

FROM THE DESK OF INGRAM GILLMORE, PRESIDENT & CEO

We regularly include the following data populated with estimated monthly results:

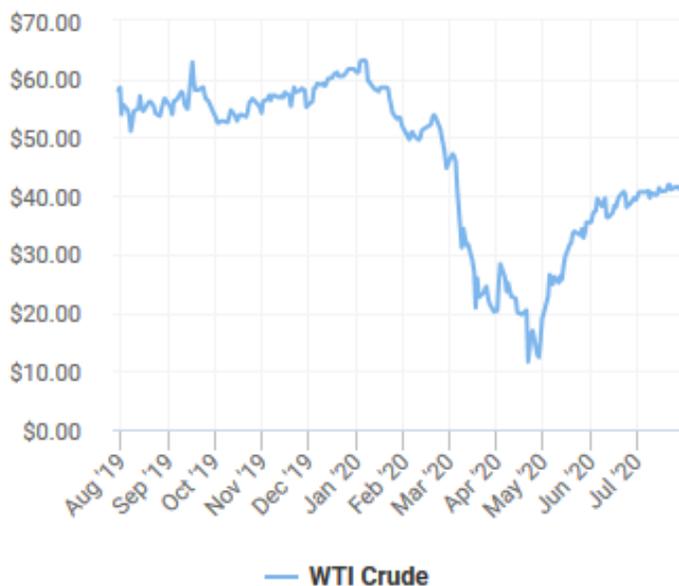
Capital * (\$k CAD)	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	20-Apr	20-May	20-Jun	Q2 20	2020 YTD
Drill & Complete	6,112	1,818	9,253	9,071	26,253	7,907	310	-1	32	341	8,248
Facilities	2,676	1,658	3,505	3,967	11,806	3,037	-235	39	98	-98	2,939
Land & Seismic	671	31	19	89	810	131	6	37	6	49	180
A&D	-1,038	-163	115	109	-977	3	0	0	0	0	3
Other	-207	-173	-977	-523	-1,880	26	-7	-37	-10	-54	-28
TOTAL	8,214	3,172	11,914	12,712	36,012	11,104	74	38	126	238	11,342

Production (boe/d) *	Q1 19	Q2 19	Q3 19	Q4 19	2019	Q1 20	20-Apr	20-May	20-Jun	Q2 20	2020 YTD
Sales	6,877	7,161	6,922	6,888	6,962	6,744	3,472	1,319	3,503	2,749	4,746
Field	6,649	6,979	6,864	6,917	6,853	6,688	4,279	1,343	3,652	3,072	4,880

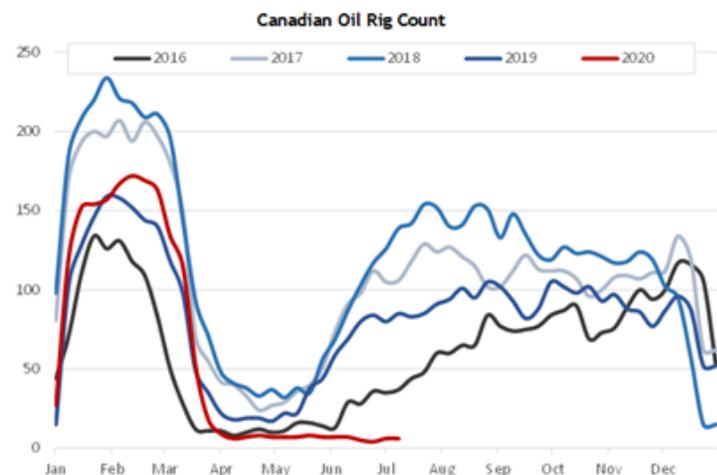
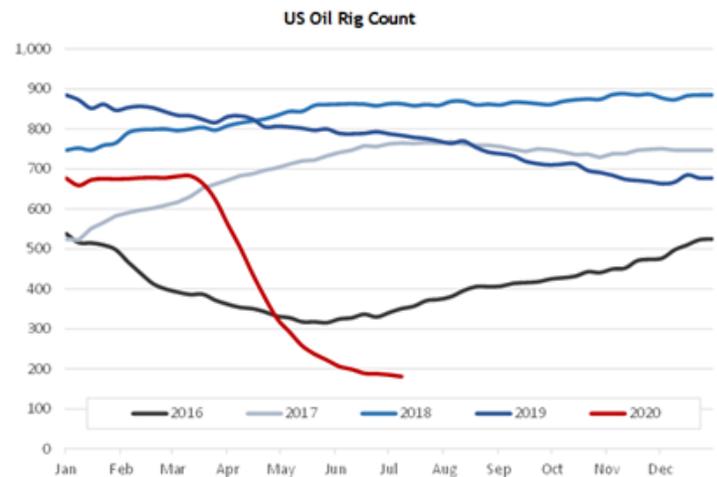
* Estimates based on field data, actuals will vary from estimates due to accruals and adjustments. Such variances may be material.

