

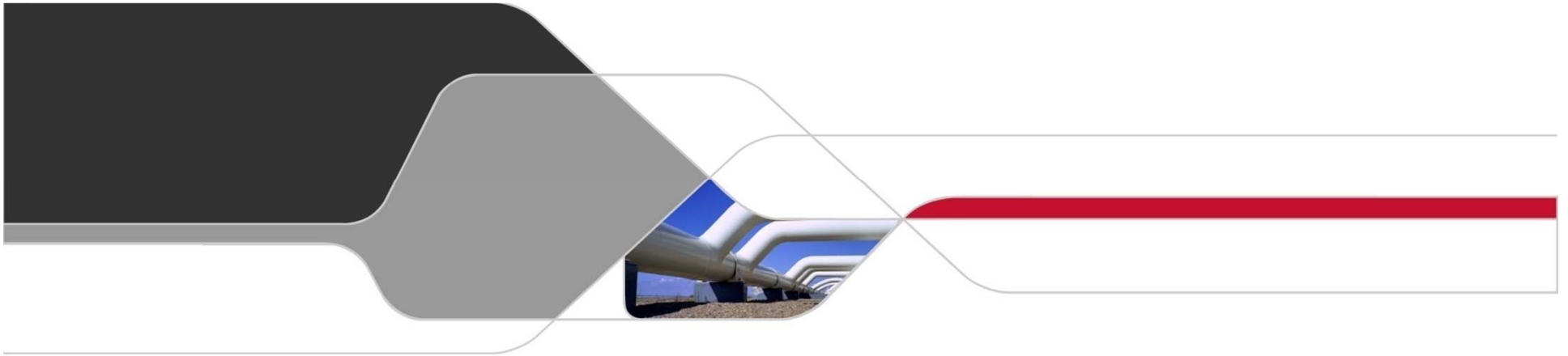
***Natural Gas Forecast: Supply is a Given;
Demand Will Set the Price***

May 11, 2011

Natural Gas Forecast

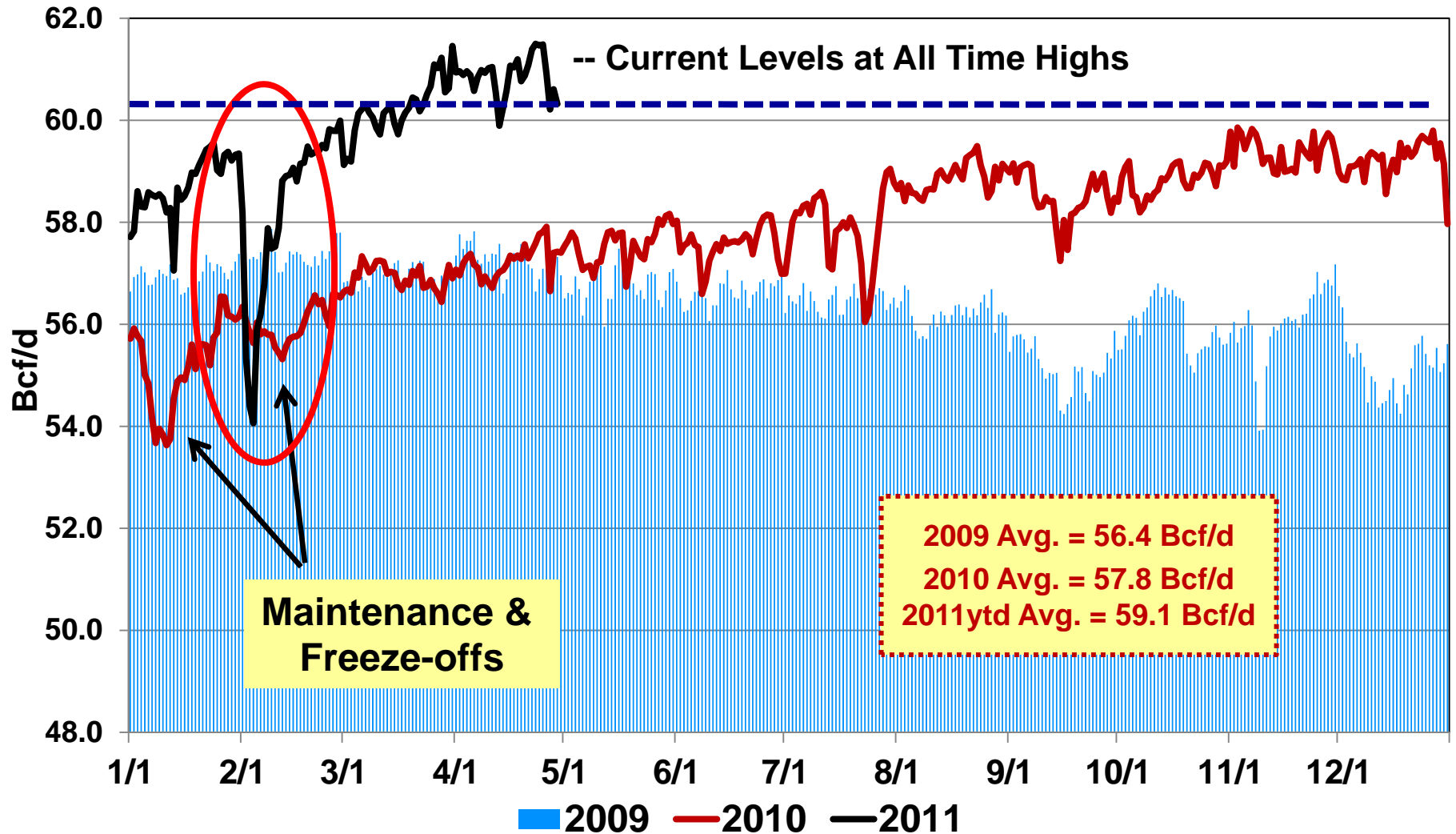
- ❖ Supply Given, We Need Demand
- ❖ Pipeline Expansions
- ❖ Supply/Demand Forecast by Region
- ❖ WSPD?



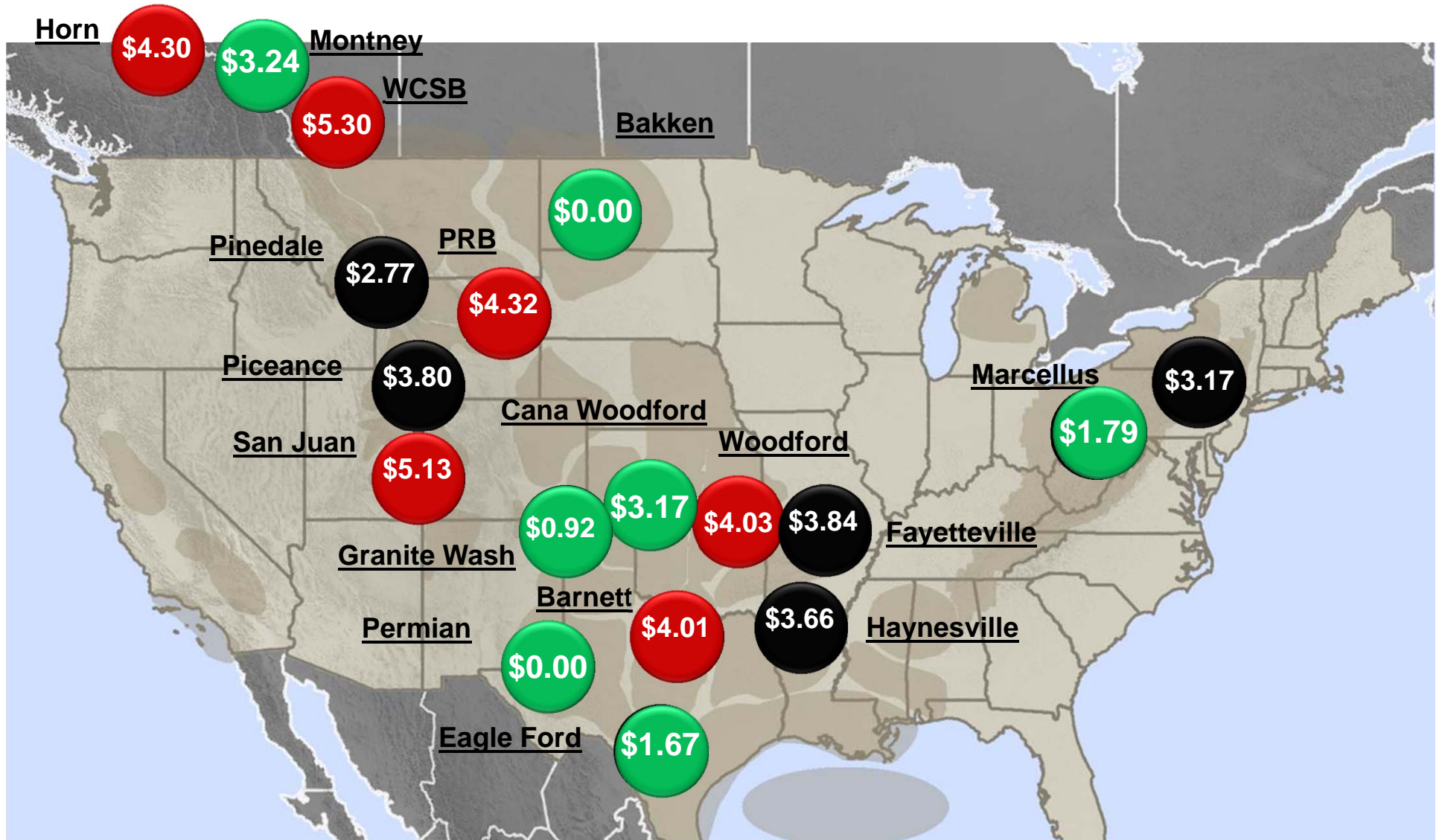


Supply Given, We Need Demand

U.S. Production Still on the Rise



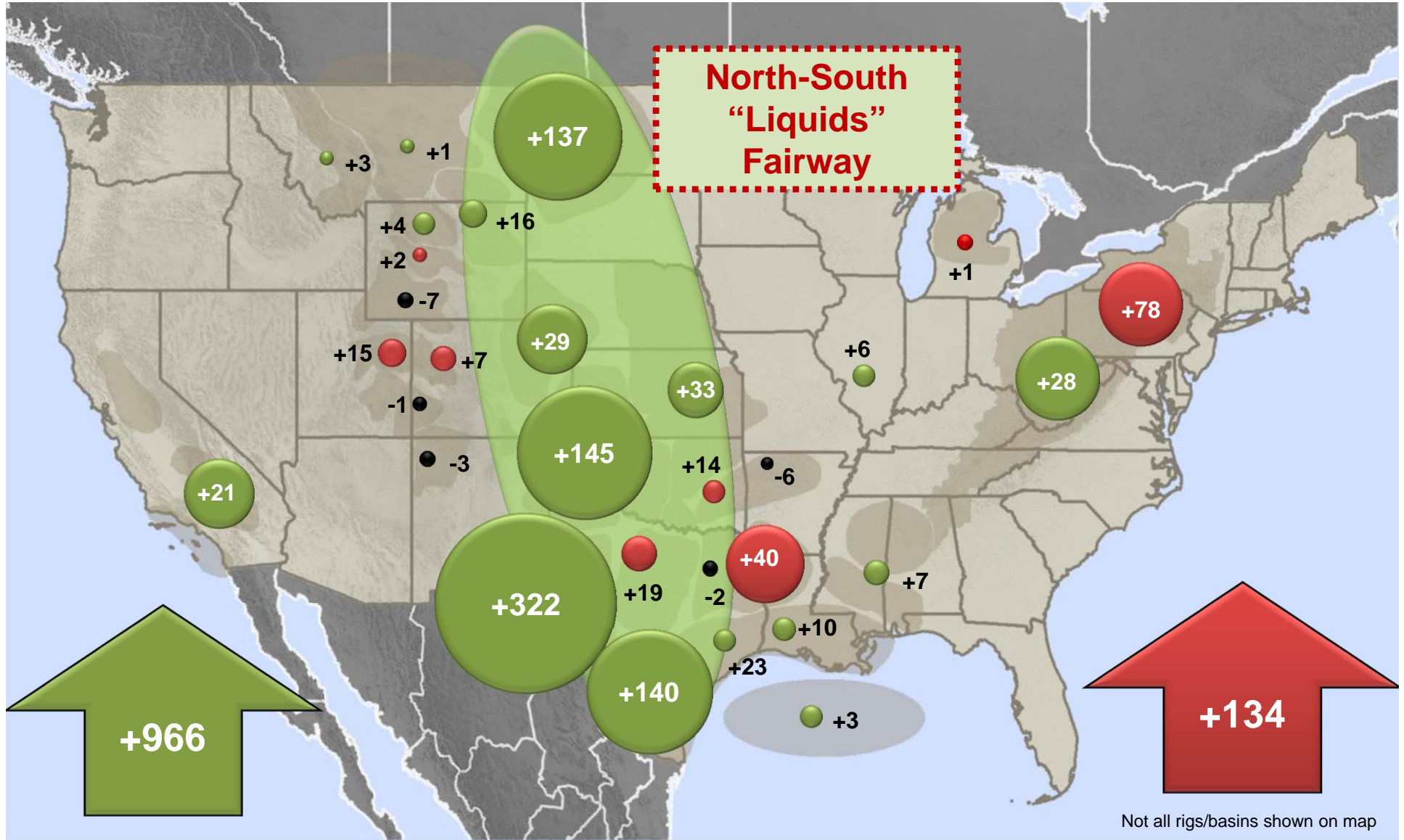
Sub \$4.00 Breakevens Drive Resource Plays



