



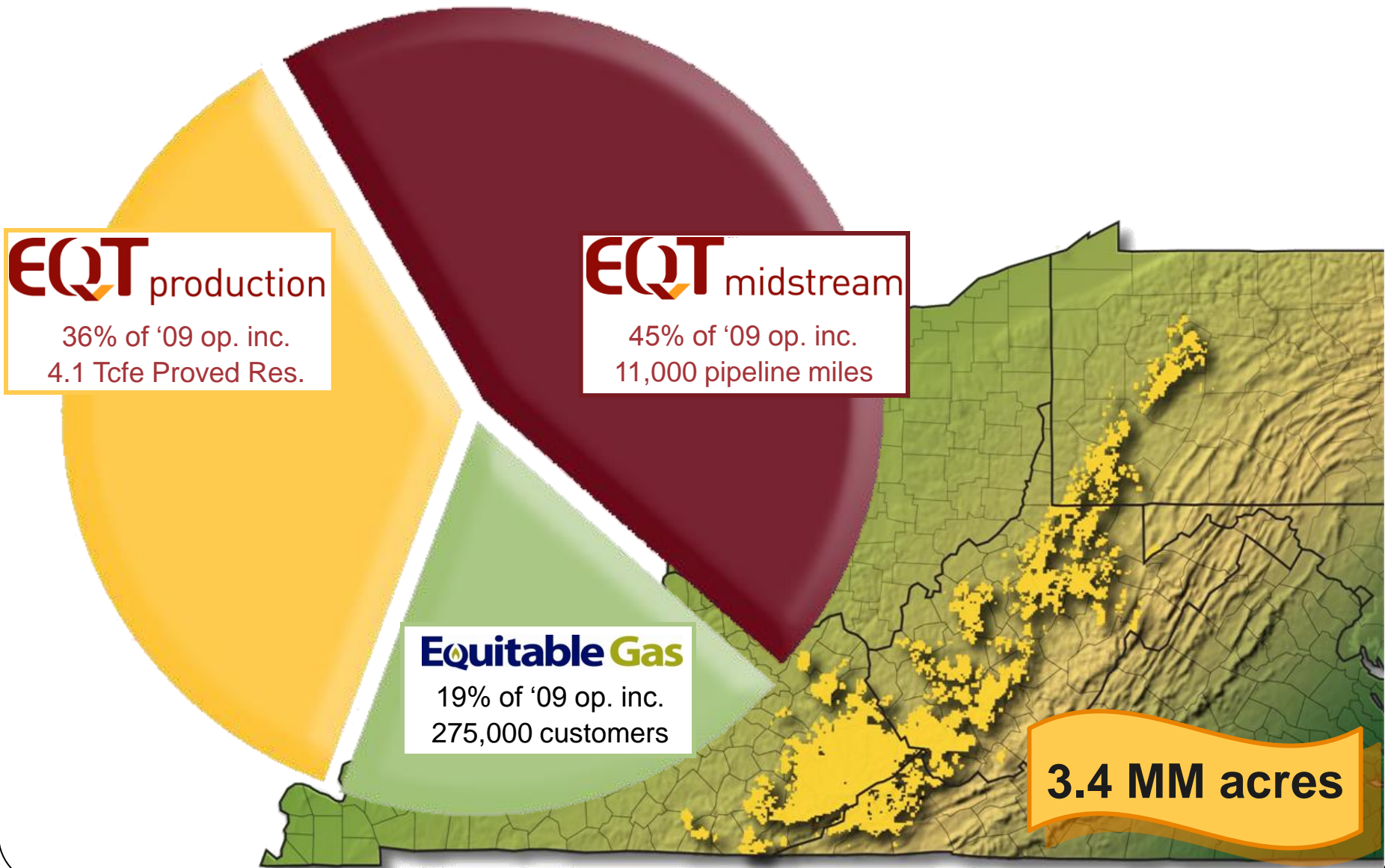
Where energy meets innovation.

