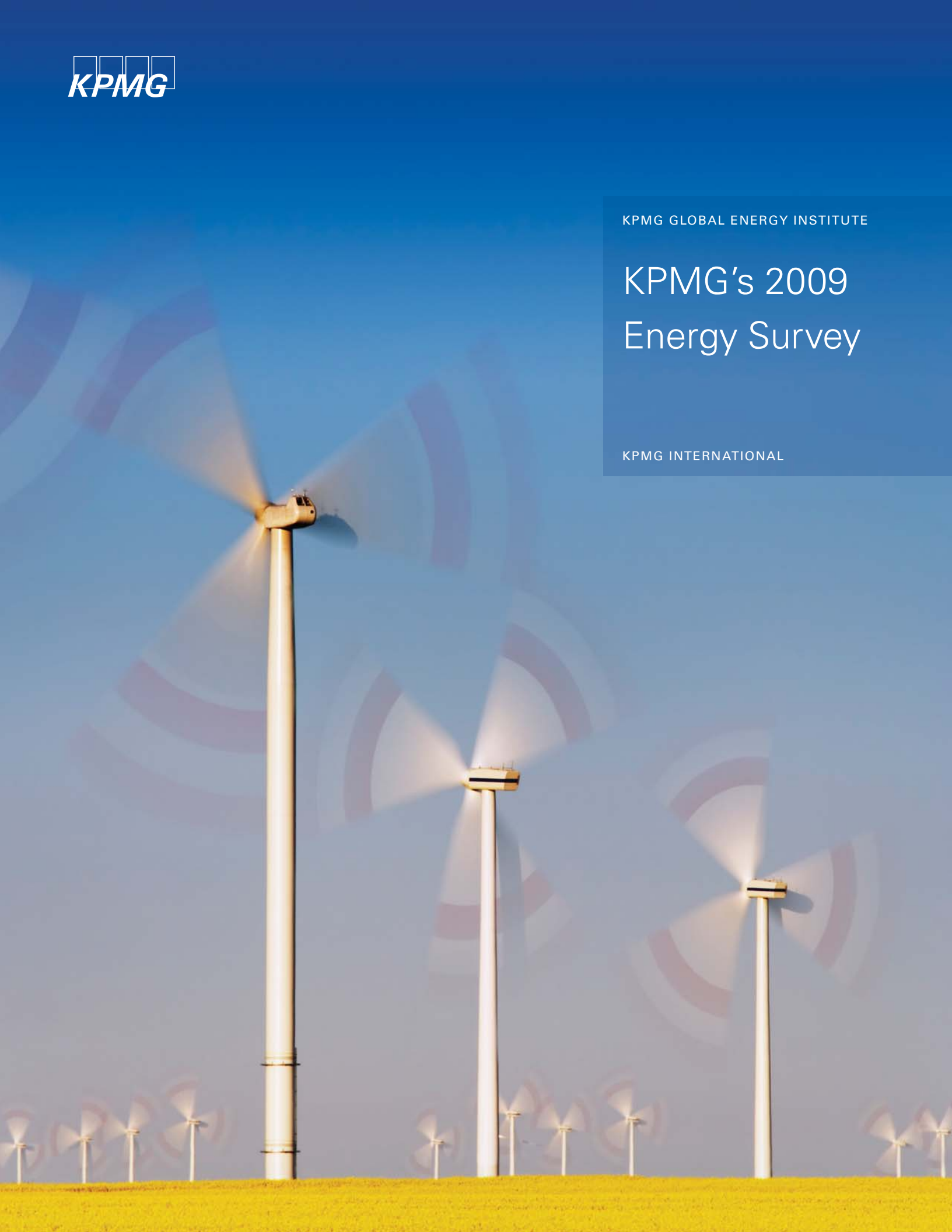




KPMG GLOBAL ENERGY INSTITUTE

KPMG's 2009 Energy Survey

KPMG INTERNATIONAL



KPMG's 2009 Energy Survey

Introduction

Oil and gas executives said energy independence is not attainable until at least 2030 despite the emphasis on alternative energy sources in current and proposed government energy policies, according to the results of a survey conducted by the KPMG Global Energy Institute. Executives also said mass production of alternative energy is not viable in the short term, and while there is a marked shift in their acknowledgement that global warming is occurring, they do not support proposed regulations to stem CO₂ emissions.

In this year's KPMG survey, which polled 382 financial executives from oil and gas companies in April

2009, 63 percent of respondents believe energy independence will not be attainable until after 2030, 16 percent say it can happen by 2030, while 9 percent deem it possible before 2020. Also, 63 percent believe eliminating intangible drilling costs (IDC) will result in companies drilling outside the United States and unconventional wells not being drilled, a factor that may further slow the race toward energy independence.

