

Waha basis outlook



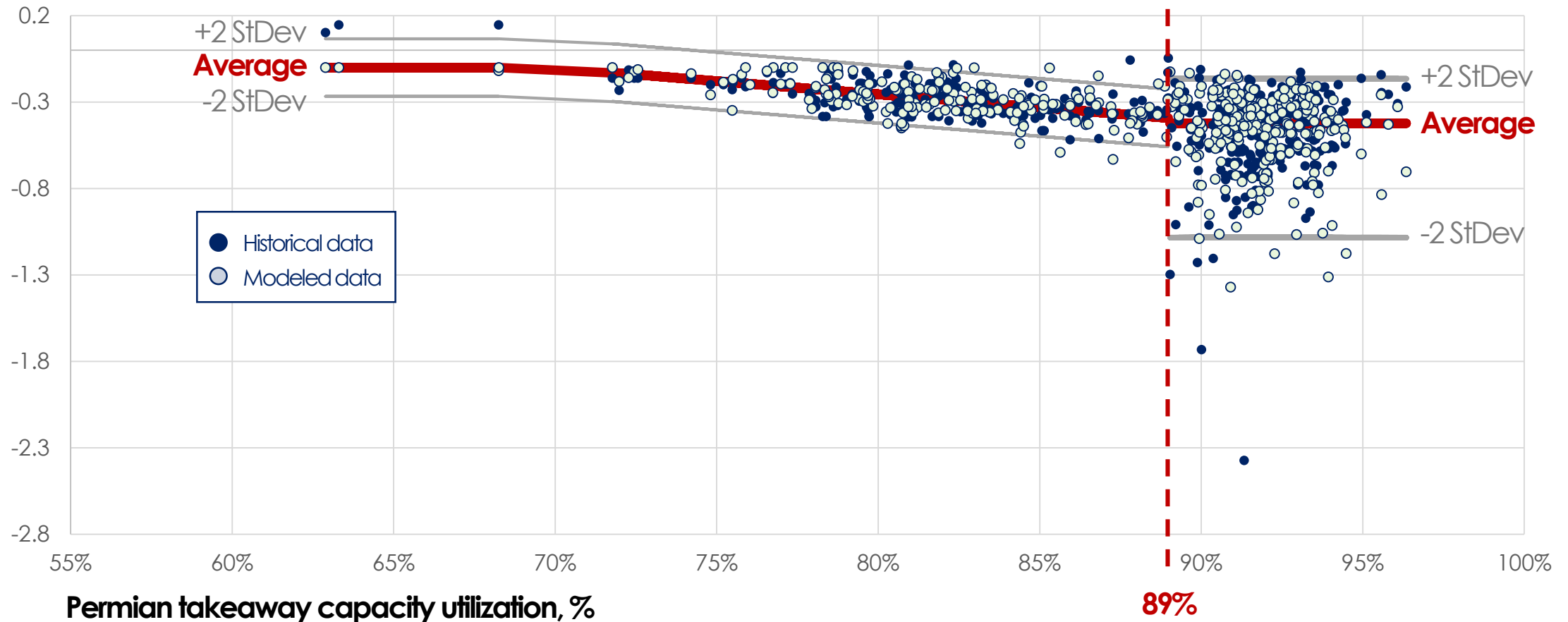
April 2019

TELLURIAN

Waha basis regression model

Historical⁽¹⁾ lookback at effective Permian takeaway capacity utilization vs. Waha basis to Henry Hub ratio