Note: Breakevens computed at 12:1 Crude Ratio and 1:1 NGL Ratio
 Green Circle Breakevens Computed at \$80 Crude and 3:1 Gas to NGL Ratio
 Based on 3Q2010 Financials and State Production Data

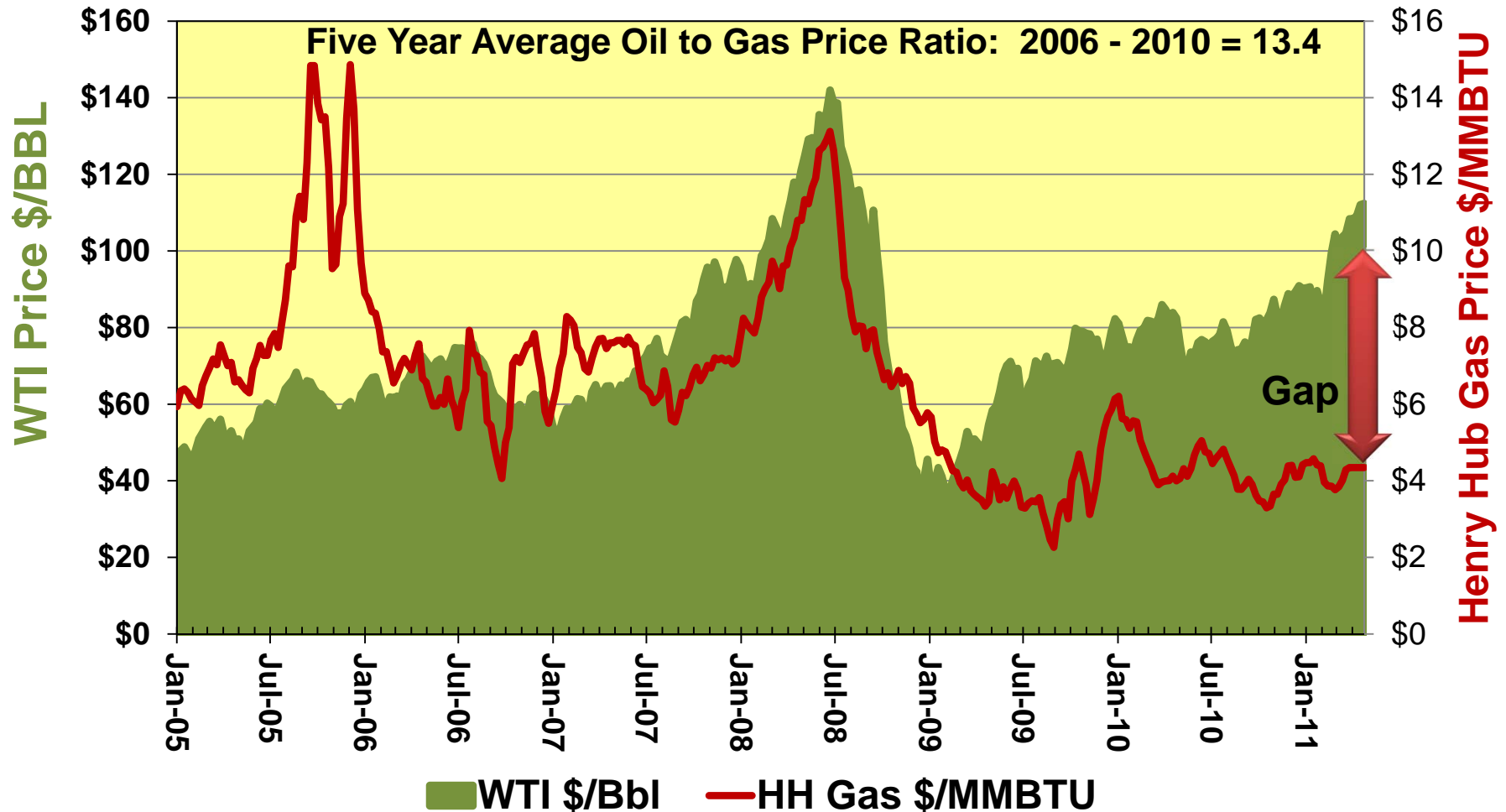
Source: BENTEK

Active Rig Additions Since Low - May 2009



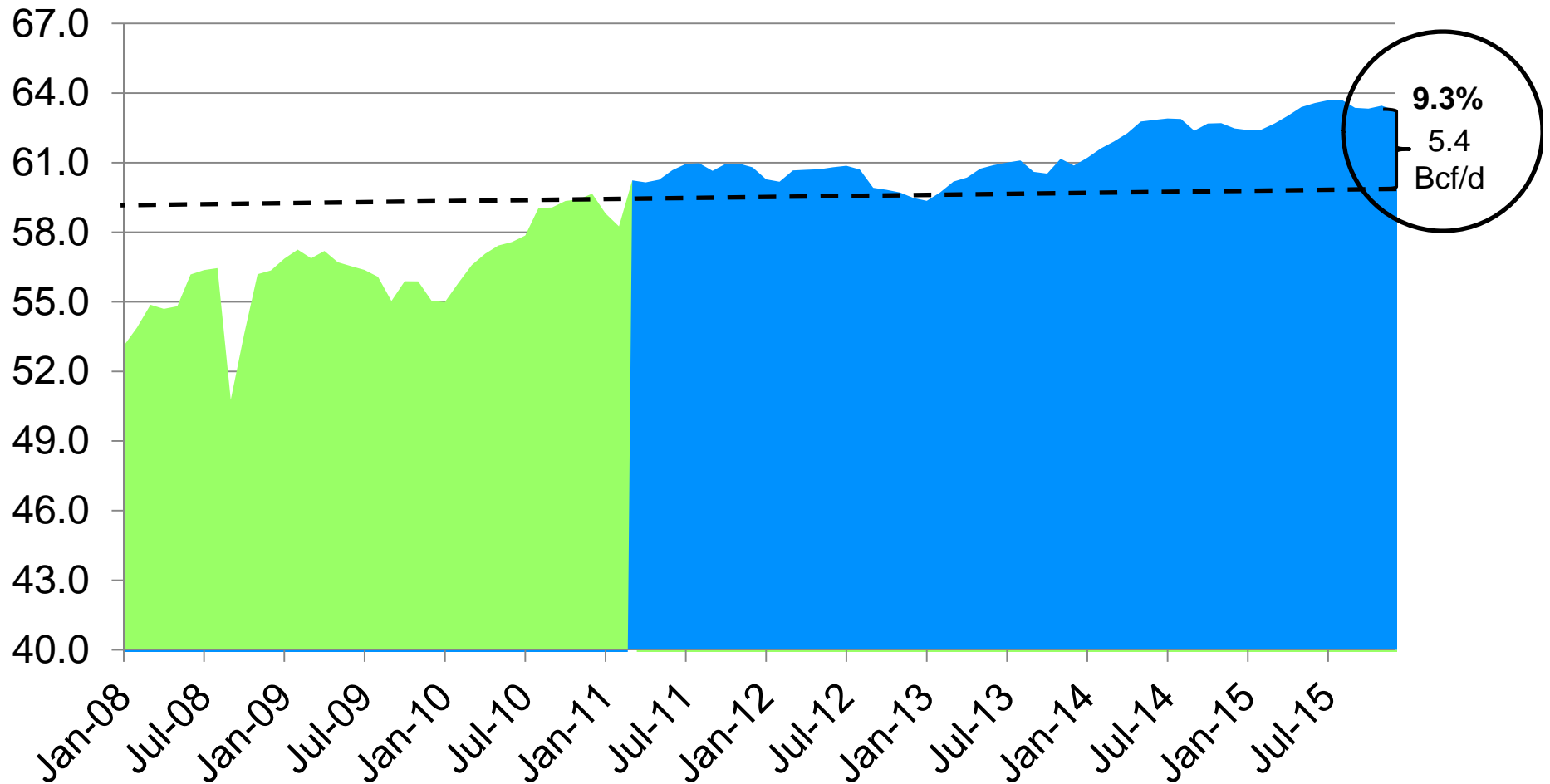
Note: Not all rigs/basins shown on map

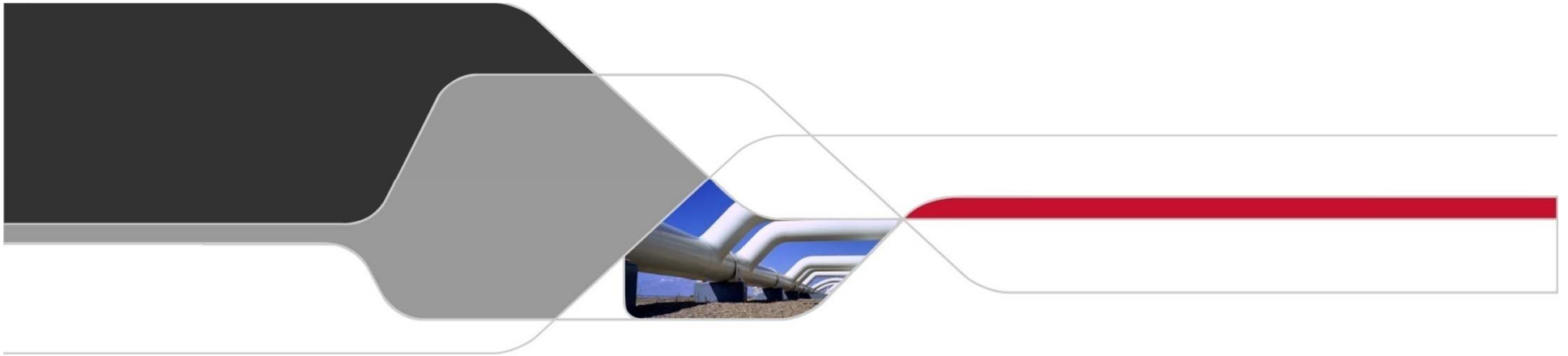
Natural Gas and Oil Price Comparison



US Supply Growing: Lower 48 Production Forecast

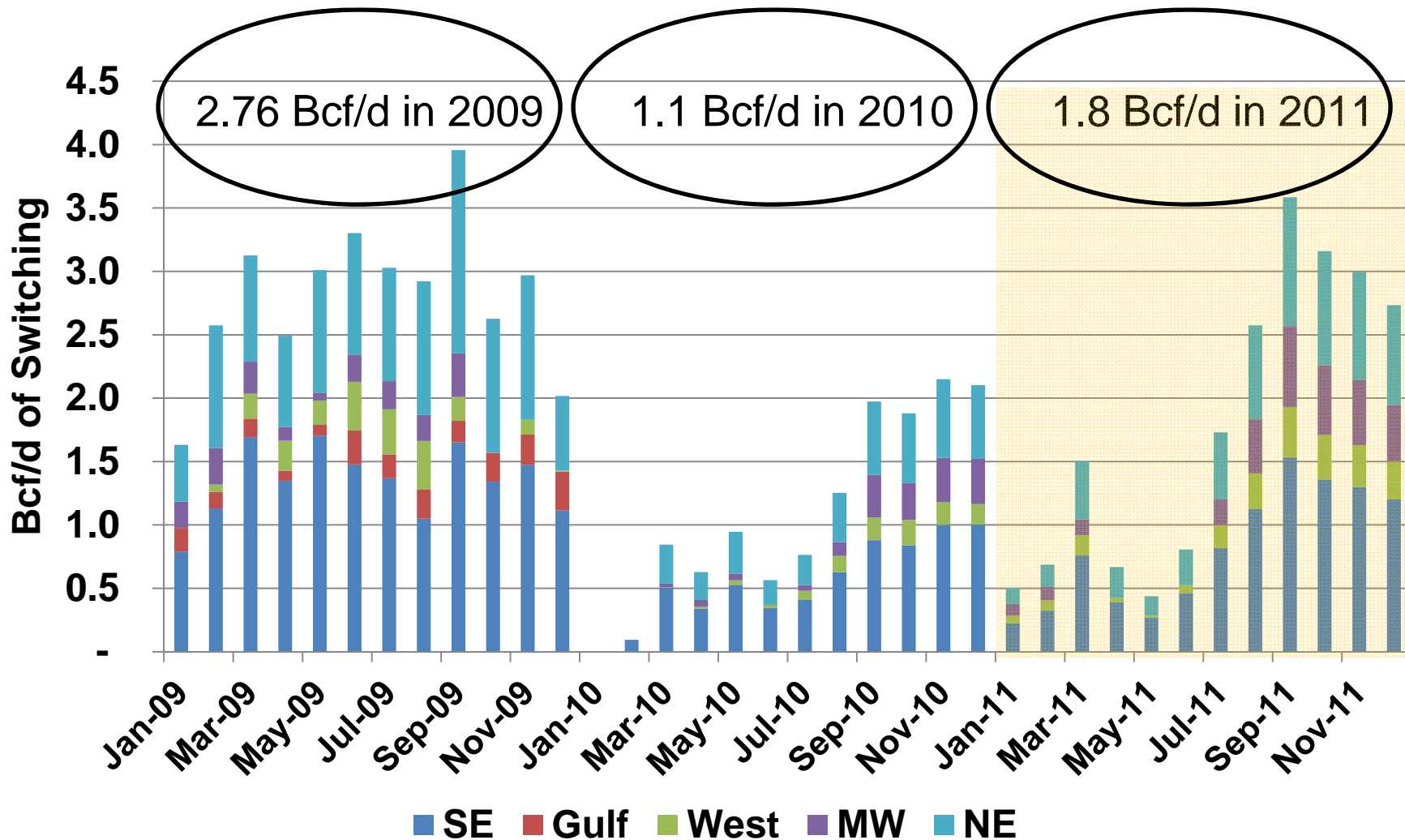
