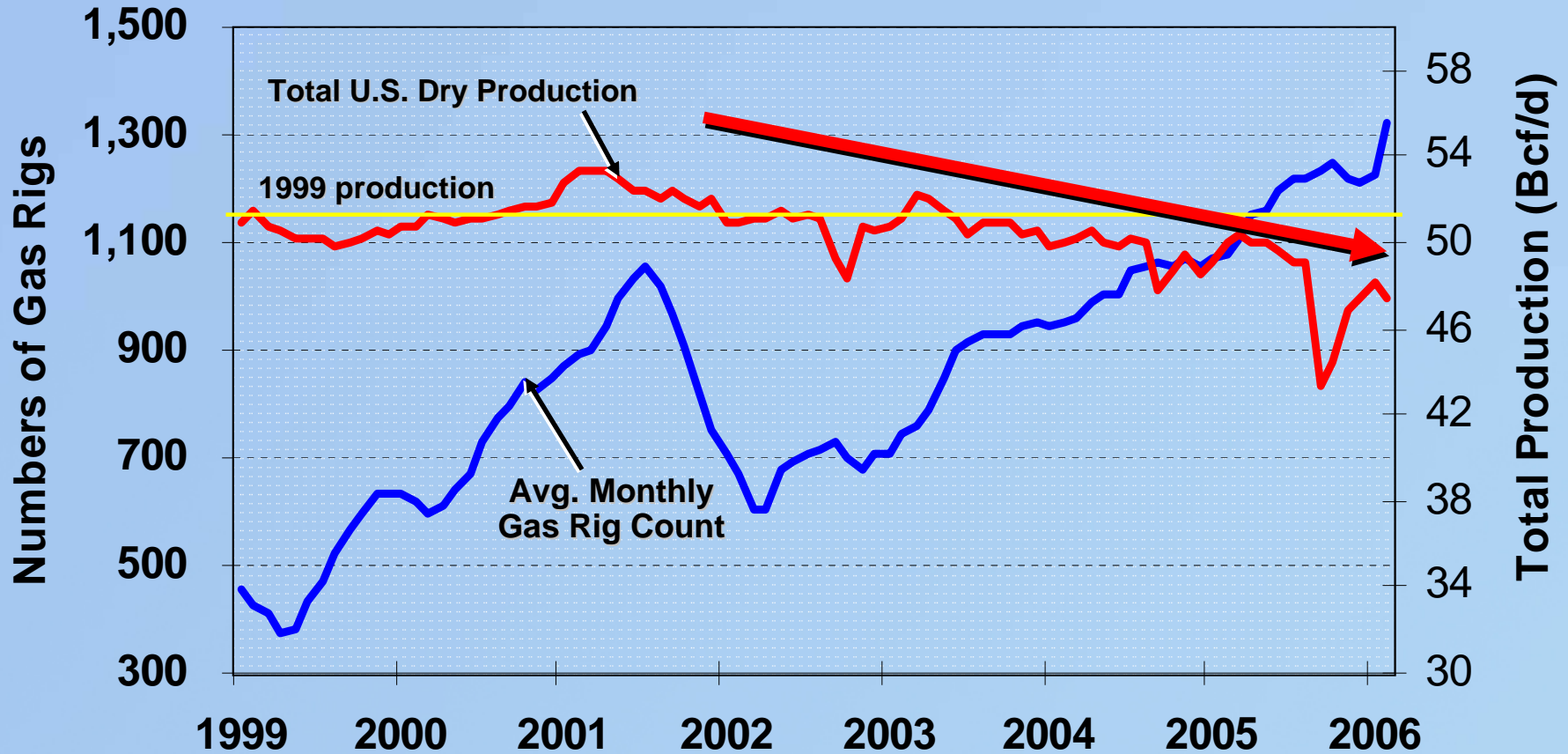




*Natural Gas Supply  
Improvement:  
Wrong Policies Could  
End It*

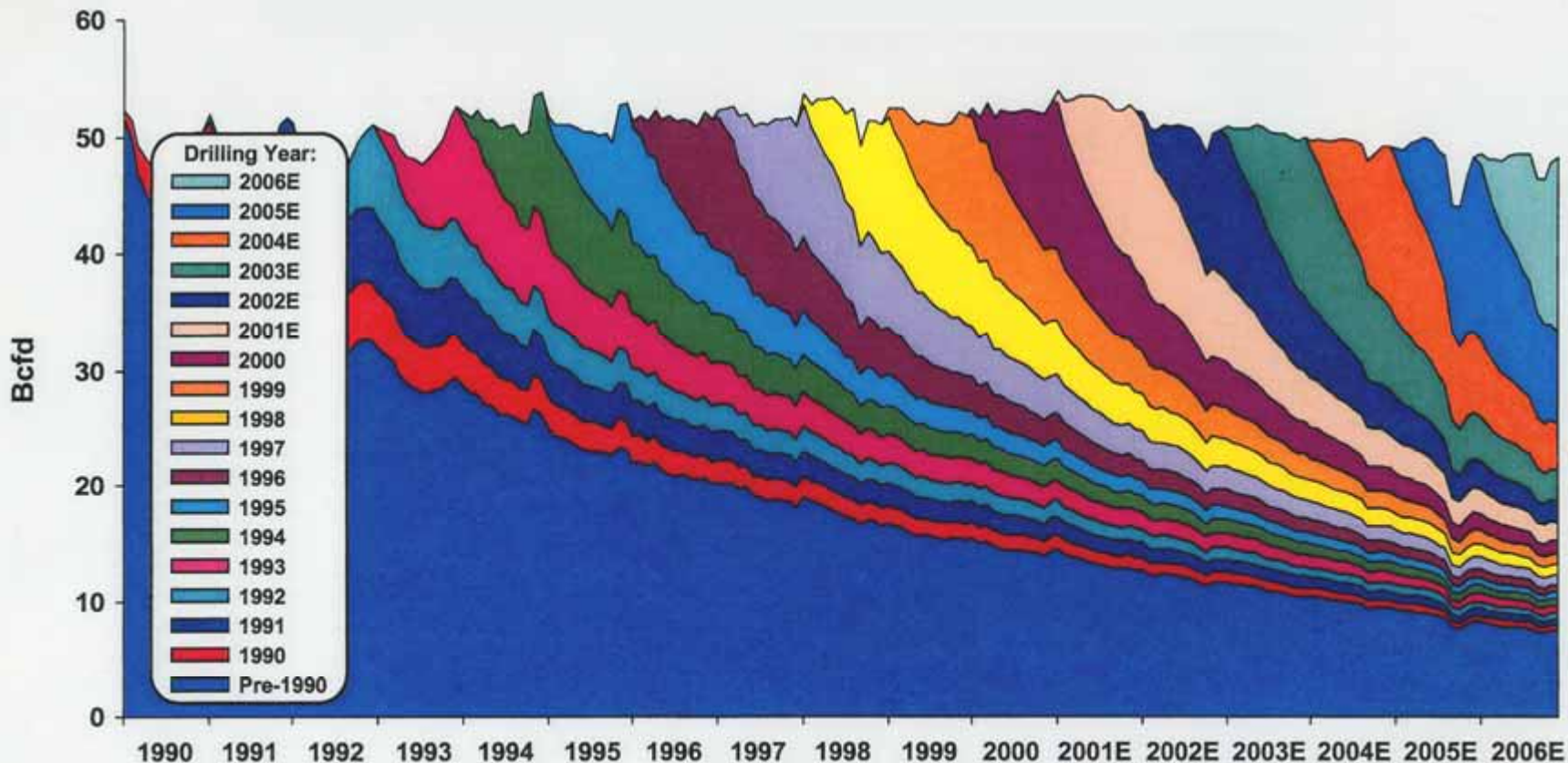


# The Problem



Sources: Baker Hughes & Lippman Consulting

# US Natural Gas Production History Indicates 32% 2006E Decline Rate



Production Decline Rate of Base:

