Natural Gas – Our National Treasure

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Washington, DC

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SWN Ranked 5th in U.S. Gas Production

US Lower 48 Gas Production Sorted by 1Q13 (MMcf/d)

SWN is 5th overall as of 1Q13

Source: Public company reports, Southwestern Energy
Where do We Deliver?
Producers Role in Supplying Gas

1. Fayetteville Gas
   From gathering lines, gas is delivered to transmission lines (TGT, FEP, OST, CEOT, NOPL), which delivers to downstream markets.

2. Delivery
   Gas is delivered to downstream markets at Bald Knob, Lula onto the Gravette lateral, and onto FEP.

3. Bald Knob
   Bald Knob offers delivery to Midwest markets via NOPL-CCOW, and ANR pipelines, as well as East markets via TETCO M1-28, TGT’s Fayetteville Lateral, and FEP.

4. Lula
   At Lula, gas can be sold at Texas Gas Zone 1 or gas can be shipped downstream.

5. FEP
   FEP offers delivery to Northeast and Midwest markets via TGT Z1, ANR, and Trunkline Z1A.

6. Greenville
   The Greenville Lateral offers delivery to Northeast markets via Trunkline Z1A, CEOT Mainline, TETCO M1-28, and delivery to Southeast markets via Sonat. We also backhaul gas on ANR and Columbia, which delivers to Southwest markets via Florida Gas Transmission and Sonat.
Where do We Deliver?
Producers Role in Supplying Gas
Abundant Supply & Growing

Estimates of U.S. Recoverable Natural Gas
(TCF – trillion cubic feet)

Potential Shale Gas Resources
Other Potential Natural Gas Reserves
Total Reserves (uncategorized by source)

Sources:
ICF: As reported in MIT Energy Initiative, 2010, The Future of Natural Gas, interim report; Table 2.1
EIA: 2012 AEO, June 2012
PGC: Potential Gas Committee’s Advance Summary and press release of its biennial assessment; see www.potentialgas.org
NPC: Realizing the Potential of North America’s Abundant Natural Gas and Oil Resources Johns Hopkins University; Prudent Development Study 2011
Where Will the Gas Come From?

Source: EIA, Annual Energy Outlook 2013
US Shale Plays
Natural Gas Growth Areas

May 31, 2013

Barnett Shale

Eagle Ford Shale

Marcellus (PA only)

Fayetteville

Haynesville

(Based on data from Baker Hughes, PIRA, Platts & EIA)

★ PIRA Pipeline Flow Data: Haynesville includes both Texas and Louisiana
Trends in Demand—EIA’s View in 2013

U.S. Natural Gas Demand
(billion cubic feet per day)

Historic
Projected

Electric Power
Industrial
Commercial
Residential
LNG Exports
Gas to Liquids
Transportation

Projected Data Source: EIA Annual Energy Outlook:2013, early release
Historic Data Source: EIA Natural Gas Monthly, February 2013
Why Natural Gas is our National Treasure

• The unconventional Gas paradigm has created a new world with long term low price implications.

• Shale plays are larger than seen over the last century and they are getting better in both quality and efficiencies.

• Producers time frames are months and years.

• Basic industry strategies drive gas prices and volatility lower.
Today’s Amazing Production Response to Rig Count?

Gas Price, Rig Count and Gas Production

Gas Production

Gas Rigs

Rig Count/100 and NYMEX Price

Gas Rigs / 100 and NYMEX Price

Bcfd / 1
Current Demand compared to Production

Source: EIA – 12 Month Rolling Average of Production and Demand
Natural Gas Price Response

Gas Price, Rig Count and Gas Production

- Production
- Gas Rigs
- Gas Price

Graph showing the relationship between Gas Price, Rig Count and Gas Production over time.
Natural Gas Growth Areas

May 31, 2013

(Based on data from Baker Hughes, PIRA, Pi/Dwrights & HPDI)

★ PIRA Pipeline Flow Data: Haynesville includes both Texas and Louisiana
Natural Gas – A National Treasure
US Wins

Henry Hub and European Import Prices, 2003-2012

European Import

Henry Hub

$675 Billion cost advantage 2008-2012
What Must We Do as a Country to Maximize This National Treasure

• Most Producers deliver to liquid sales points through firm transportation agreements – the market must take the firm supply from these points.

• Additional mainline pipelines and market area storage infrastructure is needed to serve the growing load which results from incremental power generation, industrial, chemical and commercial loads.

• Innovative regulatory solutions at the state and national level are needed to supply incentives to put the needed pipeline and market area storage and infrastructure into place.

• The gas producing industry has delivered and will continue to deliver in the future!
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