

ANGA Management Roundtable

Natural Gas Market Discussion



SEGAS

- Non Profit Corporation established in 1986
- Manage Natural Gas Supply and Pipeline Assets for Members in Alabama & Georgia
- No assignment of member's assets
- SEGAS acts as purchasing agent for members
- Co-op approach provides benefits for all members

Current Market Condition

- Cash and front of Nymex curve are sub \$4
 - Expect prices to decline further if moderate weather extends into November
- Natural Gas Storage levels are tracking last year
- Overall expectation of colder than normal winter

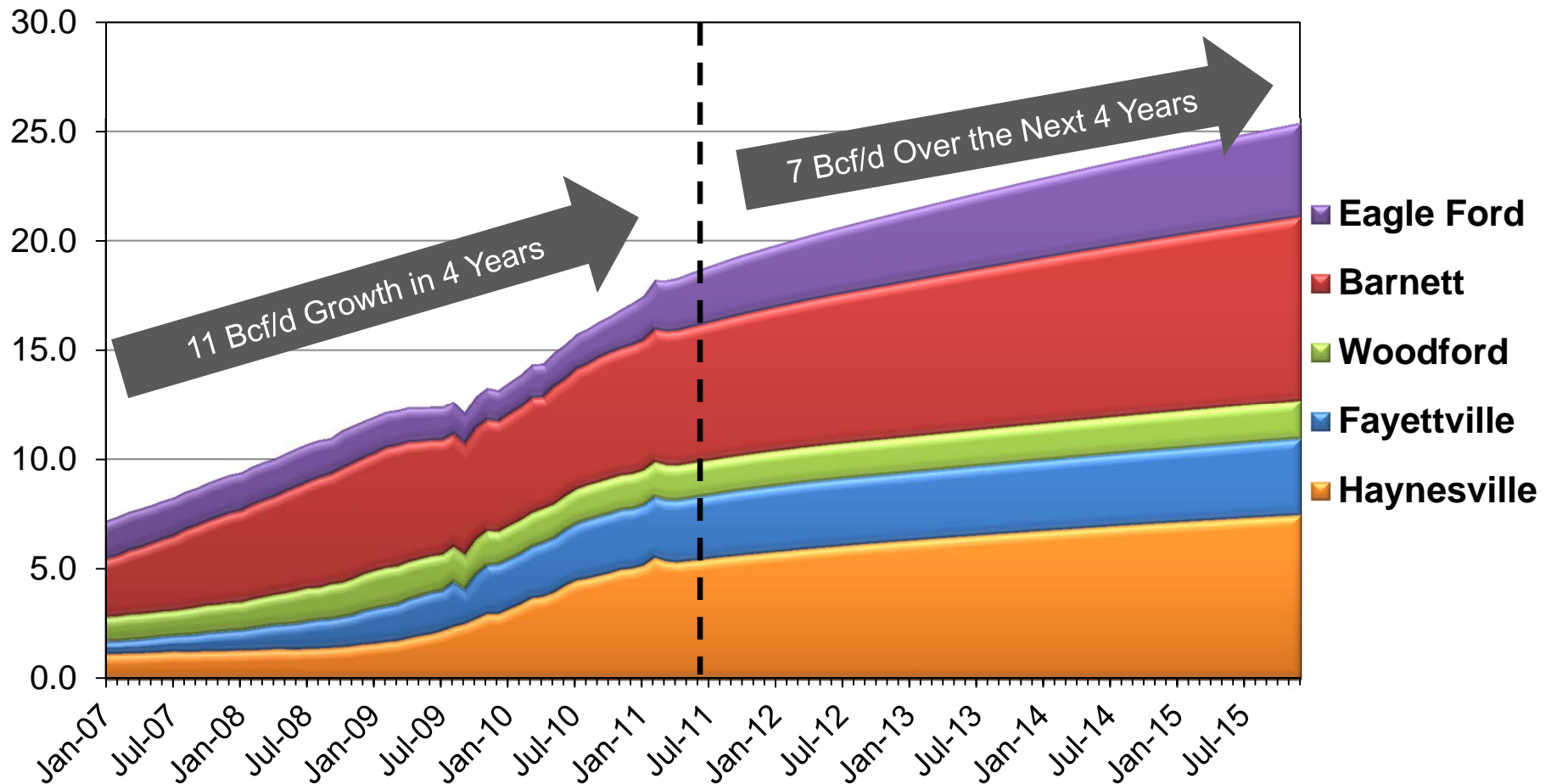
Key Takeaways

- ❖ U.S. Natural Gas Supply is Strengthening
- ❖ Producers Continue to Generate High Rates of Return.
- ❖ Local Demand Markets Are Essential. Supply is Backing Up Into the Gulf.