Washington Energy Policy Conference

Appalachian Shales: Opportunities & Challenges

3/9/2010

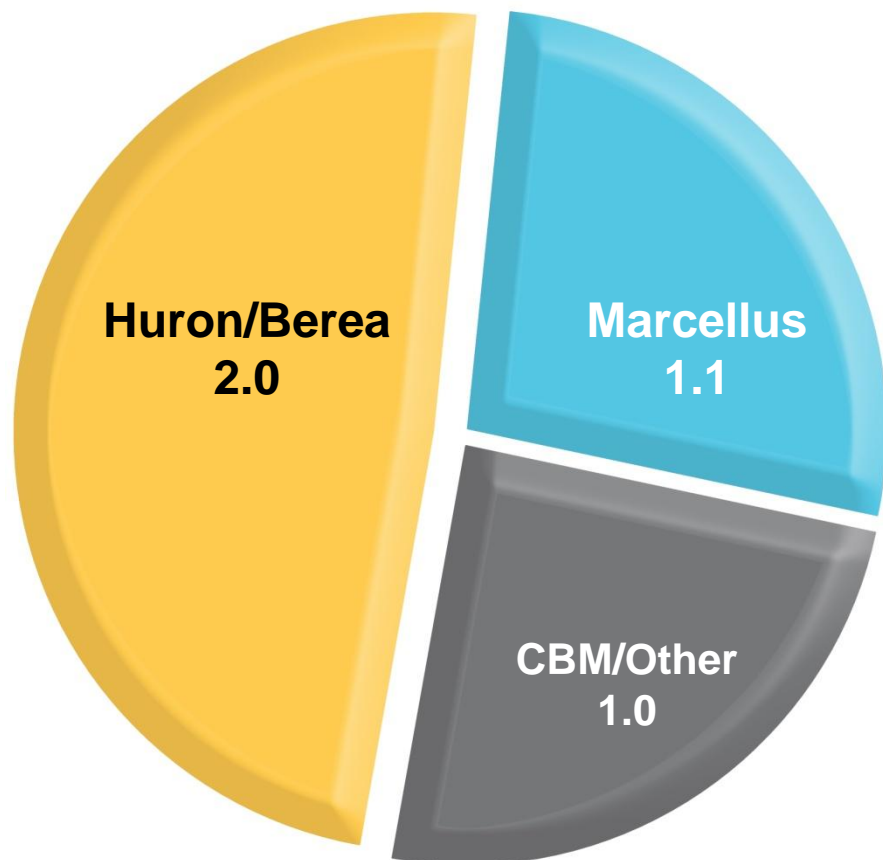
Largest Appalachian E&P Company



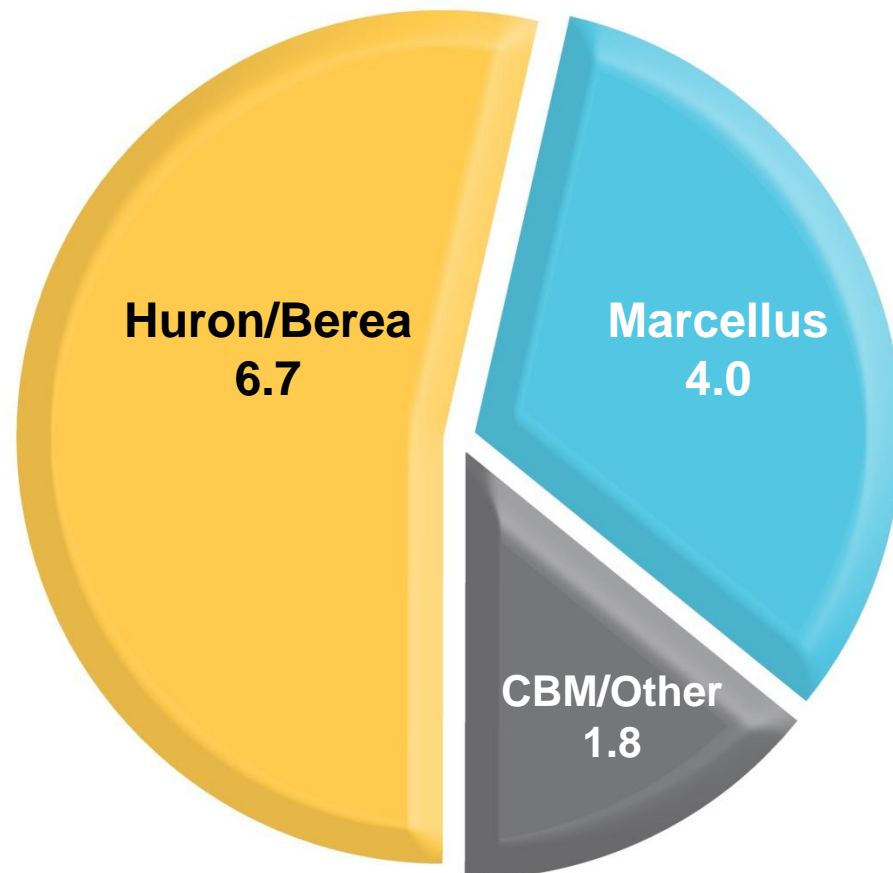
Reserves By Play



4.1 Tcfe proved reserves



