America’s “New” Natural Gas
Changing Supply and Price Dynamics

Larry Nichols, Chairman and CEO
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WHAT’S YOUR EUREKA MOMENT?
Natural Gas Supply Example

- Near-Term Supply Impact
- Long-Term Supply Stability

Barnett Shale
Ft. Worth Basin Texas
Barnett Shale Regional Setting
Largest Gas Field in Texas

Covers 10 counties

Play-wide production: ≈ 5.1 BCFD

> 11,600 producing wells

Note: From PI/Dwight’s as of April 2009.
Unlocking the Potential
Barnett Shale Example

- Devon entered the play in 2002 through the Mitchell acquisition
- We believed that the Barnett had tremendous opportunity
- We also realized that new and existing technologies were the key to unlock this potential

Example of technology:
- Light sand frac technology
- Directional and horizontal drilling
Unlocking the Potential
Technology’s Role

Fracture stimulation 5,000 – 15,000’ below the surface

Fracture Barrier

Fracture Stimulation

Barnett Shale
Devon’s Barnett Resources
History of Growth

2002

Total: 3.9 TCFE

- Proved: 1.8
- Probable & Possible: 2.1

1.7 TCFE Produced

2009

Total: 18.4 TCFE Risked

- Proved: 7.6
- Probable & Possible: 5.4
- Contingent: 5.4

4.7x
Unlocking the Potential
Barnett Shale Rapid Growth

Barnett Shale Average Annual (MMCFD)

- Devon
- Other

- Barnett recognized in 1981
- Devon Acquires Mitchell
- Light Sand Frac. Technology
- Horizontal Technology
- Currently ≈ 1,332
- Total Field Production April 2009 ≈ 5.1 BCFD

Since 2000, US L-48 production has grown by 12 BCFD or 30%, reaching 53 BCFD during Q1 ’09.
Barnett Shale Area Comparison
Potential of the Marcellus Sale Gas Play

New York

Pennsylvania

Ohio

West Virginia

Barnett Shale

Marcellus
U.S. Shale
Gas Production Potential

Historical Forecast

Source: Tristone Capital
Pipeline Infrastructure

Utility Benefits

1. Pipeline additions reduce supply risk by accessing multiple onshore gas supply regions

2. Pipeline projects, supported by multiple producers in varying locations, increase market liquidity and diversity

3. Long-term shale production profile (shale 50+ years)

4. New pipeline infrastructure with increased supply availability will allow markets to expand natural gas fired generation and/or industrial loads

5. Growing reserve base and increased supply deliverability allows market to expand use for power generation

6. Expanded infrastructure increases supply options for markets, narrowing basis differentials to Henry Hub vs. historical
Recent Capacity Additions (BCFD)

- Rockies Express (Q3'09) 1.80
- Midcontinent Express (Q3'09) 1.80
- Gulf Crossing (Q3'09) 1.70
- SESH (Q3'08) 1.00
- Fayetteville/Greenville (Q1'09) 1.30

Total 7.60

Committed Capacity Additions (BCFD)

- ETC Tiger (Haynesville)-2011 1.50
- Regency (Haynesville)-2009 1.10
- Gulf South (Haynesville)-2011 .50
- Centerpoint (Haynesville)-2010 .30
- Transco (Marcellus)-2012 .75
- Texas Eastern (Marcellus)-2010 .45
- Tennessee (Marcellus)-2011 .35
- Transco (S.E. & Florida Mkts.)-2010 .56
- FGT (Florida Markets)-2011 .82
- Trans Canada Bison (Rockies)-2010 .48
- El Paso Ruby (Rockies)-2011 1.50

Total 8.31
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Shale play development has resulted in reduced US dependency on Federal GOM production, which has fallen by 50% since 2000 from 13.5 BCFD to 6.7 BCFD today.

Hurricane Ike caused GOM supply to fall by some 70% (4.5 BCFD or 7.5% of US production); however, prices did not spike as in previous hurricanes.
1. **Supply Security / Reliability**
   - Emergence of shale developments across North America provides security of supply to meet long-term U.S. market demand requirements
     - Near-term supply impact
     - Long-term supply stability
   - Increased ability to access LNG supplies will supplement North American supply

2. **Access to Growing Shale Production/Increased Storage Capacity**
   - Since mid-2008, industry has added in excess of 7.0 BCFD of new U.S. pipeline infrastructure with commitments to add an additional 8+ BCFD within the next 3 years
   - Since 2000 industry has added 200+ BCF of new working gas storage capacity with total capacity exceeding 4.0 TCF increasing daily deliverability to meet peak demand requirements
3. **Price Volatility**

- Shale developments provide deliverability and reserves for long-term different than 2 years ago when LNG base load was required.
- Worldwide LNG production provides more access to gas supplies.
- Expanded pipeline infrastructure allows access to abundant “land based” shale production through an efficient delivery network minimizing affect of supply disruptions such as hurricanes.
- Added storage capacity in production/market areas provides enhanced ability for market to meet demand swings.
- Transparent market provides hedging tools to balance market portfolios.
What’s Next?

• Created America’s Natural Gas Alliance

• Launched New Natural Gas Campaign
Thank You.
Thank You.