Supply Impact of 32% vs. 19-23% is Under Estimated

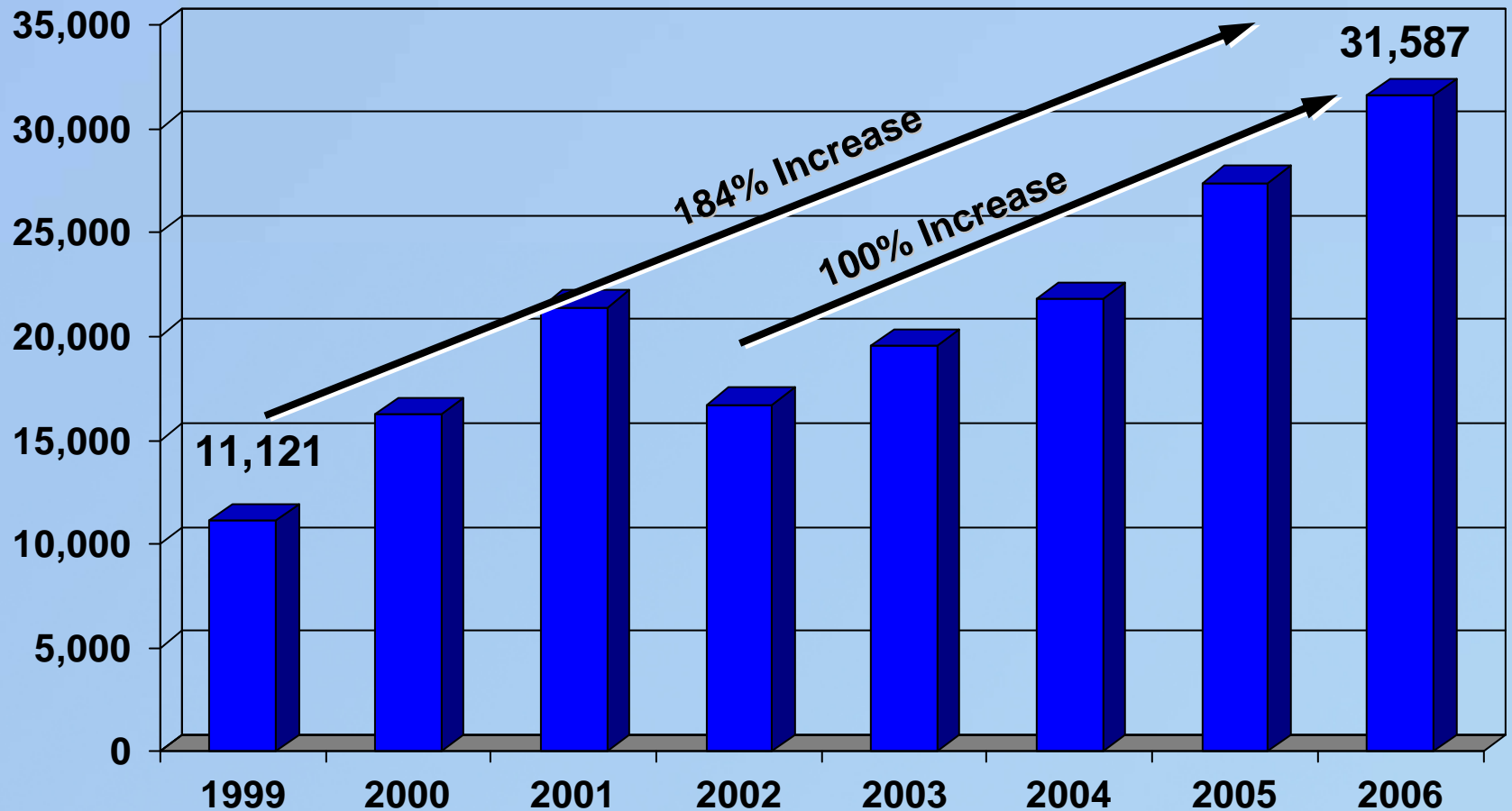
17% 17% 16% 18% 19% 19% 20% 21% 23% 23% 25% 24% 27% 28% 29% 30% 32%

Utilizes Data Supplied by IHS Energy; Copyright IHS Energy  
Chart Prepared by and Property of EOG Resources, Inc.; Copyright 2006