Lower 48 Dry Gas Production Forecast (Bcf)



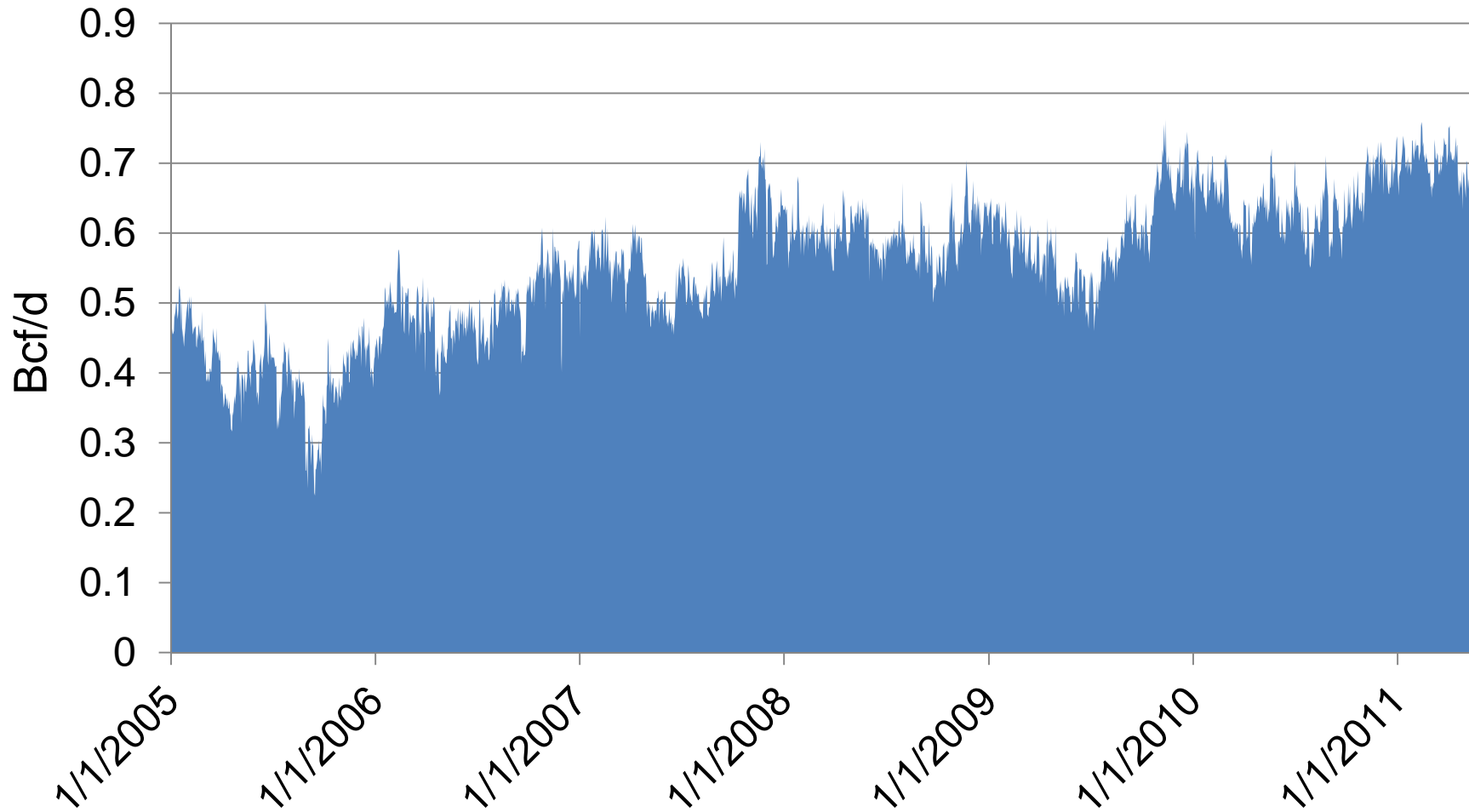


Practical Demand Short-term

1.8 Bcf/d of C2G Switching Expected During 2011



Refineries Using more Natural Gas



Res/Comm?

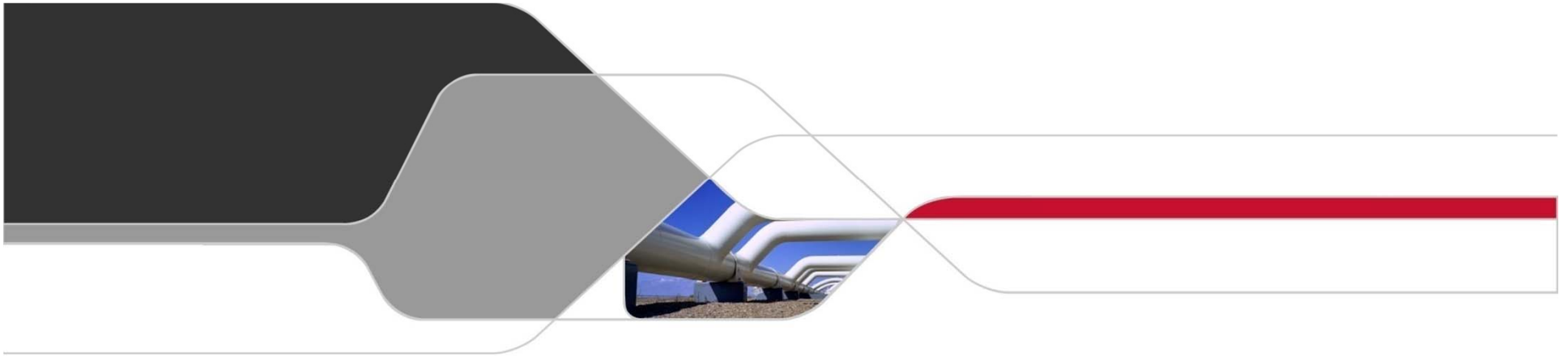


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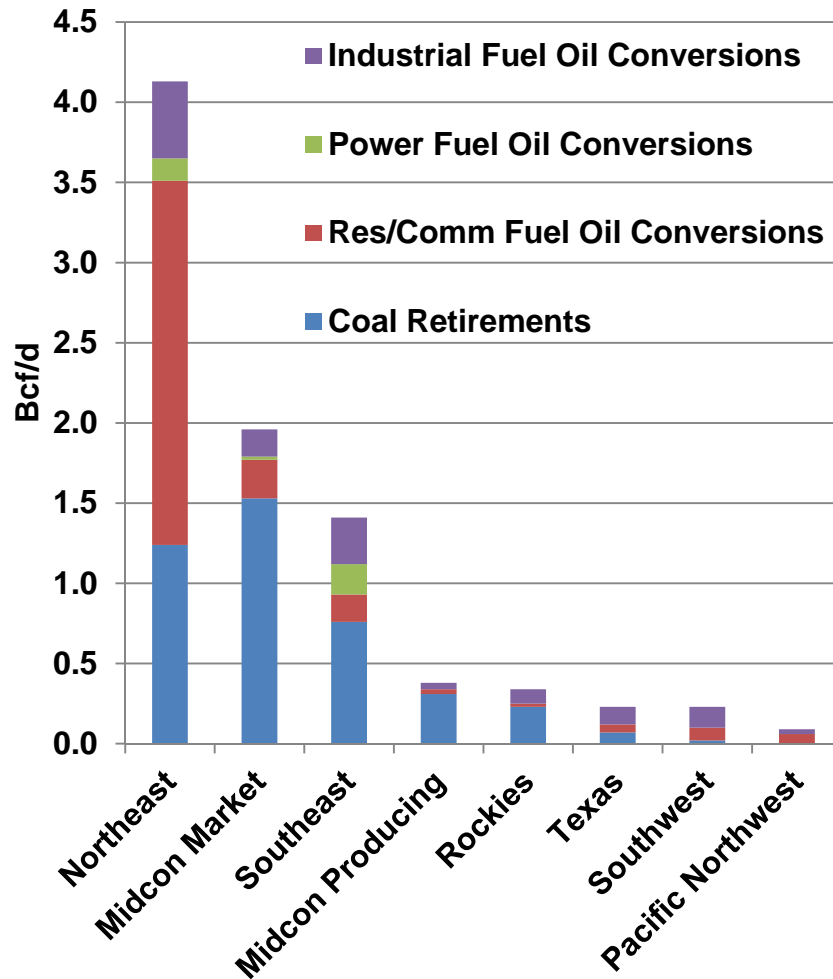
“The significant differential between oil and gas prices with the energy equivalent cost of natural gas being half of that of oil, continues to drive demand for residential conversions and new customer connections.

