



North American Market Outlook

12/6/2011

ACC
American
Coal Council

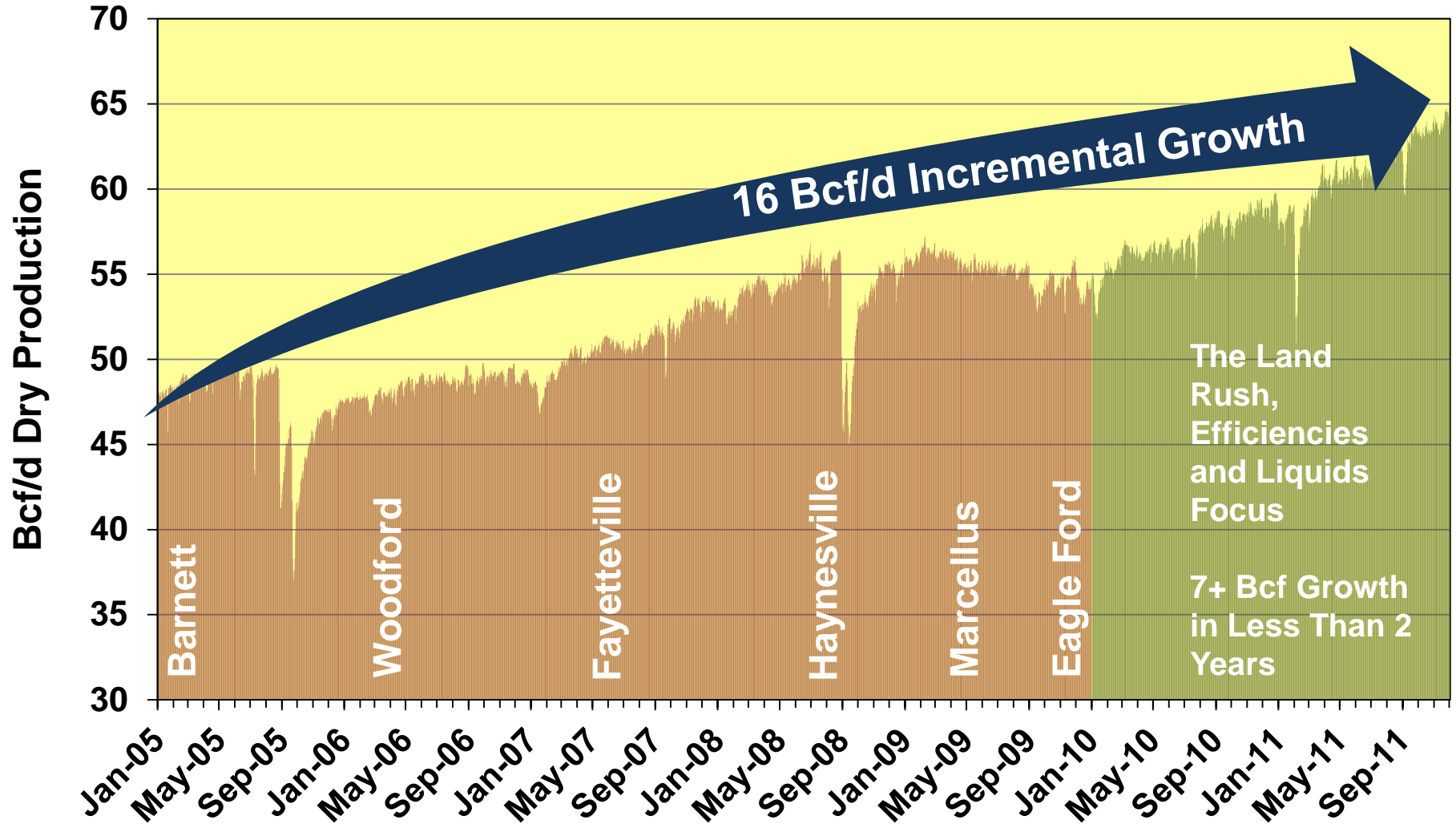


U.S. Market Key Takeaways

- ❖ **Strong Production Continues to Drive U.S. Market Dynamics. Oil/NGL Directed Drilling Pushes Gas, NGL, and Oil Production Higher.**
- ❖ **Legislation and Commodity Pricing Prompting U.S. Utilities to Actively Switch from Coal to Natural Gas**
- ❖ **Fuel Oil Conversions, GTLs, Exports, Transportation Fuels all Methods for U.S. to Relink North American Gas Prices to Crude**

