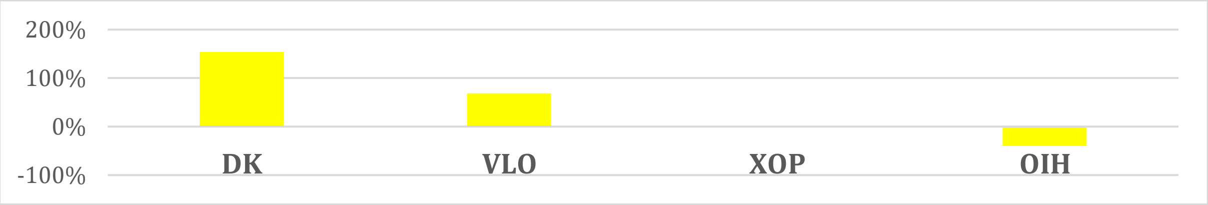
MERIDIAN IS UNIQUELY POSITIONED

In light of the recent capital and energy market volatility due to the near-term impact of the Coronavirus on hydrocarbon demand and resulting short-term oversupply of crude oil, Meridian has received questions as to what this all means for the long-term prospects of our Company. Thus, **we highlight below**: **(a)** the performance of the refining industry through the latest previous downturns; **(b)** impact on the broader refining industry and Meridian's existing competitive advantages and positioning; and, **(c)** the strong demand response that occurs coming out of periods of low market prices.

Regarding performance and value creation, our expectation is for the refining industry to be the best performing asset class intermediate and longer-term within the energy value chain. Oil prices bottomed at $26.21 bbl in **February 2016**. The equity share prices for Delek and Valero – which are the pure play refiners – over the next four years increased by 154% and 69% respectively. In contrast, the XOP (Energy Exploration & Production ETF) declined 1% and OIH (Oilfield Service ETF) fell by 40% during the period.

Pure Play Refiner Share Price Performance vs E&P and Oilfield Service



Meridian's Davis Refinery is not scheduled to come online until the second half of 2023 and Meridian is not impacted by the shorter-term issues affecting the energy and financial markets. In fact, these negative events strengthen the Meridian investment case intermediate and longer-term as:

(1) Cash flow for the integrated oil companies will decline significantly over the next two years, thereby accelerating underinvestment in refining, which in turn increases the already high operational risk on an aging infrastructure. The current refinery network around Meridian's Davis Refinery was already challenged and now there is real risk that older refineries in the region will be impaired or shut down.

(2) Meridian is uniquely positioned to capitalize on these accelerating industry structural disadvantages. The Davis refinery will:
(a) have the highest light product yield in the industry;
(b) have access to the most advantaged product markets; while
(c) processing light sweet low sulfur shale crude at a discount with low operating costs;
(d) running at reliable high utilization rate; and,
(e) being fully environmentally compliant with a fraction of the emissions footprint relative to the industry.

(3) Long-term refined product demand trends for diesel and gasoline remain strong, are expected to strengthen in a downturn and subsequent recovery while risks to security of product supply increase. Historically, demand shocks have led to significant and sustainable demand strength.

MERIDIAN ENERGY POST OPEC

Saudi Arabia/Russia/OPEC – What Happened:

Concerns from Saudi Arabia that 2020 global oil demand was going to be constrained longer than expected as a result of the global impact of the Coronavirus led Saudi to the conclusion that additional oil volumes needed to be taken off the market.

As background, the original OPEC Plus agreement – which included Russia – required Saudi to cut the majority of volumes and in order to ensure a more balance & stabilize the market, Saudi cut an additional 500 KBD. As a result of the 2020 oil demand concerns, Saudi Arabia asked Russia for an additional cut with the agreement that OPEC – mainly Saudi – would make incremental production cuts as well.
Russia refused and their existing cuts – already in question – just reiterated to Saudi their lack of true cooperation.

