



Global Natural Gas Supply and Demand

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¹ Remainder of the legal disclaimer: if you're paying attention, that last item was injected for purposes of humor; it's okay to laugh and to take neither the presenter nor the presentation too seriously

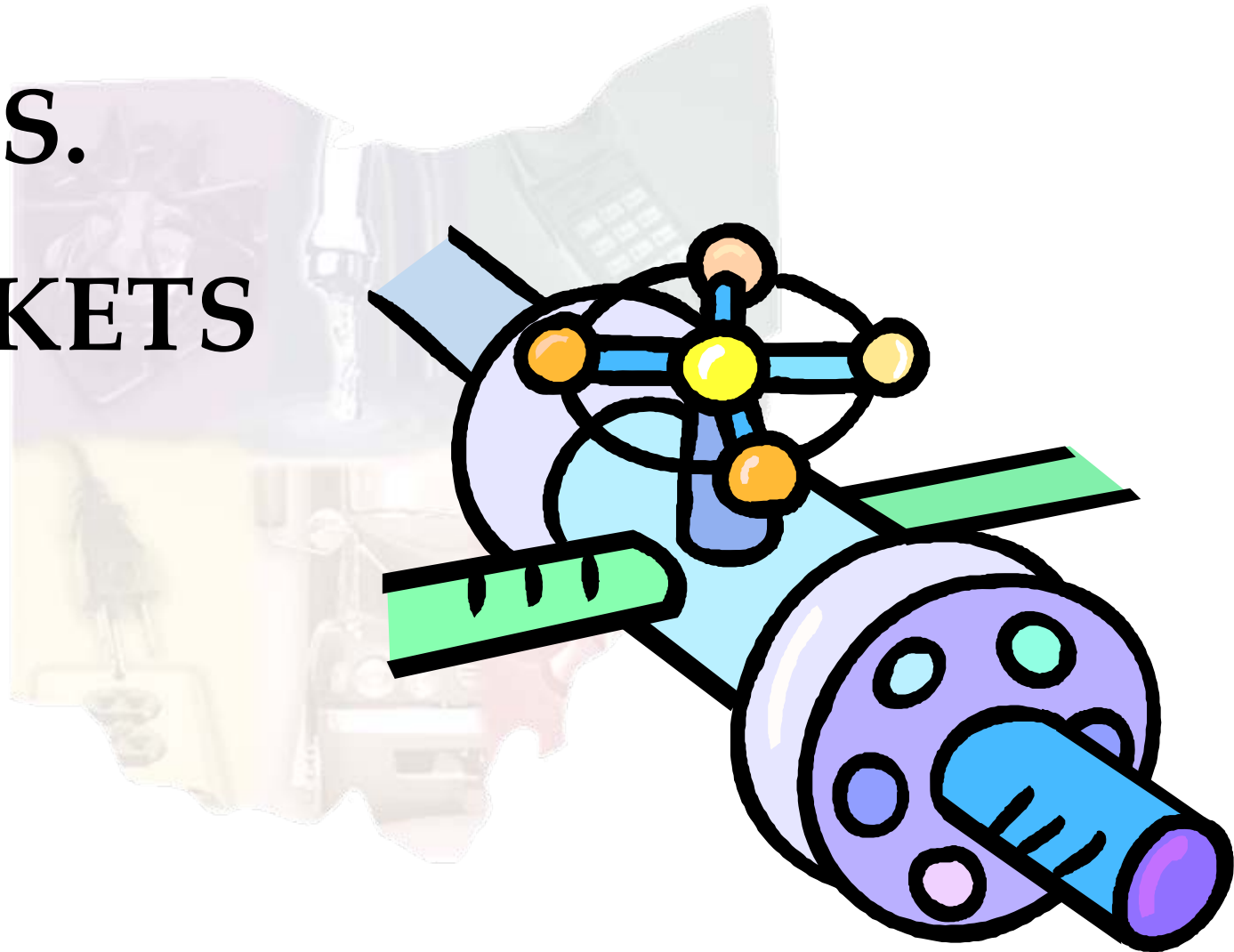


OVERVIEW

- U.S. MARKETS
 - Background (or why it didn't really matter...until recently)
 - Current market dynamics & trends
- INTERNATIONAL DEVELOPMENTS
 - What's happening around the world
- THE BIG PICTURE



U.S. MARKETS





QUIZ:

NATURAL GAS PRIMARY USES

- Residential: home heating, appliances (cooking, hot water, outdoor grill), ?%
- Commercial: space heating, hot water, cooking/frying, ?%
- Industrial: processes; feed stock (chemical/fertilizer), ?%
- Vehicular fuel (compressed natural gas), ?%
- Electric generation: gas turbines, ?%