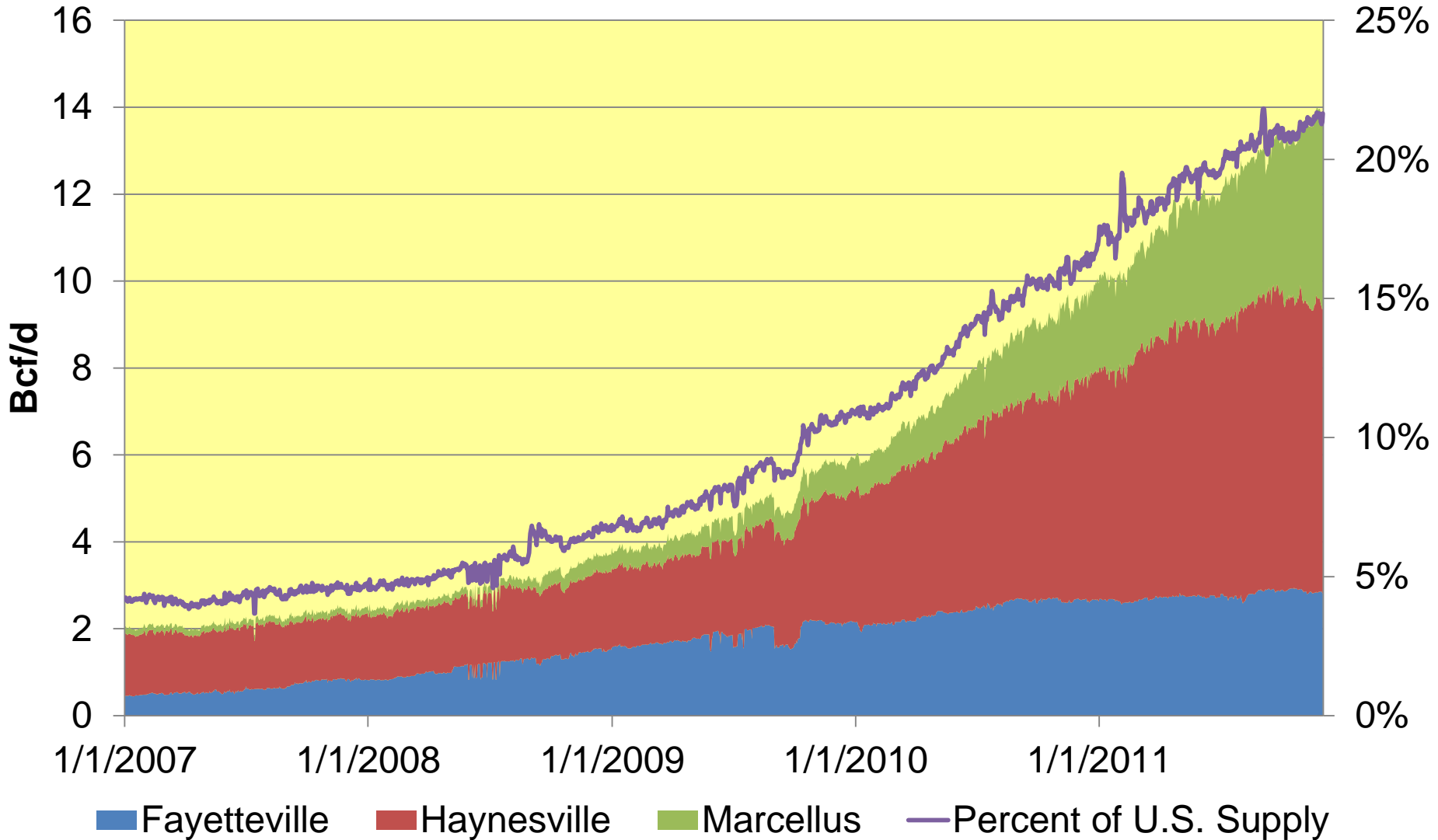


Strong Lower 48 Production Growth Since 2005

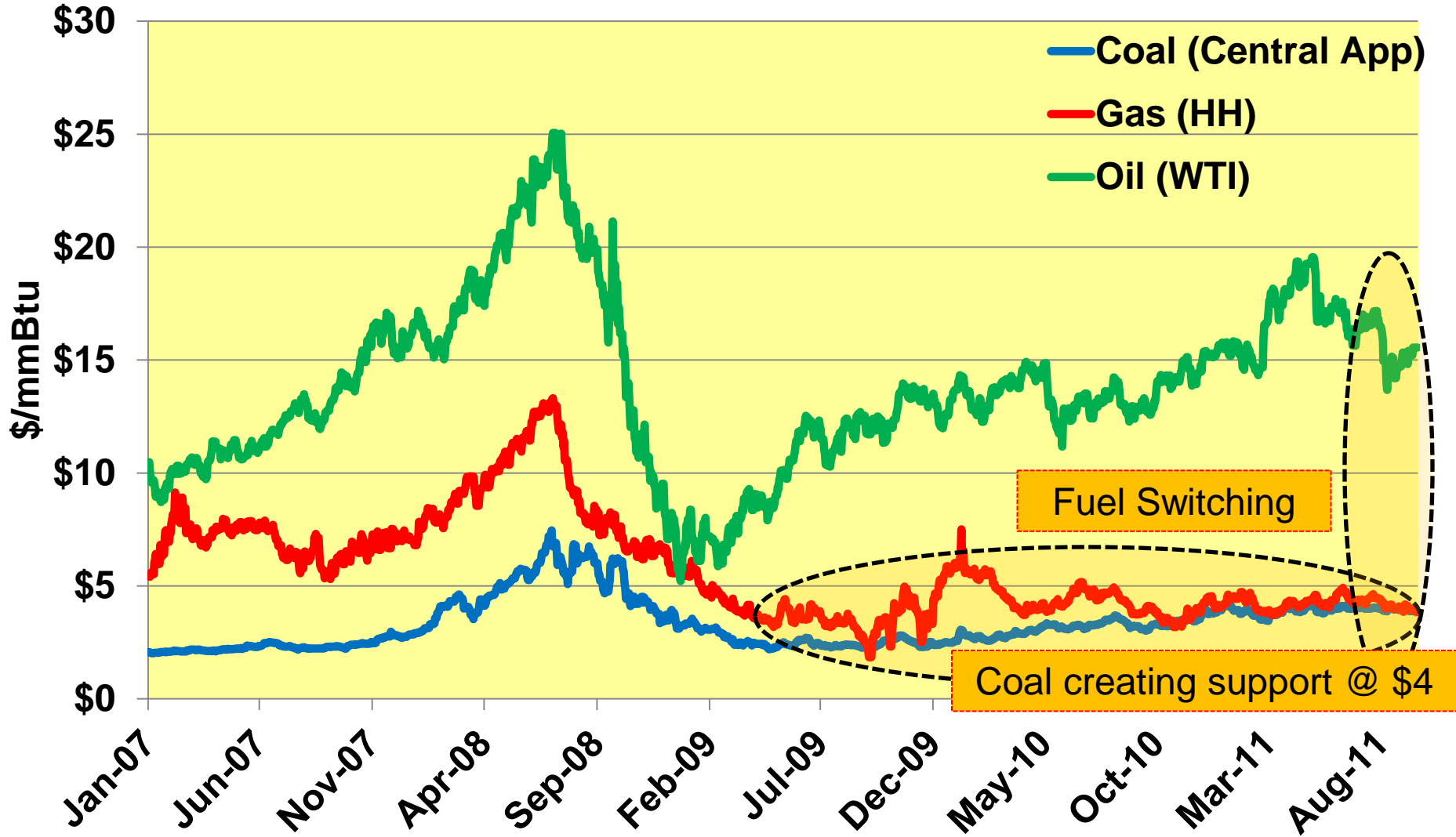


Source: BENTEK Pipeline Flow Data --- Daily Supply and Demand Report: Dec. 2, 2011
 Incremental Growth = Avg. Jan. 2005 to Avg. November 2011