....., Yankee Gas has the potential to add 41,000 new customers to the existing base of 206,000 customers.” - Yankee Gas Financials



Structural Demand Shifts

~ 8.7 Bcf/d of Potential Structural Shifts in NG Demand



Coal Retirements: 4.16 Bcf/d

- Replace ~35 GW of coal capacity which:
- No SO₂ emission controls
- Under 200 MW in capacity
- Based on 2010 generation profile

Fuel Oil Use in Res/Comm: 2.91 Bcf/d

- Displace ~184 MM barrels of fuel oil
- Based on 2008 demand profile

Fuel Oil Use in Power Gen: 0.37 Bcf/d

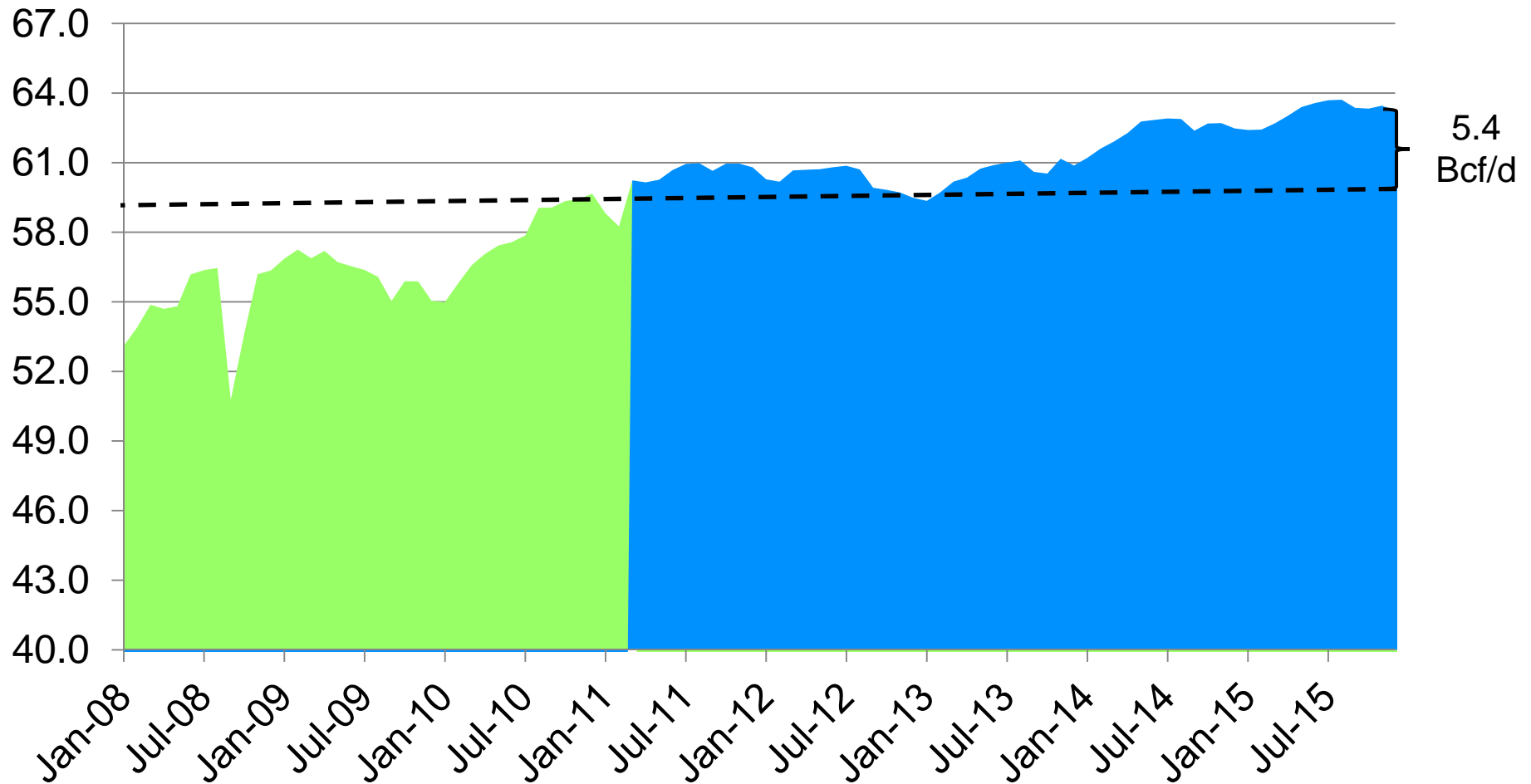
- Displace ~40 MM barrels of fuel oil
- ~12,200 GWh of generation
- Based on 2010 generation profile

Fuel Oil Use in Industrial: 1.34 Bcf/d

- Displace ~86 MM barrels of fuel oil
- Based on 2008 demand profile

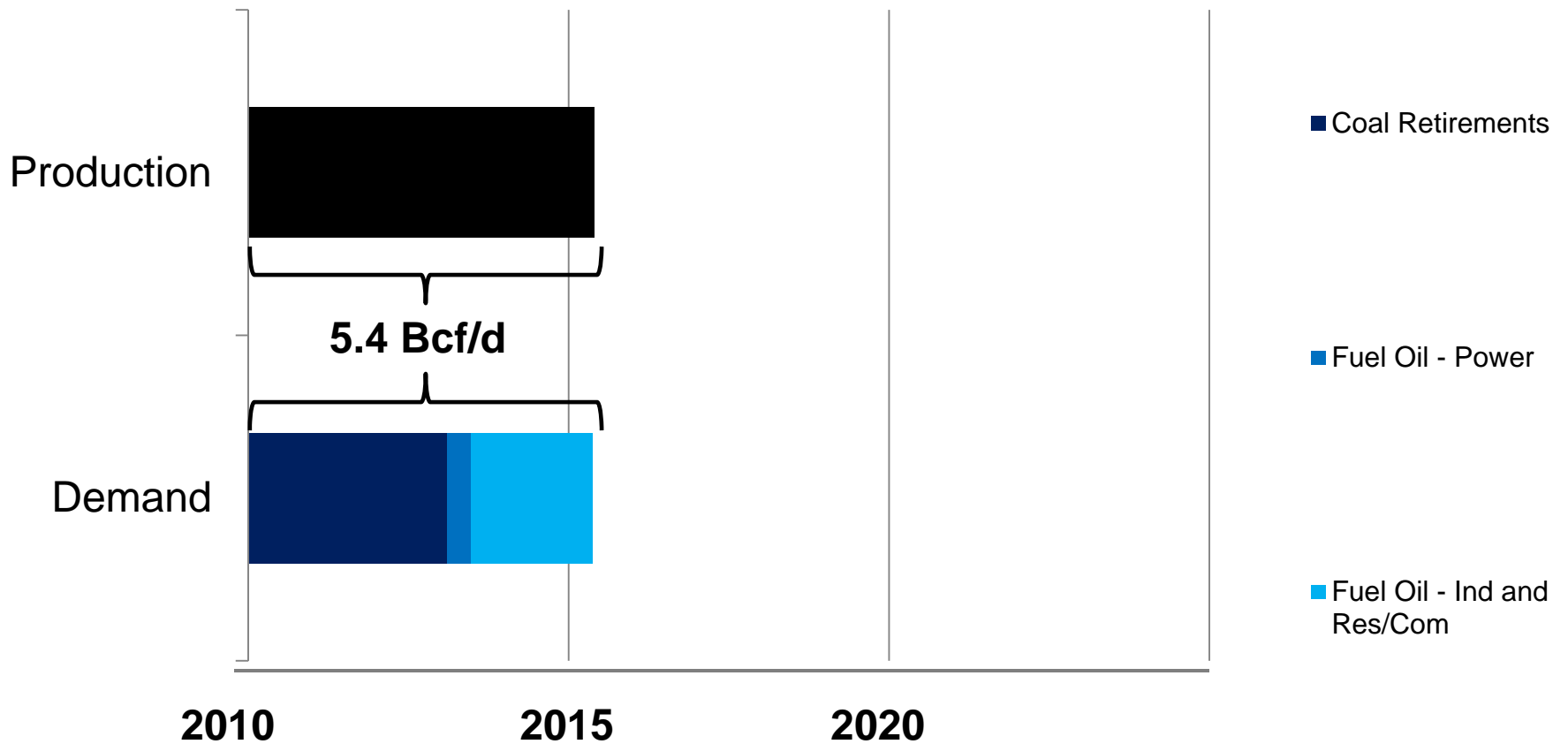
US Supply Growing: Lower 48 Production Forecast

Lower 48 Dry Gas Production Forecast (Bcf)



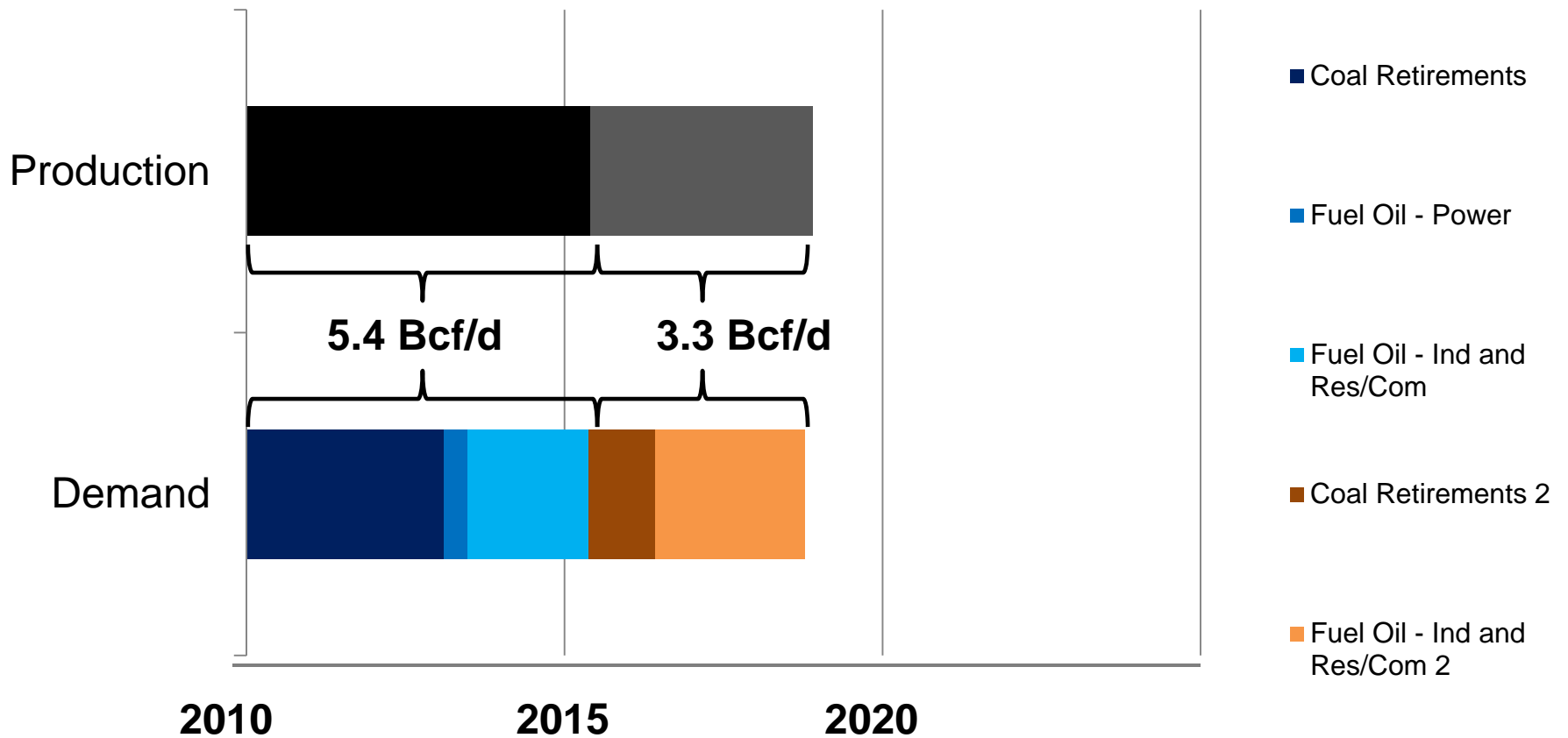
Demand Gains Pace Production Gains?