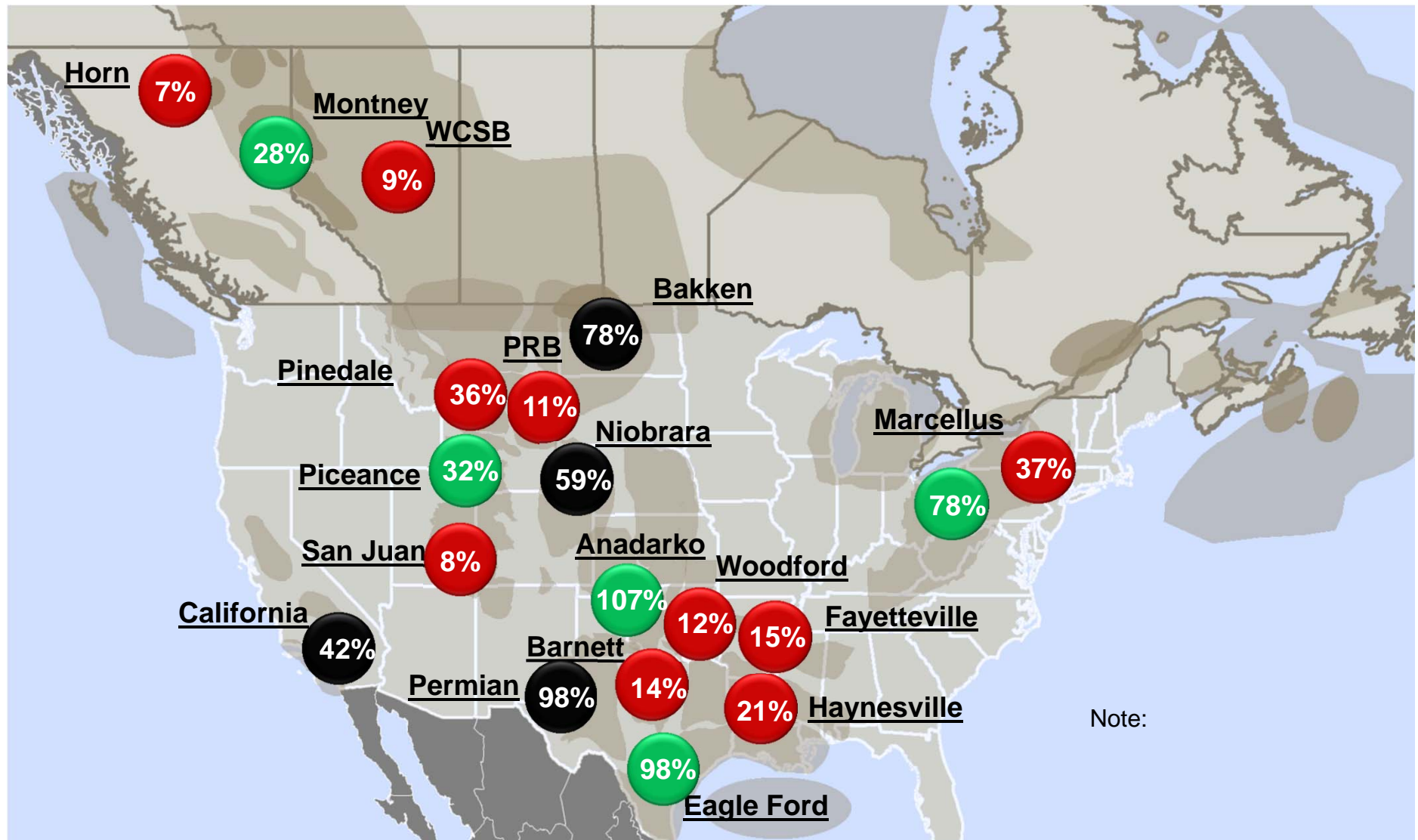


Production Growth Projection

“ Big 5” Unconventional Basin Growth (Bcf/d)