The Saudis concluded that it was impractical for them alone to bear the brunt of all the additional output cuts - again – given the backdrop of:

(1) a softer 2020 global oil demand environment

(2) the reality of the ineffectiveness of the current OPEC Plus agreement where Saudi Arabia is already: a) giving up significant market share - b) lack of compliance from Russia - c) no material improvement in the oil price over the past 18 months - d) while U.S. shale production stills shows significant growth

(3) Saudi existing light oil exports to the U.S. at historic lows which is unsustainable medium/longer term

(4) any further cuts having to come primarily from Saudi – which would further erode their market share - and given near-term demand concerns not likely to lead to any material oil price increase

As a result - as they have done before - Saudi Arabia chose to increase production and take prices lower in order to “reset” the fundamentals of the oil market medium and longer-term. The Saudis are sacrificing oil price near-term for higher prices and more stable market share longer term with the goals being:

(1) get through the lower demand environment in 2020 caused by the Coronavirus

(2) with lower prices stimulate a stronger demand recovery coming out of this downturn

(3) shutdown incremental investment in oil sands, deepwater exploration & development and alternative energy investment

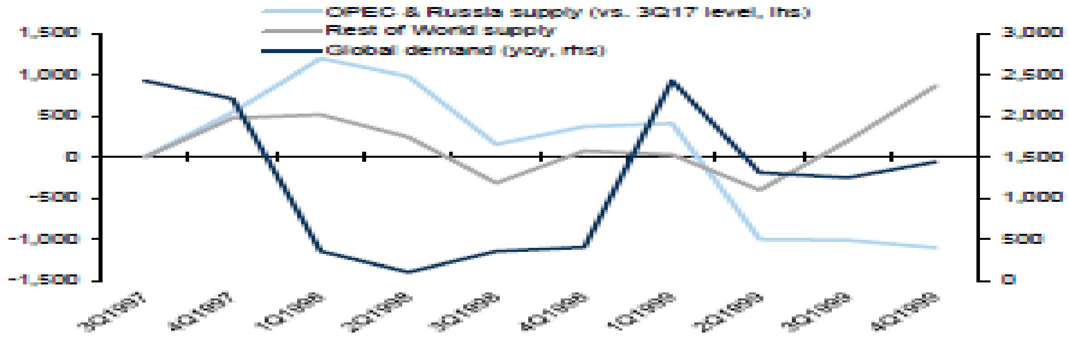
(4) given the significant amount of oil that is already available on the market and the shorter cycle nature of U.S. shale - where production can be brought to the market much quicker – shut down the marginal higher cost producer

(5) Over time - the next 12-18 months - start bringing global oil inventories into better balance to support a more sustainable higher oil price with the combination of lower global investment and strengthening demand.

Impact on the Energy Industry – Structural Changes

For perspective, Saudi Arabia has increased production to defend market share before which eventually took WTI oil prices below $30/bbl on several occasion over the past 20 years. Highlighted below is the 1998-1999 oil price collapse which was driven by similar dynamics. Asian financial crisis led to lower demand in the face of increasing OPEC production. It is important to note the duration – while 1998 was challenged – strong recovery began in 1999.