Production vs. Demand (Bcf/d)



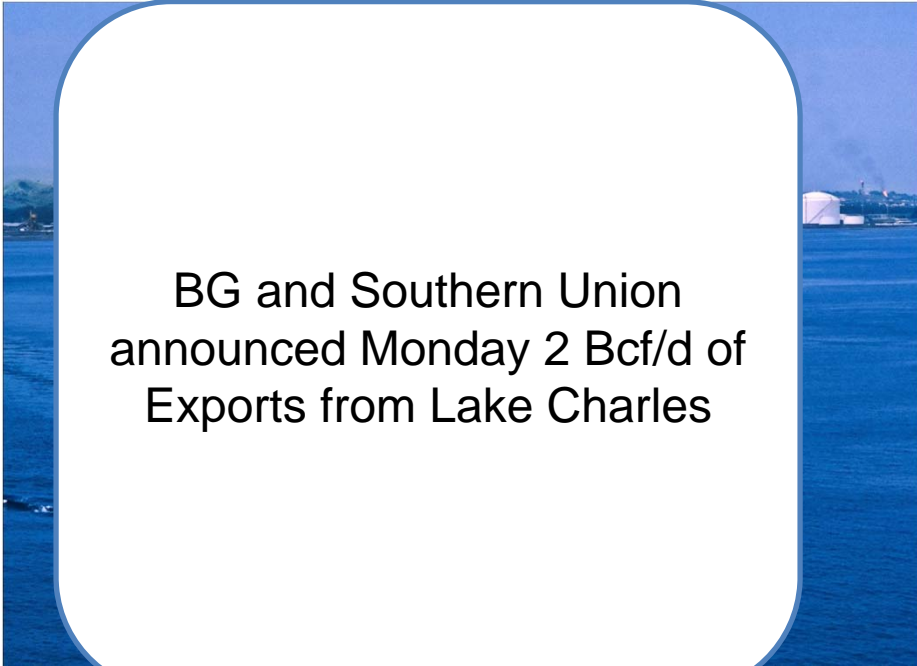
Demand Gains Pace Production Gains?

Production vs. Demand (Bcf/d)



2.7 Bcf/d of Potential U.S. LNG Export Capacity

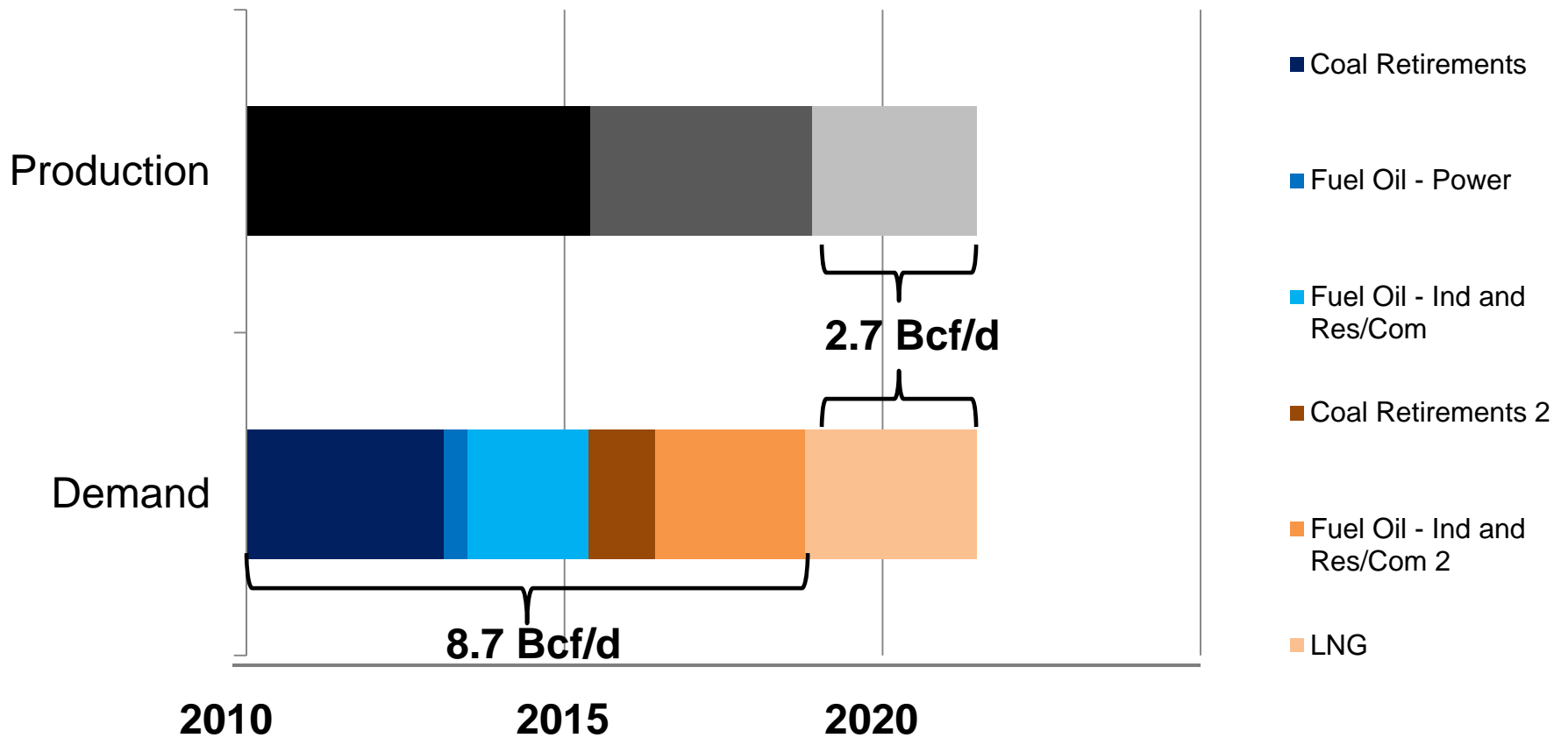
U.S. Export MOUs | 2.7 Bcf/d



BG and Southern Union
announced Monday 2 Bcf/d of
Exports from Lake Charles

Demand Gains Pace Production Gains?

Production vs. Demand (Bcf/d)



54 Bcf/d of Potential Demand from Natural Gas Vehicles

Vehicle Type	Total Vehicles [1]	Miles per Year [1]	Miles per Gallon [1]	Total Gallons Consumed (million)	Natural Gas Equivalent Cubic Feet per Gallon	Total BCF Consumed, under Full Conversion, per Year	Cubic Feet Consumed Per Vehicle Per Year	BCF/Day under Full Conversion
Passenger	245,105,574	12,000	22.6	130,144	125	16,268	66,372	44.57
Bus	843,308	8,400	6.4	1,106	125	138	164,063	0.38
Truck (long haul)	2,215,856	65,000	5.4	26,672	125	3,334	1,504,630	9.13
TOTAL	248,164,738	3.1 Trillion	19.6	157,923	125	19,740	79,546	54.08

(1) [Federal Highway Administration, 2008](#)

