



25th world gas conference  
"Gas: Sustaining Future Global Growth"

# North American Natural Gas

How did we get here and what's ahead?

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Patron



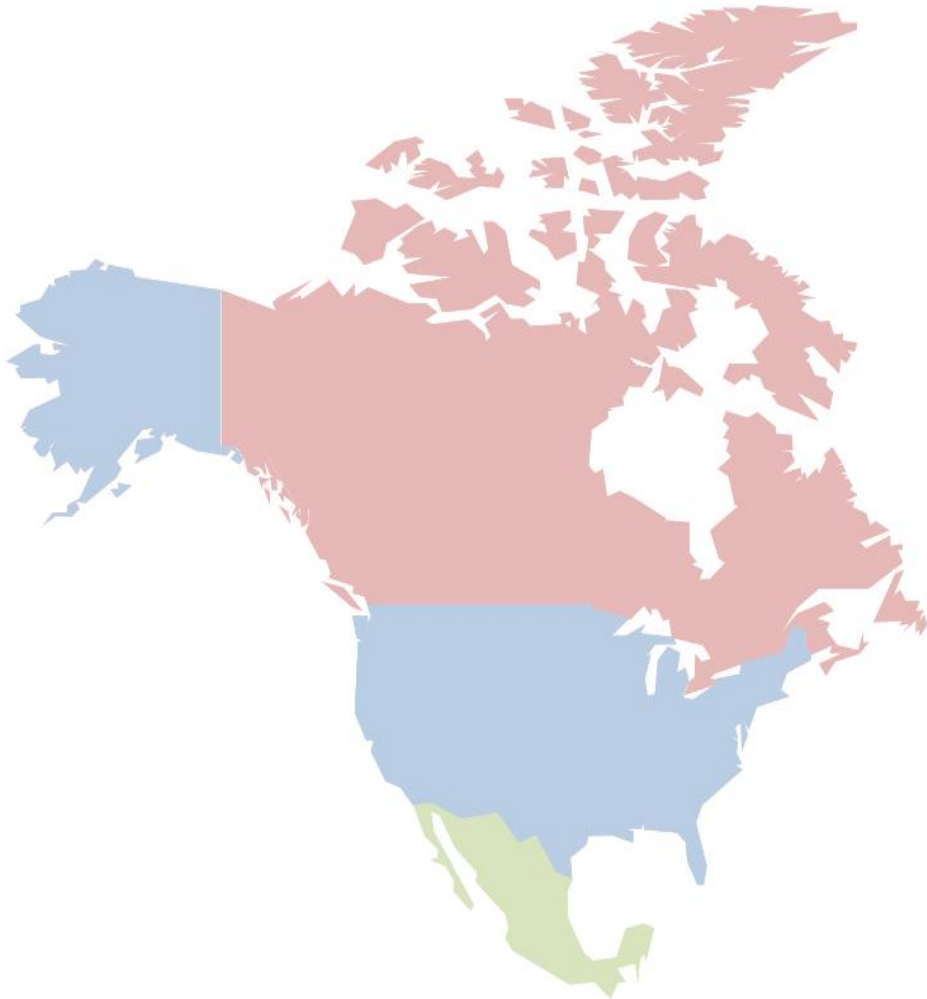
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# North America



- Canada, United States, Mexico
- Energy easily traded across borders
- Canada and the U.S. similar business models, gas on gas competition
- Mexican model more government business oversight
- Why talk about North America?
  - Always changing
- How did we get here and what might it mean?