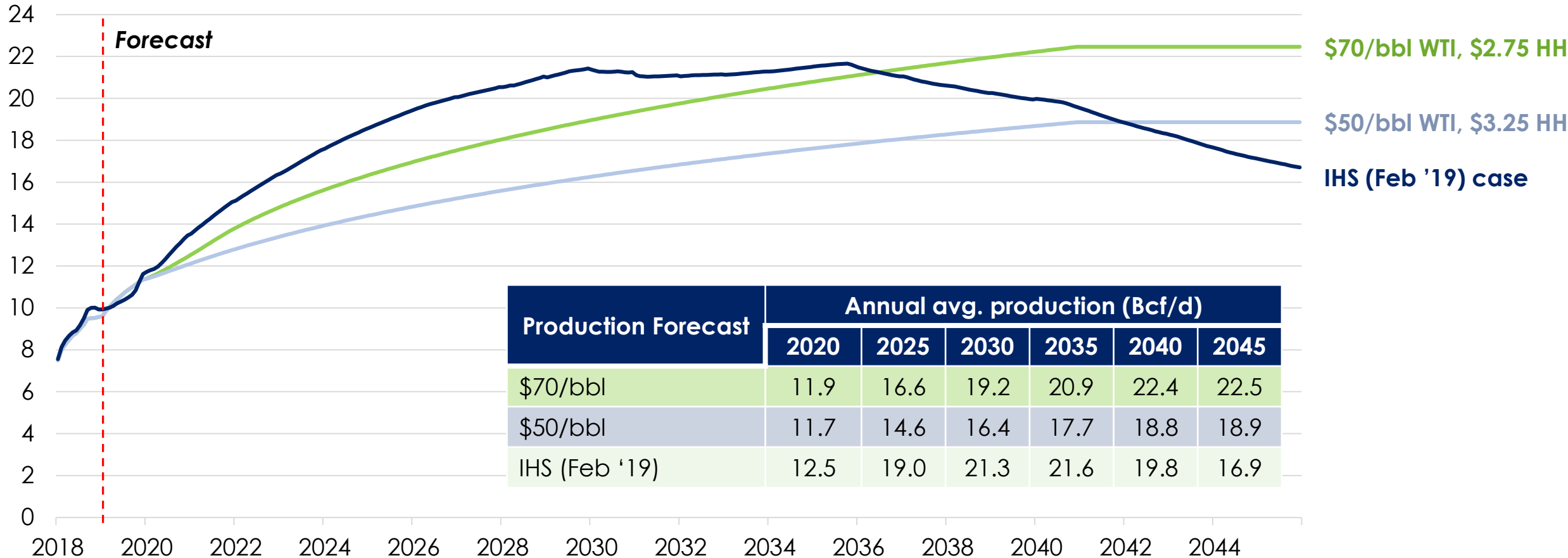
Waha daily cash basis/HH



(1) January 1, 2018 to present

Permian basin gas production scenarios

Bcf/d



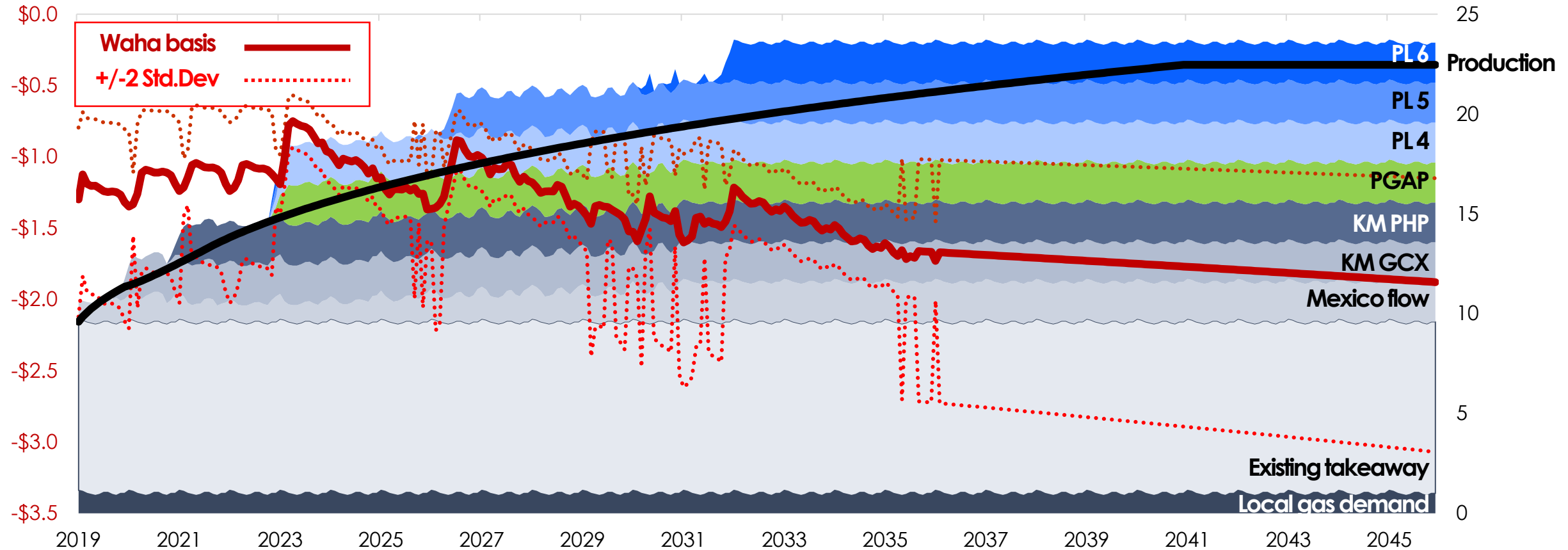
- (1) Higher oil price results in higher oil drilling activity and generates higher associated gas production from the Permian
 (2) Lower oil price results in lower oil drilling activity and generates lower associated gas production from the Permian

Methodology example¹

\$70/bbl WTI² production outlook, Current HH forward curve³