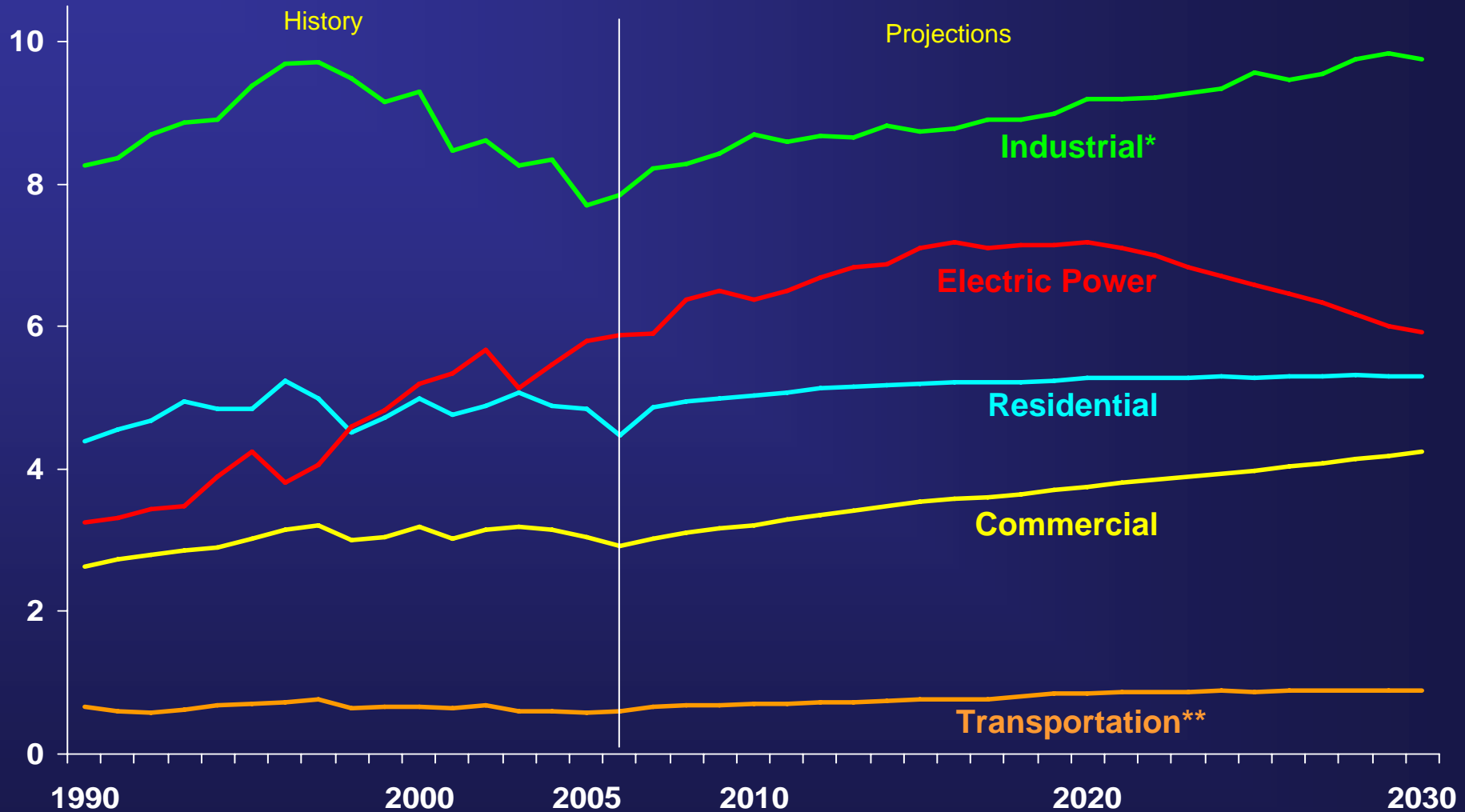


QUIZ:

NATURAL GAS PRIMARY USES

- Residential: home heating, appliances (cooking, hot water, outdoor grill), **23.2%**
- Commercial: space heating, hot water, cooking/frying, **14.4%**
- Industrial: processes; feed stock (chemical/fertilizer), **34.0%**
- Vehicular fuel (compressed natural gas), **0.2%**
- Electric generation: gas turbines, **28.2+%**

U.S. Natural Gas Consumption by Sector, 1990-2030 (trillion cubic feet)