## Castaway – Early 2002

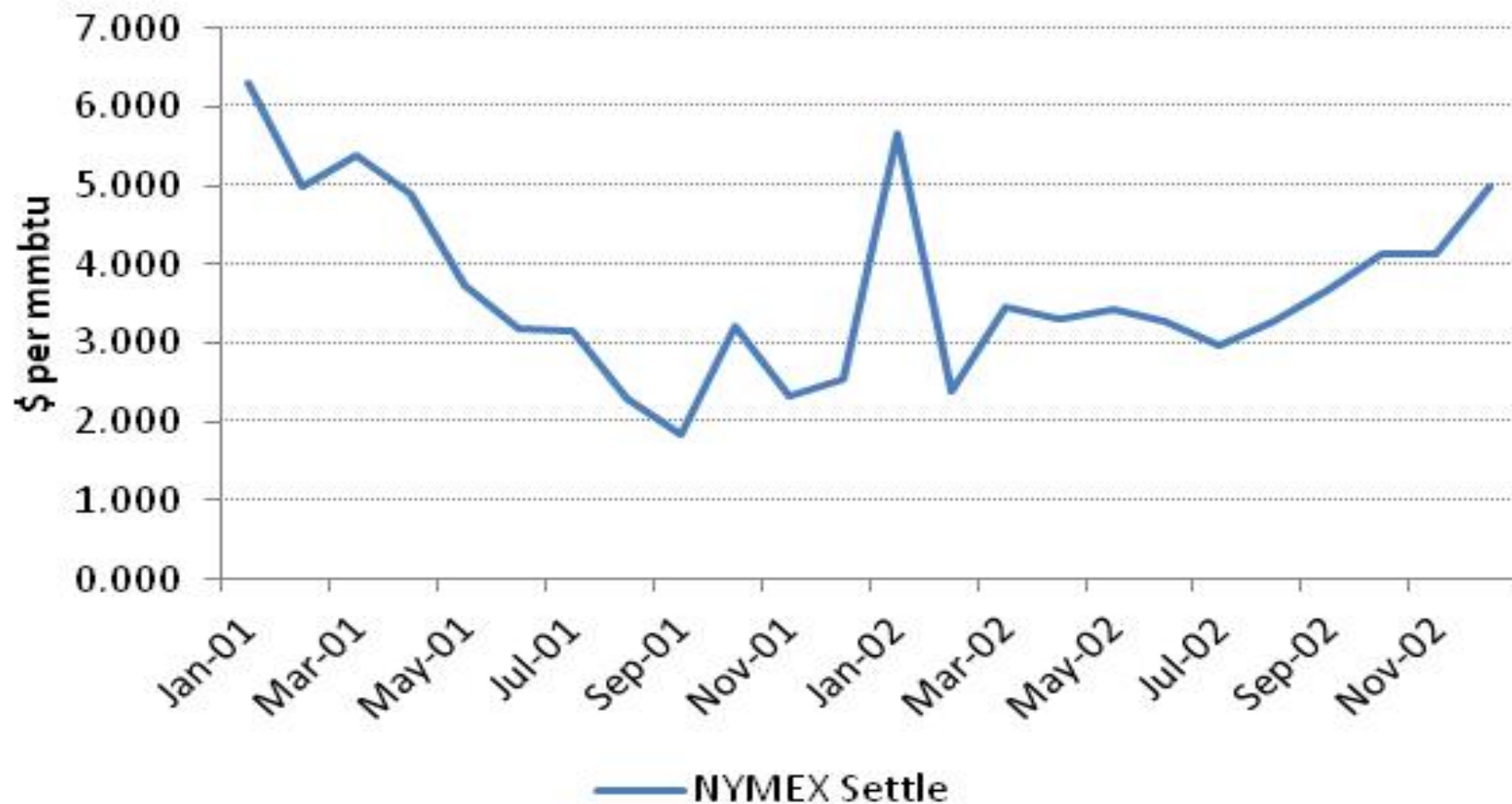


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