Roundtable Discussion with Secretaria de Energia (SENER) and Petróleos Mexicanos (PEMEX)

NAFTA Partnership Opportunities for Optimizing Exploration and Well Development and Production Activity in Mexico

CANADIAN MAT SYSTEMS INC.

“Rig Mats and C-Lock Interlocking Mat System”

New West Opportunities Inc.

Sheraton Maria Isabel Hotel and Suites

Cuauhtémoc, Mexico City

June 10, 2013

Introductions – Canadian Mat Systems Inc. (CMSI)

- **Canadian Mat Systems Inc. (CMSI) is a Proud Alberta-Based Matting Solutions Manufacturer and Service Provider**

- **Competitive Strengths:**

  - ✓ **Innovation**
  - ✓ **Continuous Improvement**
  - ✓ **Cost-Effectiveness**
  - ✓ **Customer-Centered Solutions**

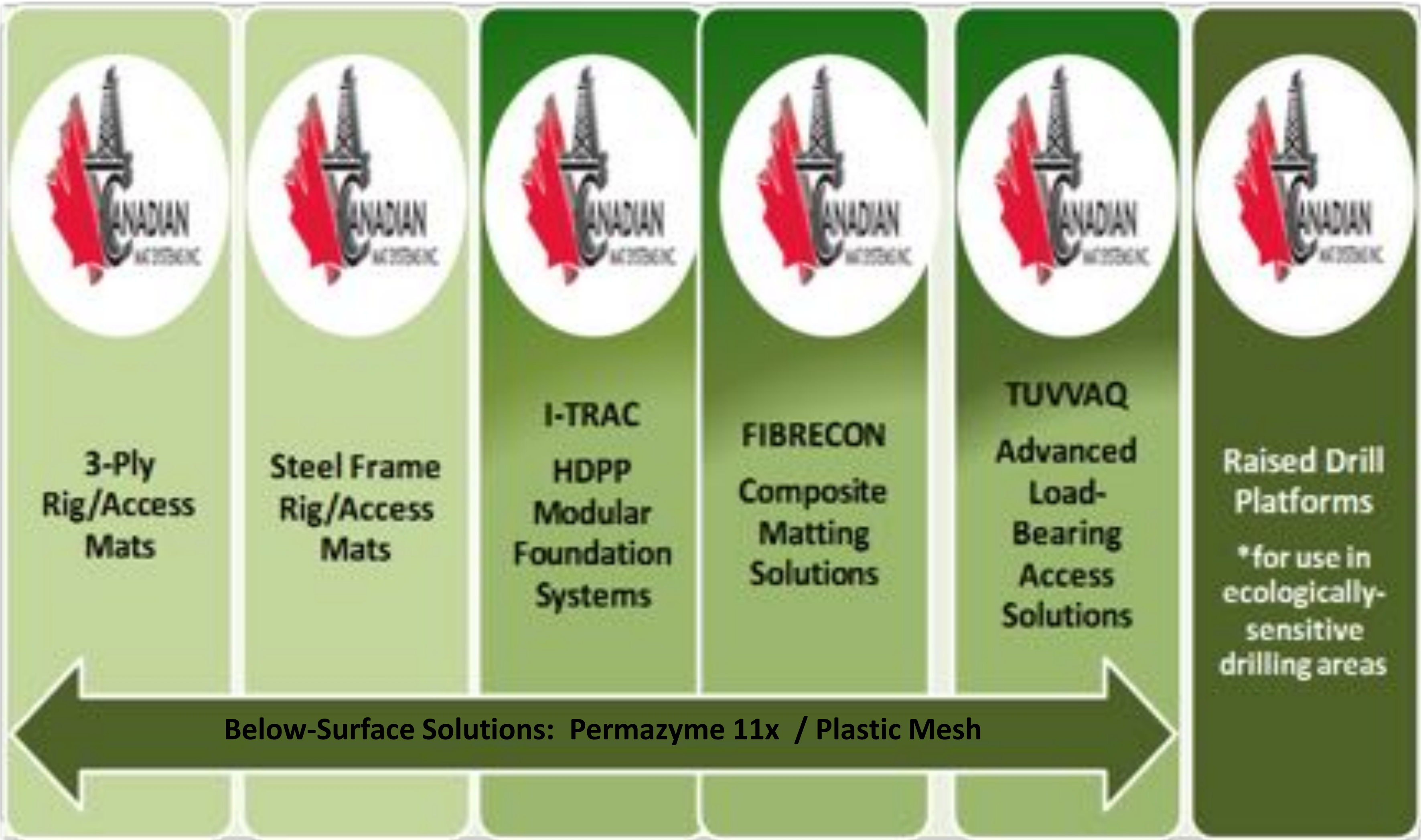
CANADIAN
MAT SYSTEMS INC.

"Rig Mats and C-Lock Interlocking Mat System"

- **CMSI's Product and Service Offering is Top-of-the-Line, Highly-Competitive and a Preferred Solution for Operators in Environmentally-Sensitive or Generally Low Weight-Bearing Soil Conditions**

- **Market Reach: Alberta, North America and International**

Introductions – Canadian Mat Systems Inc. (CMSI)



Introductions – Canadian Mat Systems Inc. (CMSI)

In response to the Minister's question at last night's Welcoming Dinner, I-TRAC has numerous potential applications, including transmission right-of-way build outs and servicing.