12.5 Tcfe 3P reserves



26 Tcfe Total Potential

As of 12/31/09

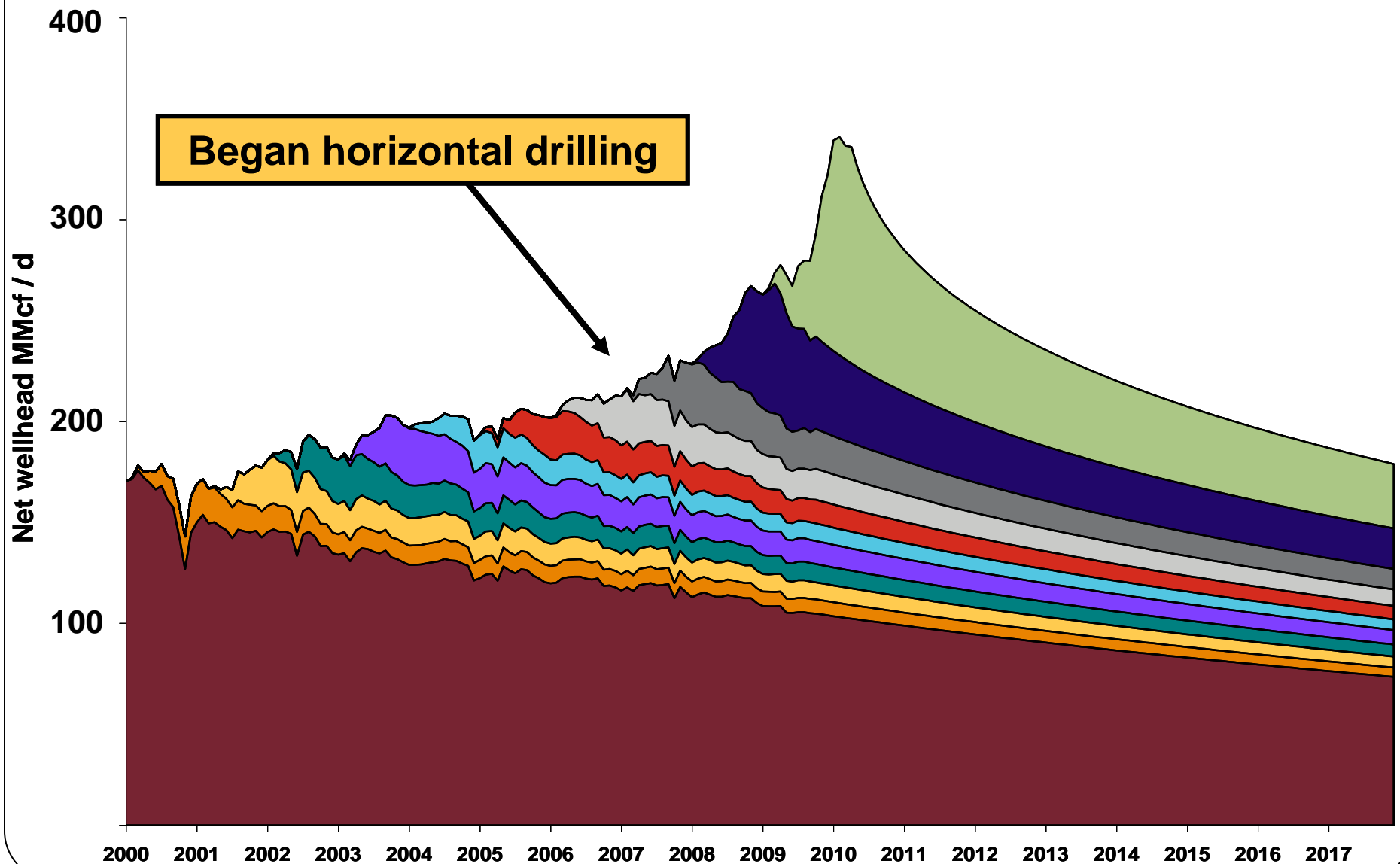
Impact of Horizontal Drilling

Well Type	Acreage in Typical Drilling Unit	Average EUR (MMCF)	EUR per Acre (MMCF/Acre)
Vertical	100	150	1.50
Horizontal	100	800	8.00



