

Regulation and Shale Development

October 2010

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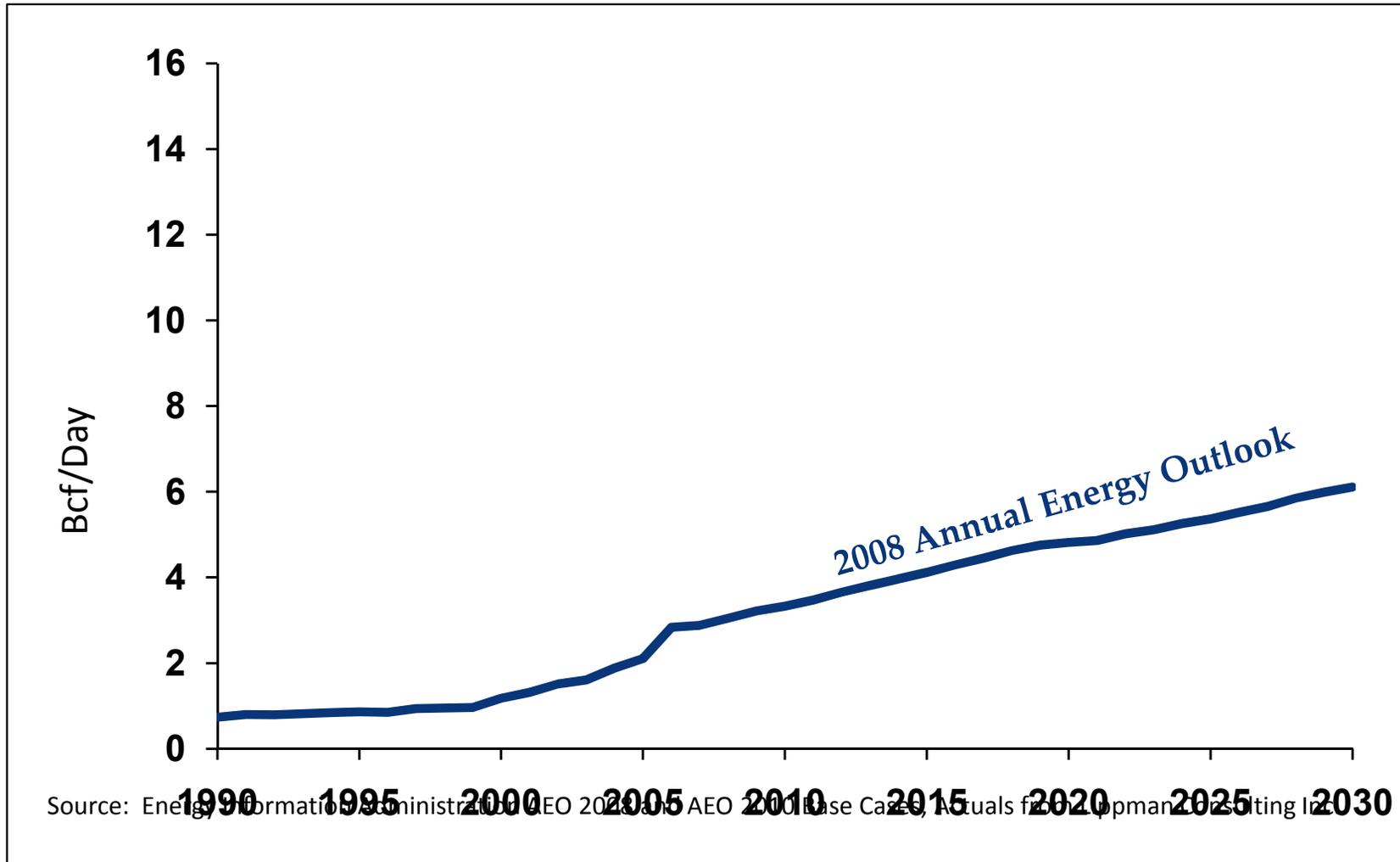