If by 2020, 20% of Long Haul Trucks = 1.8 Bcf/d

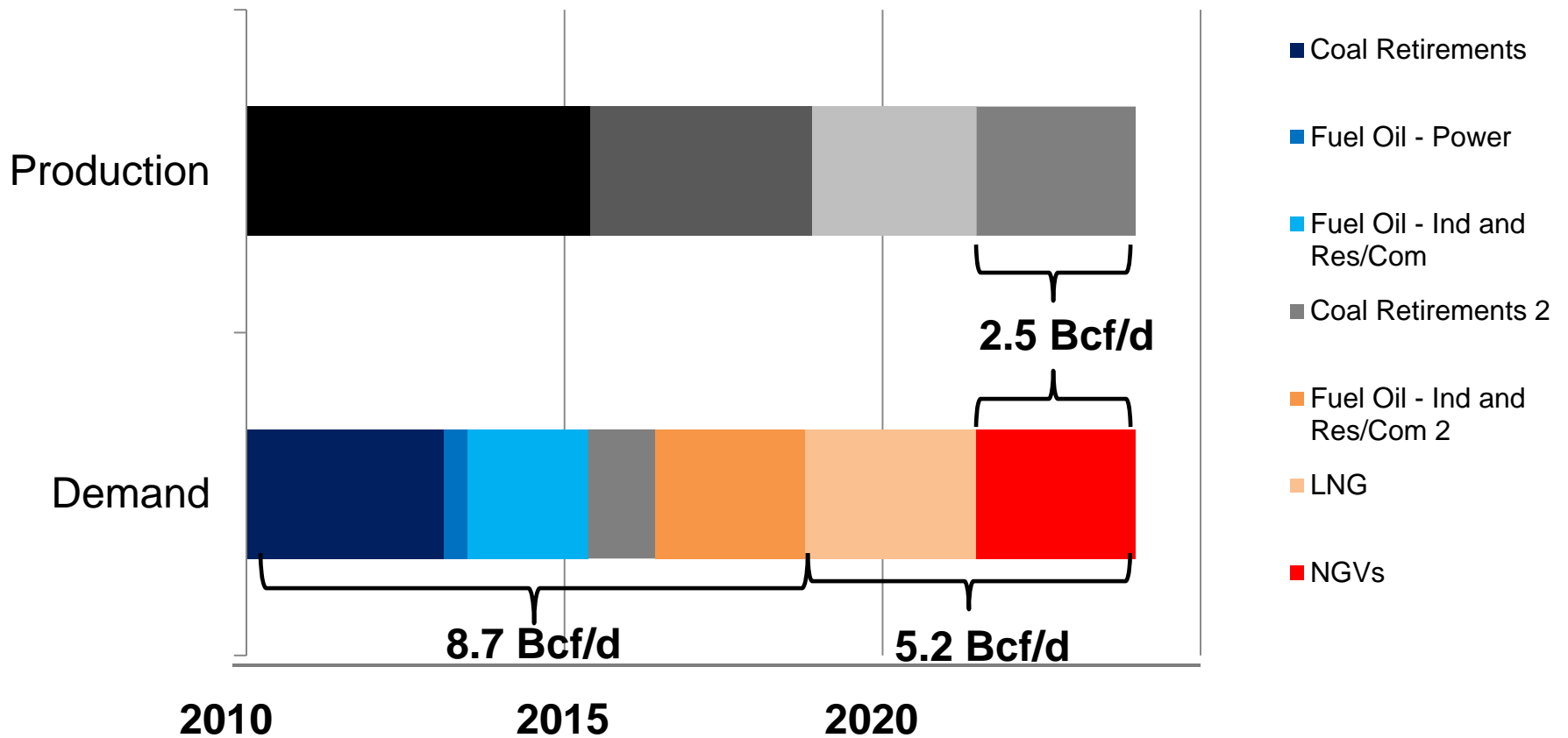
75% of all Buses = 0.3 Bcf/d

1% of passenger cars (2.4 million vehicles) = 0.4 Bcf/d

TOTAL = 2.5 Bcf/d

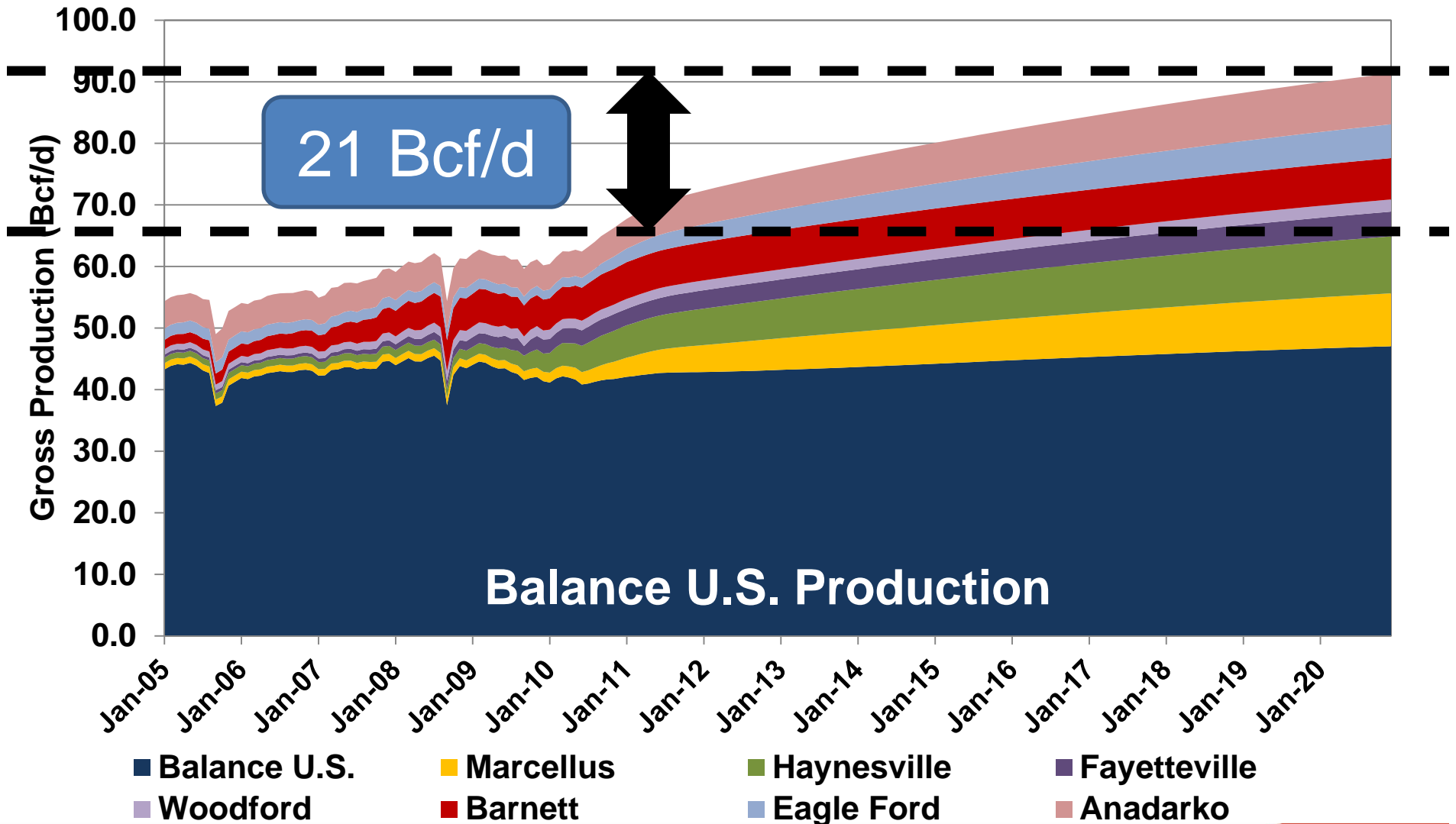
Demand Gains Pace Production Gains?

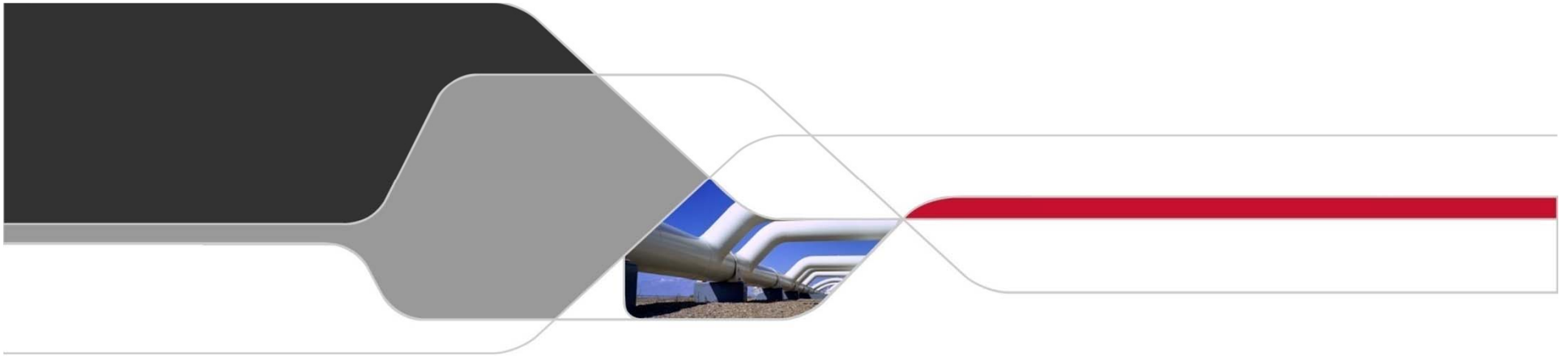
Production vs. Demand (Bcf/d)



Production Projections

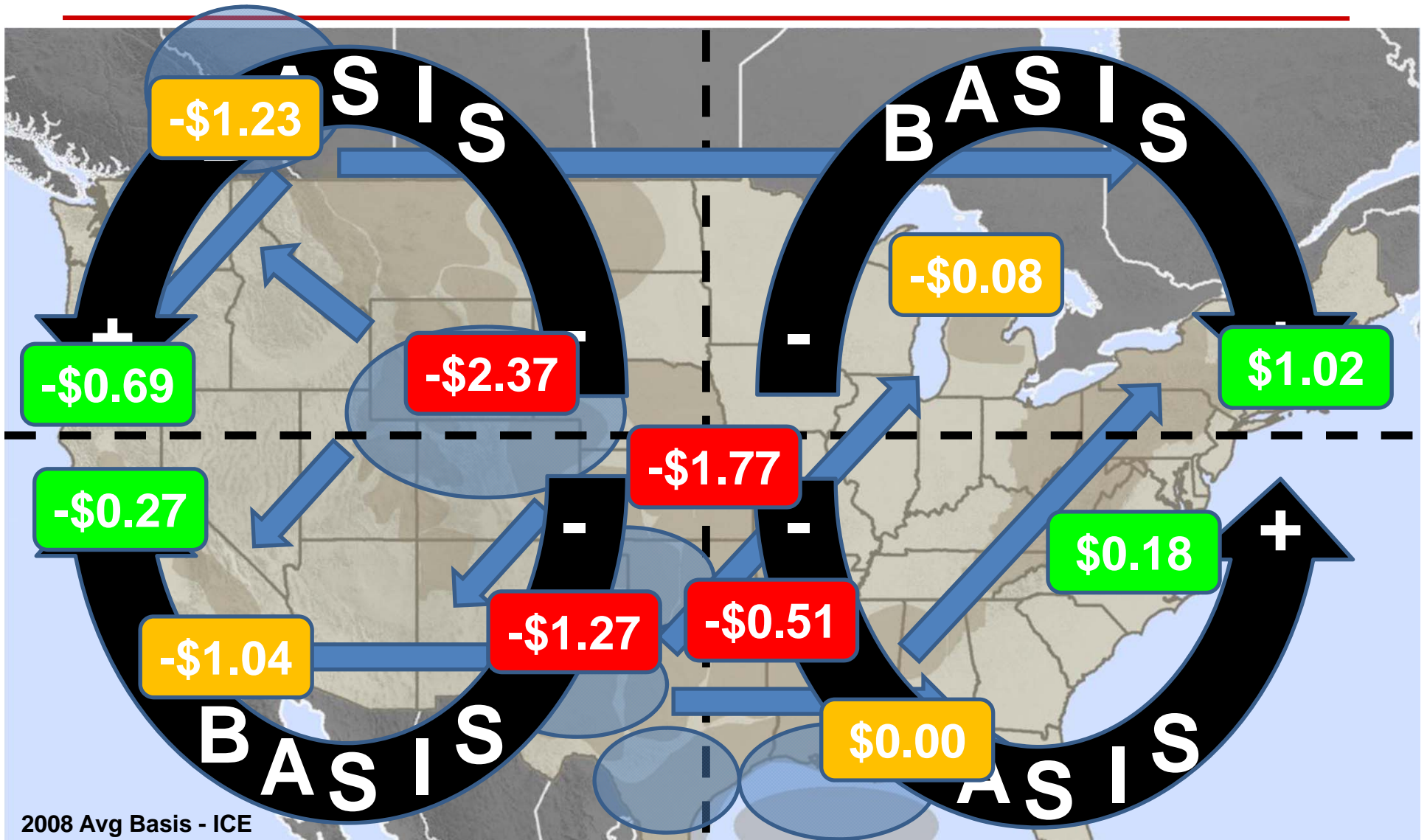
(Based on Current Drilling Activity Going Forward)