Liquids Rich Plays Provide Excellent Returns



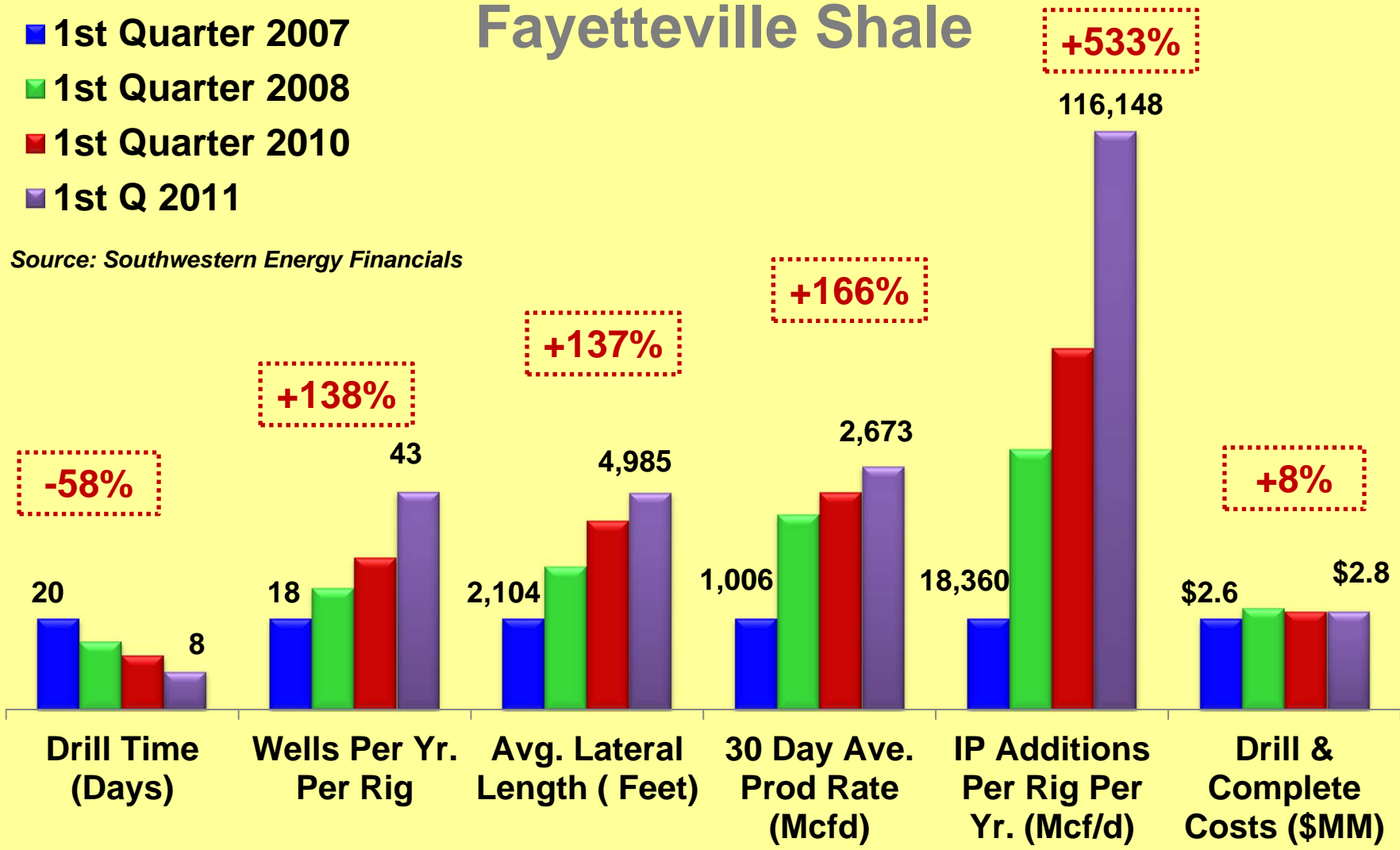
Note:

Southwestern Energy's Rig Productivity Gains

Fayetteville Shale

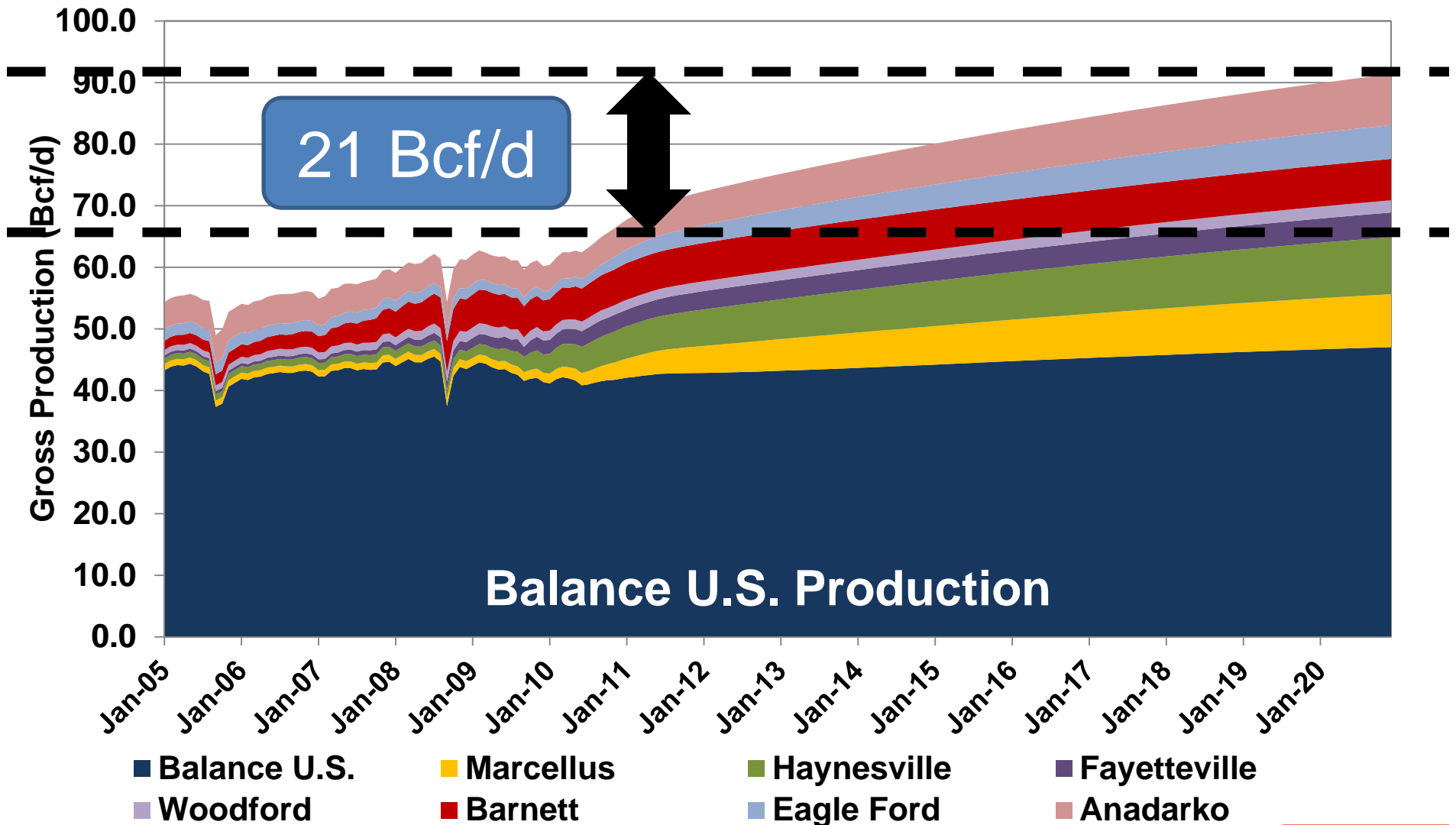
- 1st Quarter 2007
- 1st Quarter 2008
- 1st Quarter 2010
- 1st Q 2011