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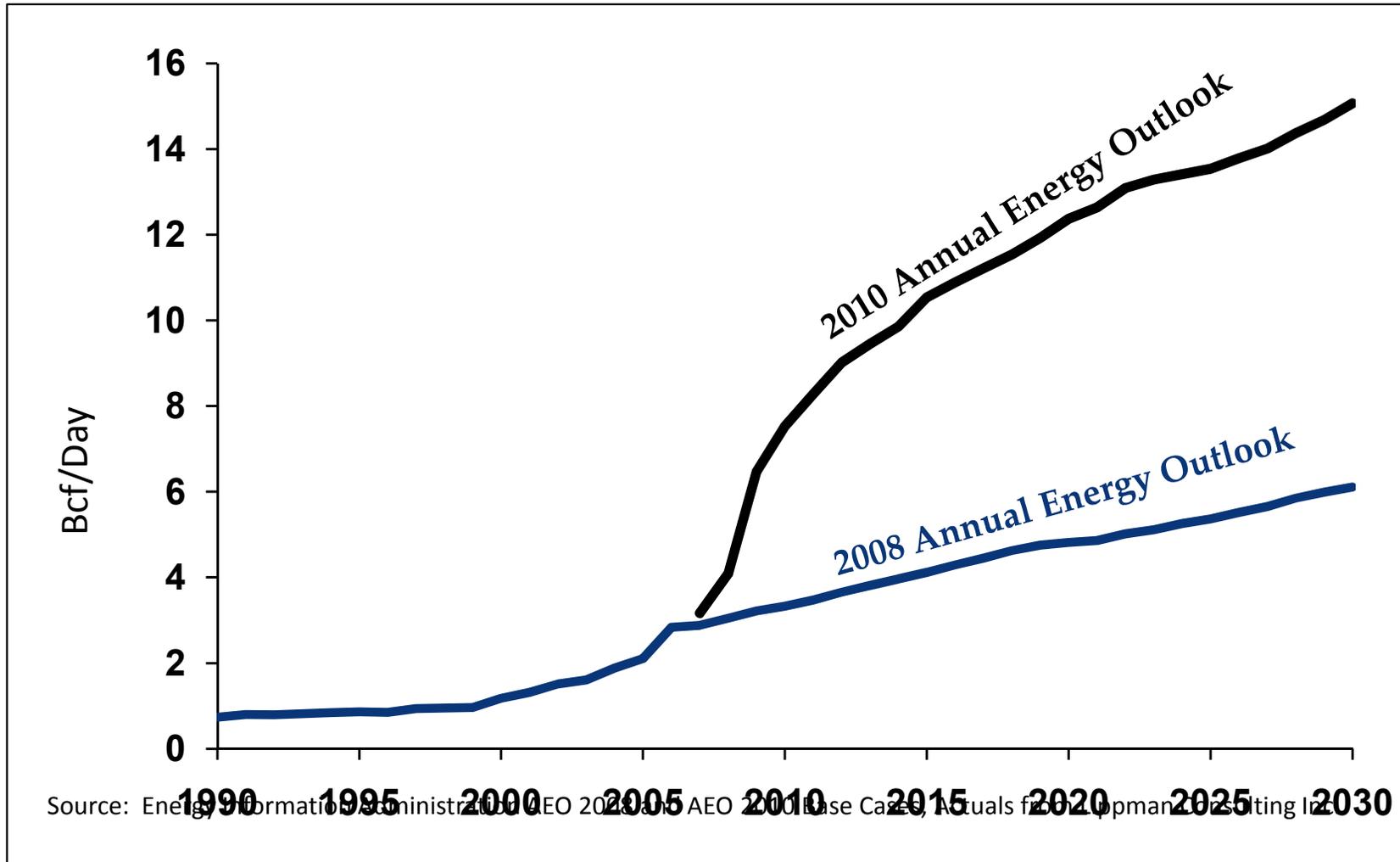
The Energy Information Administration Really Found a Lot of Shale.