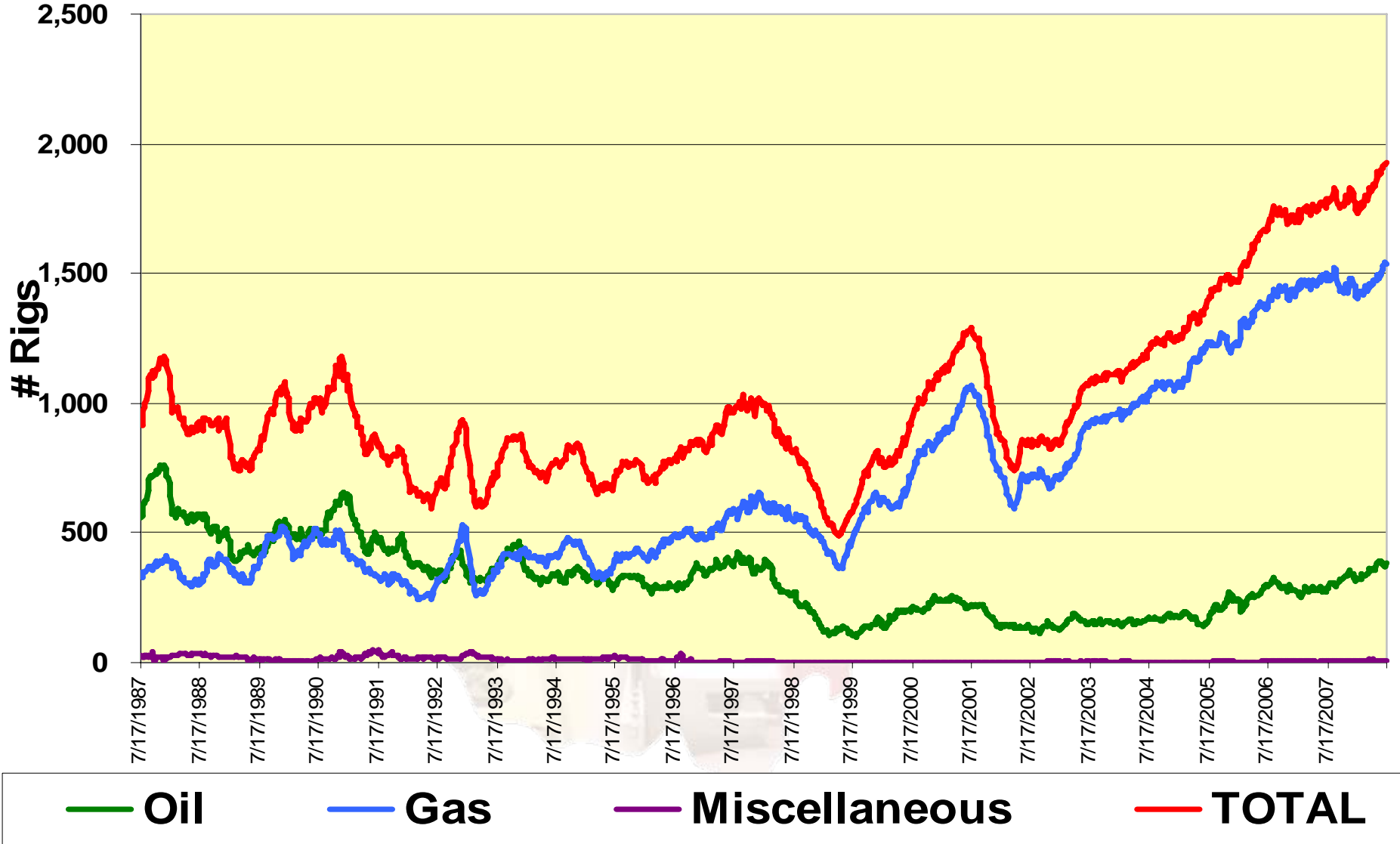


* Includes lease and plant fuel

** Includes pipeline fuel



BAKER-HUGHES RIG COUNT

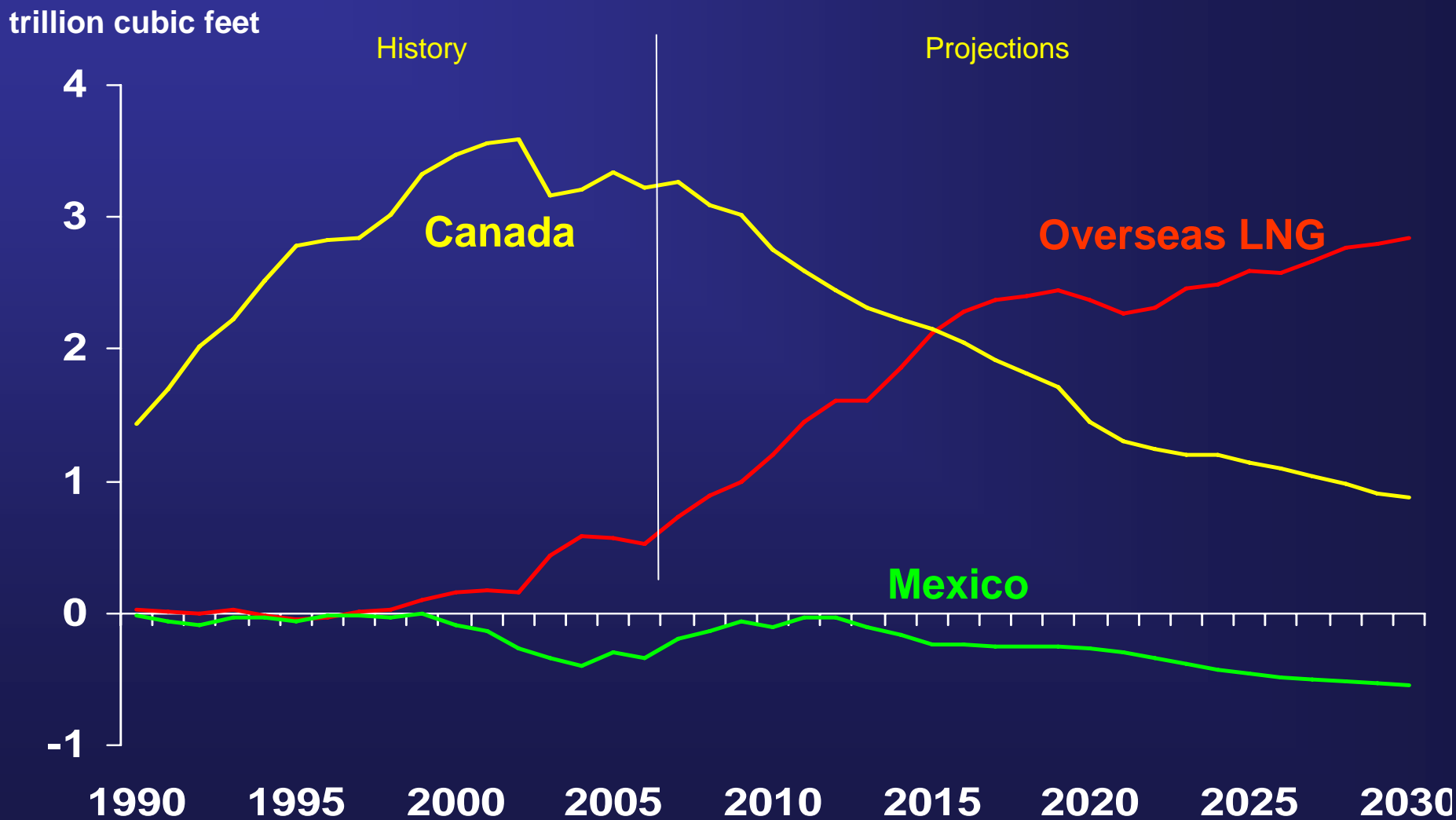




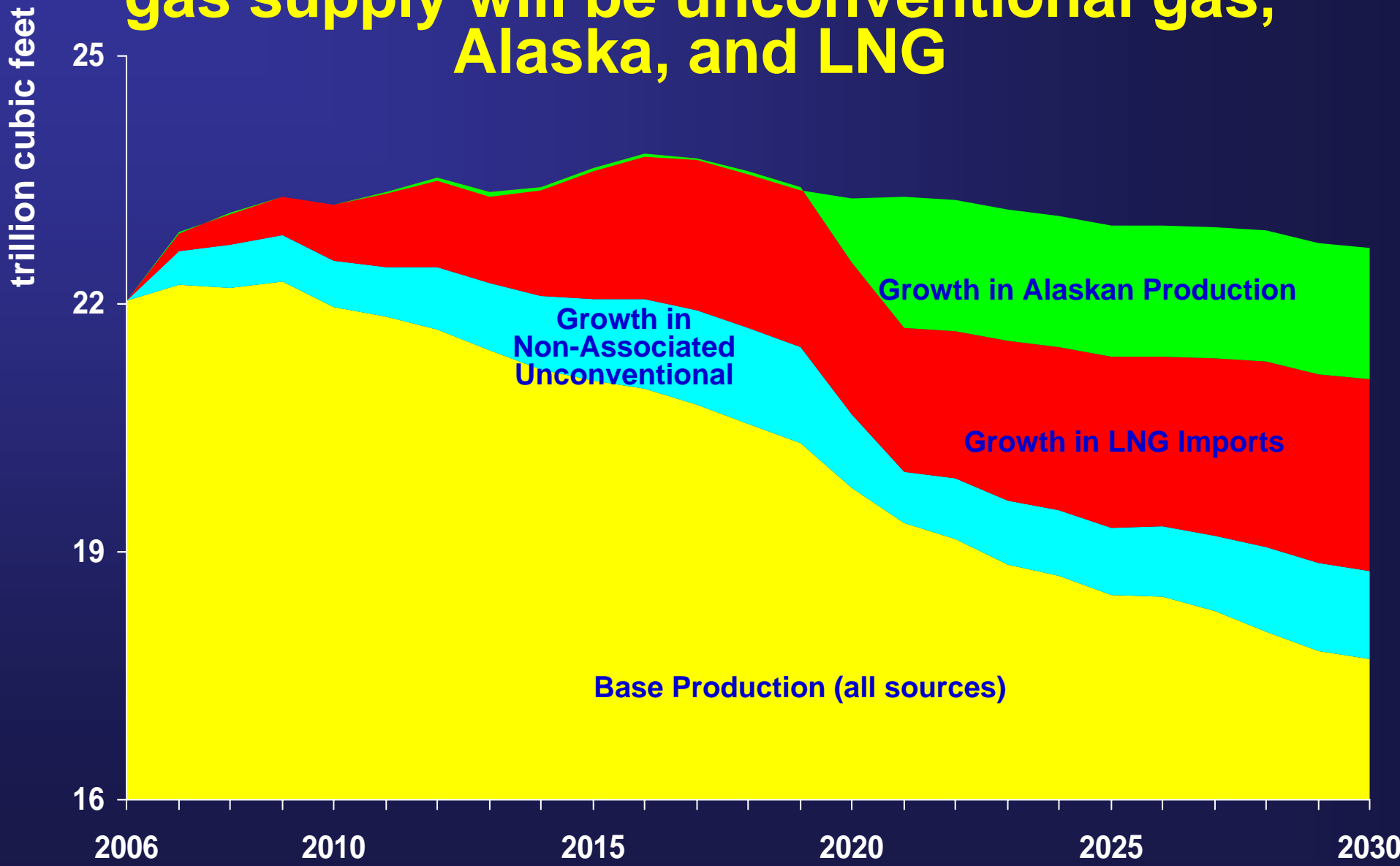
Rig Count Statistics

- Rig count activity:
- Current total US = 1,928 rigs
- About 80% are drilling exclusively for gas (1,534 rigs)
- August 31, 2007 all-time high count (1,523)
- **July 9, 2008 all-time high count (1,544):** due to sustained, significant elevated gas prices

Net pipeline imports fall as Canadian imports from Canada decline and exports to Mexico increase; LNG imports grow rapidly