"Despite the increased focus on domestic energy sources, energy infrastructure, and alternative energy sources, a realistic assessment of technology and investment in the industry

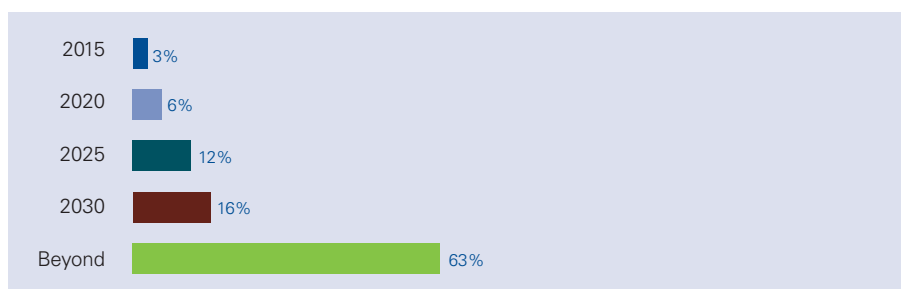
suggests energy independence is not realistic for at least two decades," said Bill Kimble, executive director of the KPMG Global Energy Institute. "The executives' perceptions of energy independence mirror their views on the viability of alternatives in the near-term as well."

This survey report provides quantitative findings on executives' outlook on energy independence, alternative energy, the Obama administration's energy policy, global warming and greenhouse gas emission regulation, and capital spending and business challenges. Further commentary by Bill Kimble is also included.

Energy Independence

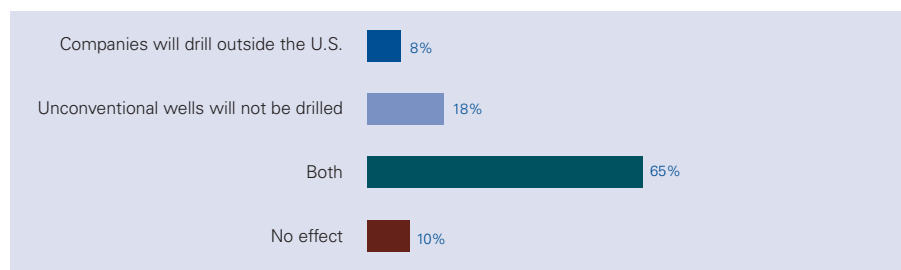
When asked if energy independence is attainable by 2015, 2020, 2025, 2030, or beyond, the vast majority of 63 percent of respondents believe energy independence will not be attainable until after 2030. Only 16 percent of respondents thought energy independence is attainable by 2030, and only 9 percent think it's possible in the next decade.

Is energy independence attainable by:



What will be the effect of eliminating IDC and depletion on oil and gas properties?

Nearly the same share, 65 percent, said eliminating intangible drilling costs (IDC) will result in companies drilling outside the United States and unconventional wells not being drilled, a factor that may further slow the race toward energy independence.



“It is clear that the majority of executives believe intangible drilling costs to be critical to further domestic oil and gas investment, and they link this investment to energy independence.”

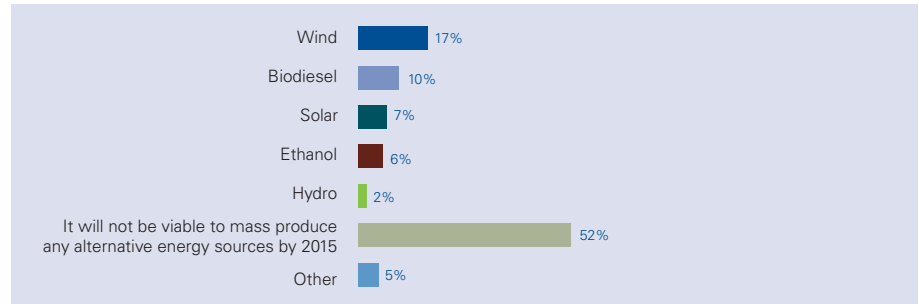
Alternative Energy

The majority of executives still do not view alternative energy sources as viable for mass production by 2015. However, there has been an increase in the perceived viability of alternative energy over the past two surveys. The share of executives who do not view alternative energy sources as viable for mass production by 2015 fell to 52 percent in this year's survey from 54 percent in the 2008 survey and 60 percent in the 2007 survey.