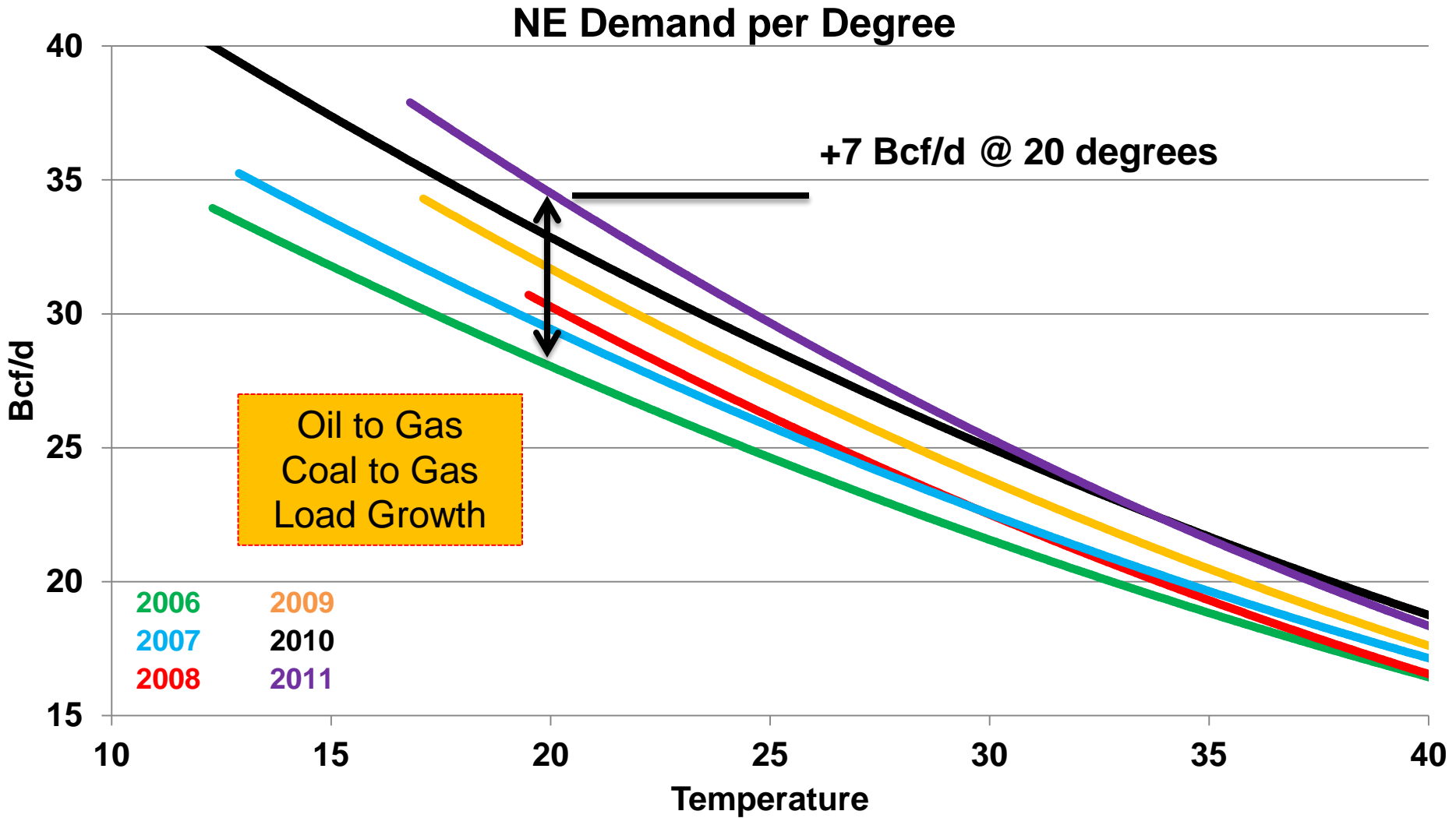
U.S. Production Growth Driven by Shale Gas



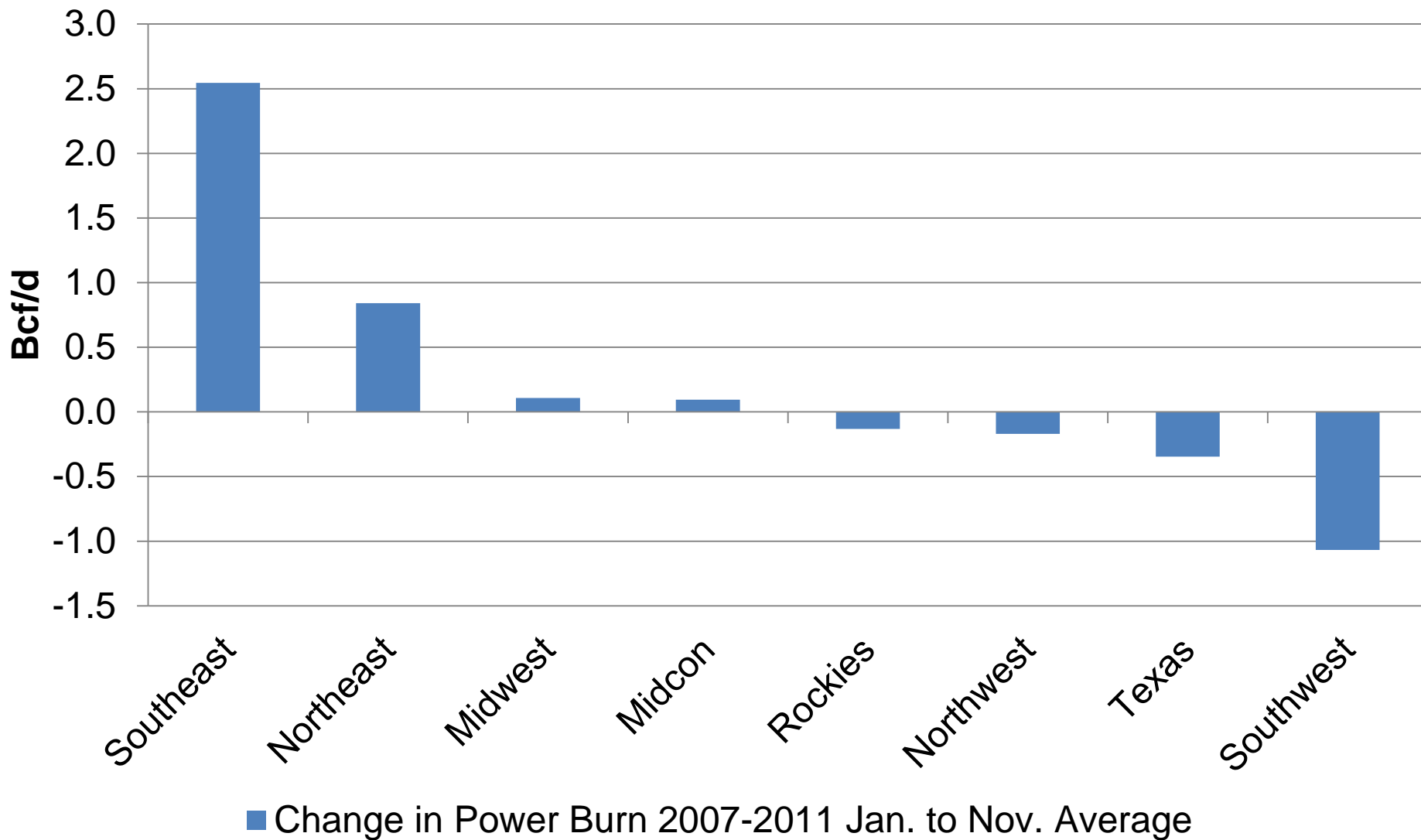
Natural Gas Targets Coal, Oil Market Share