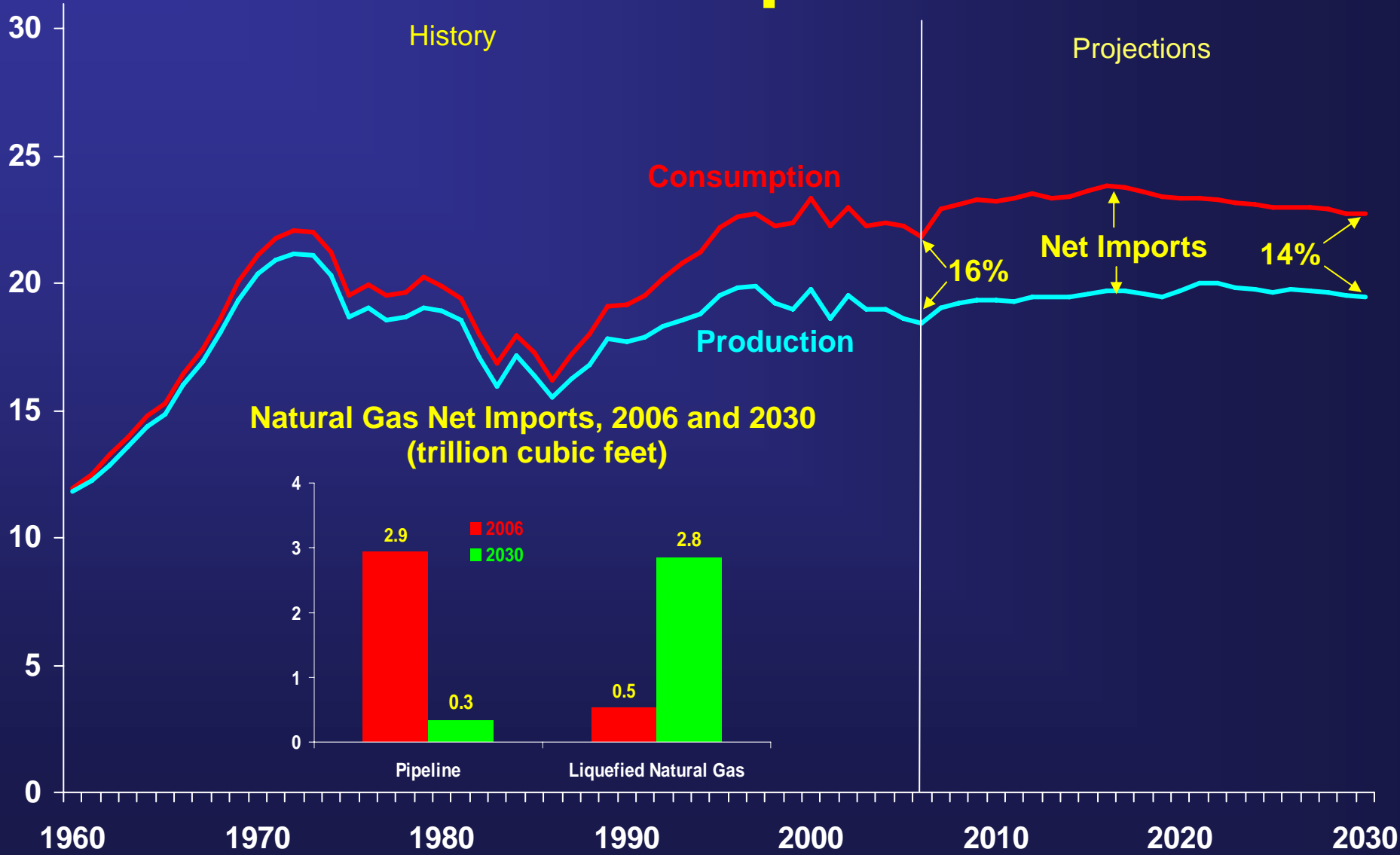


The major sources of incremental U.S. natural gas supply will be unconventional gas, Alaska, and LNG