Starting with what they thought in 2008...



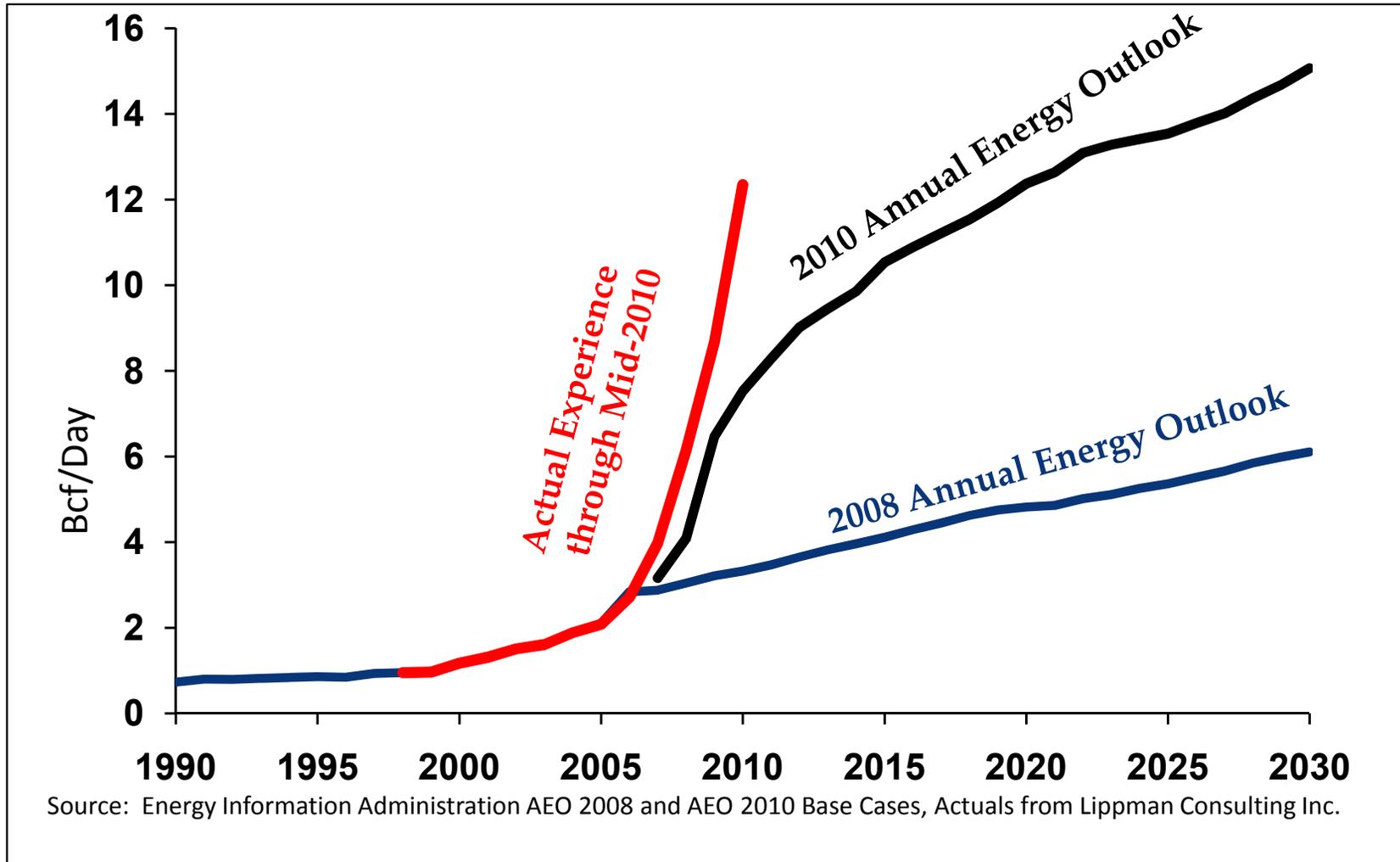
The Energy Information Administration Really Found a Lot of Shale.

Then 2010 showed a significant jump. . .