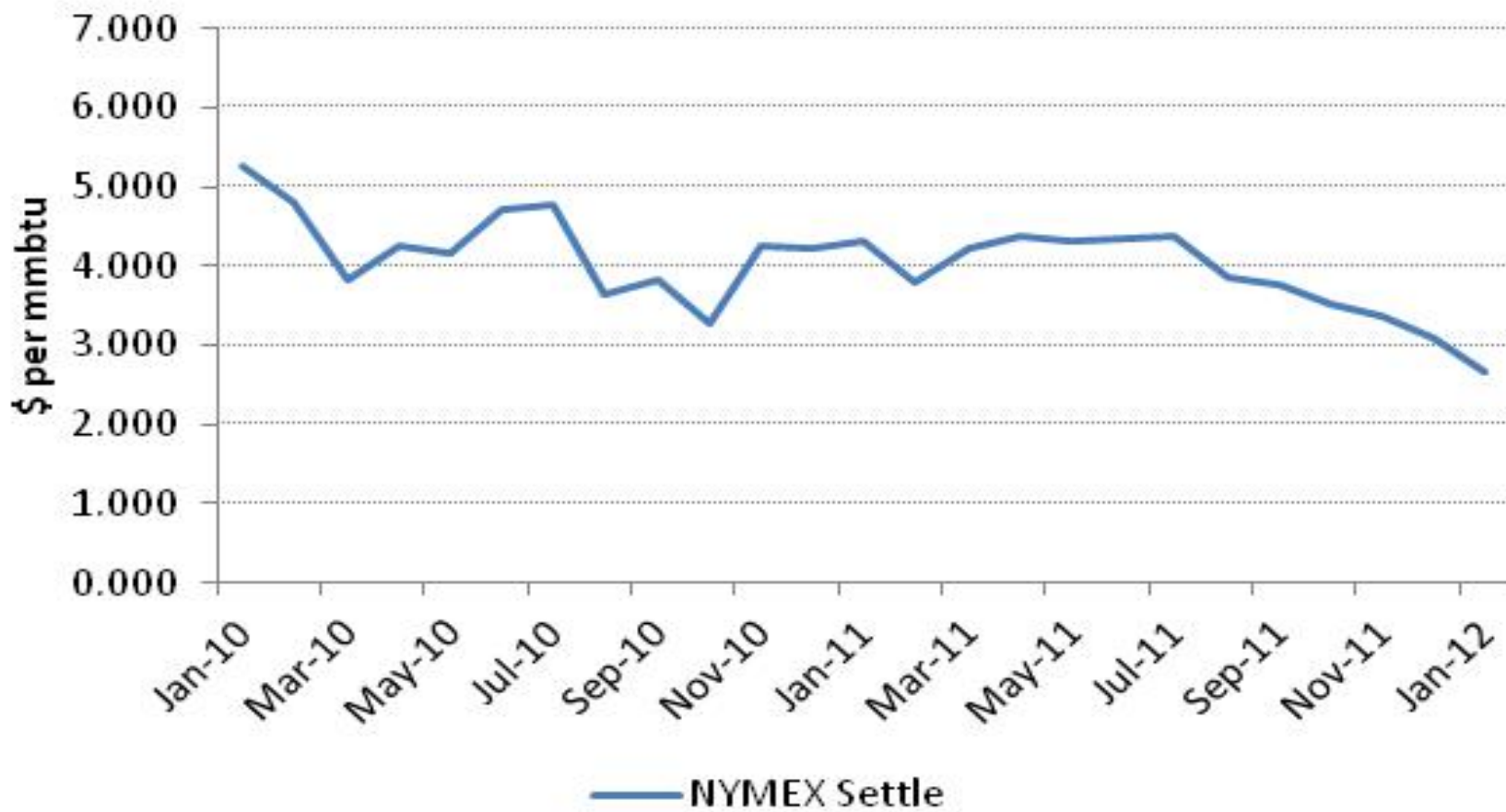
## What where the hot topics?