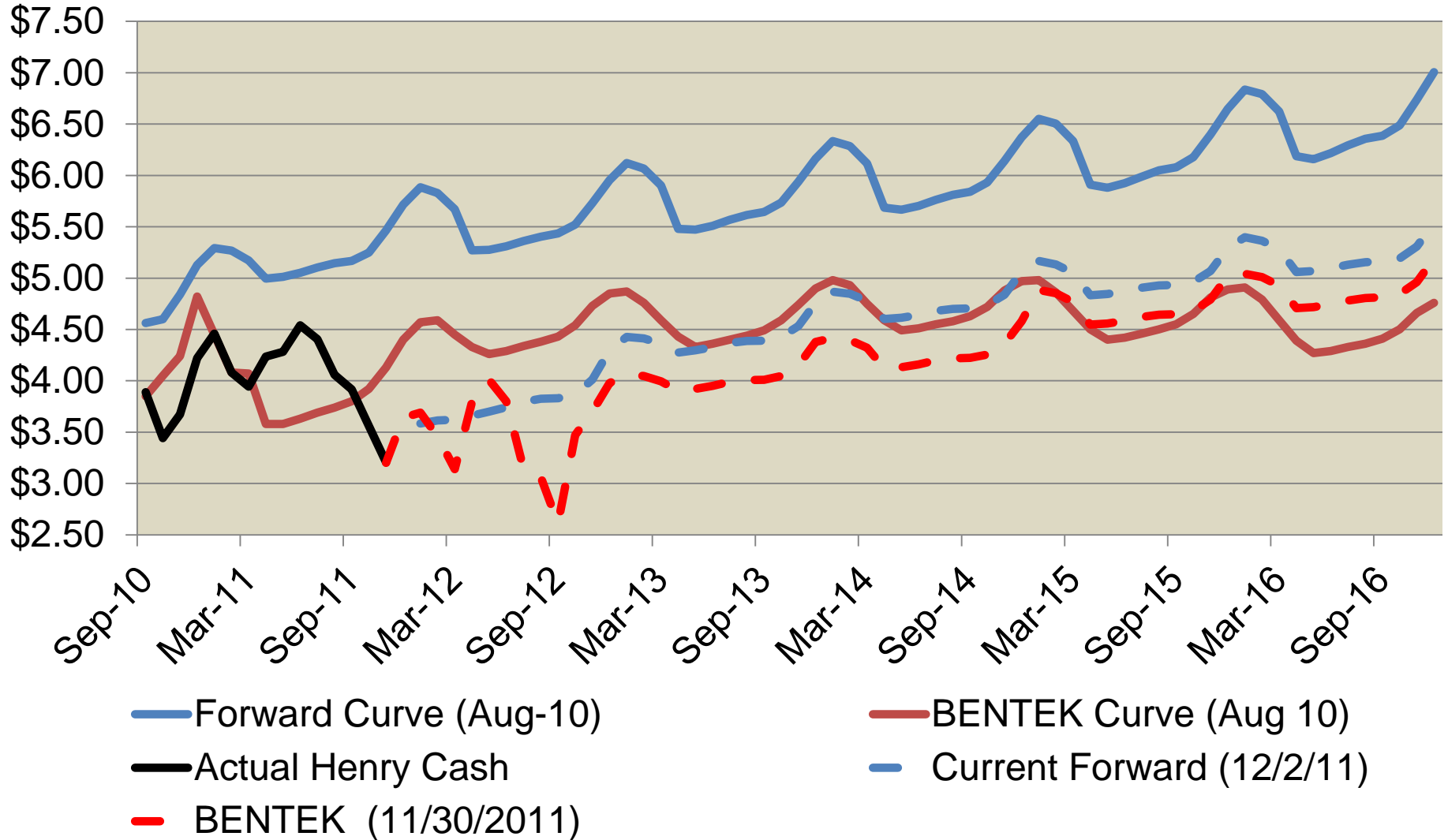
Structural Demand Changes are Taking Place



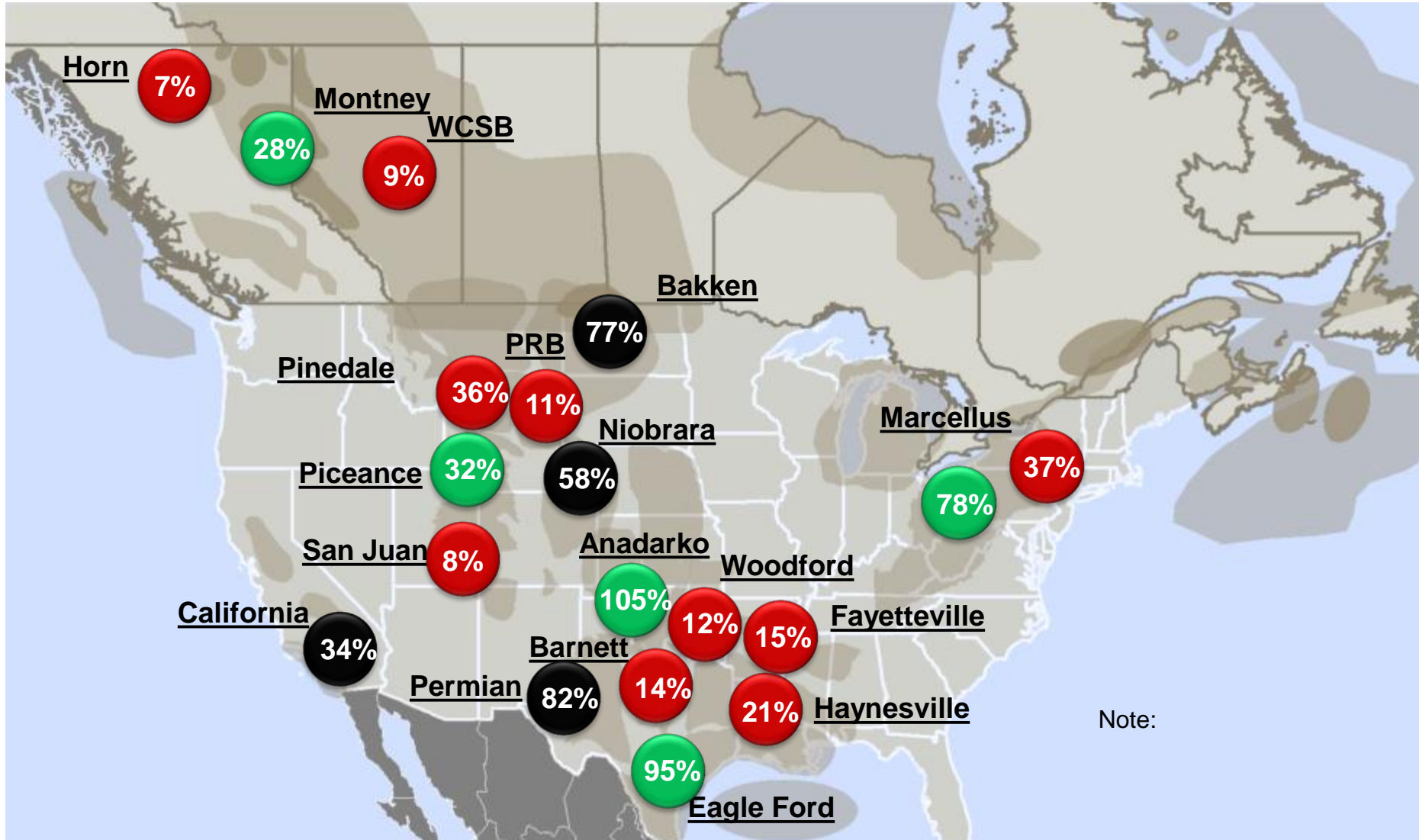
Power Burn Growing in Markets with Ample Capacity



