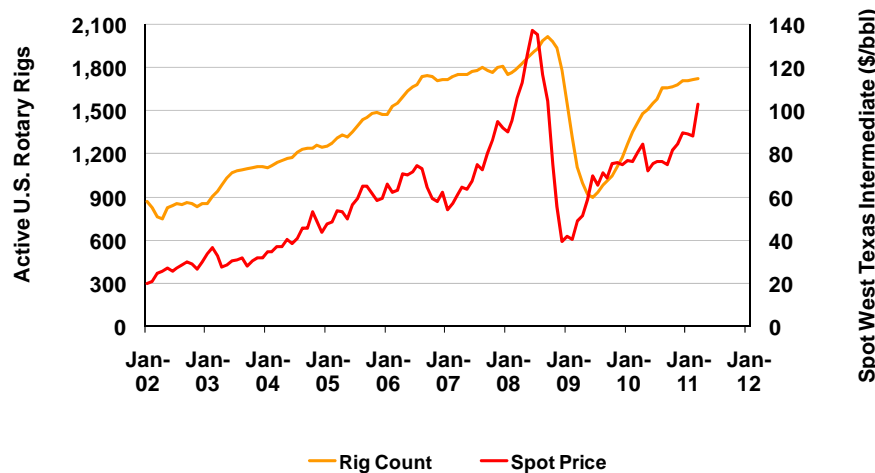


Drilling Activity and Oil Price

An anticipated rise in worldwide energy demand has helped prices and drilling.

Drilling Activity and Oil Price

2002-2012



Sources: Baker Hughes Incorporated, Energy Information Administration, May 2011

DATA

- In the years following the '82 oil price collapse, exploration and production adapted to historically low real energy prices. Much of the decline in the rig count since the record high of 4,520 in December '81 reflects not low prices, but rather technological advances that have dramatically increased exploration efficiency and decreased finding costs.
- Rapid economic growth worldwide in the middle years of this decade spurred robust demand growth, reducing surplus production capacity to 1.5 million barrels of crude oil per day, largely in Saudi Arabia, and driving spot market prices to record levels.
- As an incipient worldwide recession burst into full bloom in August '08, worldwide energy demand fell dramatically. The world was abruptly awash in oil, and prices fell dramatically — from the vicinity of \$145/bbl at the July peak to less than \$40 in Q1/09. Drilling activity responded swiftly. As oil prices rebounded in the latter half of '09, oil-directed drilling responded, reversing the sliding rig count.
- The spot market price for West Texas Intermediate (WTI)—the U.S. benchmark for light, sweet crude—averaged \$102.86 per barrel in March '11, up 27 percent from its average of \$80.77 in March '10, the U.S. Energy Information Administration (EIA) reports. Since the first week of October '10, the Friday close for WTI has not fallen below \$80.
- The Baker Hughes count of active domestic rotary rigs averaged 1,790 in April '11, up 21 percent from April '10. The rig count has more than doubled from its recession low of 887 rigs, reached the week of June 12th last year.