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# What's Up (or Down) with the Natural Gas Market?

Vancouver January 2012



### Henry Hub Spot Price

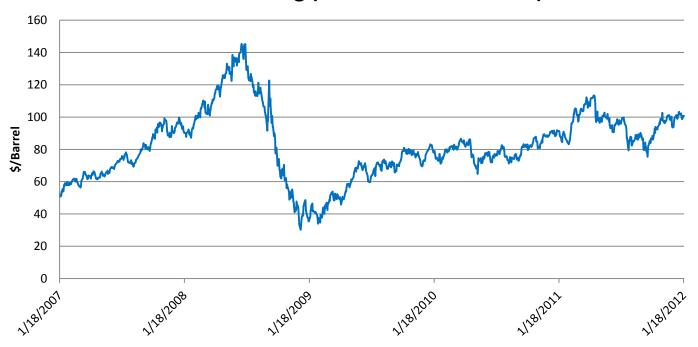
#### **Henry Hub Gulf Coast Natural Gas Spot Price (\$/MMBTU)**





### WTI Crude Spot Price

WTI at Cushing (U.S. Dollars Per Barrel)





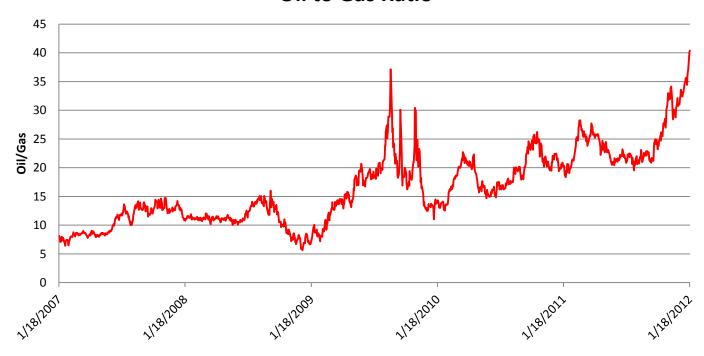
### Oil versus Gas: Energy Produced

- 1 Barrel of Oil = 5.6 Mcf of Natural Gas
- Oil and Gas Reserves = Barrel of Oil Equivalent
- BOE for Financial Statements and Resources:
  - -IRS = 5.8
  - -USGS = 6.0



### Oil: Gas Price Ratio

#### Oil to Gas Ratio





## Why is Natural Gas Depressed?

- Shale Gas Technologies
- Low Risk / High Reward
- Transportation Infrastructure
- Storage Capacity



### Why is Natural Gas Depressed?

- Processing Capacity
- Power Plant Capacity
- Environmental Opposition
- Land Access



### January 2011 – 2012 Price & Rig Counts

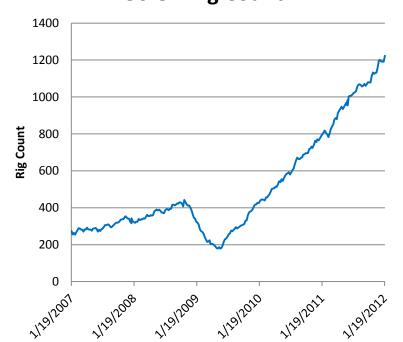
- Oil Price: Up 10 %
- Oil Rigs: Up 54 %

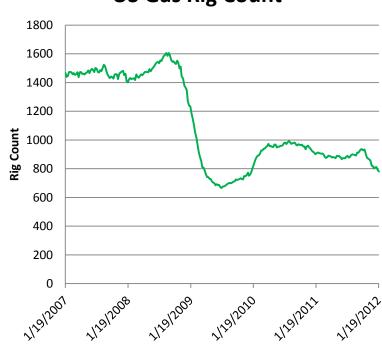
- Gas Price: Down 45 %
- Gas Rigs: Down 14 %