1998-1999 Oil Price Collapse…Duration…And Subsequent Demand Recovery

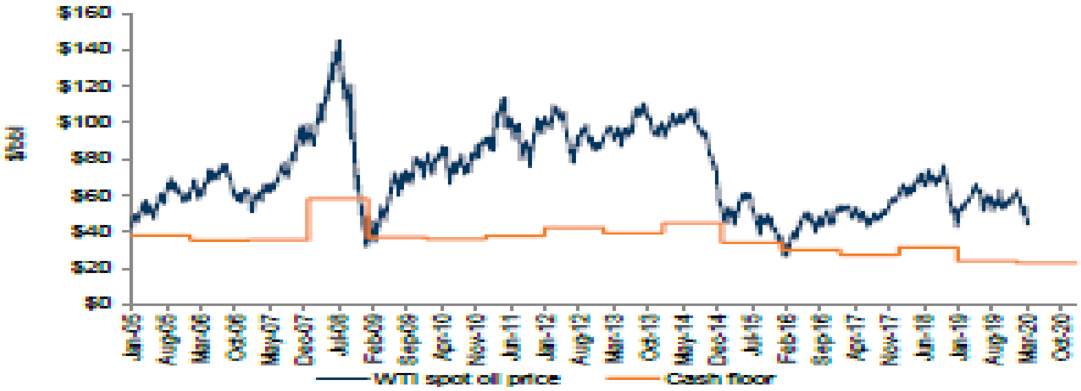


Source: IEA

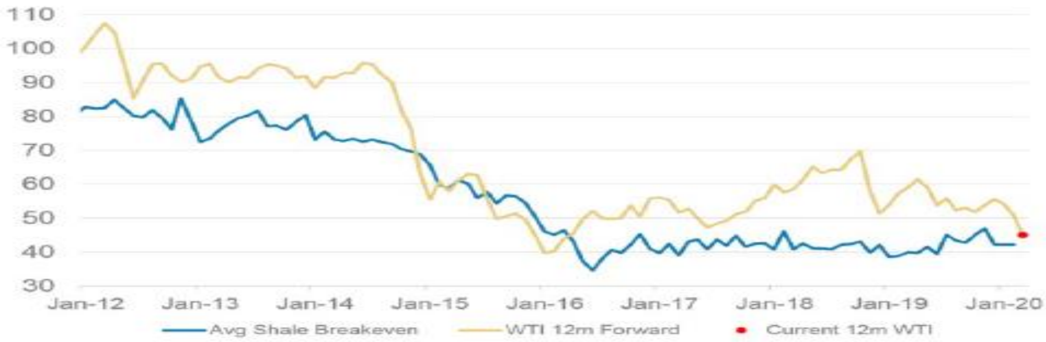
A similar situation occurred at the November 2014 OPEC meeting where the Saudi's blocked a call from other OPEC producers for additional cuts which sent oil prices to the levels we current see today. While it took a more time for the full impact to be felt prices moved to the low $40's in Q4205 before bottoming on February 11, 2016 at $26.21 bbl.

$26.21 bbl back in 2016 is close to the pre-market lows that occurred on Sunday, March 8, 2020 before prices moved back above $30/bbl which are industry cash cost and breakeven levels. The market is efficient and has learned from history and immediately took oil prices to a level that warranted a significant capital investment response based off of previous cycles.

Historical WTI Prices vs Industry Cash Costs



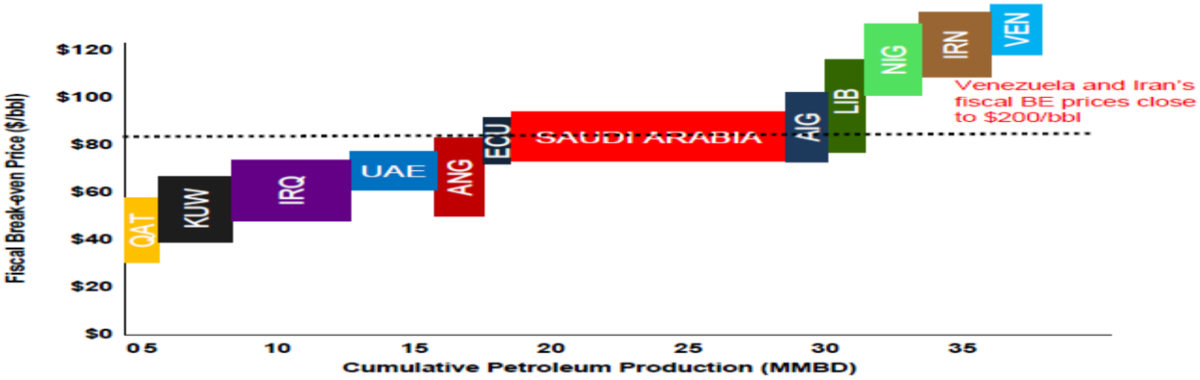
12 Month Forward WTI vs U.S. Shale Industry Breakeven – Price Has Tracked Shale Breakeven