# The Solution

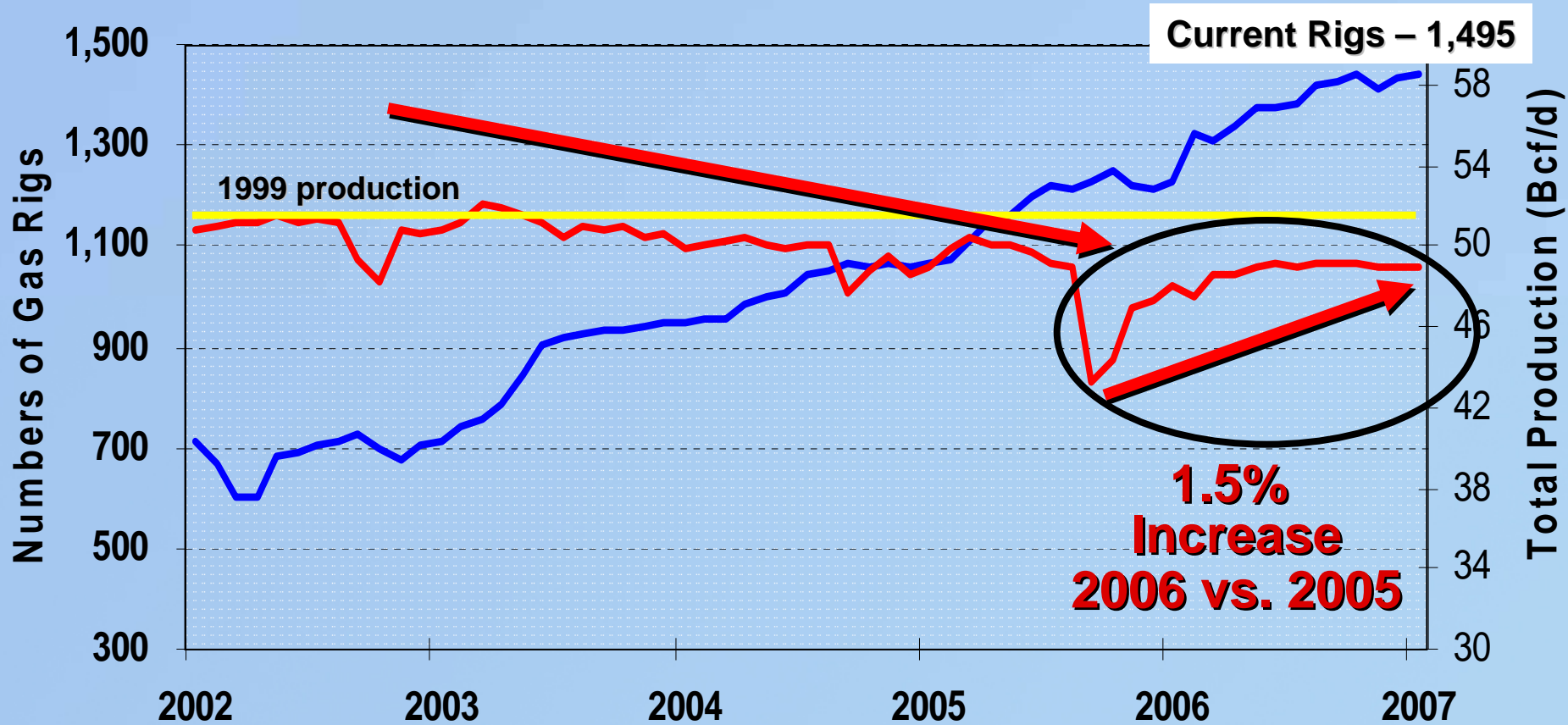


## U.S. Gas Well Completions



Source : EIA

# Positive Results



Sources: Baker Hughes & Lippman Consulting

# Increased Access and New Technologies Combine in Providing Critical Natural Gas Supplies From Independence Hub in the Deepwater Gulf