Wind was the top energy source, as 17 percent of executives deemed it most viable for production by 2015, followed closely by biodiesel at 10 percent. Only 6 percent of executives view ethanol as a viable energy source for mass production by 2015, a drop from 10 percent in 2008.

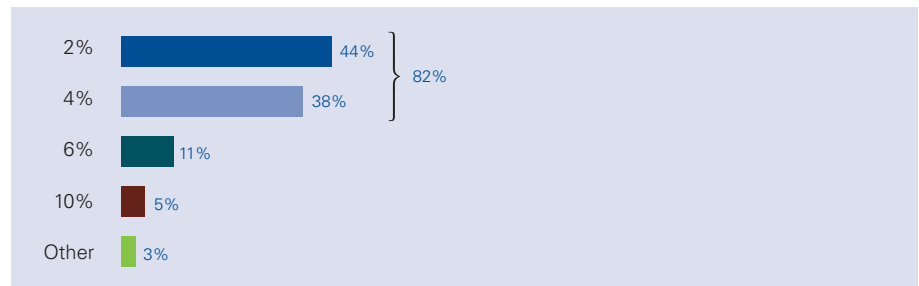
“These results clearly show the momentum wind energy has gained as a clean energy solution. But 93 percent of our respondents see wind generation growing to only a single-digit share of our energy generation by 2015 and only 17 percent say wind energy is viable for mass production by that year.”

Which alternative energy source do you think is most viable for mass production by 2015?



Wind is currently 1 percent of generation. What is your best estimate of where it will be in 2015?

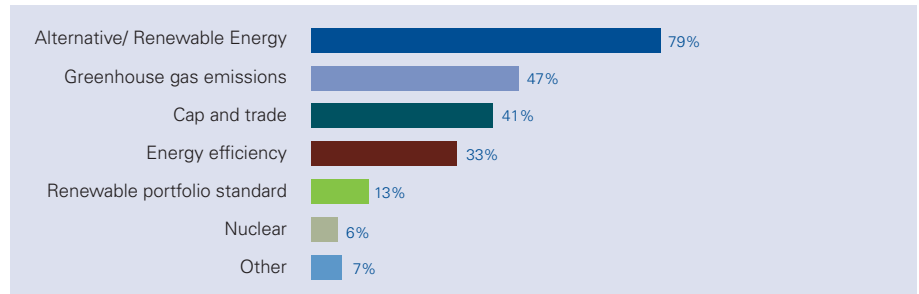
Most executives said wind energy will be no more than 4 percent of power generation by 2015; 44 percent said wind will be 2 percent of power generation and 38 percent said wind will be 4 percent of power generation. Only 11 percent said wind will achieve 6 percent of power generation by 2015.



Obama's Energy Policy

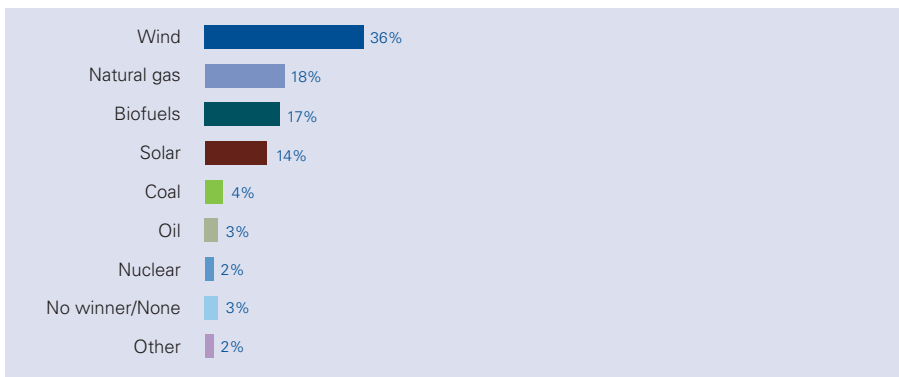
Executives expect alternative and renewable energy sources to receive the most focus in President Obama's energy policy. Greenhouse gas emissions and cap and trade came next and were closely grouped, reflecting a heightened focus on carbon management. Notably, only a small amount of executives expect nuclear energy to receive the most focus.

Which of the following areas will receive the greatest focus as a result of the Obama administration's energy policy? (select all that apply)



Although executives did not think alternative energy sources were immediately viable, they did have clear opinions on which ones would benefit most from the Obama administration's energy policy. Thirty-six percent of respondents said that wind energy would be the biggest winner as a result of Obama's policy, followed by 18 percent for natural gas, and 17 percent for biofuels.