Source: Rystad, Morgan Stanley Research

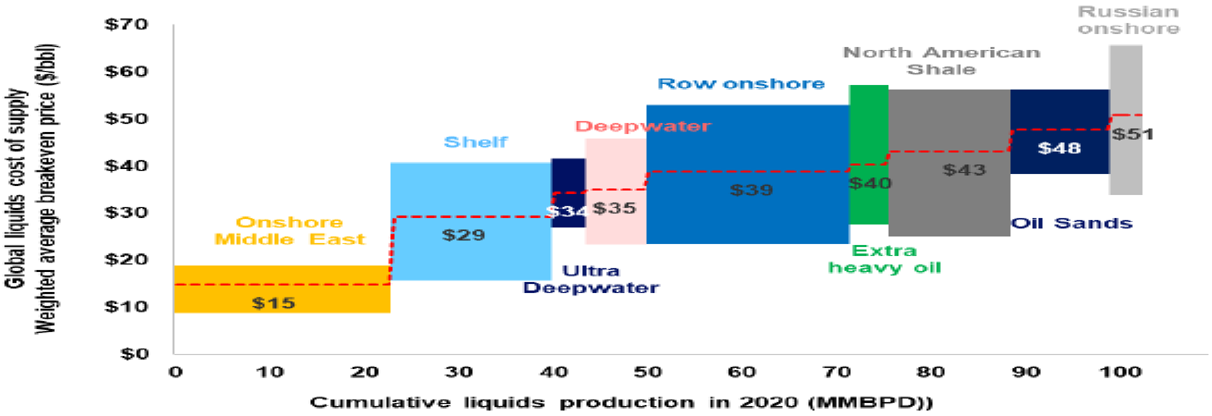
Oil prices can stay at these levels but for how long? Off the February 2016 bottom, it took until March 17 to move back above $40/bbl and until June 7, 2016 to trade back above $50 bbl. It is unreasonable to think that prices can stay below $40 bbl for a significant period given the prices required for budget breakevens.

OPEC Budget Breakeven Oil Prices - $80/bbl on Average Required



Source: IMF

Non-OPEC Investment Breakeven

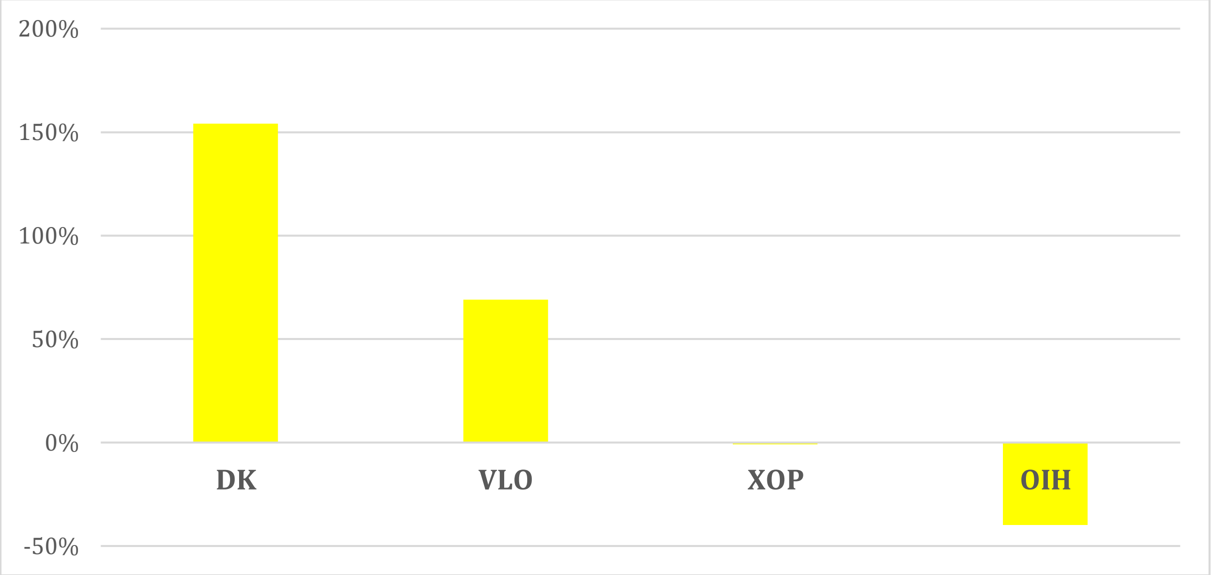


Source: Rystad

As the oil market was going through a downturn and an eventual recovery, the U.S. Refiner shares meaningfully outperformed other parts of the energy value chain. Since the February 2016 oil price lows through the end of 2019, equity share prices for pure play refiners increased substantially while other major portions of the energy sector underperformed.