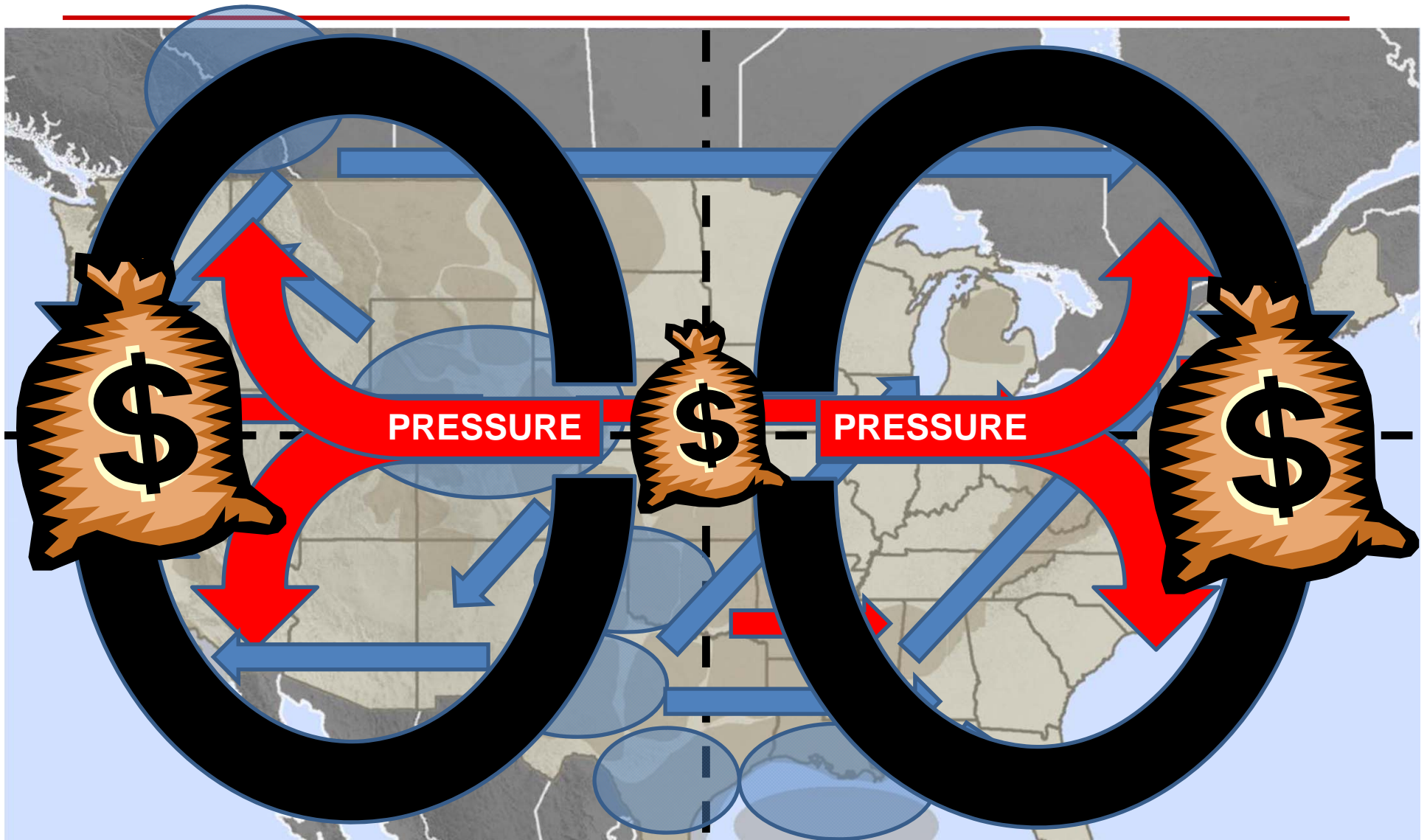


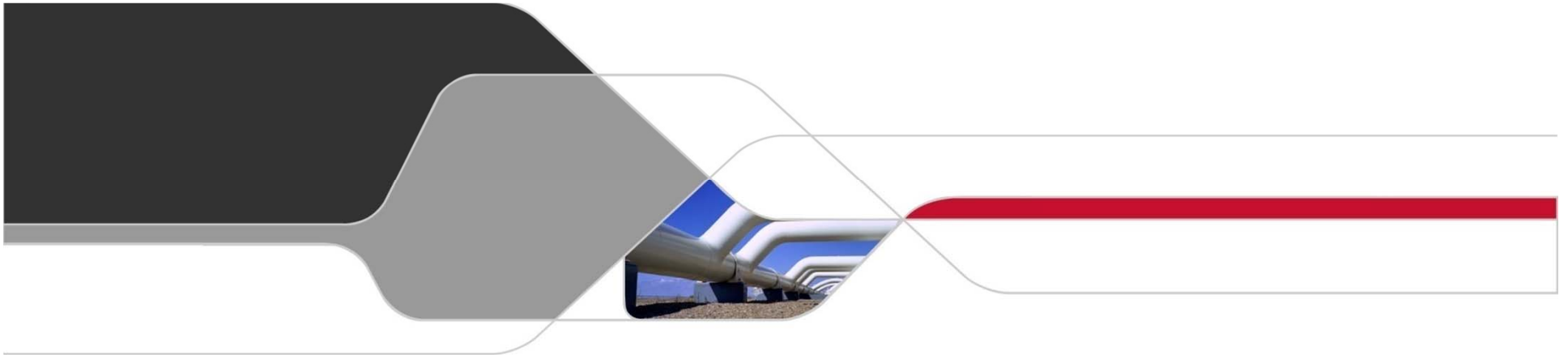
Pipeline Expansions

Pre 2009: Outside-In



Post 2010: Inside - Out



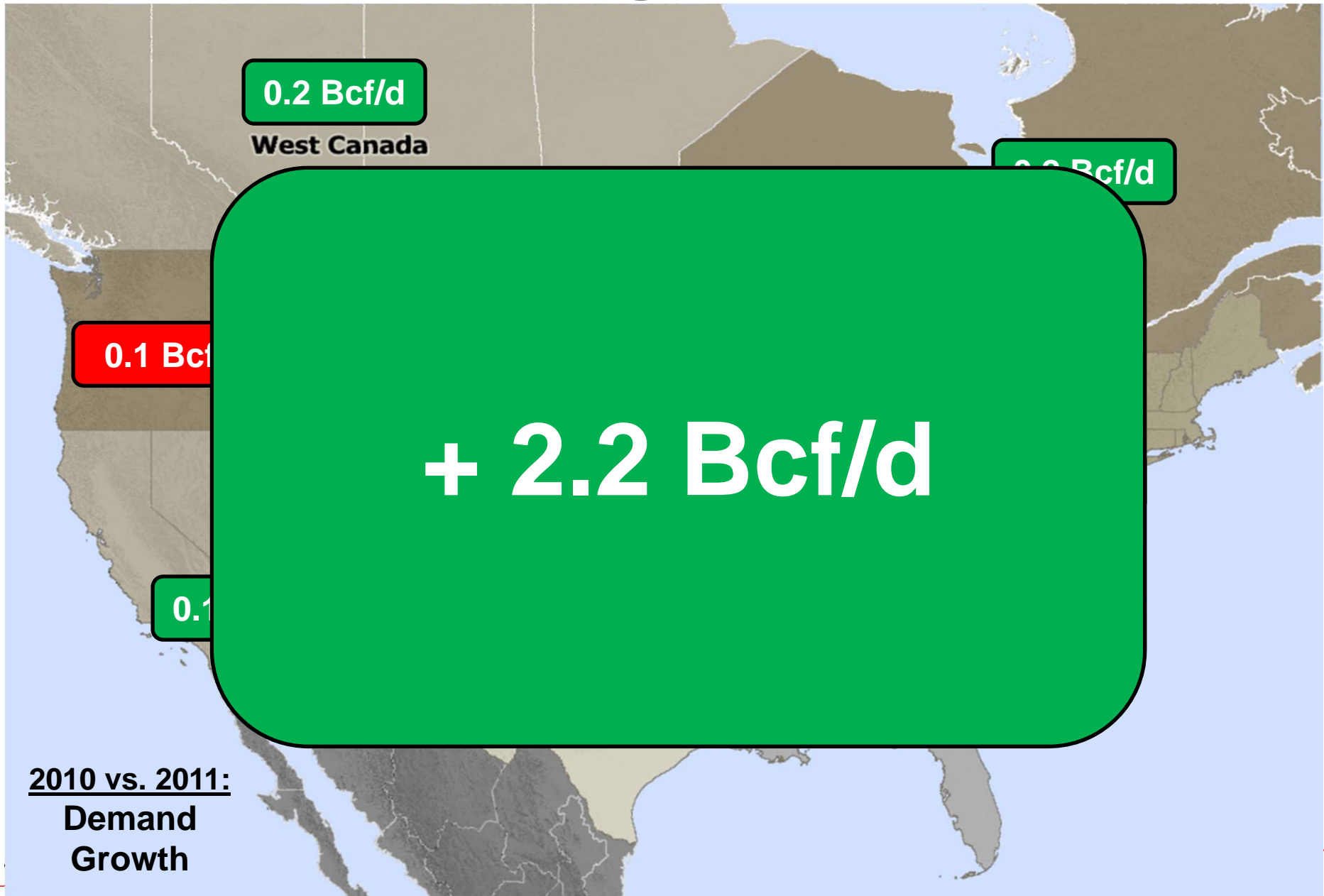


Supply/Demand Forecast by Region

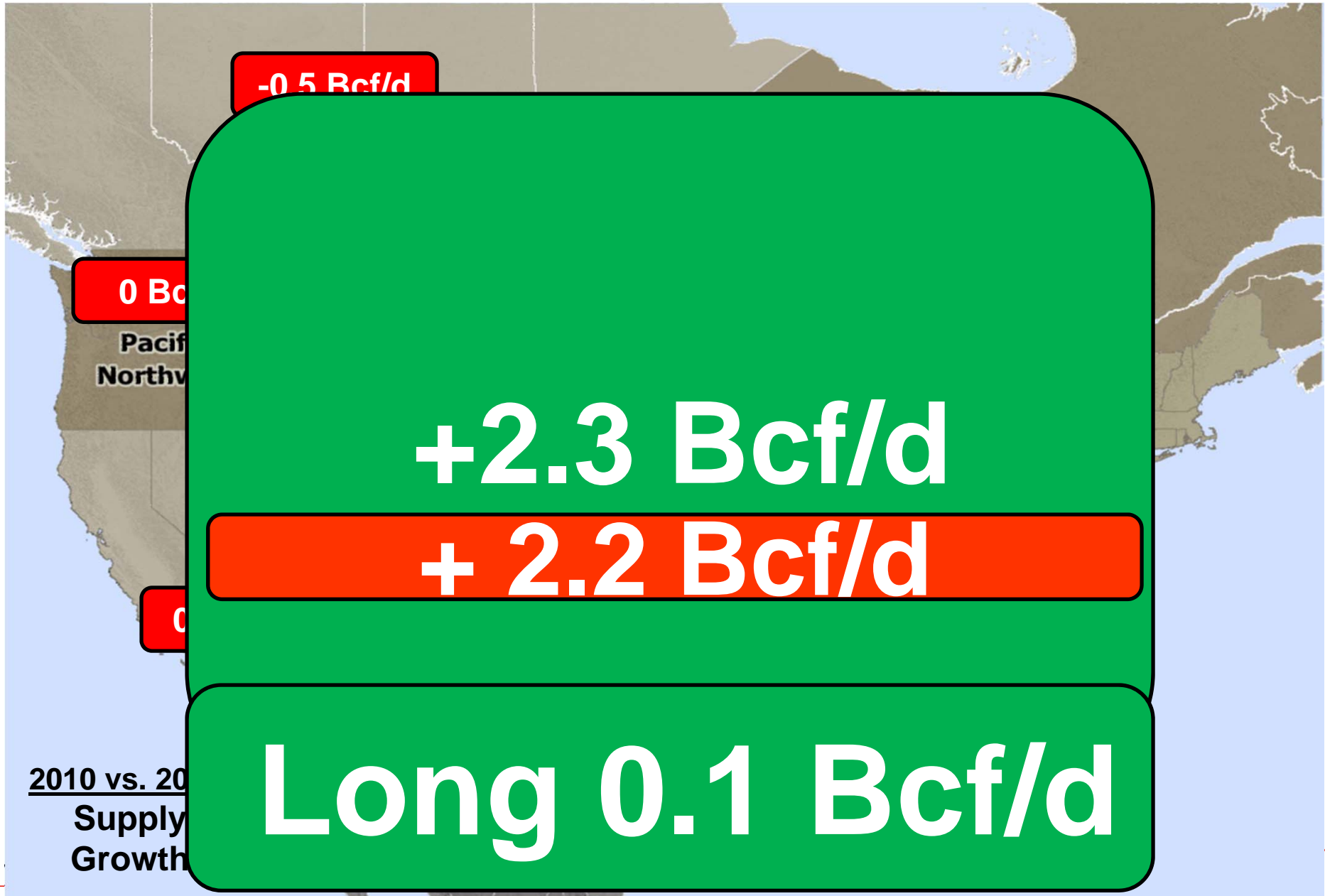
Leading too.....

WSPD? (What Should Prices Do?)