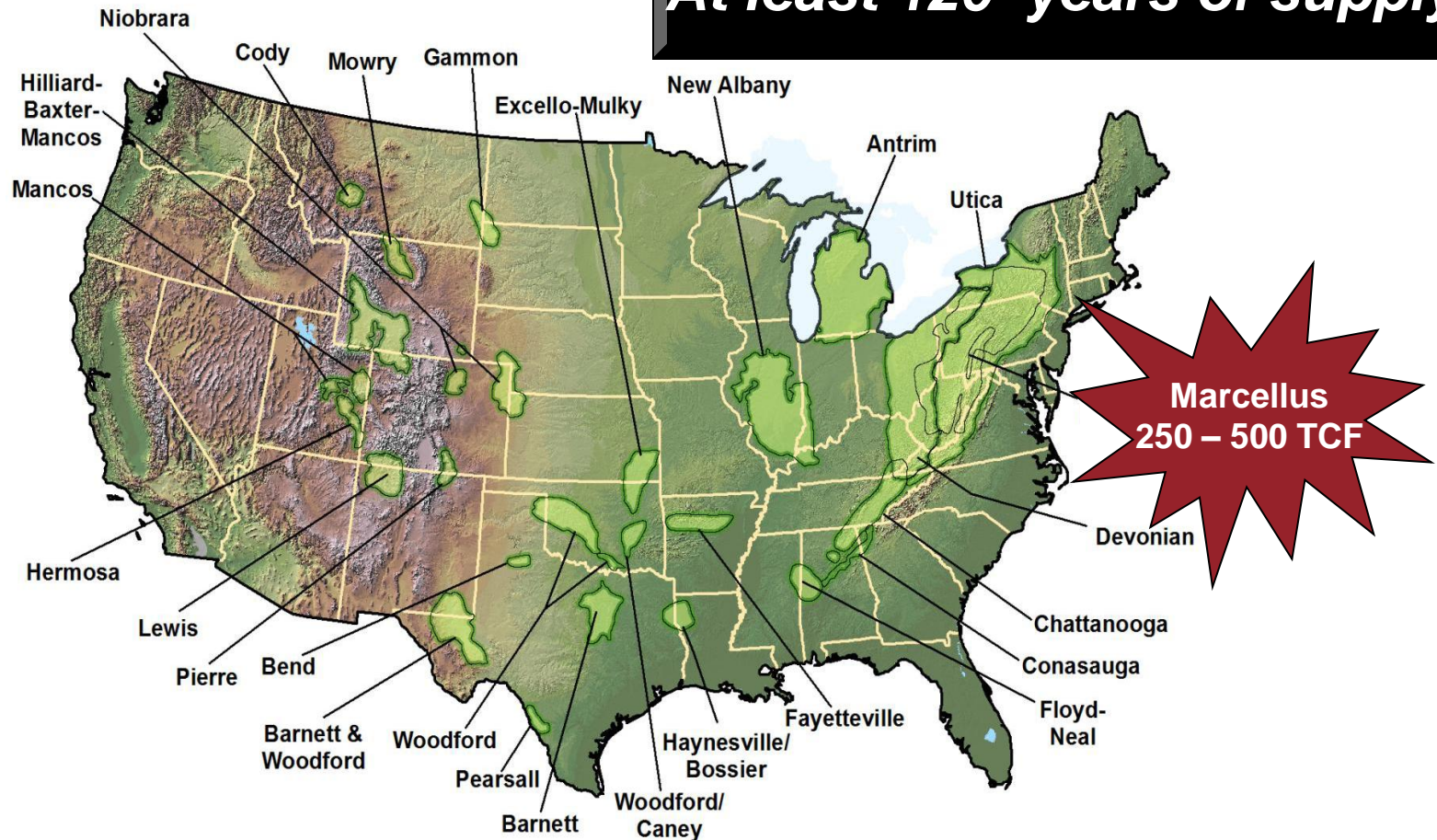
Historical Wellhead Production

Impact of Horizontal Well Drilling



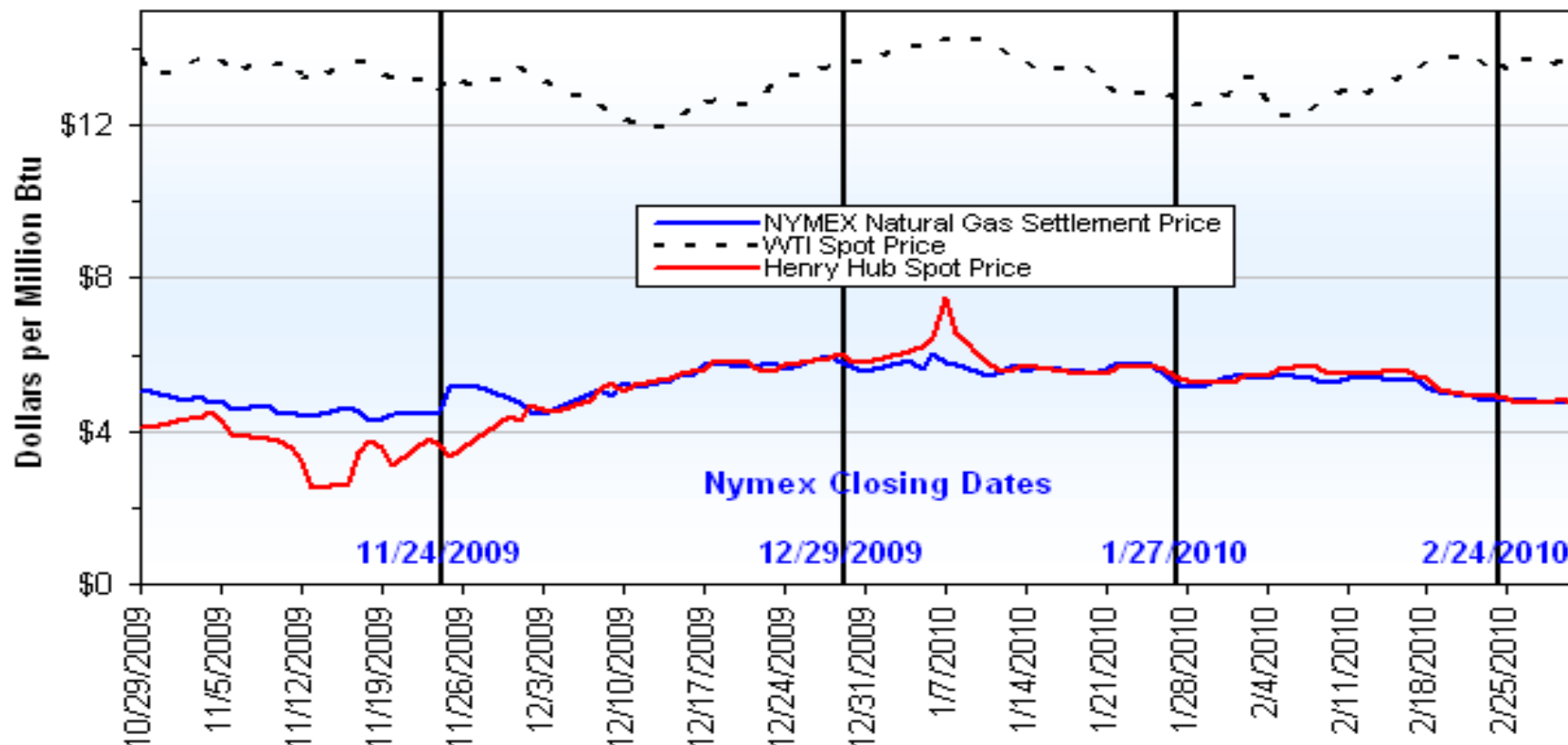
US Reserves Contain 2074 TCF of Recoverable Resources

At least 120 years of supply



Source: US DOE Office of Fossil Energy – *Modern Shale Development in the US* - April 2009

NYMEX Natural Gas Futures Near-Month Contract Settlement Price, West Texas Intermediate Crude Oil Spot Price, and Henry Hub Natural Gas Spot Price