### Oil vs Gas Rig Counts



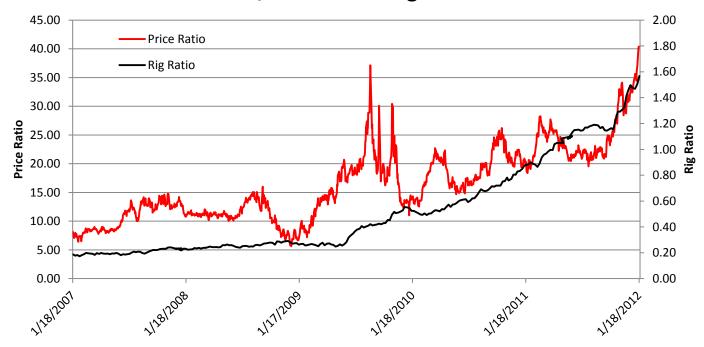






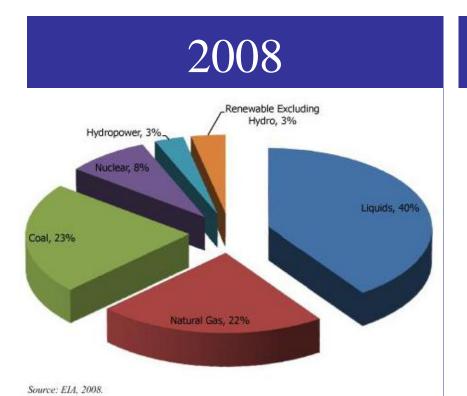
### Oil: Gas Price & Rig Ratios

#### Oil/Gas Price & Rig Ratio

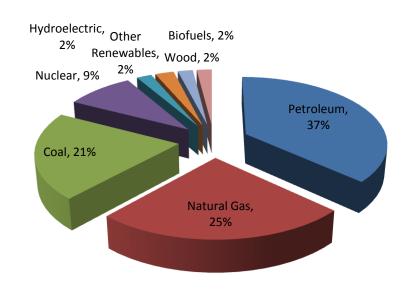




# United States Energy Budget

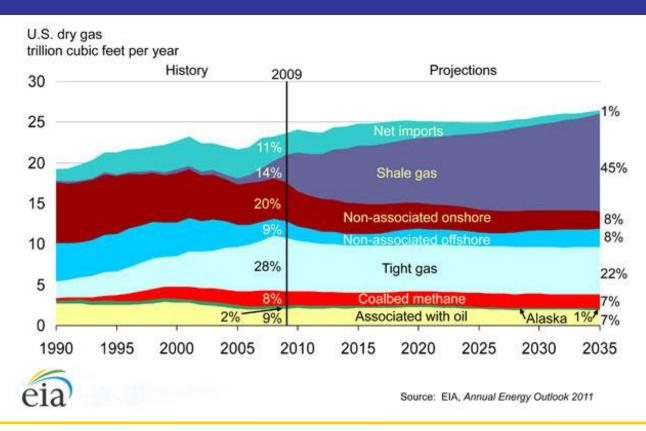


### 2010



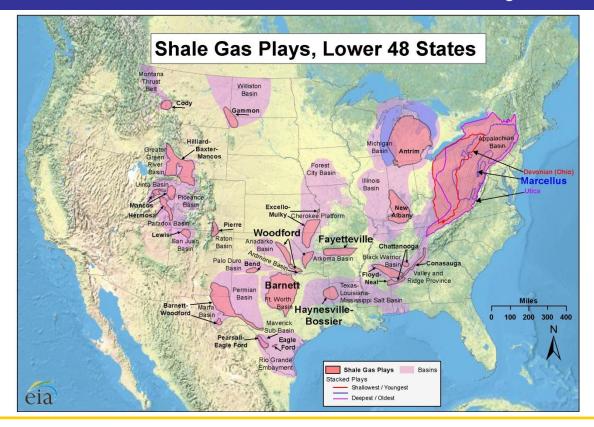


### Natural Gas Demand 1990 - 2035





## USA Shale Gas Plays





### Domestic Natural Gas Demand

- Residential & Commercial Heating: 22 %
- Industrial: 38 %
- Electrical Generation: 37 %
- Transportation: 3 %



### United States Natural Gas Resources

- World's Largest Gas Producer
- World's 6th Largest Reserves
- 110 Yrs of Resources at Projected Demand
- Self Sufficient in Natural Gas



### Domestic Energy Imports

- 30 % of Daily Energy Budget
- 9.4 Million Barrels Oil Per Day
- At \$ 100 / bbl = \$940 Million Per Day
- \$343 Billion Per Year



# USA Energy Independence

- Uranium
- Natural Gas
- Coal
- Renewable / Green



# Monday Morning Musings from Mickey the Mercenary Geologist





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