Waha monthly average basis
\$/mmBtu

Permian production/takeaway capacity
Bcf/d



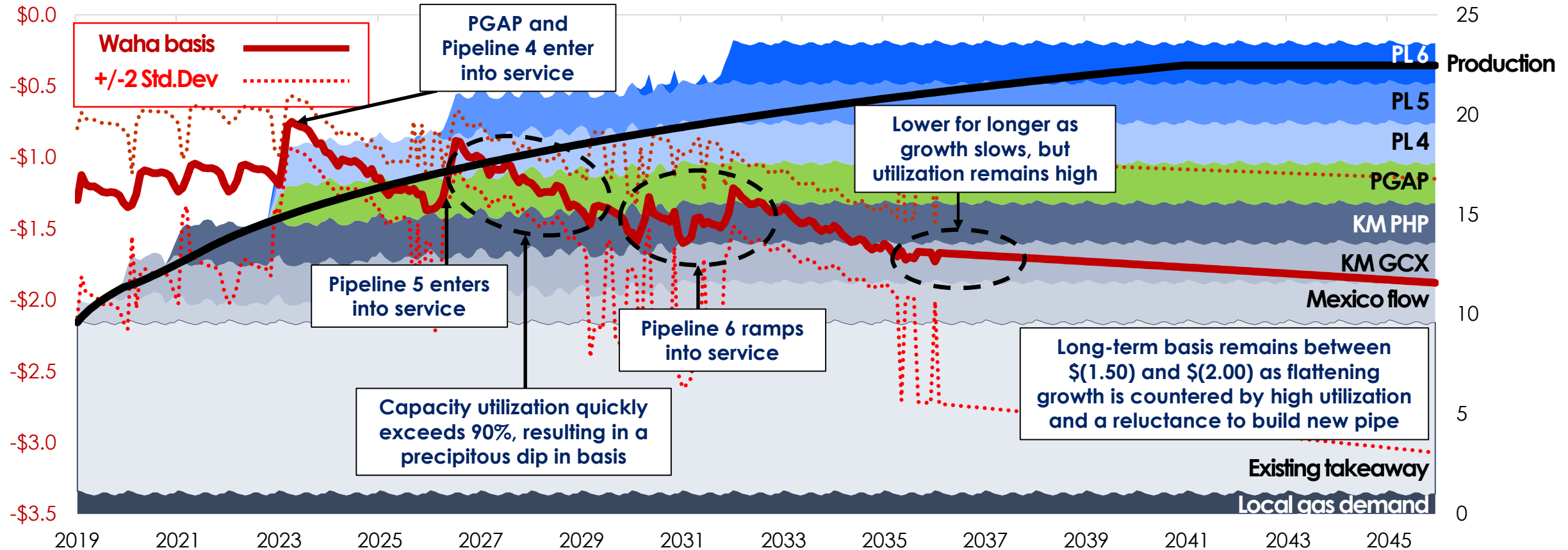
(1) Assumes minimum basis/HH ratio of -0.10 to represent marginal operating cost in overbuilt takeaway infrastructure situation; assumes maximum overbuild (takeaway capacity exceeding production of 4 Bcf/day)
(2) Assumes \$70/bbl WTI price and \$2.75/mmBtu HH prices; generates higher associated gas production from Permian
(3) Forward curve from 1st half March, 2019; escalated at 0.1%/month post 2032