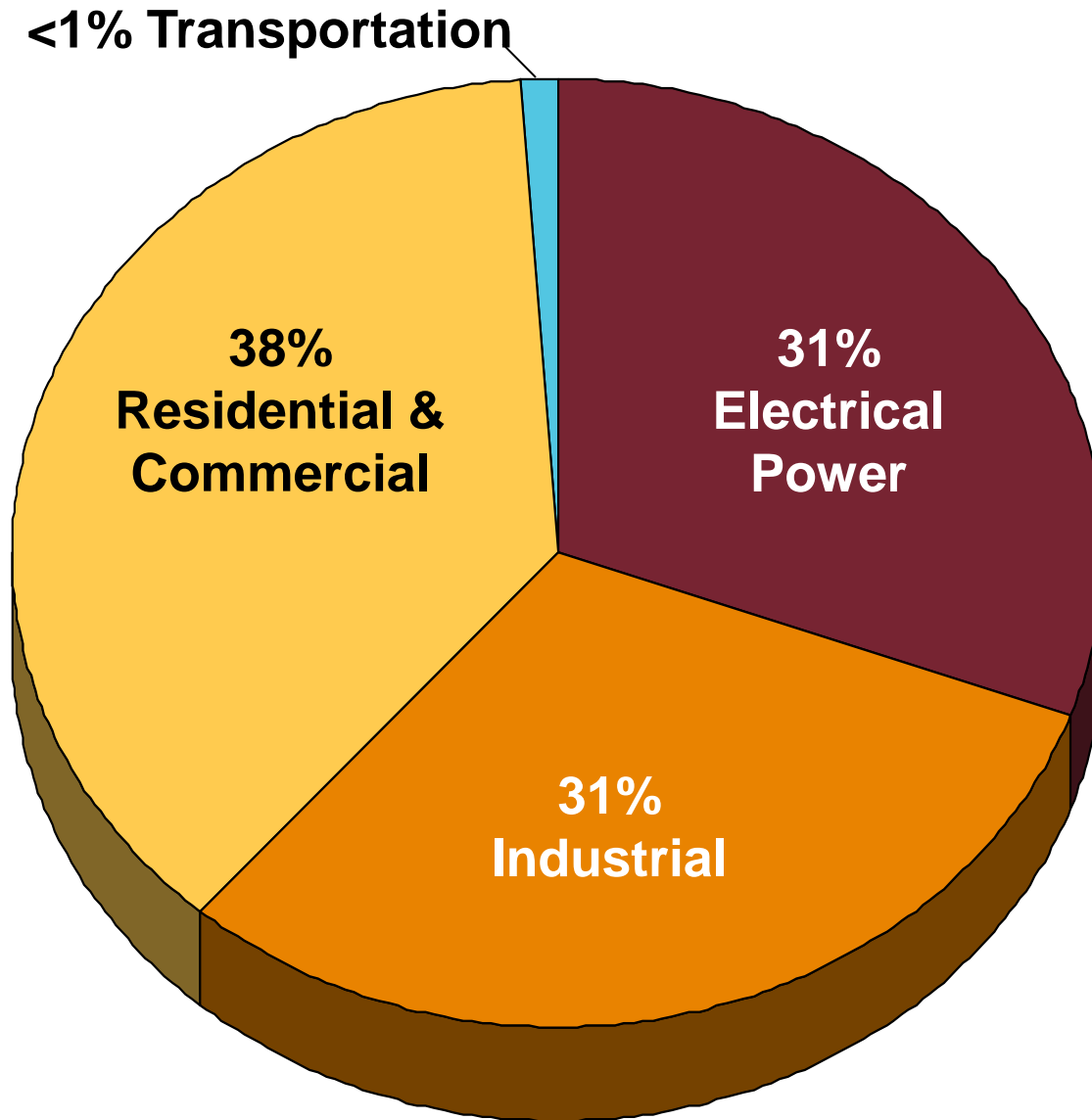


Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: Natural gas prices, NGI's *Daily Gas Price Index* (<http://intelligencepress.com>); WTI price, Reuters News Service (<http://www.reuters.com>).

- ▶ **Nearly 3 Million Americans Employed**
- ▶ **\$250 Billion in Annual Labor Income**
- ▶ **31 States with at Least 10,000 Industry Jobs**
- ▶ **\$385 Billion Annual Economic Impact**

Opportunities

How is Natural Gas Used in America?