Pure play refiners – large cap Valero and small cap DK – which are a good representative subset of the refining industry, increased by 69% and 154% respectively. The XOP (Energy Exploration & Production ETF) which was flat and OIH (Oilfield Service ETF) declined by 40%.

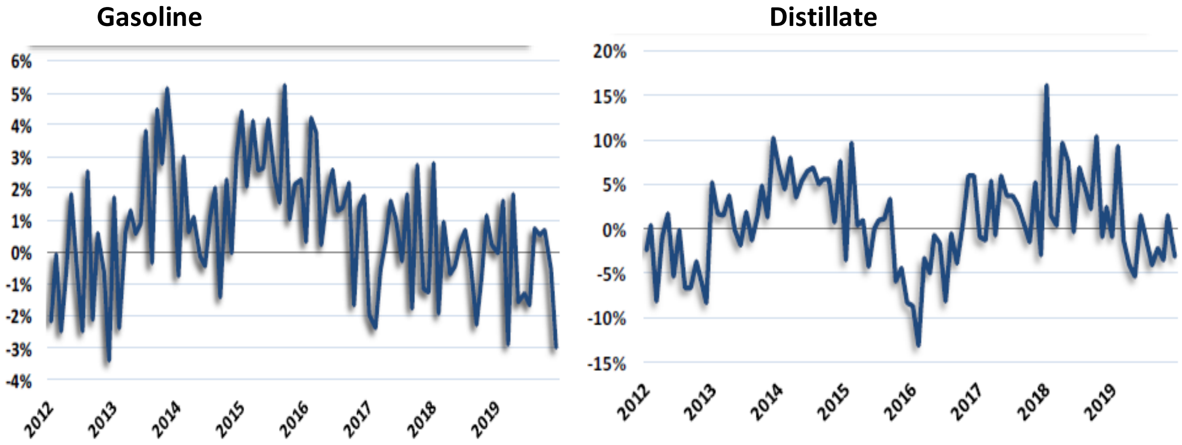
Pure Play Refiner Share Price Performance vs E&P and Oilfield Service



Meridian Investment Case – Well Positioned Going Forward:

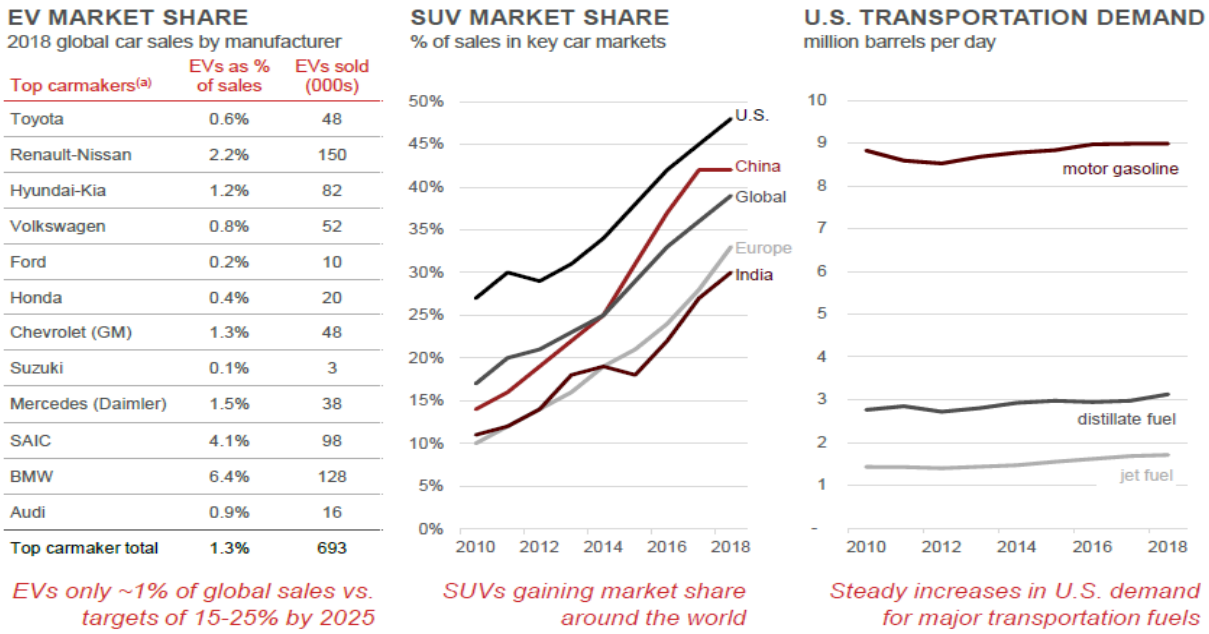
Longer Term Product Demand Remains Favorable and Alternatives Likely Priced out of the Market

