Industry Momentum Benefits From D.C. Inertia

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Overview

- The Industry Momentum
- Political Landscape Changes
- Fighting Inertia
- Political Landscape Changes, Part 2
- Looking Forward
Shale reserves of 827 TCF, up from 347 TCF in 2009

Potential total natural gas resources of 2,552 TCF, with a U.S. consumption rate of 22.8 TCF/year = 110 year supply

U.S. crude oil production increased 7% in 2009, first time since 1970

These numbers due in part to technologies developed in a more “industry friendly” political, pricing environment
Political Climate Change, Part 1

- 2008 - Obama elected; joins Democrat-controlled Congress in Washington, D.C.

- Climate change and energy legislation move to the top of the agenda

- Congressional natural resource and energy committees become ideological posts

- Continuing economic slump stifles growth

- Macondo
I'M FROM THE GOVERNMENT, I'M HERE TO HELP
Two years of fighting

- Repeal independent producer tax provisions worth $31B
- Incentivize and subsidize new “Green Economy”
- Completely ignore benefits of clean, domestic natural gas

EPA attempts to assume state regulatory roles
- Hydraulic fracturing – front and center; numerous attempts to regulate, study, and force disclosure
- Water – ground water usage and produced water disposal
- Air – emission testing
Political Climate Change, Part 2

- 2010 elections change political landscape; divided power
- Common ground and compromise, or gridlock?
- Economic recovery slow, but present
- Supply contractions from regulatory actions have consequences
- Macondo & Beyond
Producing States – Not Just the Proud Few

Shale Gas Plays, Lower 48 States

Source: Energy Information Administration based on data from various published studies.
Updated: March 10, 2010
Looking Forward

- Shale revolution leads to increased number of producing states:
  - More allies in D.C., but more opponents as well
  - More everyday Americans positively & negatively impacted by industry
- Push to increase natural gas demand
  - Transportation fuel: passenger cars and long-haul trucks
  - Electric generation
  - Industrial consumption
QUESTIONS?