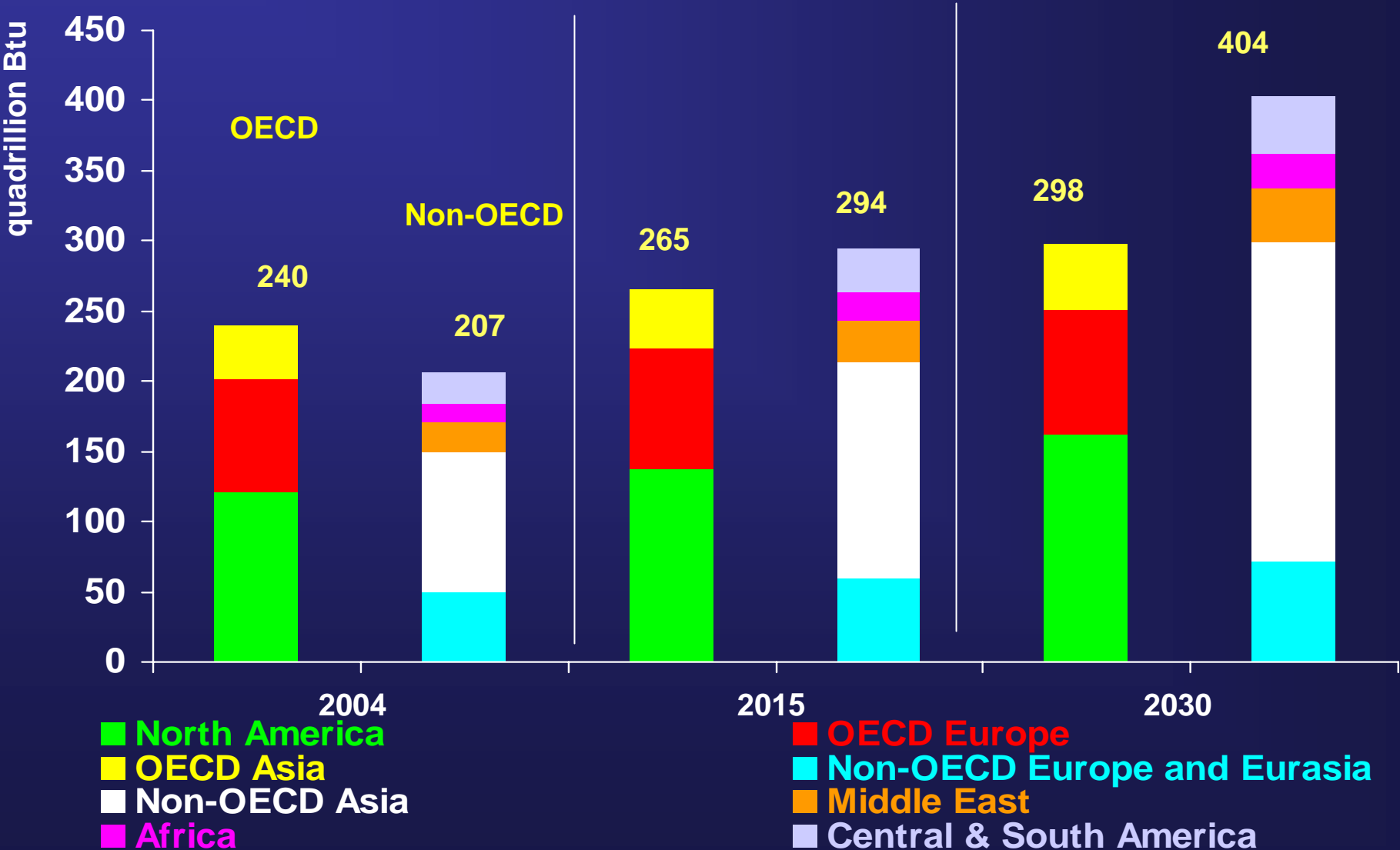


Natural Gas Production & Consumption

trillion cubic feet

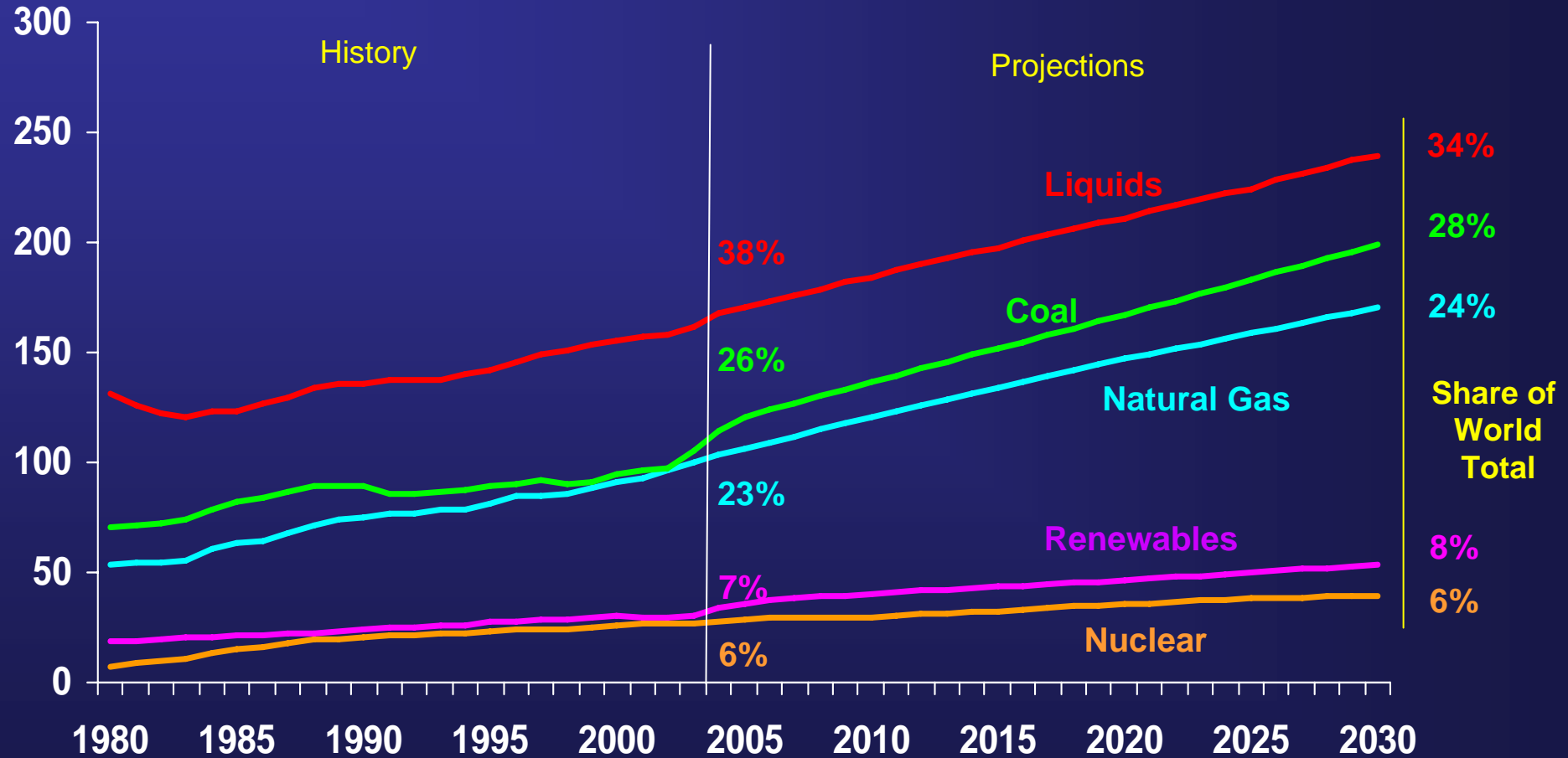


Energy consumption in the non-OECD nations will soon surpass the OECD, driven by growth in Asia



Fossil fuels, particularly liquid fuels and other petroleum, will dominate world energy consumption

quadrillion Btu



A large, semi-transparent map of the state of Ohio is centered on the page. Overlaid on the map are several images related to utility work: a construction worker in a hard hat, a yellow utility truck, a close-up of a utility meter, and a road sign that says "CROSS ROAD".

