



NEWS

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Natural Gas Producers Responding Aggressively to North American Demand

Washington, D.C. (April 25, 2005)... Executives from the Natural Gas Supply Association (NGSA) and the Canadian Association of Petroleum Producers (CAPP) held a media briefing at the Canadian embassy today to emphasize the important steps being taken to develop more natural gas supply to meet the growing demand in North America.

"Trend data for the U.S. clearly confirms that upstream exploration and production investments are tracking consumer demands for more clean-burning natural gas," said NGSA Chairman Joseph Blount, president, Unocal Midstream and Trade. "To the extent we have the ability to do so, the industry is clearly trying to keep pace by making the most of the available, cost-effective opportunities to serve our customers."

Canada supplies 15 percent of all the natural gas consumed in the United States, and CAPP stressed that Canada is a stable and secure supply of natural gas for the United States.

"Canadian producers are also reinvesting in natural gas drilling at record rates and expanding into emerging resources like coalbed methane," said CAPP Chairman Ross Douglas, president and CEO, Mancal Energy Inc. "In 2004, Canadian natural gas production increased by 400 million cubic feet per day and is again higher for the first quarter of 2005. Canada supplies 85 percent of U.S. imports which equates to one in seven homes in the United States that are heated by natural gas."

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The chairmen of associations representing major producers in both countries encouraged policy-makers to recognize that companies on both sides of the border are making efforts to meet demand. Record drilling in Canada means natural gas production in the first quarter of 2005 is up 200 million cubic feet per day over the same period last year.

According to Blount, gas-directed rig counts are at a 19-year high, gas well completions in the U.S. are at a record high, and ongoing exploration is continuing to expand domestic gas reserve estimates. In addition, there are significant increases in more costly non-conventional production, evidence that producers are responding to tight market conditions by increasing production efforts, even if the efforts don't always yield robust finds.

"The investments needed to allow greater access to global natural gas markets are also being made," Blount said. "Just looking at the U.S. alone, where more than 40 new liquefied natural gas (LNG) import terminals are in the works, with as much as an estimated \$100 million at risk per terminal, you can see further evidence of the industry's commitment to access additional resources. When you factor in costs for the entire supply chain, including liquefaction and transportation, the major upstream companies are putting billions of dollars on the table, an estimated \$44.5 billion of which will ultimately be needed to totally support an expanding U.S. market."

"Technology is allowing Canadian natural gas companies to access new resources and increase production," said Douglas. "Producers are building on the U.S. experience and using new technologies to seek out and produce deep gas, increase investment in coalbed methane and significantly reduce use of natural gas in oil sands production."

"U.S. and Canadian producers recognize that energy is the lifeblood of our North American economy," Blount said. "Demand for clean-burning natural gas will continue to grow, and our industry faces the challenge of meeting this demand. However, the steps we are taking – the money we are investing in exploration and production – will pay only limited dividends as long as responsible access to additional domestic supplies remains restricted," said Blount.

NGSA represents integrated and independent companies that produce and market natural gas 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.

The Canadian Association of Petroleum Producers (CAPP) represents 150 companies that explore for, develop and produce natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 98 percent of Canada's natural gas and crude oil. CAPP also has 125 associate members that provide a wide range of services that support the upstream crude oil and natural gas industry. Together, these members and associate members are an important part of a \$75-billion-a-year national industry that affects the livelihoods of more than half a million Canadians.