Market Prices and Expectations Plummet on High Supply

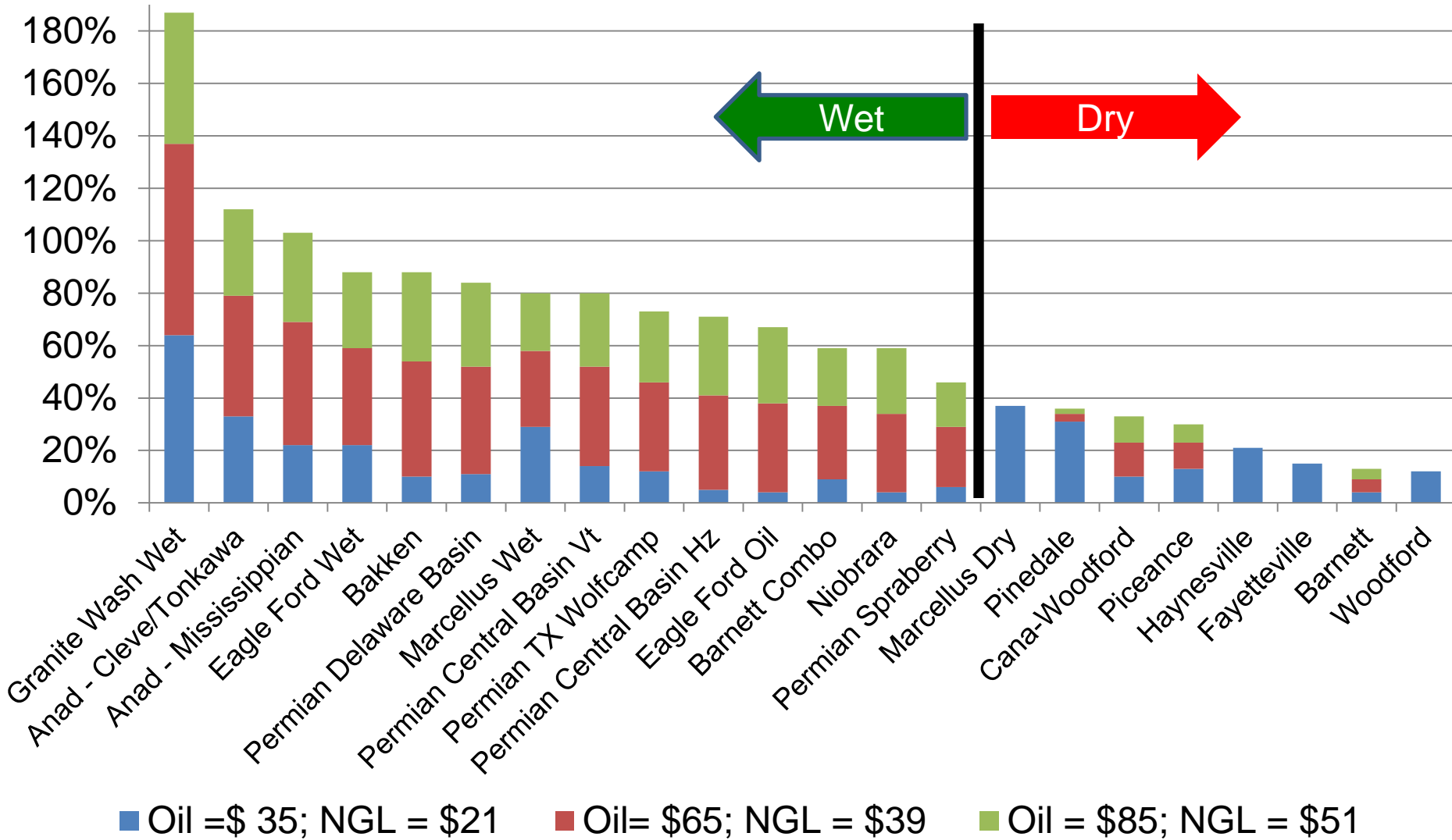


Liquids Rich Plays Provide Excellent Returns



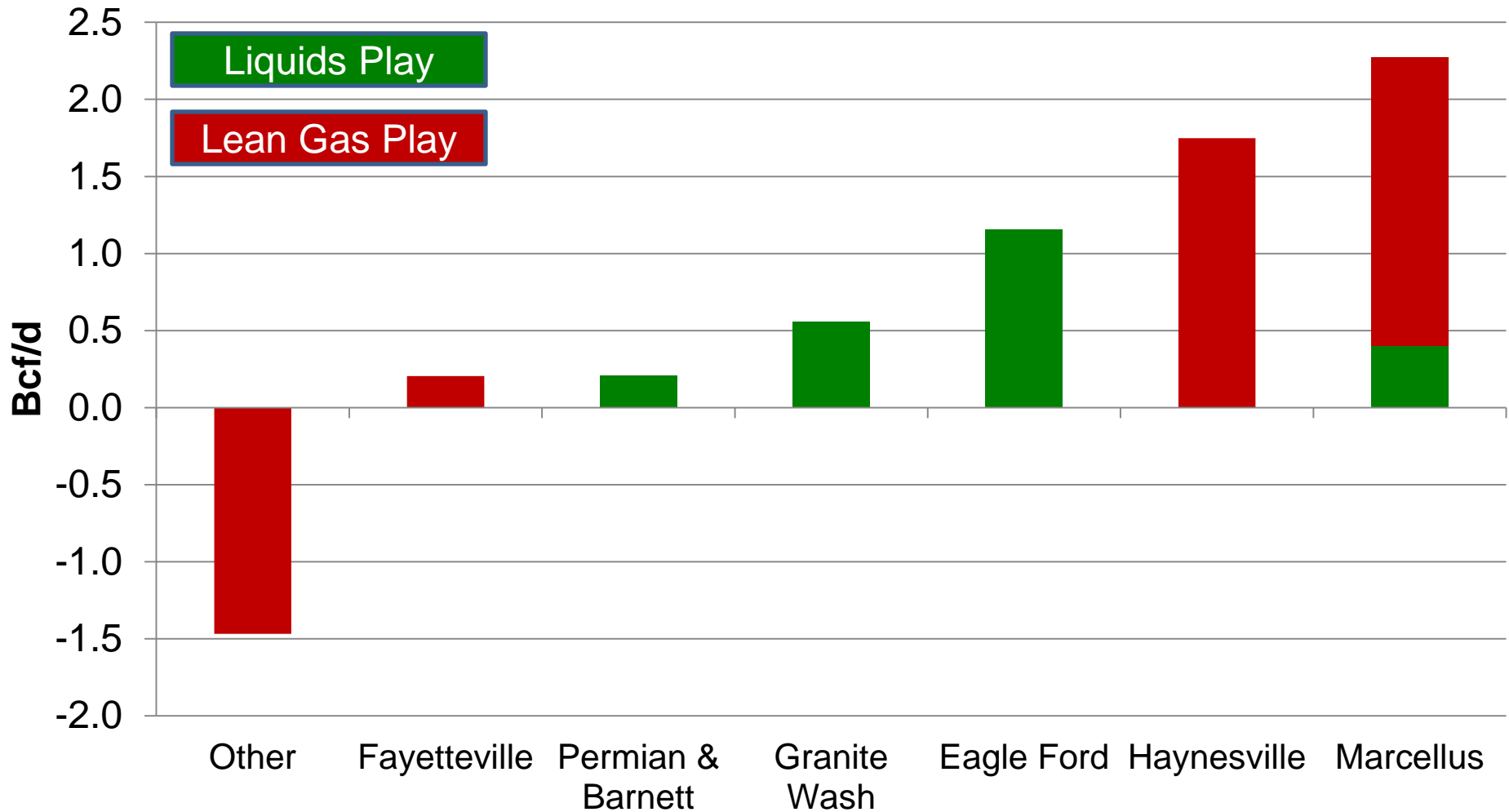
Note:

