Natural Gas Supply Association

NEWS

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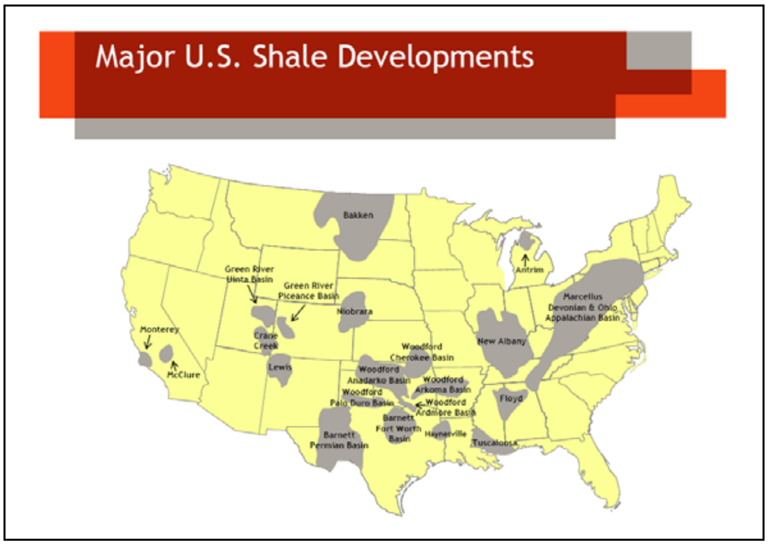
Natural Gas from Shale Could Double in Next Ten Years

But industry executives warn that high taxes, restricted land access and economic conditions could negatively impact output

(Washington, DC) A spokesman for the natural gas industry said Friday that natural gas from shale plays -- such as the Marcellus Shale field which stretches from New York to West Virginia -- could double in the next ten years and provide one-quarter of the nation's natural gas supply.



But he also warned that a windfall profits tax could hurt that effort at time when the nation will need more natural gas to meet the clean air requirements mandated by climate change legislation.

"What we've seen so far from shale fields is just the tip of the iceberg," said Terry Ruder, vice chairman of the Natural Gas Supply Association, who also serves as senior vice president, marketing and mainstream division, of Devon Energy Corporation. "To facilitate a steady supply growth of natural gas from shale, we need a stable tax and regulatory environment."

His comments came Friday at a conference conducted by the Federal Energy Regulatory Commission regarding the nation's natural gas infrastructure.

According to Ruder, shale developments provide an estimated 6 to 8 billion cubic feet per day (Bcfd), or roughly 10 to 12 percent of the projected 2008 U.S. natural gas demand. Over the next ten years, U.S. shale production is estimated to double, reaching 15 to 20 Bcfd, with total reserve estimates ranging from 250 to 750 trillion cubic feet. Americans consume roughly 60 Bcfd on average.

The economic impacts to America are significant.

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Ruder said his company, Devon Energy, has invested more than $10 billion in the Barnett Shale play in northern Texas. Devon estimates that the natural gas industry as a whole will spend an estimated $150 billion to fully develop just the Barnett Shale in north Texas.

There are approximately 20 major shale fields across the United States that could or currently do produce natural gas, including the Bakken play in North and South Dakota, the Woodford in eastern Oklahoma, the Haynesville area in east Texas and Louisiana, the Green River Piceance basin in Colorado, and others.

"Shale developments are highly capital intensive and a windfall profit tax assessment now being discussed in Congress would directly and immediately reduce investment in U.S. shale developments and adversely affect production," Ruder said.

Ruder's concerns were echoed by another Natural Gas Supply Association member who also spoke at the FERC conference.

"I cannot emphasize enough the importance of a stable regulatory environment. When exploration and production companies expend billions of dollars on capital projects, they can mitigate some of the risks stemming from price fluctuations, resource requirements, and transportation constraints . But in absence of a transparent and consistent regulatory environment, these projects may be delayed or worse yet, never get off the drawing board," said Clay Bretches, vice president of Marketing and Minerals at Anadarko Petroleum.

"What we need is regulatory certainty that not only benefits the economics of the projects, but also provides adequate and on-time supply to consumers. Make no mistake about it, regulatory uncertainty strongly impacts price volatility."

Ruder said that shale developments have the potential to reshape the traditional domestic gas supply mix and aid in the replacement of declining conventional production.

"Industry has proven it can develop shale plays safely," Ruder said. "These resources, however, will only partially satisfy the nation's growing demand for natural gas --- demand that will increase even more rapidly with any new climate change policies."

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