



NEWS

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NGSA.org or NaturalGas.org

Natural Gas Production Gains Should Lead to Market Stability this Winter, NGSA Says

(Washington, DC) An annual analysis of natural gas market fundamentals indicates relatively stable wholesale price pressure this winter when compared to last heating season. The projection was released Thursday by the Natural Gas Supply Association (NGSA), an industry trade group.

“In response to what continues to be a tight energy market, natural gas producers have responded to market signals, resulting in a forecast for natural gas production to reach the highest levels since the early-to-mid 1970s,” said Patrick J. Kuntz, NGSA’s chairman, who also serves as the vice president of natural gas and crude oil sales for Marathon Oil Company.

An independent analysis indicates that natural gas production in the United States this winter is expected to be nearly 8 percent higher than last winter.

Kuntz noted that much of the relative stability in the gas marketplace has come about because of the “billions of dollars” the industry has spent to bring natural gas to market.

“More wells will be completed this year – nearly double the amount of wells from just six years ago and nearly 750 more than last year,” Kuntz explained. “In addition, technological advances in drilling and completion methods are proving to be very successful in improving resource recovery.

“Clean-burning natural gas is an essential part of meeting America’s energy needs, and it continues to be a good value for consumers,” he said.

NGSA reported other factors impacting the natural gas market include: slightly warmer than normal winter weather, a stagnant economy, mild growth in natural gas demand and relatively high natural gas storage levels.

NGSA’s analysis noted that demand for natural gas could be impacted if unexpected world events affect the United States and energy markets generally.

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“Federal forecasters anticipate this will be a slightly warmer than normal winter with about the same number of heating degree days as last winter. However, this is the most difficult factor to predict, and the severity of winter weather may likely have the biggest, single impact on the market,” said Kuntz.

The NGSAs noted that last year, for the first time in U.S. history, the electric generation sector exceeded the industrial sector’s annual demand for energy; with another independent analysis for NGSAs predicting this event to occur again this year.

“As utilities build plants to generate electricity, they are increasingly choosing clean-burning natural gas,” Kuntz said. “Natural gas now fuels about 20 percent of the nation’s electrical generating capacity and that consumption is expected to grow again this winter.”

Despite recent Gulf of Mexico hurricanes that have slowed storage injections, the NGSAs study also noted that inventory levels of natural gas are still expected to be above the five-year average. Last winter, the industry entered the heating season with natural gas inventories at an all-time record of 3,545 billion cubic feet (Bcf). This season, the trade group says expected annual storage supply is expected to be a healthy 3,450 Bcf.

“For some end-users, though, it is important to note that many will still be feeling the effects of higher prices from this past summer, making household efficiency and conservation as important as ever,” Kuntz said.

The 2008-2009 NGSAs Winter Outlook and additional documentation are available online at www.ngsa.org.

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NGSAs represents integrated and independent companies that supply natural gas. Established in 1965, NGSAs encourages the use of natural gas within a balanced national energy policy, and promotes the benefits of competitive markets to ensure reliable and efficient transportation and delivery of natural gas and to increase the supply of natural gas to U.S. customers.

Clean Natural Gas: Smart, Secure, Essential