Monthly % Change U.S. Gasoline & Distillate Demand – Response on 2014 Oil Decline & 2016 Price Low



Source: EIA

EV Market Share – SUV Market Share Rising Especially at Lower Price:



EV MARKET SHARE

2018 global car sales by manufacturer

Top carmakers[a]	EVs as % of sales	EVs sold (000s)
Toyota	0.6%	48
Renault-Nissan	2.2%	150
Hyundai-Kia	1.2%	82
Volkswagen	0.8%	52
Ford	0.2%	10
Honda	0.4%	20
Chevrolet (GM)	1.3%	48
Suzuki	0.1%	3
Mercedes (Daimler)	1.5%	38
SAIC	4.1%	98
BMW	6.4%	128
Audi	0.9%	16
Top carmaker total	1.3%	693

EVs only ~1% of global sales vs. targets of 15-25% by 2025

SUV MARKET SHARE

% of sales in key car markets

50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2010
2012
2014
2016
2018
U.S.
China
Global
Europe
India

SUVs gaining market share around the world

U.S. TRANSPORTATION DEMAND

million barrels per day

10
9
8
7
6
5
4
3
2
1
-
2010
2012
2014
2016
2018
motor gasoline
distillate fuel
jet fuel

Steady increases in U.S. demand for major transportation fuels

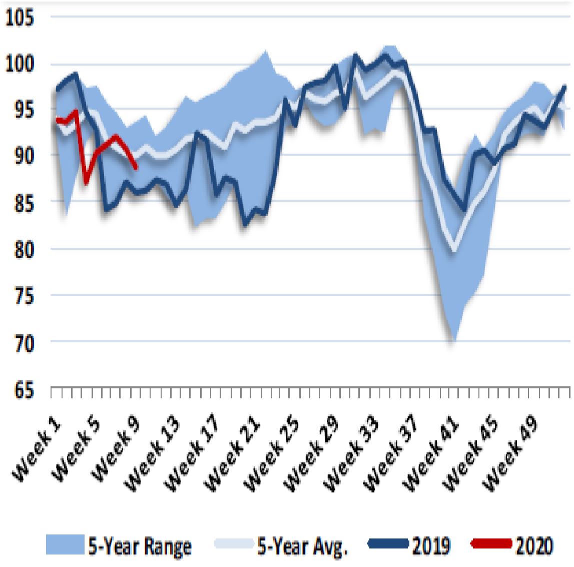
Source: Kinder Morgan, EIA

Structural Refining Case Remains Unchanged:

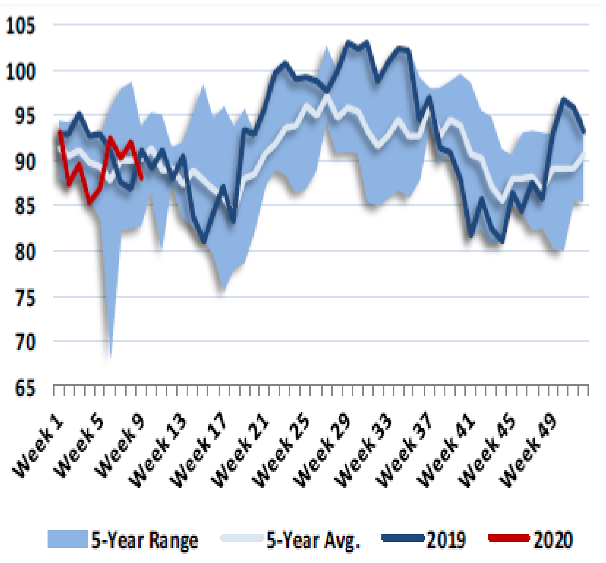
Industry has been running at historical high utilization putting increased pressure on refining assets.

PADD II and PADD IV High Utilizations Putting Stress the System:

PADD II



PADD IV



Source: EIA

Current Market – Capital Allocation Priorities for Existing Public Refiners:

(1) ***Valero:*** not an incremental buyer – focused on their own network - low cost operator in the industry

(2) ***Phillips 66:*** older asset base where they have invested maintenance capex – priorities for capital allocation have been growth of midstream and chemicals businesses

(3) ***Marathon Petroleum:*** still integrating TSO acquisition while dealing with higher maintenance capex along with activist investors and potential spinoff or monetization of retail business

(4) ***PBF:*** recently purchase of Martinez refinery and integration – not a buyer of additional assets

(5) ***Holly Frontier:*** new CEO not a buyer of assets and focused on operational and cost improvements as existing refining system has experienced much lower utilization and higher costs

(6) ***Delek:*** not an incremental buyer of older refineries – capital focus has been on strengthening their midstream business to give them additional crude optionality around running light sweet shale barrels

(7) ***CVI:*** management tried to sell the company over the past two years – there were no buyers

Just as important, the cash flow generation is now significantly lower for the integrated oil companies with the risk now that marginal assets for these companies no longer get funded or supported – especially older refineries. This is a significant step change and will have a material impact on many of the major oil company refining assets, especially in the United States given the capex and re-investment required to keep them running.

Refineries in the Region Remain Challenged – With Many for Sale or at Risk of Being Shutdown
Assets for sale in the region that Meridian's Davis refinery will operate in are highlighted below. Per the narrative above surrounding the capital allocation priorities for the existing public refiners – there appears to be no material buyers for any of the assets that are for sale below. This dynamic on serves to magnify the "structural and security of supply issues' in the region that Meridian operates in.

(1) ***Husky Superior Refinery:*** explosion and has been closed – market still not clear on timeline for restart and serious questions remain within the industry on whether the refinery will be operational again

(2) ***Exxon Billings Refinery:*** for sale – not likely to have a buyer – and lower cash flow at current oil prices and existing capital commitments elsewhere for XOM present re-investment challenges

(3) ***Calumet Billings Refinery:*** CEO just recently stepped down – 24 KBD Billings refinery now going through a strategic review – no likely buyers and high likelihood the asset gets permanently shut down

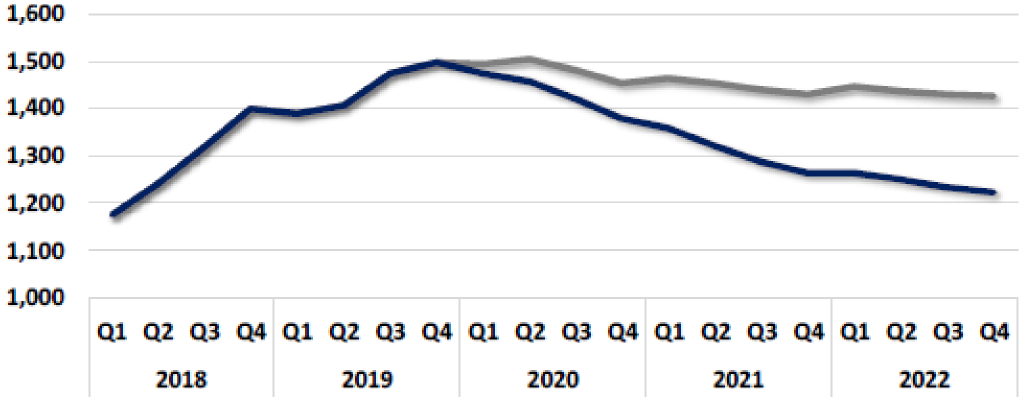
(4) ***Shell Puget Sound:*** refinery for sale – similar to Exxon, Shell does not have the cash flow available in this downturn to re-invest in the asset if no buyer can be found