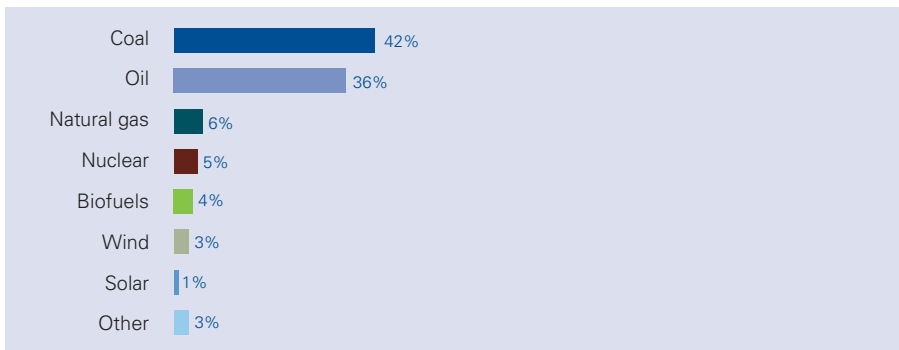
Which energy source will be the winner as a result of the Obama administration's energy policy?

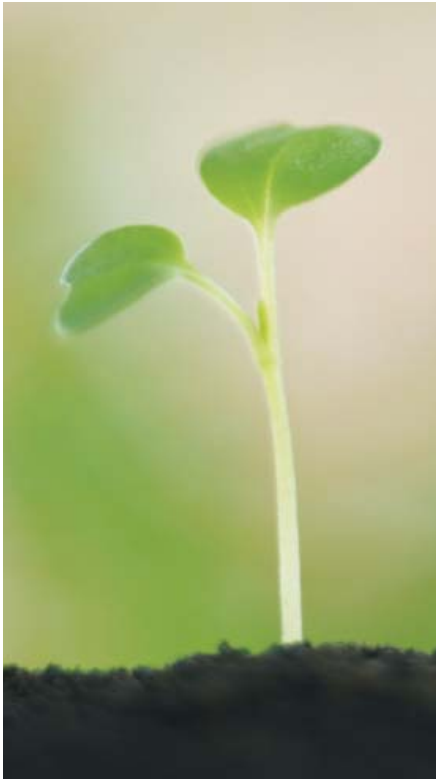


“The Obama administration has made clear its interest in renewable energy, and it’s not surprising that executives think this will come at the expense of fossil fuels.”

With the focus expected to stay on alternatives, executives expect coal and oil to be the biggest losers; 42 percent of executives see coal as the biggest loser while 36 percent see oil as the biggest loser from the Obama administration's energy policy.

Which energy source will be the loser as a result of the Obama administration's energy policy?



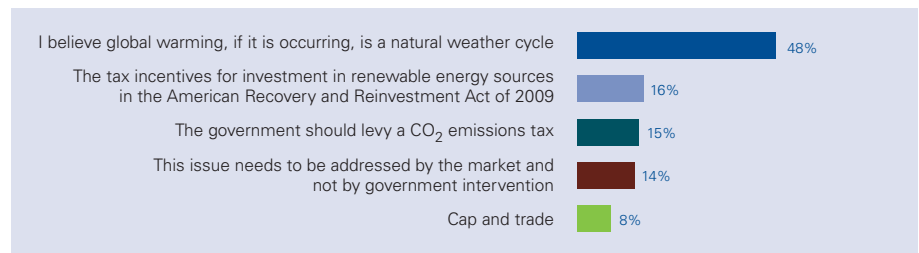


Global Warming and Greenhouse Gas Emission Regulation

While alternative and renewable energy sources are expected to be the primary focus of the Obama administration's energy policy, greenhouse gas emissions, energy efficiency, and a cap-and-trade system are also expected to receive significant attention.

Although the EPA recently pointed to CO₂ emissions from burning fossil fuels as the main cause of global warming, nearly half (48 percent) of executives still believe that global warming is a natural weather cycle. However, there has been a marked shift in thinking on global warming, as the number of executives who say global warming is a natural weather cycle fell by 14 percentage points from 62 percent in 2008.

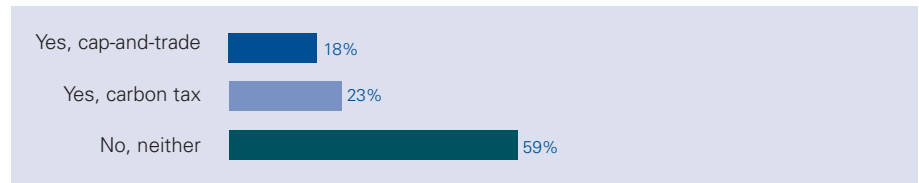
Which of the following is the best approach to counter global warming?