Source: Southwestern Energy Financials



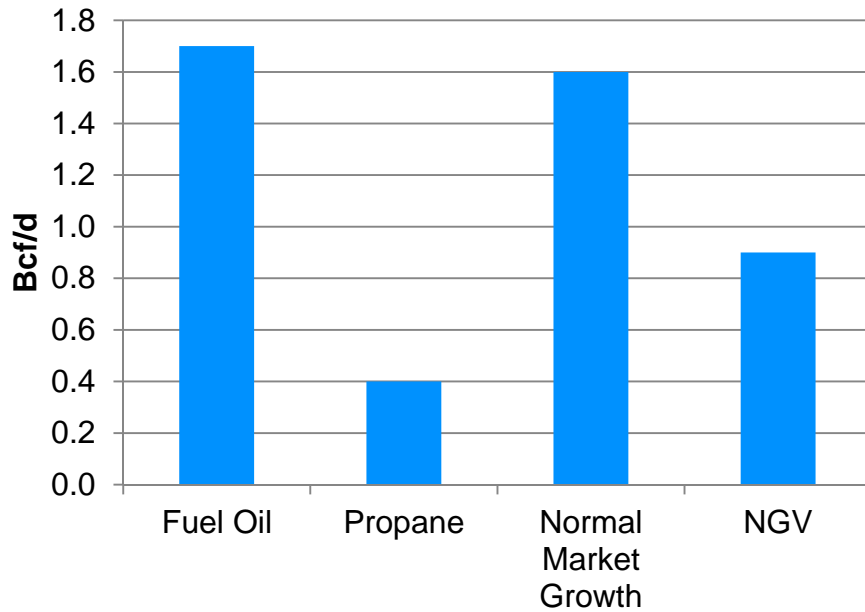
Production Projections

(Based on Current Drilling Activity Going Forward)



