



NEWS

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NGSA Testifies, “Producer’s efforts are showing results.”

Washington, D.C. ... The Natural Gas Supply Association (NGSA) today testified to Congress that, “although natural gas supply continues to be tight, producers are part of the solution and are making progress.” The House Conservation, Credit, Rural Development & Research Subcommittee of the Agriculture Committee today held a hearing on the effects of high natural gas prices on the agriculture sector of the economy.

R. Skip Horvath, President of NGSA, said, “With the increase in prices, producers are doing everything they can to increase the supply of natural gas. I am here to report to you today that our efforts are showing results:

- The top ten producers alone are expected to invest some \$41 billion into exploration and production (E&P) this year, an increase of 25 percent over last year;
- The E&P industry is hiring new employees, with an increase of almost 35,000 jobs since last year;
- The number of active drilling rigs is up nearly 150 percent from April 1999;
- Of those, roughly 80 percent are drilling for natural gas.

“As a result, The Energy Information Administration estimates that natural gas production has increased 3.7 percent from 1999 to 2000 and forecasts a further increase of 2.7 percent in 2001. Although we’re not out of the woods yet, producers are proving our commitment to this market and to the future reliability of natural gas, which we have every confidence will continue to be a reliable source of energy well into our future.”

Horvath continued, “But access to new resources continues to be our call to Congress. In 1990, producers had to replace about 10 percent of their natural gas volumes with new wells each year just to bring consumers the same amount of gas they had the year before. Today, this average ‘decline rate’ has jumped to 23 percent. That means that producers must find 23 percent more gas each year just to satisfy even a stagnant market. And as we know, this market is anything but stagnant.

“Access to new lands is crucial to our industry. With minimal environmental impact, natural gas producers can explore and produce natural gas to meet the country’s future needs. Energy and the environment are not exclusive of each other, but must move forward together to ensure the long-term supply of this important commodity.”

“Finally,” Horvath concluded, “natural gas is traded in an open and competitive market, with thousands of participants. Acting like mini-markets, our Hub system determines the price of natural gas, which producers take for their product. Consumers have saved some \$610 billion from this deregulated system since Congress let competitive forces into the market. Natural gas continues to be a safe, reliable and efficient fuel source to be used for everything from drying crops, to cooking meals, to cleanly generating electricity. We look forward to the continued support of Congress.”

NGSA represents integrated and independent companies that produce and market the majority of the natural gas produced in the United States. NGSA is actively involved in pursuing regulatory and legislative issues that affect the association’s members. Established in 1965, NGSA encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.