“Our data shows a noted swing in executive perceptions on the issue of greenhouse gases and global warming, but there is clear reluctance to support proposed actions and regulations to stem CO₂ emissions.”

Despite the increased acknowledgement of global warming, there is clear reluctance to support proposed regulation to stem CO₂ and other greenhouse gas emissions. When asked if they would support a cap-and-trade system or a carbon tax to reduce CO₂ emissions, 59 percent of executives say they would not support either, 23 percent said they would support a carbon tax, and 18 percent said they would support a cap-and-trade system.

Would you support a cap-and-trade or carbon tax to reduce CO₂ emissions?



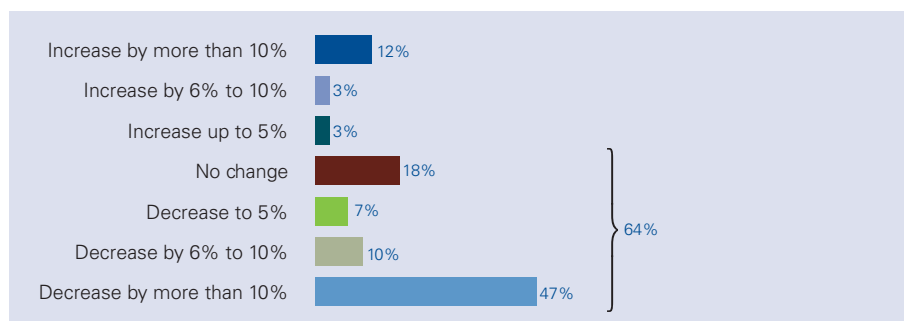


“There is no question that the economy has had an impact on U.S. energy companies, both in terms of pricing and capital. However, with the current regulatory and legislative environment, oil and gas executives are also faced with the challenges of an evolving and dynamic industry pushing toward nontraditional energy sources.”

Capital Spending and Business Challenges

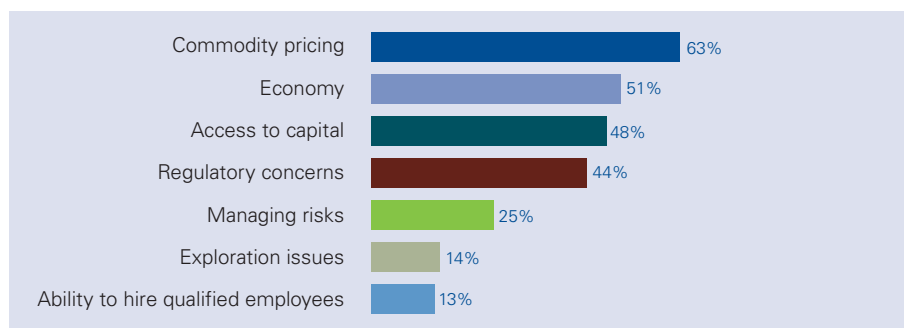
When asked about capital spending and key business challenges in the coming year, KPMG found that executives have a subdued view. When asked about their outlook for capital spending in 2009 versus 2008, 64 percent of those surveyed expect their company to decrease capital spending. The results included 47 percent who predict a drop of greater than 10 percent. Only 18 percent expect an increase over 2008 levels. These views are in stark contrast to those from KPMG's 2008 survey, when 70 percent expected an increase in capital spending and only 5 percent saw a decrease.

What is your outlook for capital spending by your company in 2009 vs. 2008?



While oil prices have stabilized after extreme volatility in 2008, KPMG found that executives still rank commodity pricing the most significant challenge facing their companies in the coming year. Other key business challenges in order of significance include the economy, access to capital, and regulatory concerns.

Which of the following are the most significant challenges facing your company in the coming year? (select all that apply)



About the KPMG Global Energy Institute

The KPMG Global Energy Institute is designed to provide an open forum where industry financial officers, risk officers, internal audit directors, and tax executives can share knowledge, gain insights, and access thought leadership about key oil and gas or power and utilities issues and emerging trends. GEI interacts with its members through a variety of channels, including Web-based videocasts, podcasts, conferences, and share forums and a Web portal, www.kpmgglobalenergyinstitute.com.

For more information, contact:

Bill Kimble
Partner, National Sector Leader,
Energy & Natural Resources
+1-713-319-2148
wkimble@kpmg.com

Greg Bergman
Marketing Director, Energy & Natural
Resources
+1-214-840-2426
gsbergman@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2009 KPMG International. KPMG International is a Swiss cooperative. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved. 32232HOU

KPMG and the KPMG logo are registered trademarks of KPMG International, a Swiss cooperative.