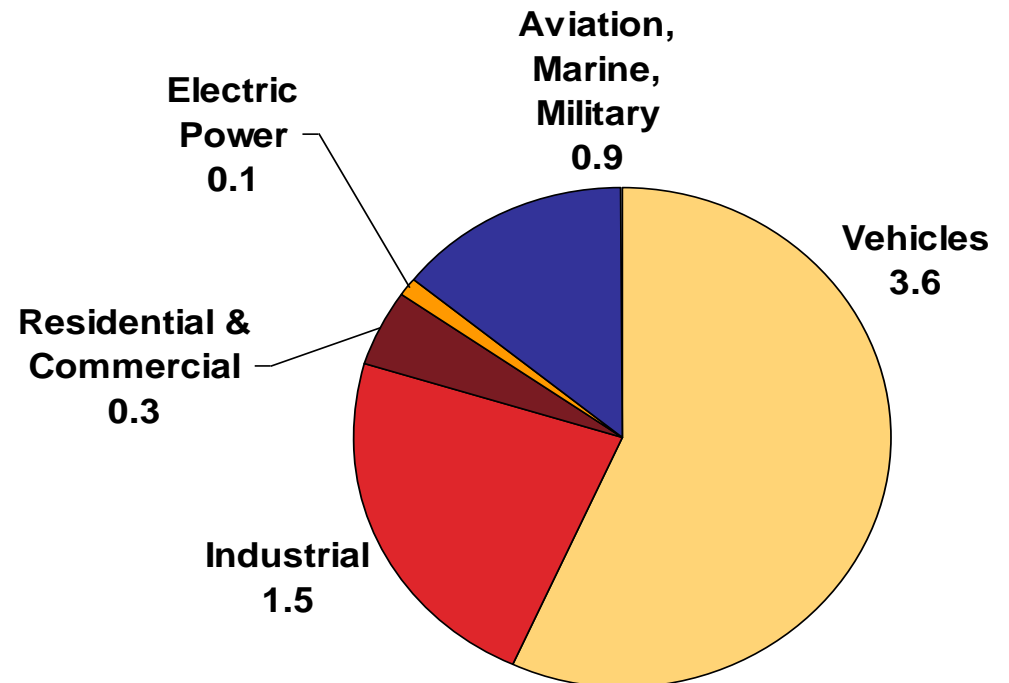


Petroleum Use

2008 U.S. Imports, billion bbls	
Canada & Mexico	1.4
OPEC	2.8
Other	0.5
Total	4.7

69% of usage

2008 U.S. Petroleum Use by Sector
(billion barrels)



USA vs. World Natural Gas Vehicle Adoption

10 Million Natural Gas Vehicles World Wide
(Millions of vehicles)

100% conversion means:

- 1) 68% reduction in imports
- 2) U.S.A. saves \$265B / year

Why Not Electric Cars?

- **Driving Range**
- **Time consuming recharge**
- **Cost – Battery packs are about \$10,000**
- **Environmental Drawbacks**
- **LITHIUM DEPENDENCE !!!**