Methodology example explained

\$70/bbl WTI² production outlook, Current HH forward curve³

Waha monthly average basis
\$/mmBtu

Permian production/takeaway capacity
Bcf/d



(1) Assumes minimum basis/HH ratio of -0.10 to represent marginal operating cost in overbuilt takeaway infrastructure situation; assumes maximum overbuild (takeaway capacity exceeding production of 4 Bcf/day)
(2) Assumes \$70/bbl WTI price and \$2.75/mmBtu HH prices; generates higher associated gas production from Permian
(3) Forward curve from 1st half March, 2019; escalated at 0.1%/month post 2032

Summary of results

Average Waha basis projections by scenario, \$/mmBtu

Example case (previous page)
 Exceeds required basis

**10-year
average
(2023-2033)**
\$0.65 mmBtu
required

Maximum pending capacity assumption, Bcf/day									
2.0			4.0			6.0			
Production scenarios:									
HH price scenarios:	\$50 WTI	\$70 WTI	IHS Markit	\$50 WTI	\$70 WTI	IHS Markit	\$50 WTI	\$70 WTI	IHS Markit
▪ \$3 flat	\$(1.32)	\$(1.30)	\$(1.28)	\$(1.01)	\$(1.18)	\$(1.23)	\$(0.53)	\$(0.71)	\$(0.82)
▪ Forward curve	\$(1.40)	\$(1.36)	\$(1.39)	\$(1.10)	\$(1.24)	\$(1.32)	\$(0.58)	\$(0.74)	\$(0.89)
▪ WoodMac	\$(1.26)	\$(1.27)	\$(1.26)	\$(1.00)	\$(1.13)	\$(1.19)	\$(0.54)	\$(0.69)	\$(0.82)

**20-year
average
(2023-2043)**
\$0.65 mmBtu
required

	Production scenarios:								
HH price scenarios:	\$50 WTI	\$70 WTI	IHS Markit	\$50 WTI	\$70 WTI	IHS Markit	\$50 WTI	\$70 WTI	IHS Markit
▪ \$3 flat	\$(1.29)	\$(1.31)	\$(1.21)	\$(1.07)	\$(1.17)	\$(1.03)	\$(0.62)	\$(0.76)	\$(0.68)
▪ Forward curve	\$(1.56)	\$(1.59)	\$(1.46)	\$(1.32)	\$(1.45)	\$(1.23)	\$(0.75)	\$(0.94)	\$(0.82)
▪ WoodMac	\$(1.67)	\$(1.69)	\$(1.54)	\$(1.41)	\$(1.54)	\$(1.26)	\$(0.81)	\$(1.03)	\$(0.84)