Reopening the Debate on OCS
Gas Demand Outlook

Gas Consumption
(Trillion Cubic Feet, Tcf)

Source: Energy and Environmental Analysis (EEA)
U.S. Natural Gas Spot Prices
EIA (September 2005)

*The confidence intervals show +/- 2 standard errors based on the properties of the model.

The ranges do not include the effects of major supply disruptions.
An Under-reported Crisis

Henry Hub Spot Price

1997 - - $2.61

2002 -- $3.47

2005 -- $8.42 (to date)

$12.60 on 9/21/05 (after Katrina / before Rita)
U.S. Natural Gas-Directed Drilling Activity

Average Rigs, Monthly Completions

New Gas Well Completions

Average Active Gas Rigs

Jan-00 | Jul-00 | Jan-01 | Jul-01 | Jan-02 | Jul-02 | Jan-03 | Jul-03 | Jan-04 | Jul-04 | Jan-05 | Jul-05 | Jan-06 | Jul-06

Short-Term Energy Outlook, Sep. 2005
Gulf of Mexico

Gulf of Mexico Gas Production

Domestic Gas Production

Year

Billion Cubic Feet/Day


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Interior Department Hurricane Update - October 4th

* 90% of Oil Production Shut-In

* 72% of Natural Gas Production Shut-In
More About Production:

Different Types of Platforms

- Fixed Platform (FP) (to 1,650 feet)
- Compliant Tower (CT) (1,500 to 3,000 feet)
- Sea Star (SStar) (600 to 3,500 feet)
- Floating Production Systems (FPS) (1,500 to 6,000 feet)
- Tension Leg Platform (TLP) (1,500 to 7,000 feet)
- Subsea System (SS) (to 7,000 feet)
- SPAR Platform (SP) (2,000 to 10,000 feet)
Safety and Offshore Energy

* Enviable Record of Environmental Performance

* Continuous improvements in safety and environmentally sensitive operations

* MMS conducts 12,000 inspections annually

Petroleum in American Waters

- Natural seeps: 63%
- Cars, boats, and other sources: 32%
- Petroleum Transportation (tankering): 4%
- Drilling and extraction: less than 1%

Source: National Academy of Science
History of the Moratoria

80% of U.S. OCS Area Off-Limits

* 1990 - President Bush I
* 1998 - President Clinton Extended to 2012
* Annual Appropriations Rider
“Offshore State Options Act”

* Codifies Presidential Withdrawal to 2012

* Allows States to Petition to Lift Moratoria - Gas Only or Both

* Sharing of 50% of Royalty Revenue with Adjacent State, Including Alternative Energy

* State May Allow Natural Gas Only Within 125 Miles

* No Leasing Within 50 Miles of Adjacent State That Doesn’t Allow Production
For more information contact:

Bruce McKay
Dominion
202.585.4207
Bruce_McKay@Dom.com