Liquids Rich Plays Provide Attractive Rates of Return If Oil Above \$65

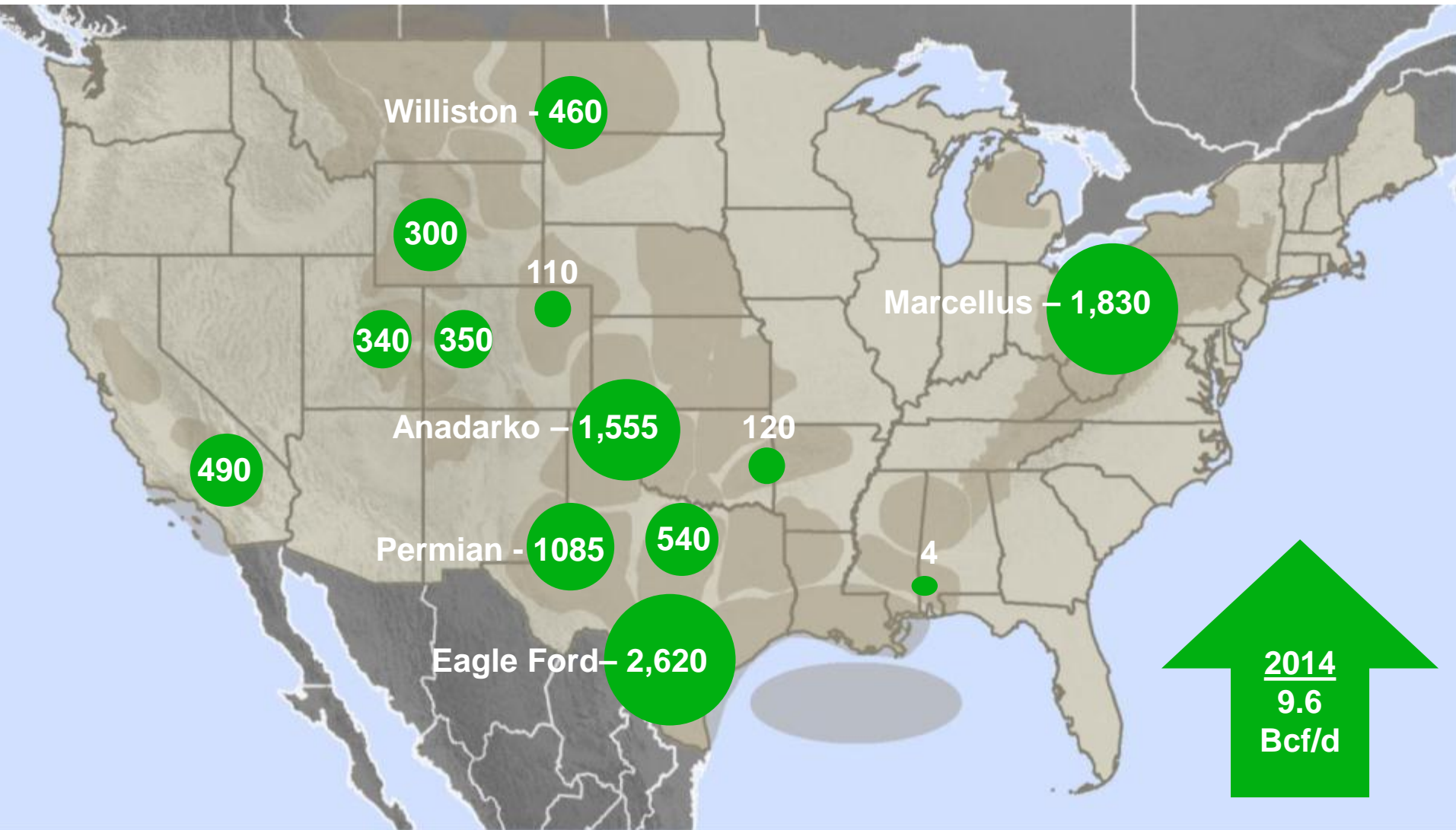


U.S. Liquids Plays Constitute 50% of Growth