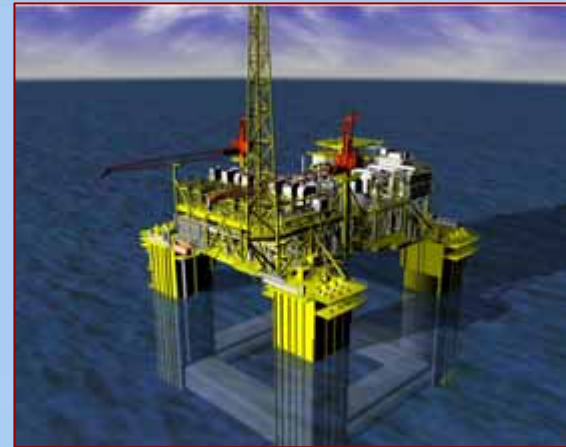
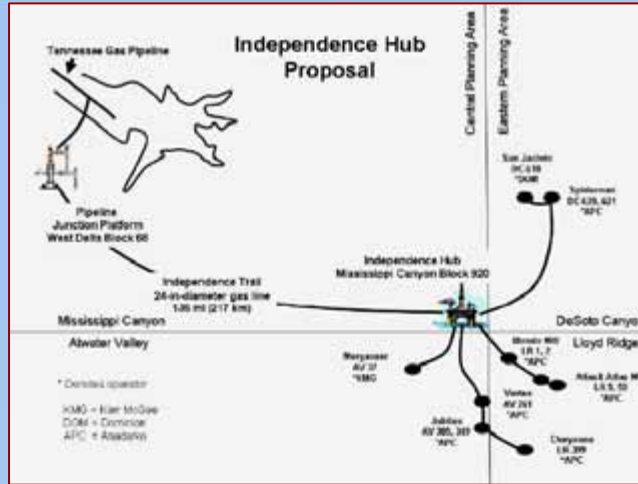
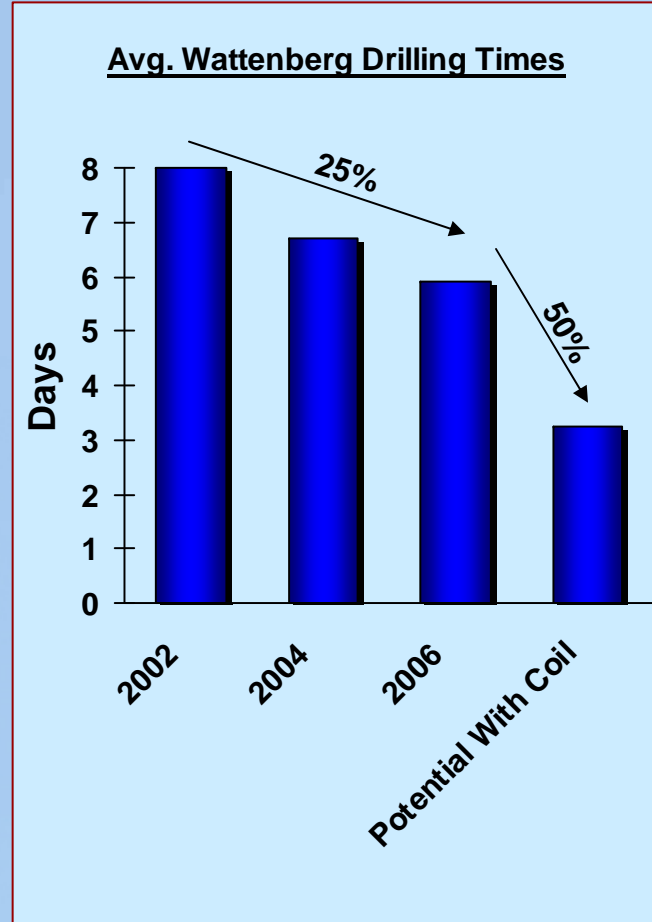


Fig. Source: *Environmental Assessment For Independence Hub*  
MMS 2004-064 (December 2005)