CANADIAN
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Introductions – New West Opportunities (NWO)

- **New West Opportunities (NWO) has Worked on Economic, Industrial and Community Development Projects for Clients Across the Americas**

New West Opportunities Inc.

CANADIAN MAT SYSTEMS INC.

"Rig Mats and C-Lock Interlocking Mat System"

- **NWO Recently Partnered with CMSI and Major North American Upstream Producers to Undertake the Detailed Well Cost Survey and 'Well Cost Optimization Strategy' Report Included in Your Briefing Packages**

Alberta Game Changer – Non-Conventional Oil

- **Alberta's three major oil sands deposits include:**

  1. **Athabasca Deposit**

     (236 billion cubic meters of initial in-place volumes of crude bitumen)

  2. **Cold Lake Deposit**

     (29 billion cubic meters of initial in-place volumes of crude bitumen)

  3. **Peace Region Deposit**

     (22 billion cubic meters of initial in-place volumes of crude bitumen)

- **For the province as a whole, an estimated 170 billion barrels are currently deemed 'recoverable.'**

Alberta Game Changer – Non-Conventional Oil

- **Alberta's oil sands have been built on a history of technological innovation and continous improvement in both operational and environmental performance.**

  - ✓ **Improvements in technical efficiency and performance.**
  - ✓ **Reductions in environmental impacts.**
  - ✓ **Improvements in overall environmental performance.**
  - ✓ **Reductions in operating cost profiles.**
  - ✓ **Increases in accessible, economically-viable reserves.**

Alberta Game Changer – Non-Conventional Oil

- **Canada's oil production is forecast to continue to increase and total almost 6.7 million barrels per day (bpd) by 2030, with Alberta's oil sands accounting for 5.2 million bpd and the rest coming mostly from Alberta and Saskatchewan conventional and tight oil production.**

Alberta Public Policy Challenges – Non-Conventional Oil

- **Overriding Public Policy Objectives:**
  - ✓ **Further Strengthen Aboriginal Partnerships and Engagement**
  - ✓ **Mitigate Environmental Impacts and Environmental Footprint**
  - ✓ **Access to Tidewater and Brent Pricing**
  - ✓ **Continue to Leverage Technology and Innovation**
  - ✓ **Awareness, Education and Communications – Facts are Our Friends!**
  - ✓ **Value-Added – Jobs, Investment, Economic Growth, Fiscal Capacity**

Alberta Public Policy Challenges – Non-Conventional Oil

- **Key Players :**

‘Crystal Ball Forecasts’ – Roundtable Discussion

- **The impact of hydraulic fracturing and horizontal drilling is fast-propelling North America towards energy self-sufficiency and is expected to spread to other countries with their own and sizeable shale prospects, such as Mexico.**

- **Despite having some of the world’s largest recoverable shale gas reserves (an estimated 681 trillion cubic feet, according to the U.S. Energy Information Administration), Mexico currently imports about a third of its annual and growing gas consumption requirements.**

- **Growth in U.S. light oil production, along with the Canadian oil sands, will represent a supply shock that, according to the International Energy Agency, will be “as transformative to the market over the next 5 years as was the rise of Chinese demand over the last 15.”**

