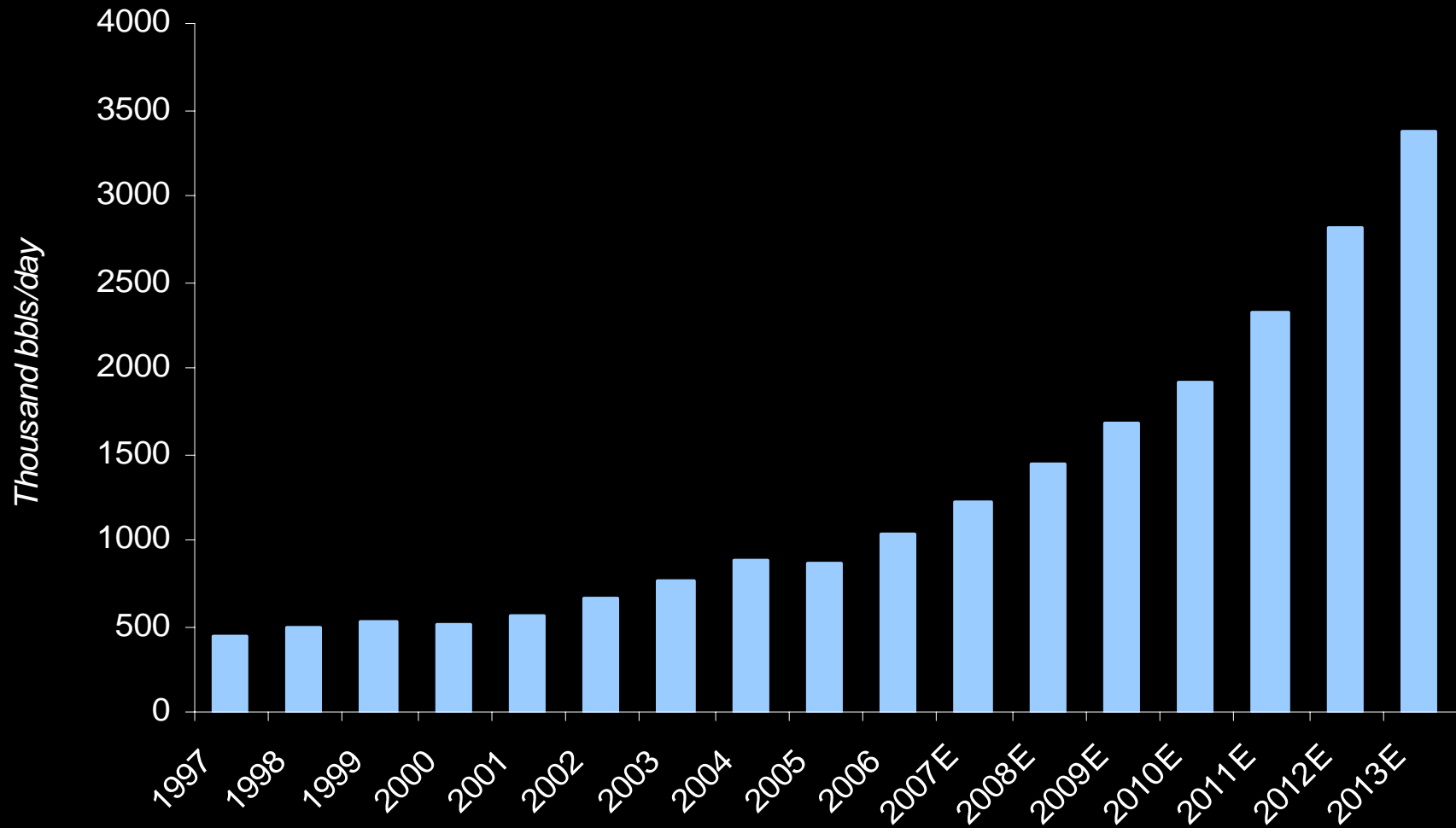
Deepwater Rig Count



Source: ODS

Canadian Oil Sands – Production Demonstrate Excellent Geopolitics

Will Others Follows?