- Natural gas becoming scarce
  - North America running out of natural gas
  - Numerous regas terminal filed, proposed
  - Pipelines planned to move volumes away from terminals
  - Upstream projects pointed toward North America

# NYMEX HH Prices 2001 - 2002



# NYMEX HH Prices 2010 - 2011



## What are the hot topics now?

- What is North America going to do with all the gas?
  - North America looking for new markets for natural gas
  - Existing regas terminals filing for and obtaining liquefaction & LNG export licenses
  - Proposals for green-field liquefaction projects
  - Pipelines planned to move volumes to new terminals
  - Upstream projects selling to markets outside North America

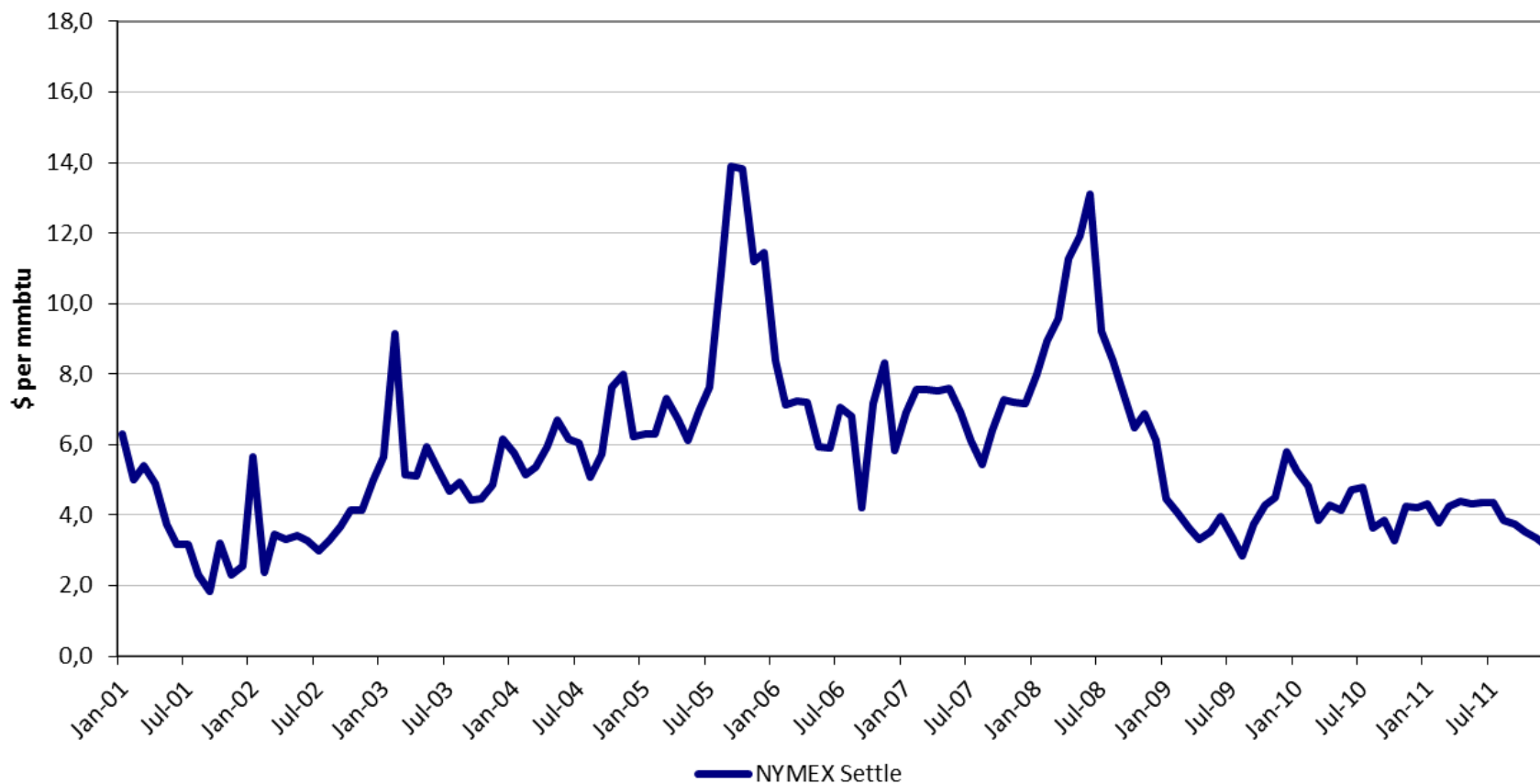


# What happened in the “Wilson” years?





# What happened in the “Wilson” years?



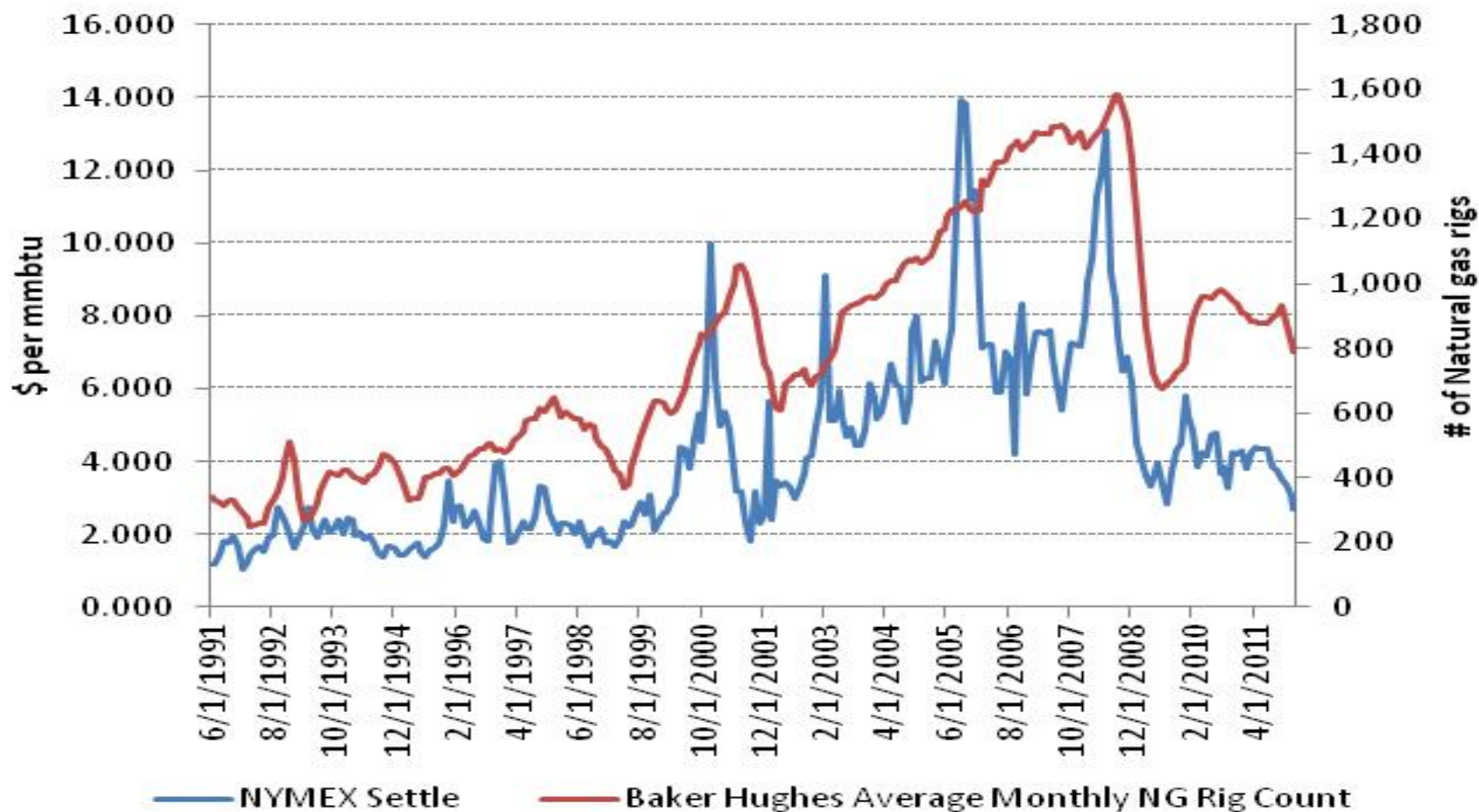
- “Rules” are important
  - Individual land ownership
  - Individual mineral rights
  - Established regulatory processes
    - Federal, State and local
  - Availability of capital
    - E&P has high capital requirements and risks
  - Financial tools – natural gas futures and derivatives markets
    - Allows producers and lenders to hedge risks