Coast to Coast Dual Fueling

A network of interstates

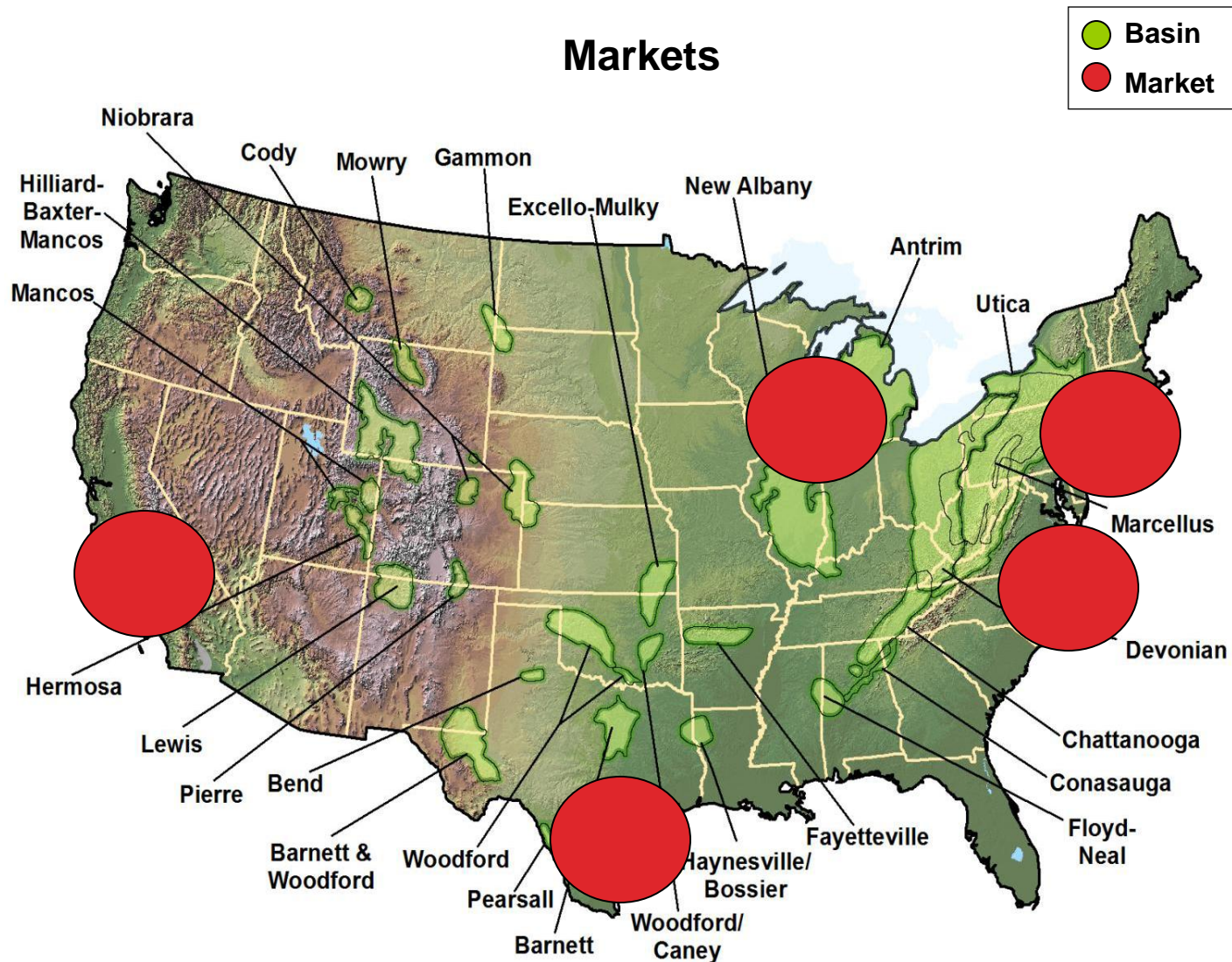


- **Natural gas is more than 50% cleaner than coal**
- **Existing natural gas fired plants only operating at 26% of capacity**
- **Best choice for backing up wind and solar power**
- **53% of new power plants will use natural gas**

- **Feedstock, or raw material, for making chemicals, fertilizers and plastics**
- **Used to generate:**
 - Chlor-Alkali
 - Ethane-Based Ethylene
 - Hydrogen (Non-Refinery)
 - Ammonia
 - Methanol

Challenges

Getting Reserves to Market





- **Climate Change Bill**
- **Unfavorable tax treatment in proposed Obama budget**
- **Hydraulic Fracturing**

- **Sixty years of Hydraulic Fracturing without incident**
- **Government agencies and independent organizations agree no evidence of negative impact**



- Adequate safeguards utilized to protect freshwater
- State regulation adequate to ensure water sources protected

- ▶ Recent survey concluded that an overwhelming majority of both “supporters of business” (73%) and “supporters of environment” (69%) think “the government should do more to encourage natural gas use.”
- ▶ "In America's climate debate, one of the most promising developments of recent months has been the growing recognition in Washington that natural gas may play a key role in curbing carbon emissions. The resurgence of gas comes through the discovery of massive deposits in Appalachian shale formations and elsewhere -- a reserve that offers the prospect of stable domestic supplies and relatively low prices. Since burning natural gas produces half the emissions of burning coal, switching the two fuels could put a significant dent in America's carbon footprint..."

~The Washington Post, Sunday, February 28, 2010

Cautionary Statement



The Securities and Exchange Commission (the "SEC") permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that a company anticipates a given date to be economically and legally producible and deliverable by application of development projects to known accumulations. We use certain terms in this presentation, such as "resource potential," that the SEC's rules strictly prohibit us from including in filings with the SEC. We caution you that the SEC views such "resource potential" estimates as inherently unreliable and these estimates may be misleading to investors unless the investor is an expert in the gas industry. We also note that the SEC strictly prohibits us from aggregating proved, probable and possible reserves in filings with the SEC due to the different levels of certainty associated with each reserve category.

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