Source: Wood MacKenzie

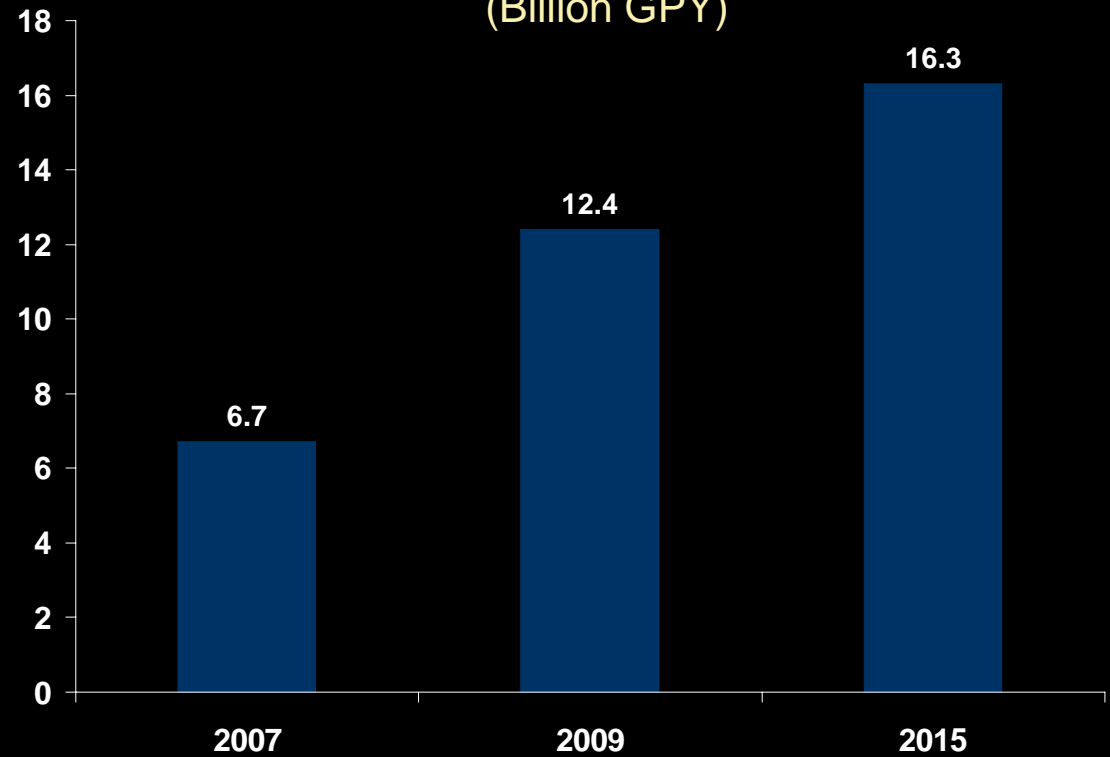
Alternatives To Become more Important

➤ *Hybrid Potential*

➤ *Ethanol Growth*

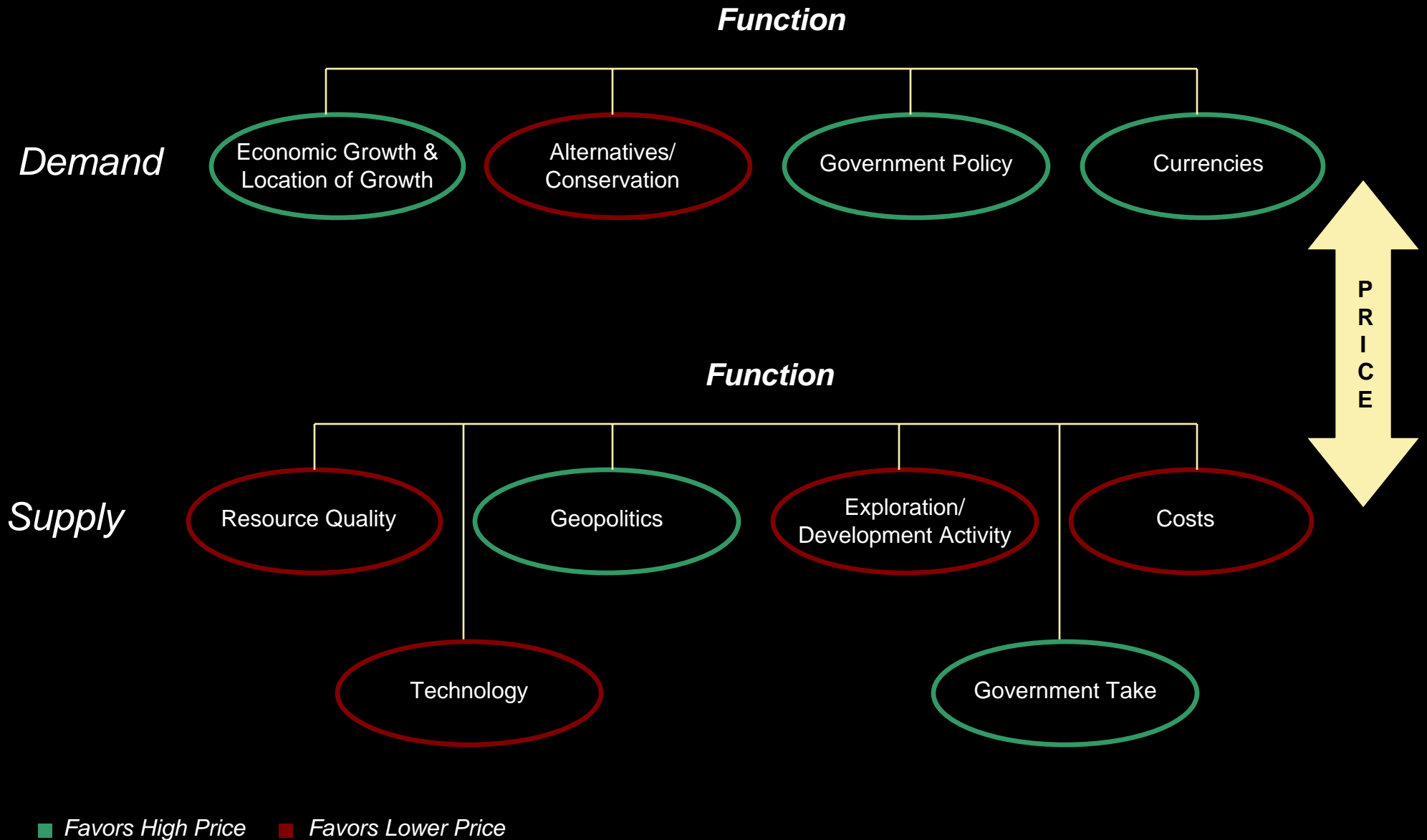
➤ *Higher Mileage Vehicles*