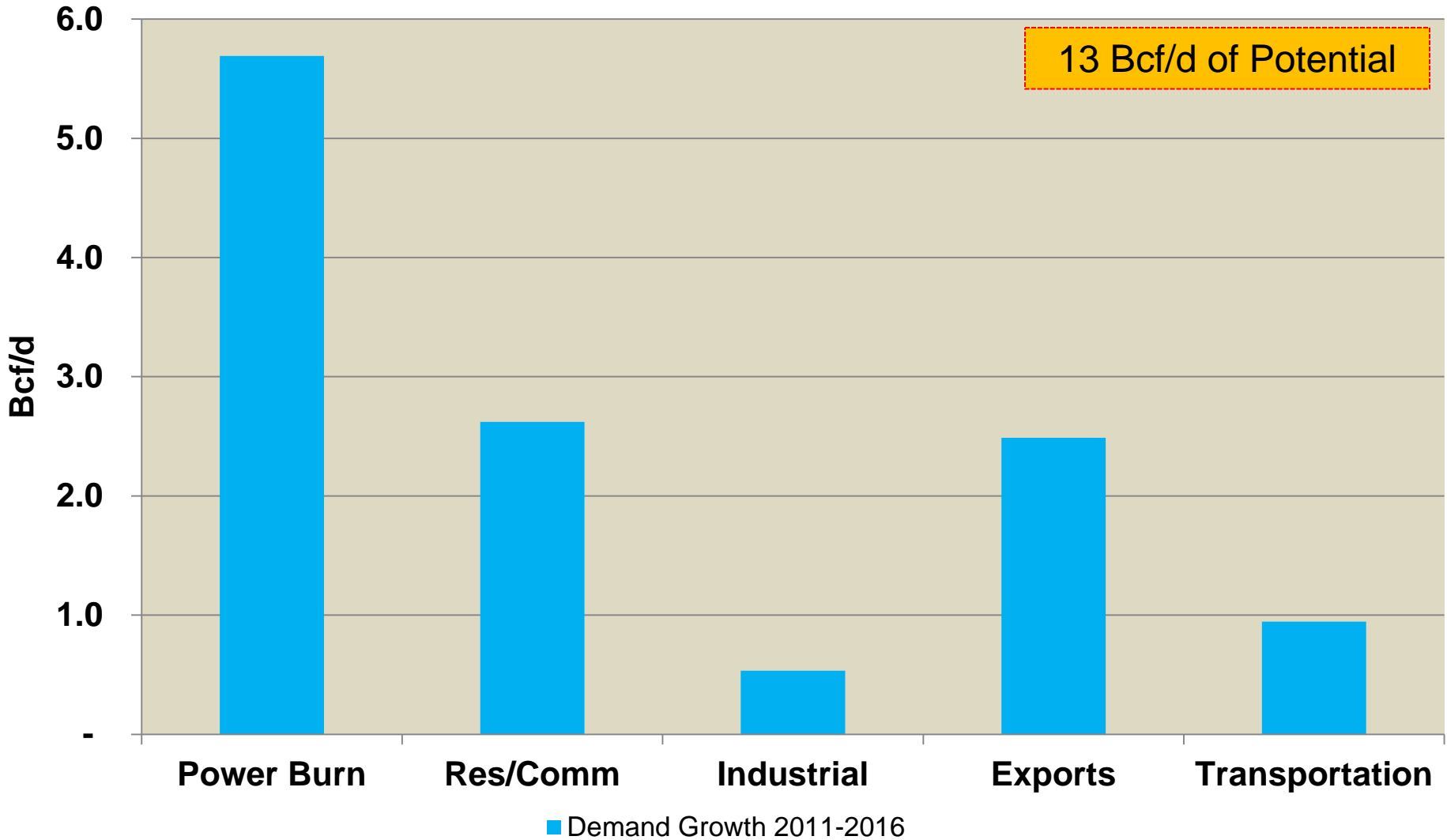
Incremental Production Nov. 2010 to Nov. 2011



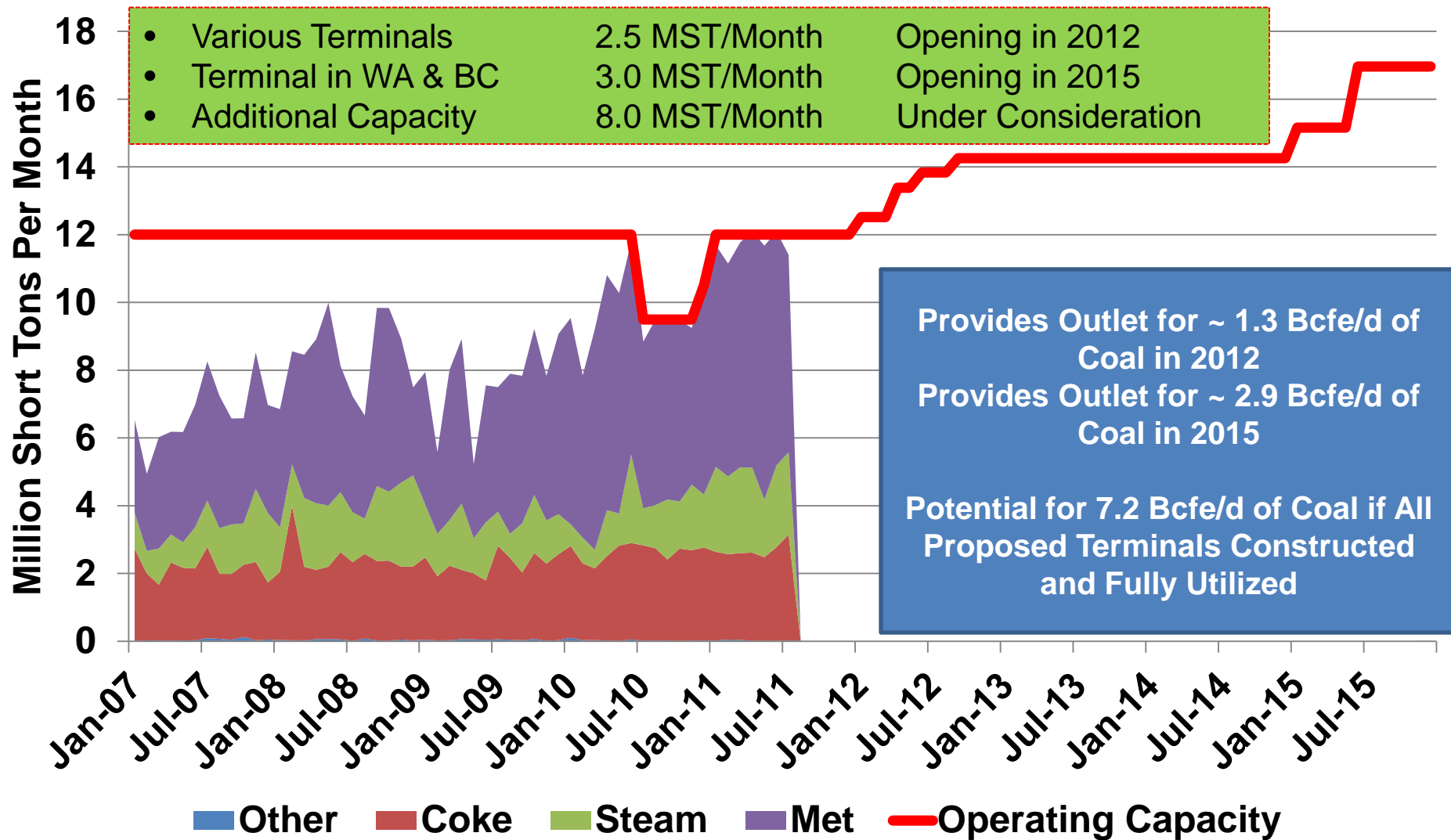
U.S. Processing Capacity Expanding To Support Liquids Growth