This month we compiled a selection of charts from various industry sources to assist in developing perspective on what has happened to oil prices and perhaps some indications as to what may happen from this point forward.

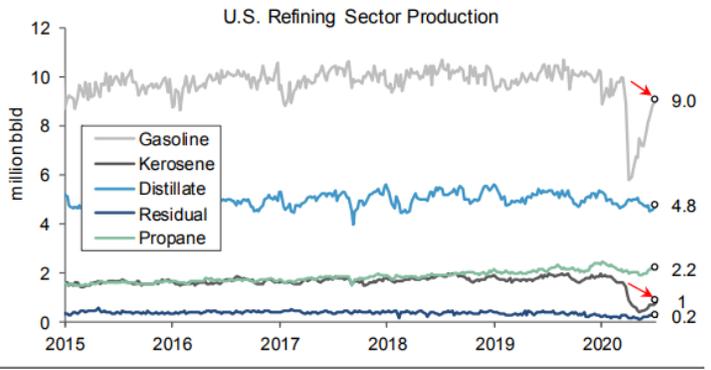
After reasonable pricing throughout most of 2019, WTI entered 2020 on an optimistic trend. However, it was short lived with the onset of the global pandemic. Fortunately, the lows of April were relatively brief and prices have since started to demonstrate some upward momentum. However, prices have been rangebound for a couple of months at levels that are not likely to spur any material investment. (Source: Oilprice.com)



The industry response to these low oil prices has been dramatic, with North American oil drilling rig counts crushed, and remaining near historic lows. (Source: Baker Hughes, NBF)

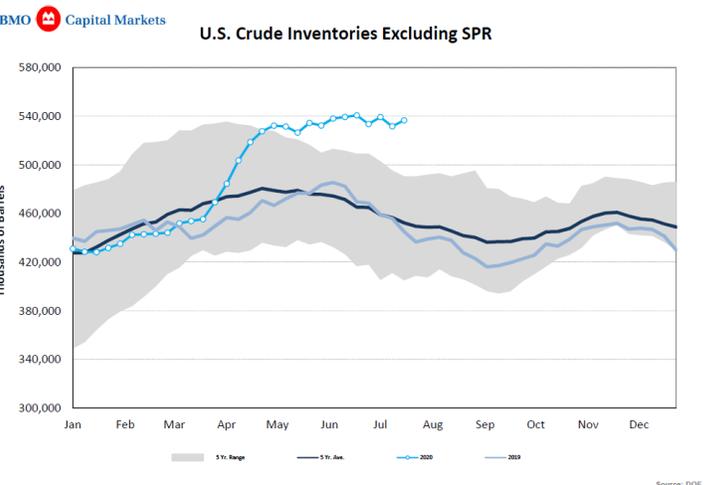


This reduced drilling activity, coupled with temporary shut-ins of uneconomic production has shown up in the weekly US oil production data (and in the Canadian data, not shown). However, the recent strengthening in oil prices has motivated some slight recovery in US production.



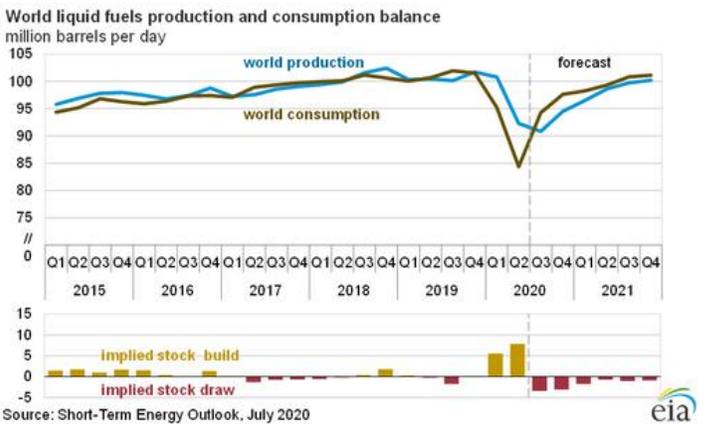
Source: DOE EIA; Scotiabank GBM

The net result of all this activity is a stabilization of US crude inventories, albeit at historically high levels.

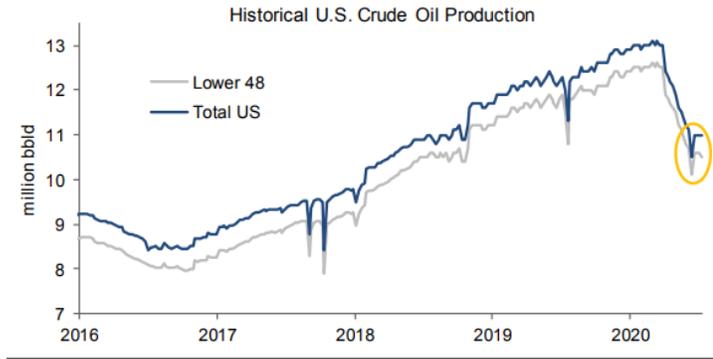


Source: DOE

Although these charts are North American focused, when you add in the rest of the world, the story looks the same. The first half of 2020 was oversupplied, and inventories have grown. The EIA forecast for the second half is to see some rebalancing with more of an undersupplied scenario. However, the wild card in this model will continue to be demand.