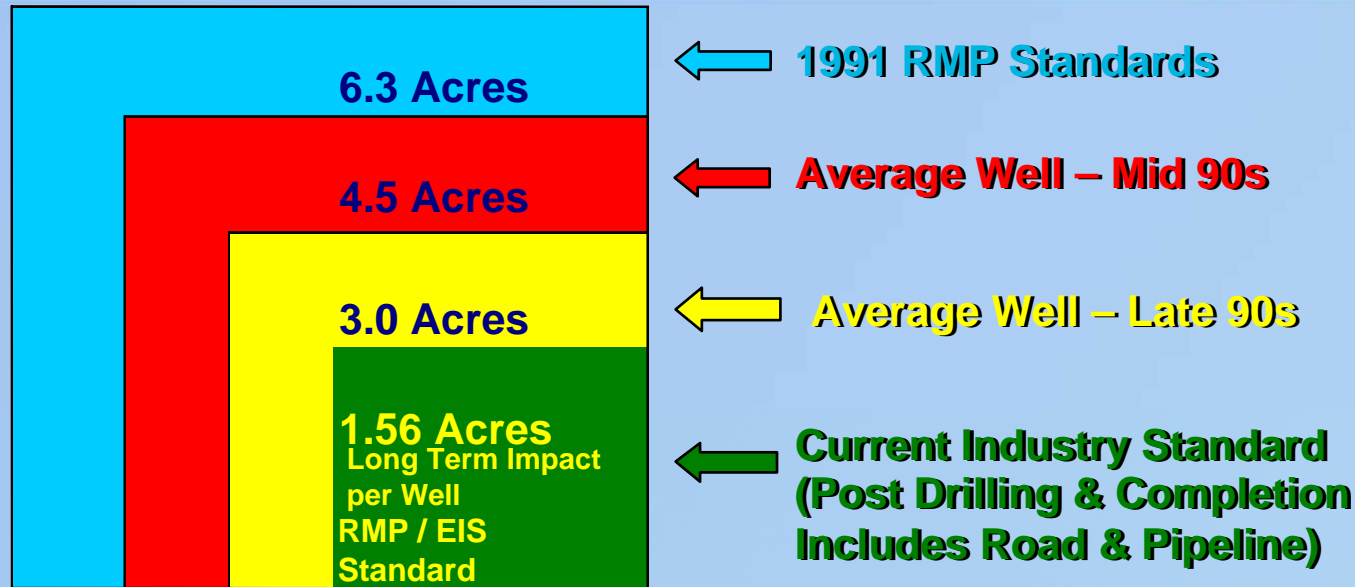
- **Processing Hub Moored 165 Miles East of New Orleans in a Water Depth of ~8,000 Feet.**
  - Processing Capacity of 1 Billion Cubic Feet Per Day (Gulf Record)
- **Originally Built to Produce Gas From 9 Deepwater Fields Owned by Five Independent E&P Companies (1 Field Added Since)**
  - Wells Located in Water Depths of 7,900 to 8,900 Feet
  - Built to Accommodate Additional Fields as Discovered
  - Deployed Several New Technologies
  - Most (if not all) of the Fields Not Commercial if Independently Developed
- **Over One-Half of the Fields Discovered on Leases Acquired in the Sale 181 Area**
- **Initial Production Expected 3<sup>rd</sup> Quarter of 2007**
- **At Full Capacity It Will be Producing Approximately 2% of U.S. Natural Gas Production**

# Technology Continues to Improve Drilling Performance in Many U. S. Producing Basins



- **Wattenberg Drilling Times Reduced 25% From 2002 to 2006**
  - Enhanced Rigs, Drilling Fluids and Drillbit Technology
- **Coiled Tubing Drilling in Wattenberg Has Potential to Further Reduce up to 50%**
  - Currently in Early Stages of Testing With Encouraging Results
  - Reducing Costs Thus Expanding Resources That Can Be Developed
  - Reducing Emissions Per Well Drilled
  - Reducing Impact & Disturbance to Neighboring Surface Users
- **Other Basins Such as Nearby Niobrara Have Successfully Used Coiled Tubing Drilling As Well**

# Technology Supports & Improves Drilling While Leaving A Smaller Footprint (San Juan Basin Example)



- The San Juan Basin Has Experienced Downward Trends in Well Pad Sizes and Associated Surface Disturbance
  - San Juan Basin – One of the Most Prolific Gas Producing Areas in the U.S.
- New Technology and Modern Management Practices Under BLM Supervision Have Driven the Improvements
  - Collaboratively Developed Standardized Pad Layouts by Producing Formation
  - Increased use of “Twinned” Locations, Dual Completions, Re-Completions and Directional Drilling
  - Better Interim Reclamation
  - Better Management Practices Such as Installing Well Flowlines Adjacent Access Roads
- The BLM is on Target with Respect to the Resource Management Plan Projection for Surface Disturbance Targets