Demand Changes 2010 vs. 2011

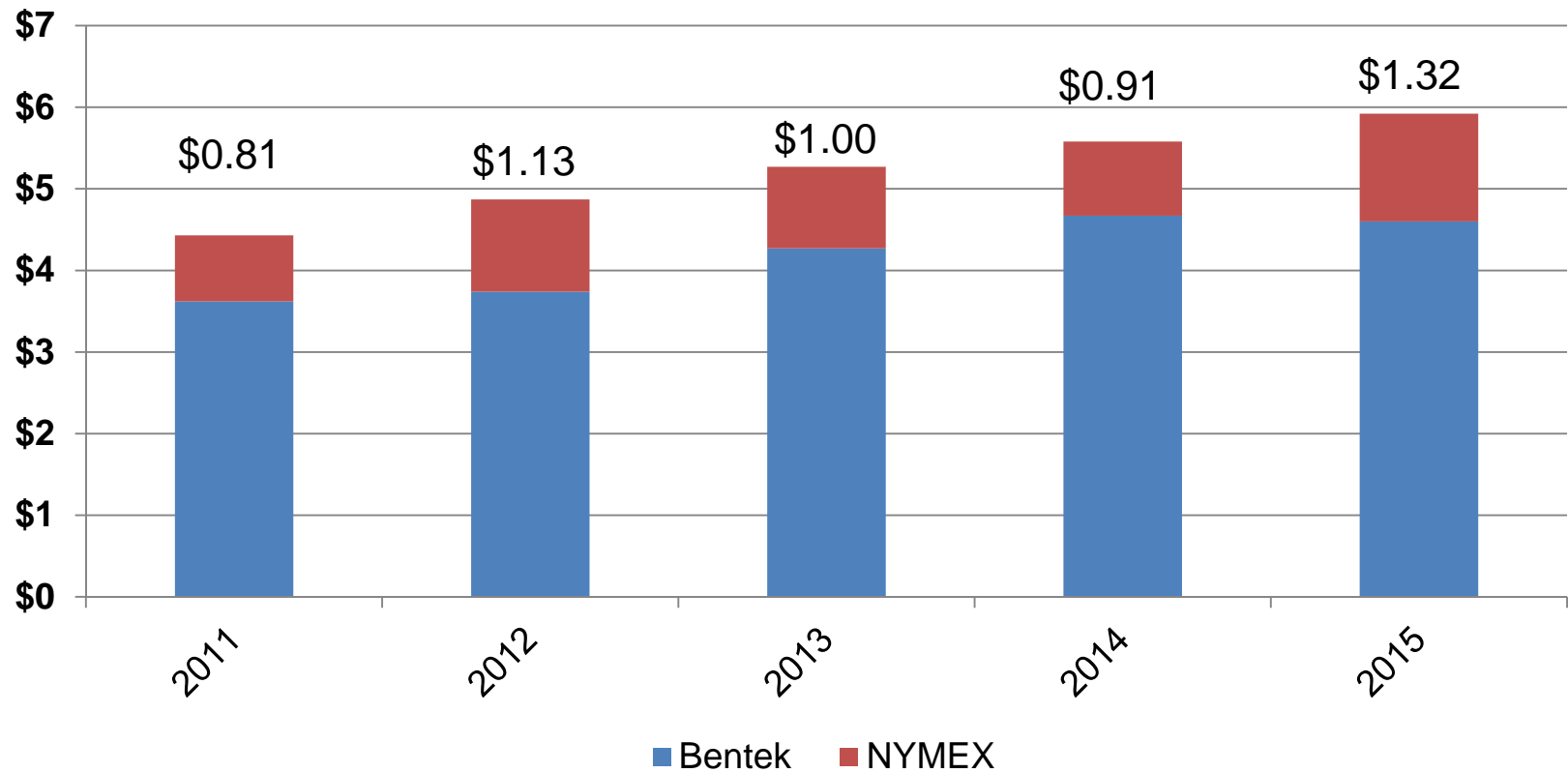


Supply Changes 2010 vs. 2011

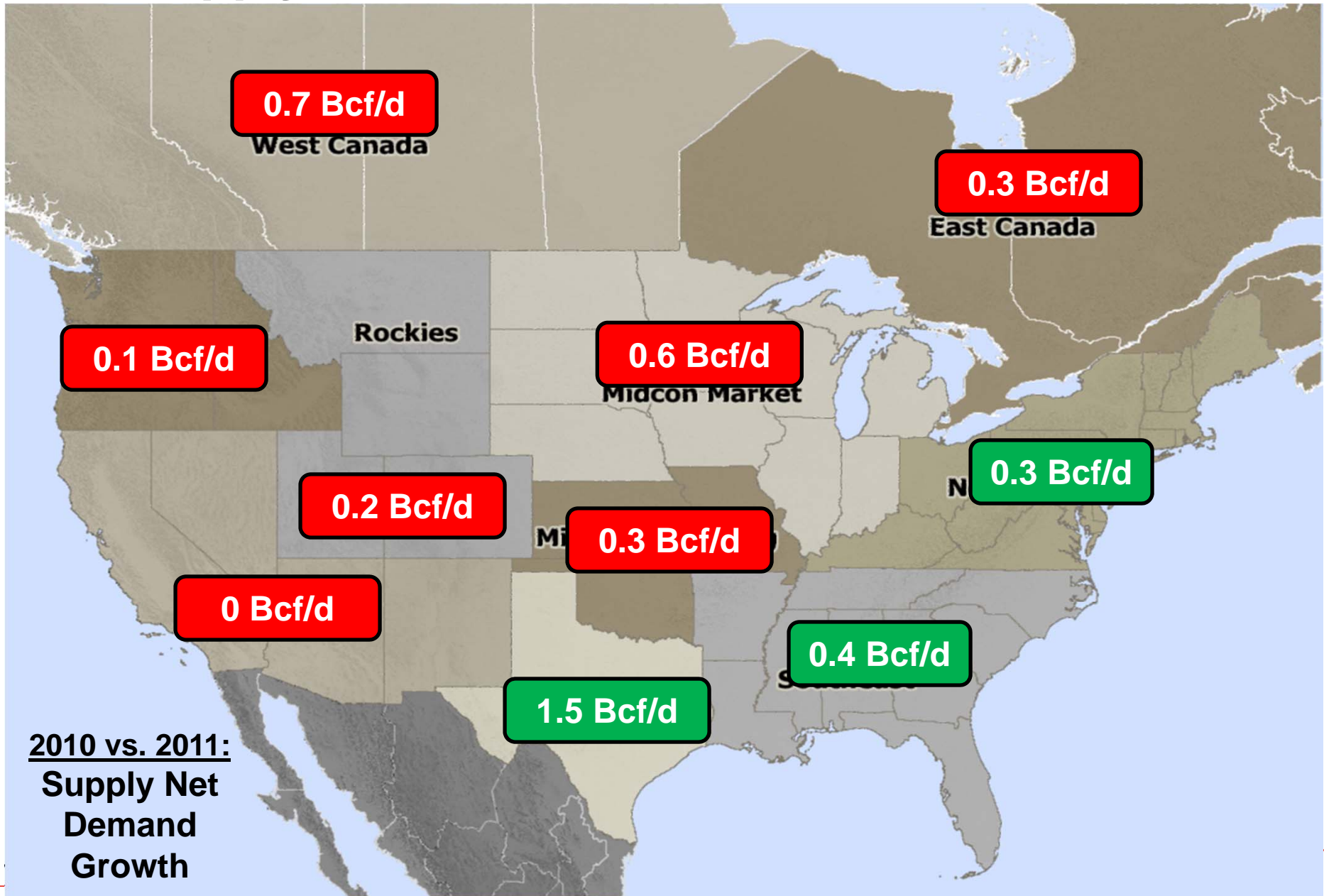


Impact on Prices

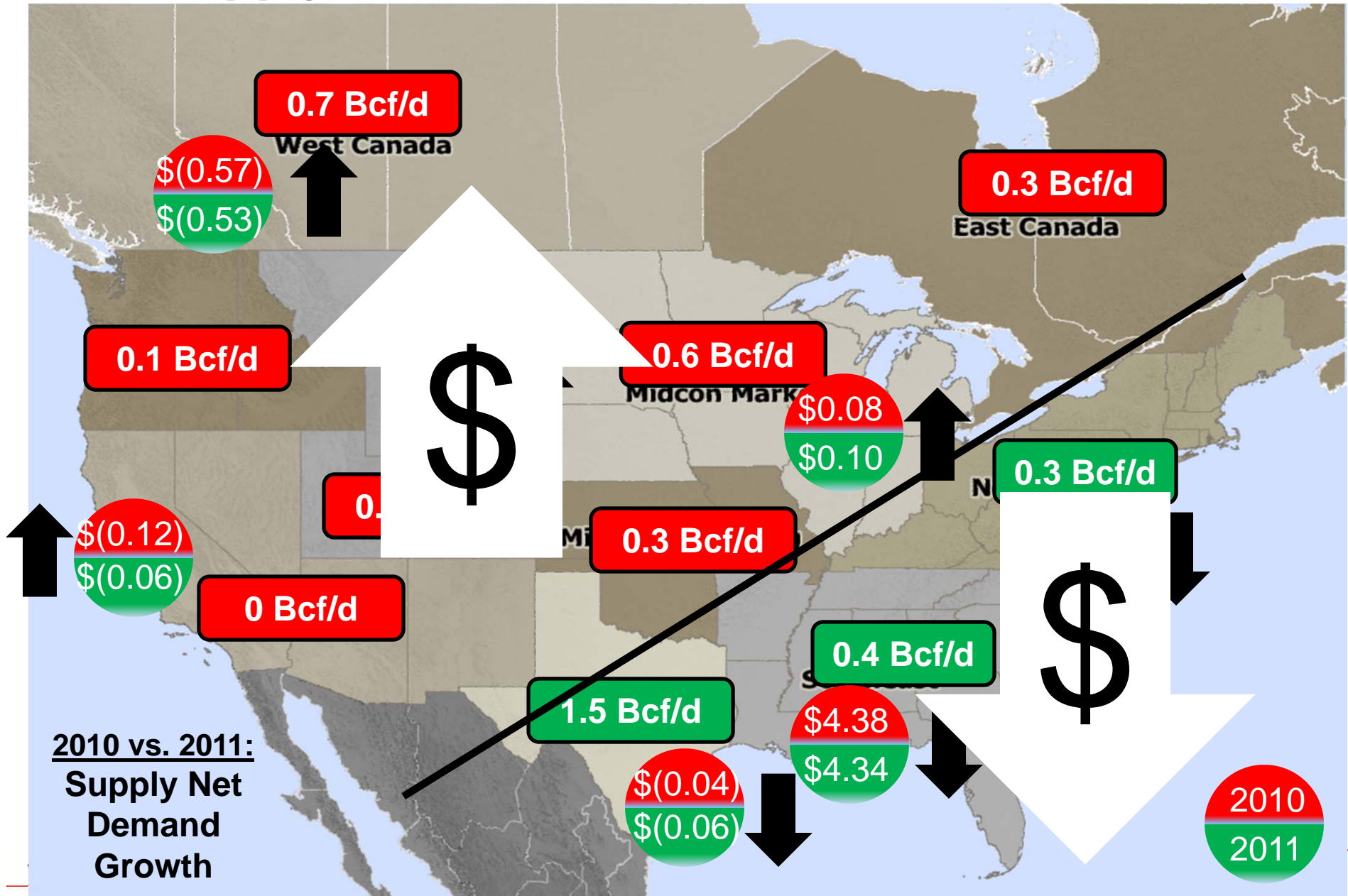
NYMEX Forward vs. Bentek



Supply/Demand Imbalances Will Move Gas



Supply/Demand Imbalances Will Move Gas



Conclusions

- ❖ **Production is strong – please use the NG**
- ❖ **Ruby completes the puzzle – forces flatter basis**
- ❖ **Market is at least pricing basis in the right direction – still room for tightening West of the divide and weakness East of the divide**
- ❖ **Forward Henry has \$0.80 to \$1.00 to fall**



BENTEK Energy, LLC

BENTEK is an energy market analytics company, focused on the natural gas market and related energy sectors.



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U.S. and CN Forecast Through 2016