(5) ***Marathon Petroleum Salt Lake City:*** refinery also for sale – one of the worst performing assets in the Tesoro portfolio that MPC purchased – limited buyers as CVX and HFC already operate refineries in Salt Lake City

Bakken Production – Significant Production Whose Barrels Need to Find a Home
For perspective, last cycle the basin peaked at around 200 rigs with production of 1.25 mmbpd and bottomed at 25 rigs and 900 KBD of production. The 2019 exit rate production of around 1.5 mmbpd was

at 50 rigs so any downturn in production will likely to be at a higher floor than previous cycle. The chart below profiles Bakken production over the next several years assuming the rig count drops from 50 to 35 rigs over the next several months.

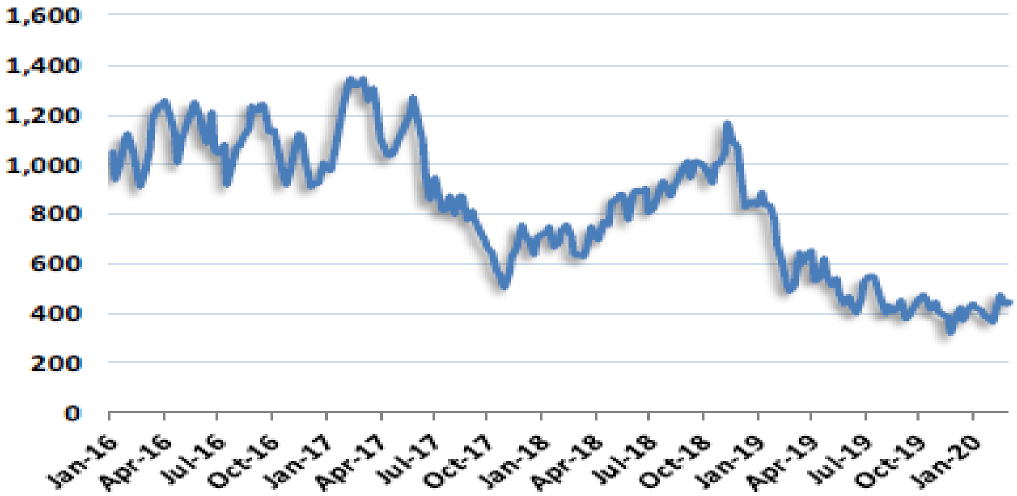
Potential Bakken Oil Supply Outlook – Still at a Higher Floor than Previous Downturn



The Bakken barrel is furthest from market and competing with other light shale barrels from other basins. Trying to find a home with existing refiners in the U.S. will continue to be challenging as the current refining system is at maximum capacity to run light shale crude – a dynamic that is not changing anytime soon.

As a result, the Bakken barrel has increasingly needed to move to the Gulf Coast in order to find an export market. This will now be made even more difficult by significantly more light oil in the market from Saudi Arabia globally being marketed at wider discounts in order to protect market share.
This production increase from Saudi corresponds with light sweet crude oil imports from the Kingdom at historic lows – a level that will materially increase over the near-term.

Saudi Arabia Crude Exports to the U.S. – At Historic Lows…But Will Rise Significantly



Source: EIA

Meridian Differentiation - Capitalizing on the Industry Structural Disadvantages
Configured to maximize light product yield (52% diesel/42% gasoline) to be placed in advantaged markets …running light sweet low sulfur shale crude at a discount…with low operating costs…at a high utilization with limited maintenance cycles …fully environmentally compliant…while providing security of supply in a region that is encountering structural inefficiencies…strong demand and high margins