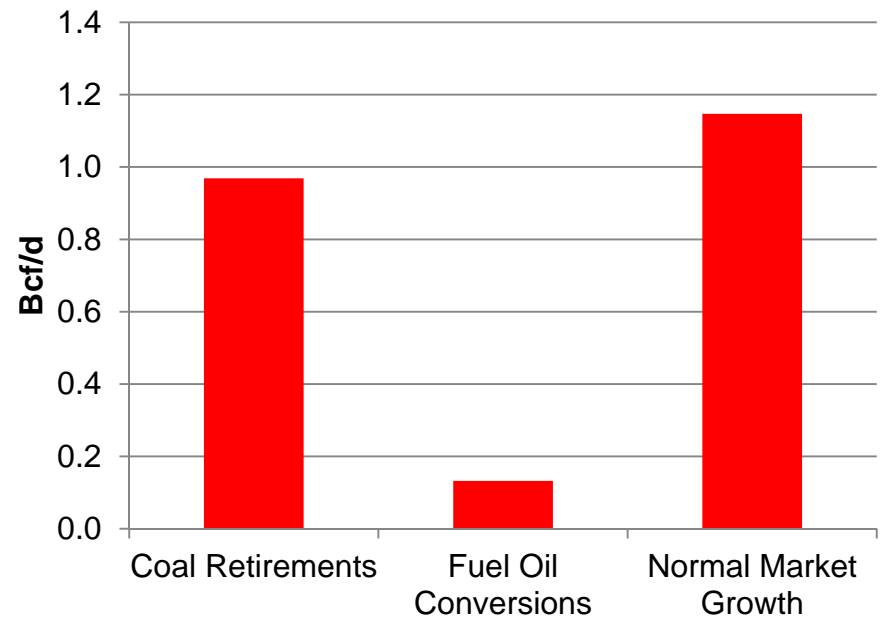
Potential Gas Demand 2016

Potential Incremental Res/Comm Growth by 2016



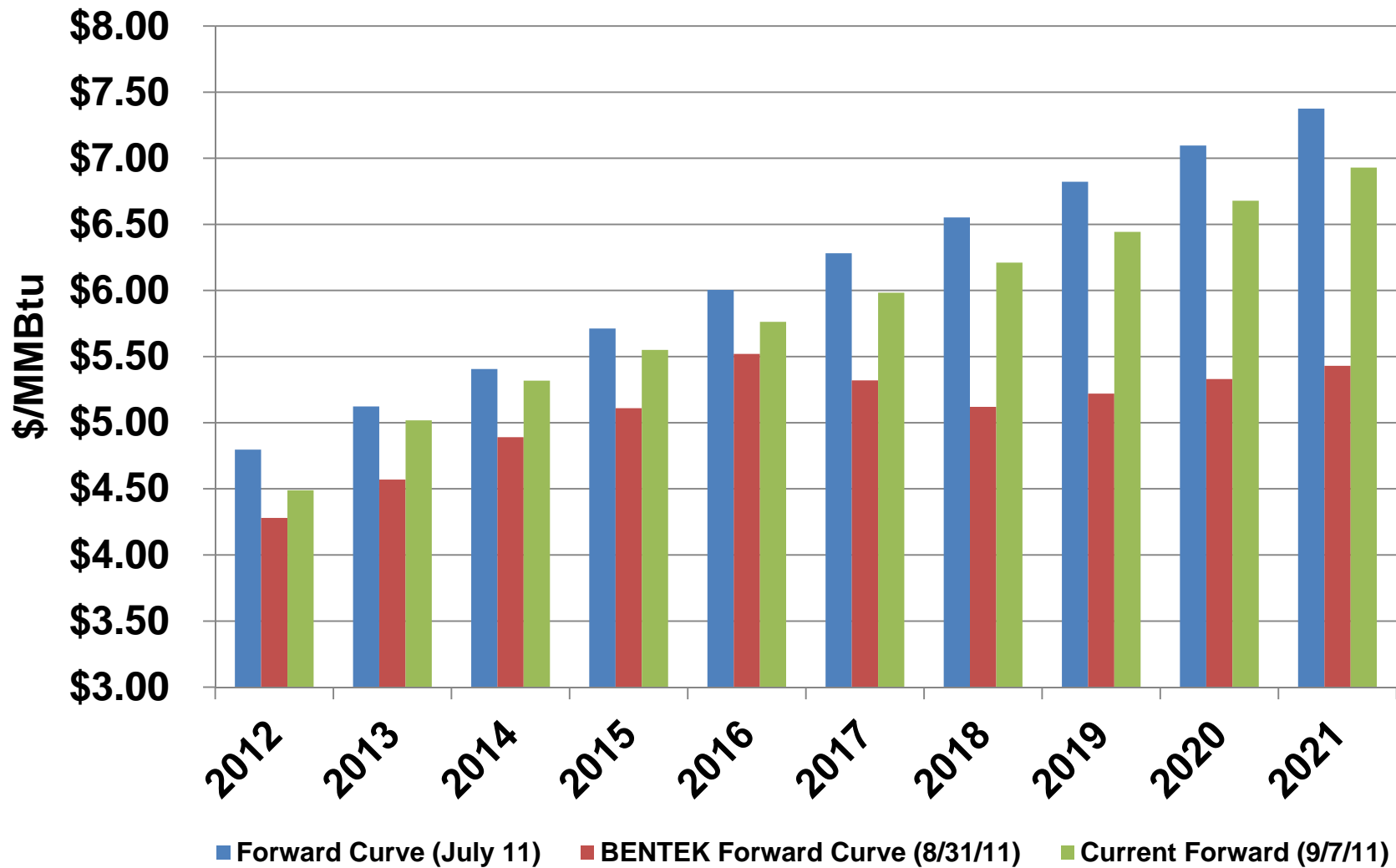
- ❖ 4.6 Bcf/d of Incremental Demand
- ❖ More Prevalent in NE and SE
- ❖ Yankee Gas, NYC, Cabot Oil

Power Burn Incremental Growth by 2016



- ❖ 2.3 Bcf/d of Incremental Demand
- ❖ EPA CSAPR could impact
- ❖ Highest Upside Potential

Henry Hub Forward Curve



Market Overview

- Shale Gas Revolution
 - Abundant and cheap natural gas supply for years
 - Purchasers can sit back, relax and not worry about price risk for the foreseeable future
 - Is this for real? Will buying supplies be that easy?
 - Didn't these same analysts convince us that ships would be lined up at LNG import facilities and more recently that \$4 prices were gone forever?

Party Crashers?

- EPA
 - Results of Study of Hydraulic Fracturing
 - Ban
 - Regulate
 - Emissions Rulings
 - Power Plant
 - E&P Operations
 - NGL Transport

Party Crashers?

- Liquids Rich Fairways Within Shale Fields
 - Percentage of Acreage Prospective for Liquids
 - Variability of Richness Among Acreage
 - Oil Price
 - NGL Price and market demand
 - Long Term Impact on Natural Gas Production

Party Crashers?

- E&P Funding
 - Many companies require JV funding to maintain drilling pace
 - Some in Q1 2011 outspent cash flows
 - European Financial Crisis
 - Potential to spread globally
 - Could create global economic slowdown
 - Possible impact E&P funding availability

Party Crashers?

- Major Accident
 - Where it Occurs
 - Texas or Louisiana may be less of a problem than Pennsylvania or other locations
 - How Significant
 - Aquifer contamination
 - Well blowout
 - Regulator Reaction
 - Permanent or Temporary
 - Increased Regulations

Party Crashers?

- Shale Volumes and Impact Overhyped
 - There are skeptics
 - Companies involved are promoting the properties to secure JV and other outside funding
 - Some analysis of well production indicates poorer results than companies are reporting
 - Early in development cycle for many of the shale plays

Party Crashers?

- LNG Exports
 - Multiple liquefaction facilities could significantly impact supply/demand balance
 - Could bring global LNG pricing influence to U.S. supplies
 - In a balanced market prices may tend to move towards the highest incremental price
 - Current global LNG prices are significantly higher than U.S.