## ■ Assets help

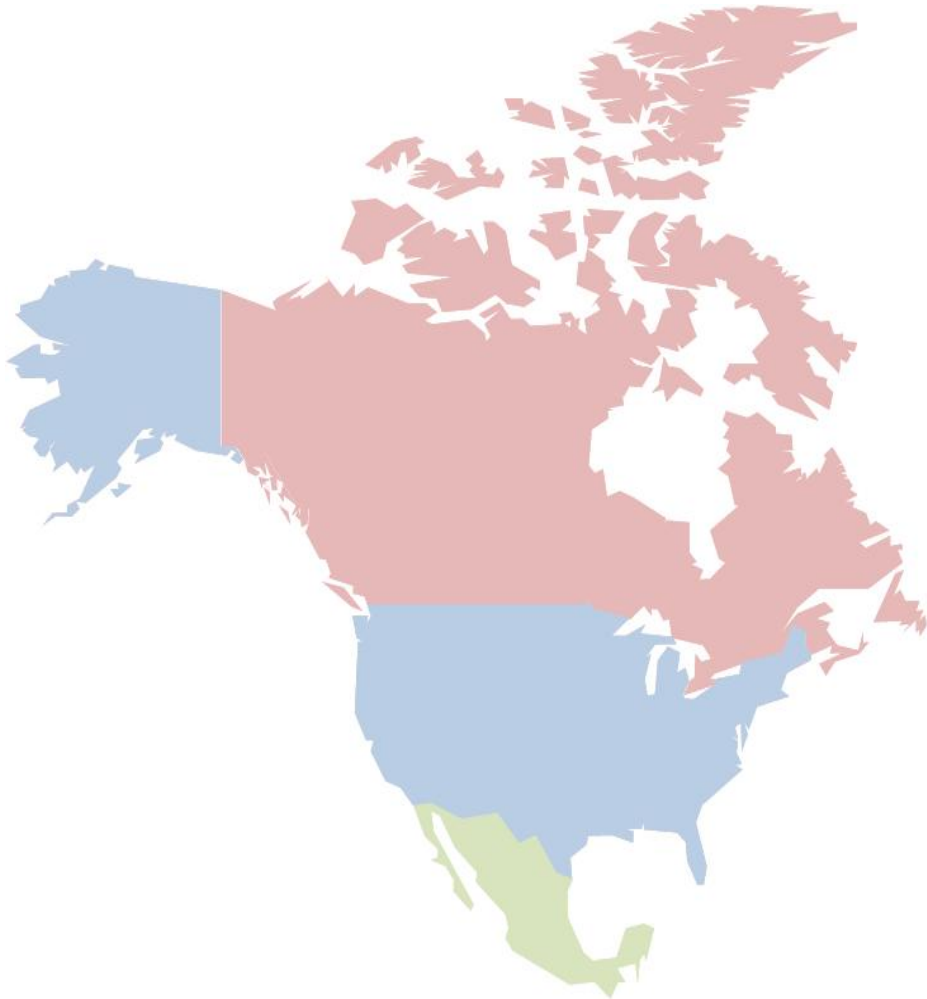
- Access to personnel and equipment
  - Number of experienced personnel does vary with business cycles
  - Land based equipment essential
- Extensive interconnected natural gas pipeline system
  - Allows production to reach and compete for markets
  - Was established under different regulatory environment
  - Would look different if developed in different environment

- Result :
  - IOCs do not dominate natural gas production
    - IOCs account for less than 20% of natural gas production
  - Spirit of the “Wildcat” producer still exists
    - More sophisticated
    - More tools
    - Drilling is king
  - “Boom and Bust “ cycles
    - Drilling responds to price signals
    - Markets do not always like the volatility

# Prices and drilling “a wild ride”



# North America



- What does the future have in store for the industry?