U.S. Ethanol Production
(Billion GPY)

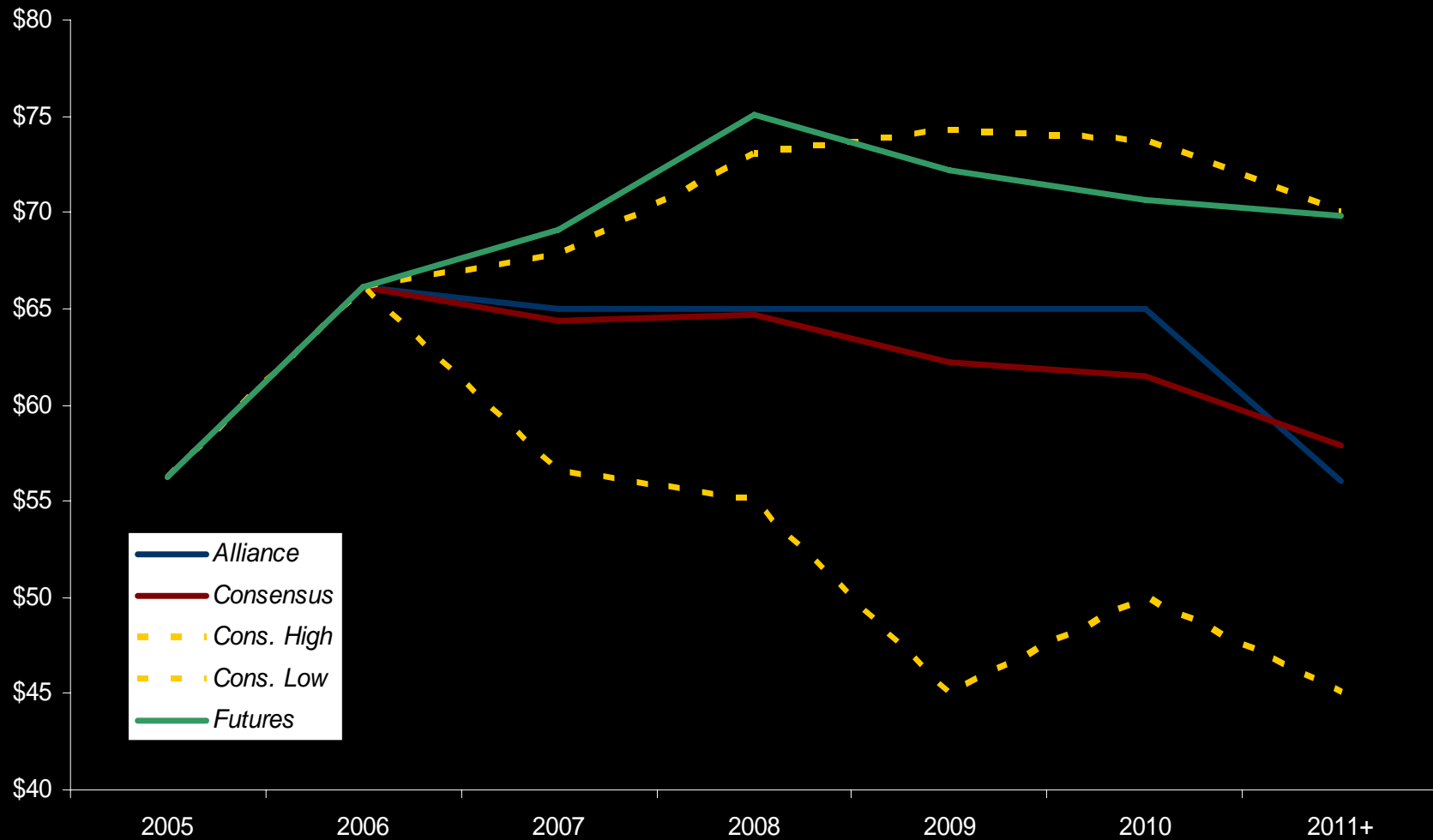


Source: Verasun

Oil Price – “The next Five Years”



WTI Crude Oil Forecast – Alliance Growth Equities



Source: Alliance Bernstein, FactSet