‘Crystal Ball Forecasts’ – Roundtable Discussion

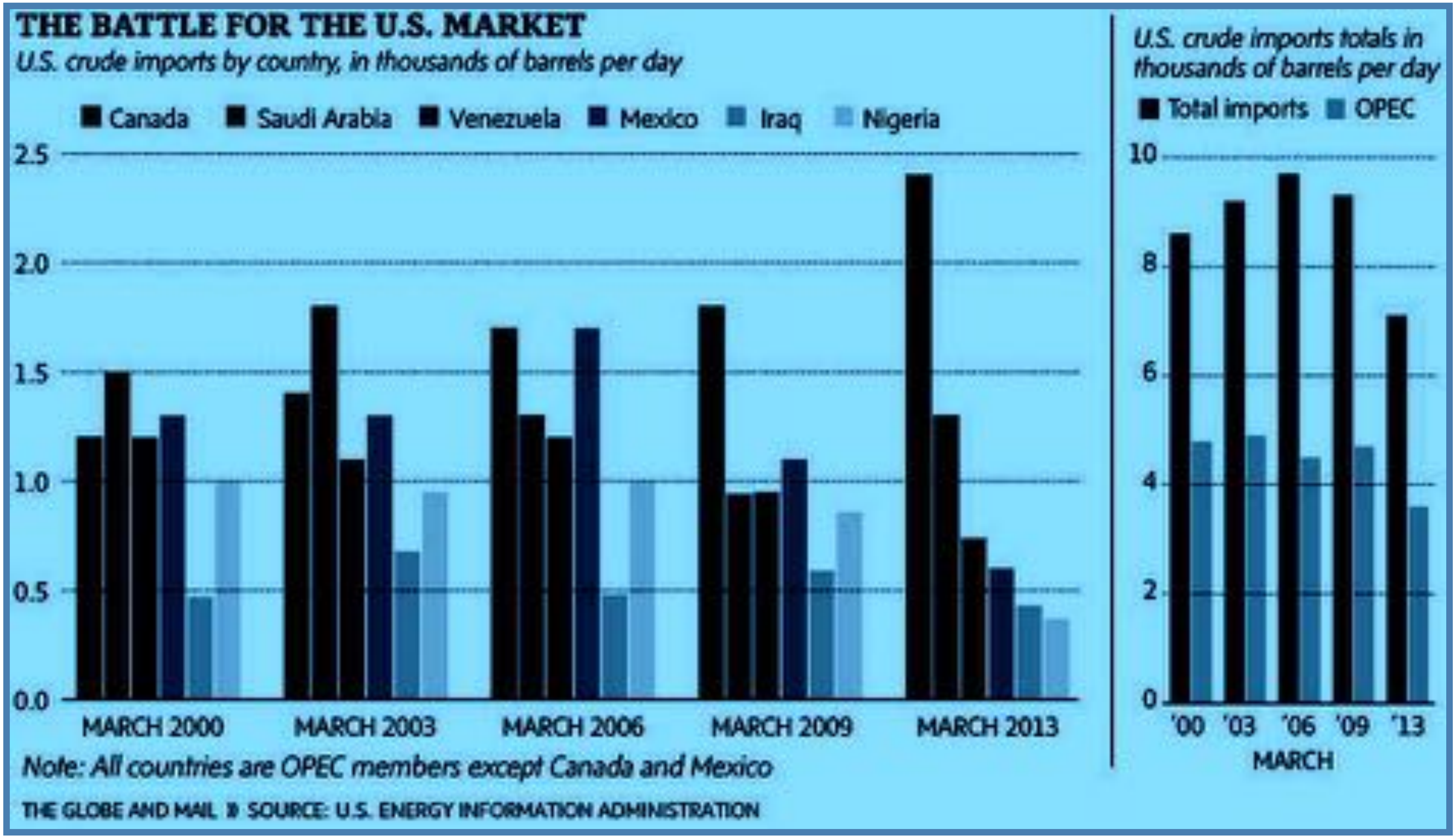
- **Fuel-Switching Opportunities: Switching from oil to gas is estimated to cut oil demand in the U.S. by about 1.8 million bpd by 2020, further contributing to a flatter demand profile for gasoline and other refined products.**

- **Keystone XL Pipeline Project: To be approved by Obama Administration later this year.**

- **‘Light/heavy’ and ‘heavy/heavy’ refinery feedstock competition to intensify along the U.S. Gulf Coast, but remain manageable for all current suppliers.**

- **Medium Term Scenario: 1 million bpd of Alberta bitumen to be refined at U.S. Gulf Coast refineries. Longer Term Scenario: 1.4 million bpd.**

'Crystal Ball Forecasts' – Roundtable Discussion



‘Crystal Ball Forecasts’ – Roundtable Discussion

- **Oil-by-rail will increasingly become a major alternative to pipelines in certain inland North American jurisdictions – currently 500,000 bpd is moving out of North Dakota’s Bakken region by rail tanker car.**

- **As requested by the Minister, my projections are for weaker Brent, weaker West Texas Intermediate (WTI) and weaker Western Canadian Select (WCS) prices over the next 12-30 months, assuming the mix of ever-present geo-political risk considerations remains somewhat in balance (sometimes a dangerous assumption).**

  - **Brent @ $88-$92 barrel.**

  - **Alberta Steam-Assisted Gravity Drainage (SAGD)**
    ‘Go-No Go’ WCS Price Threshold @ $66-$70 barrel.

‘Crystal Ball Forecasts’ – Roundtable Discussion

- **PEMEX crude production declined from just over 3 million bpd in 2007 to an estimated 2.5 million bpd in 2012.**

- **PEMEX has targeted a return to production levels in the range of 3 million bpd through exploration, ultra deep water and smaller and medium-sized onshore integrated projects.**

- **Some analysts, however, fear a further decline in production to 2 million bpd if “meaningful structural, risk-reward and both private and foreign ownership reforms” are not quickly implemented.**

Conclusions and Next Steps

- **The Detailed Well Cost Survey and 'Well Cost Optimization Strategy' Report (2012-Q3 to 2013-Q1) included in your briefing packages serves to, once again, demonstrate that current and future pricing scenarios will only focus increased attention on…**

…<u>the need to find efficiencies and cost-savings in all exploration, appraisal and well development/production activities</u>.

- **Are there NAFTA partnership opportunities for optimizing exploration and well development and production activity in Mexico? Absolutely!**

- **Can these partnerships be structured to respect and fully-maximize Mexican (service and supply) value-added? Absolutely! That's the preferred model put forward in this morning's case study on matting solutions – innovation, technology transfer and local partner/contractor high-efficiency service delivery.**

Conclusions and Next Steps

Muchas Gracias!

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