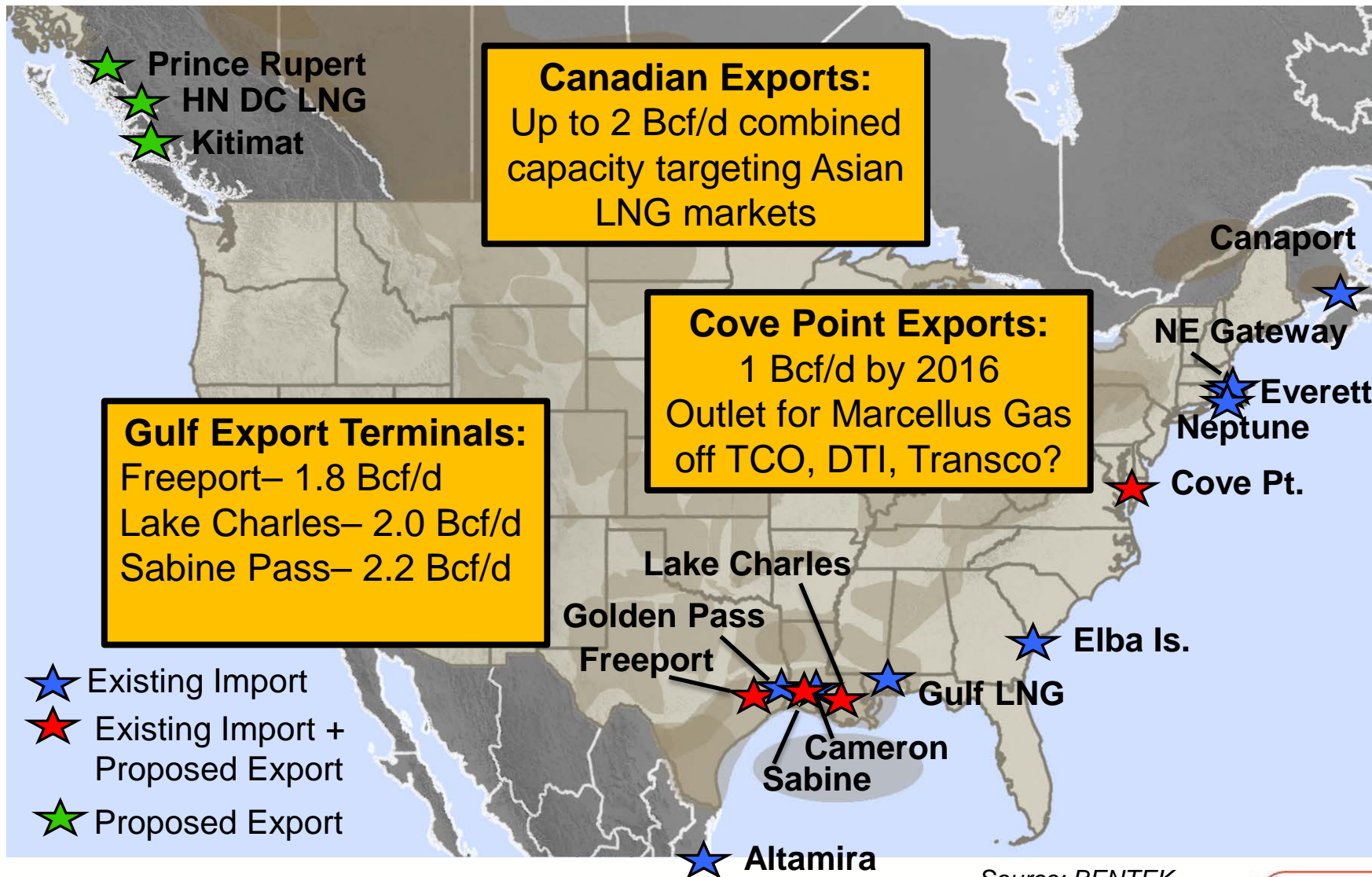
Gas Will Take Market Share in Current Markets, Enter New Ones



Exports Markets Providing Outlets for Displaced Coal

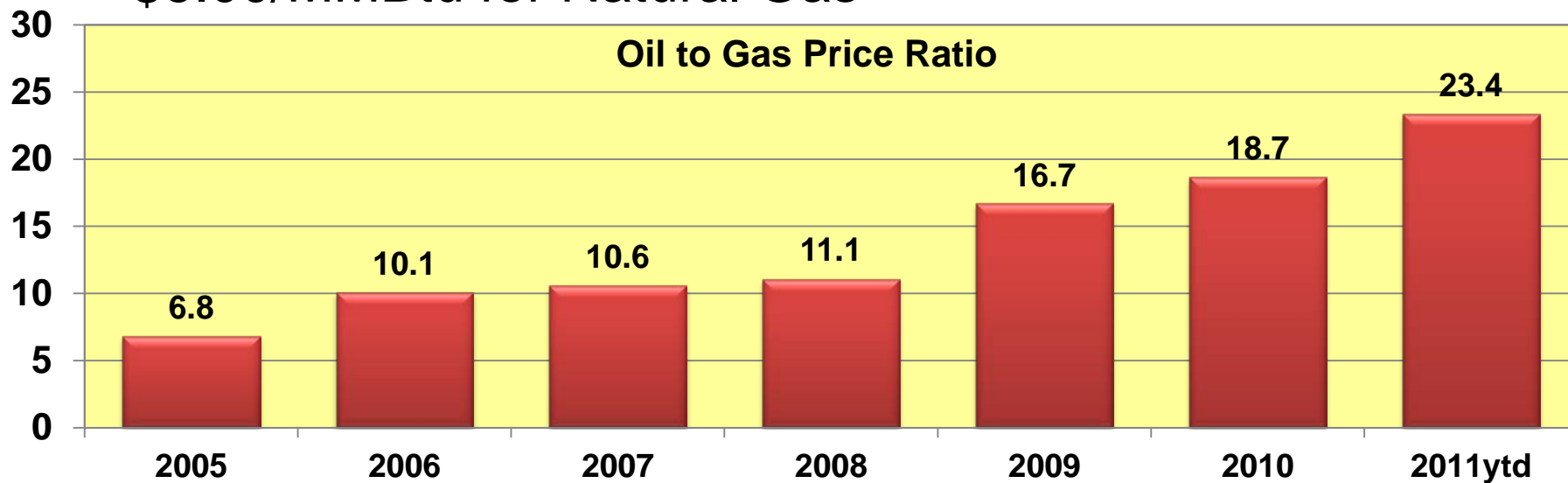


Proposed LNG Exports Total 9 Bcf/d of Capacity by 2016



Long Term Demand – Gas to Liquids?

- ❖ Sasol Two Proposed Facilities: Lake Charles & Canada
- ❖ Nerd Gas in Wyoming
- ❖ Sundrop Fuels in Haynesville
- ❖ Combined Consumption of 1.8 Bcf/d if Built
- ❖ At \$100 Crude Oil Projects Clear 10% Return up to \$6.00/MMBtu for Natural Gas



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