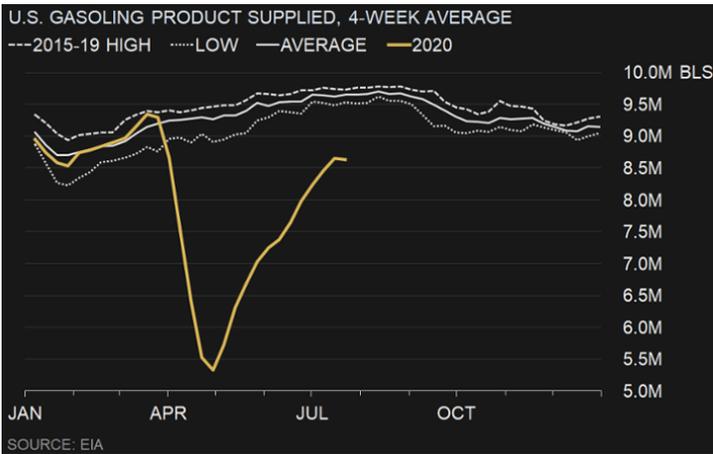


Source: Short-Term Energy Outlook, July 2020

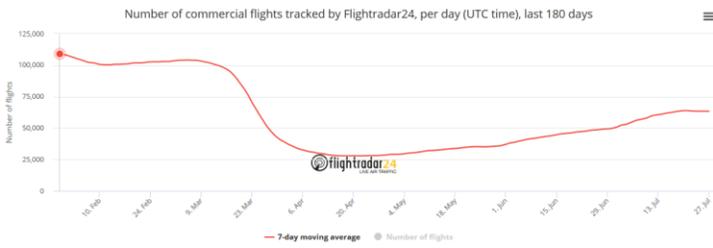


Source: DOE EIA; Scotiabank GBM.

The other side if the equation is demand, which notionally can be seen by looking at gasoline supplies and air traffic, which the charts below show have both increased off the April lows, but have since shown some signs of flattening out.

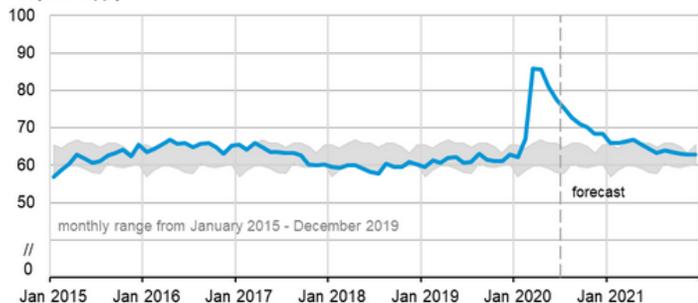


SOURCE: EIA



In addition, the US Refining snapshot demonstrates a similar trajectory, with an upward path moving well above the April lows.

Organization for Economic Cooperation and Development (OECD)
commercial inventories of crude oil and other liquids
days of supply

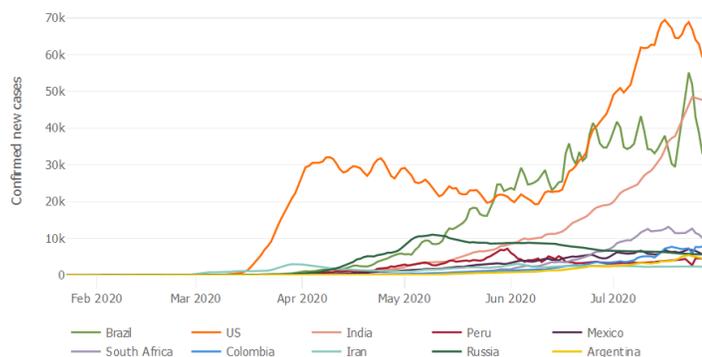


Source: Short-Term Energy Outlook, July 2020



The current primary risk to achieving normalized global liquids inventories is all about demand. The first leg of oil price strength started in early June as the number of new coronavirus cases per day seemed to be receding. Since then, many of the curves changed direction, thus putting a damper on any further price recovery. It is certainly too early to tell, but it does now appear more encouraging that the number of daily new cases may be again approaching a transition point. Only time will tell for sure.

(Source: coronavirus.jhu.edu)



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Barrel of oil equivalent ("boe") used in the monthly updates have been based on a conversion ratio of 1 barrel of oil to 6 thousand cubic feet of natural gas. A boe may be misleading, particularly if used in isolation, as such conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.