INTERNATIONAL DEVELOPMENTS

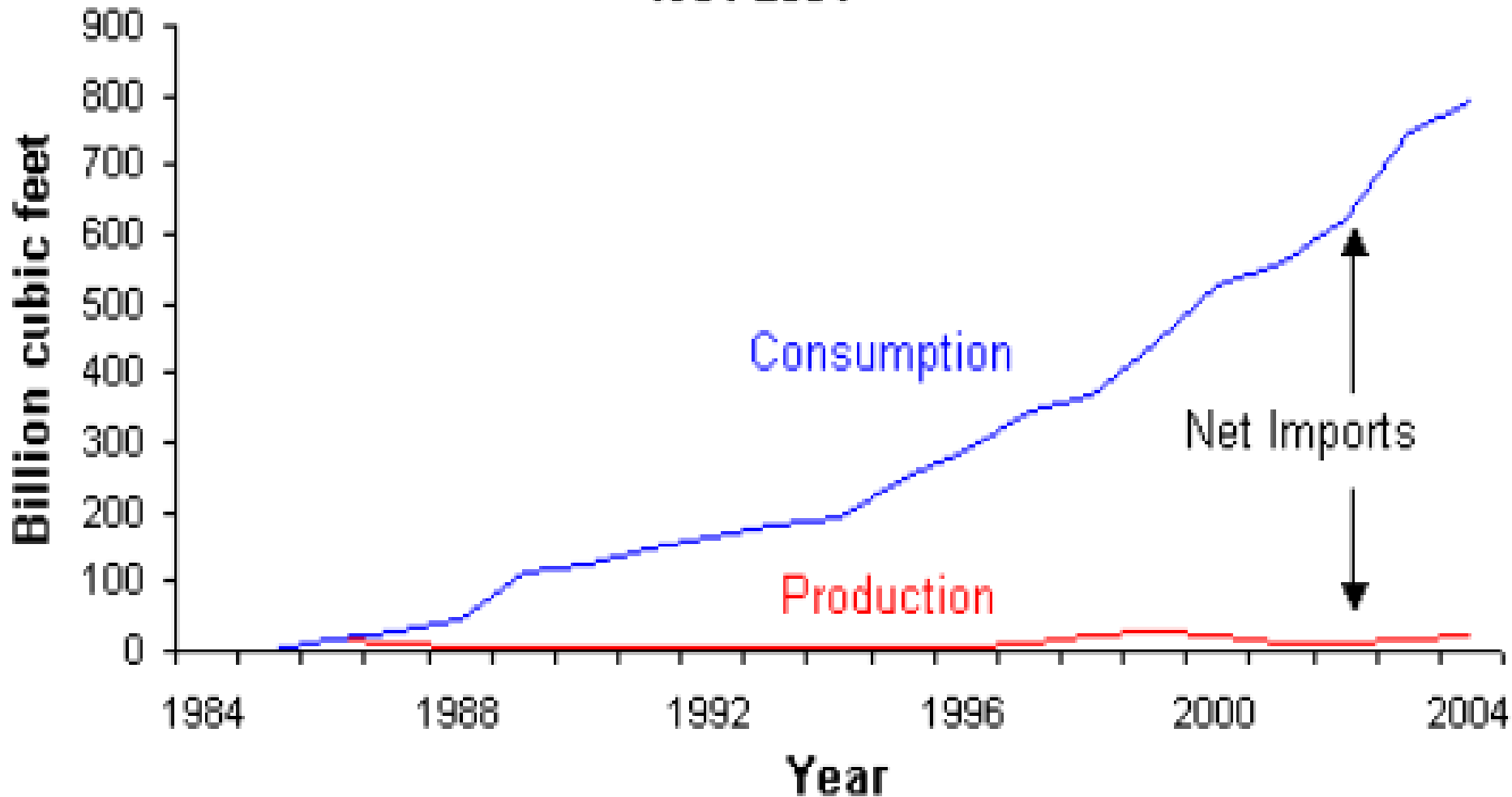


Issues in Europe & Asia

- Demand
 - Traditional
 - Growth markets
- Supplies
 - Existing major suppliers
 - Opportunities for diversification
- Pipelines
- LNG



Turkey's Natural Gas Production and Consumption, 1984-2004



A large, semi-transparent map of the state of Ohio is centered on the page. The map is filled with various utility-related images, including a power plant, a train, a road sign that says "RAILROAD CROSSING", a telephone, and a person working on a utility site. The text "THE BIG PICTURE" is overlaid in large, bold, black letters across the center of the map.

THE BIG PICTURE



Overall Implications

- Domestically: balancing interests:
 - Natural gas is expected fuel of choice for power generation markets over next 10 years
 - U.S. supplies leveling off; Canadian imports declining
- \uparrow use of product + \downarrow domestic availability + \downarrow Canadian imports = \uparrow LNG
- \uparrow dependence on LNG = \uparrow response to world markets



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Questions?