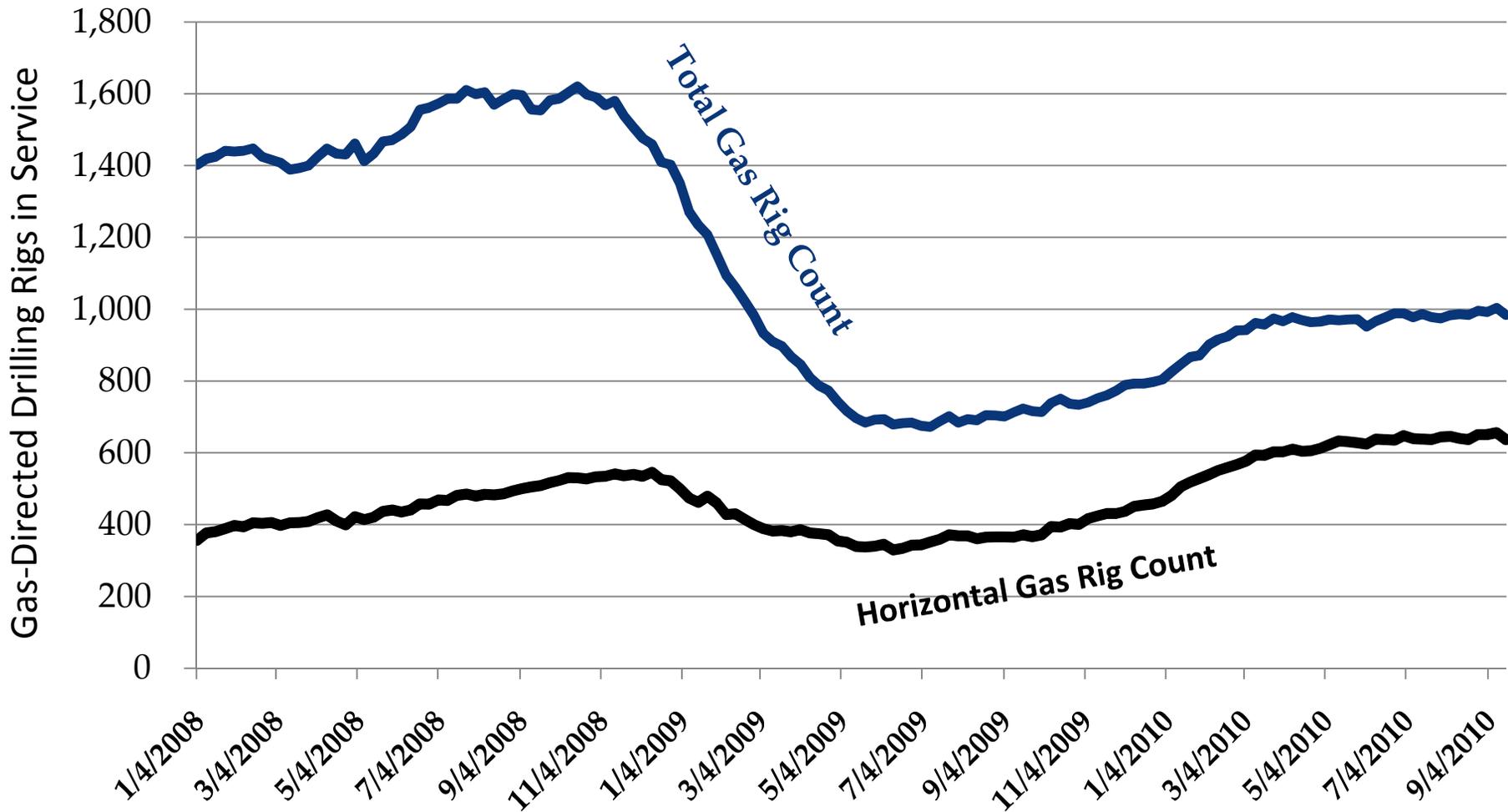
The Energy Information Administration Really Found a Lot of Shale.

But there's More...



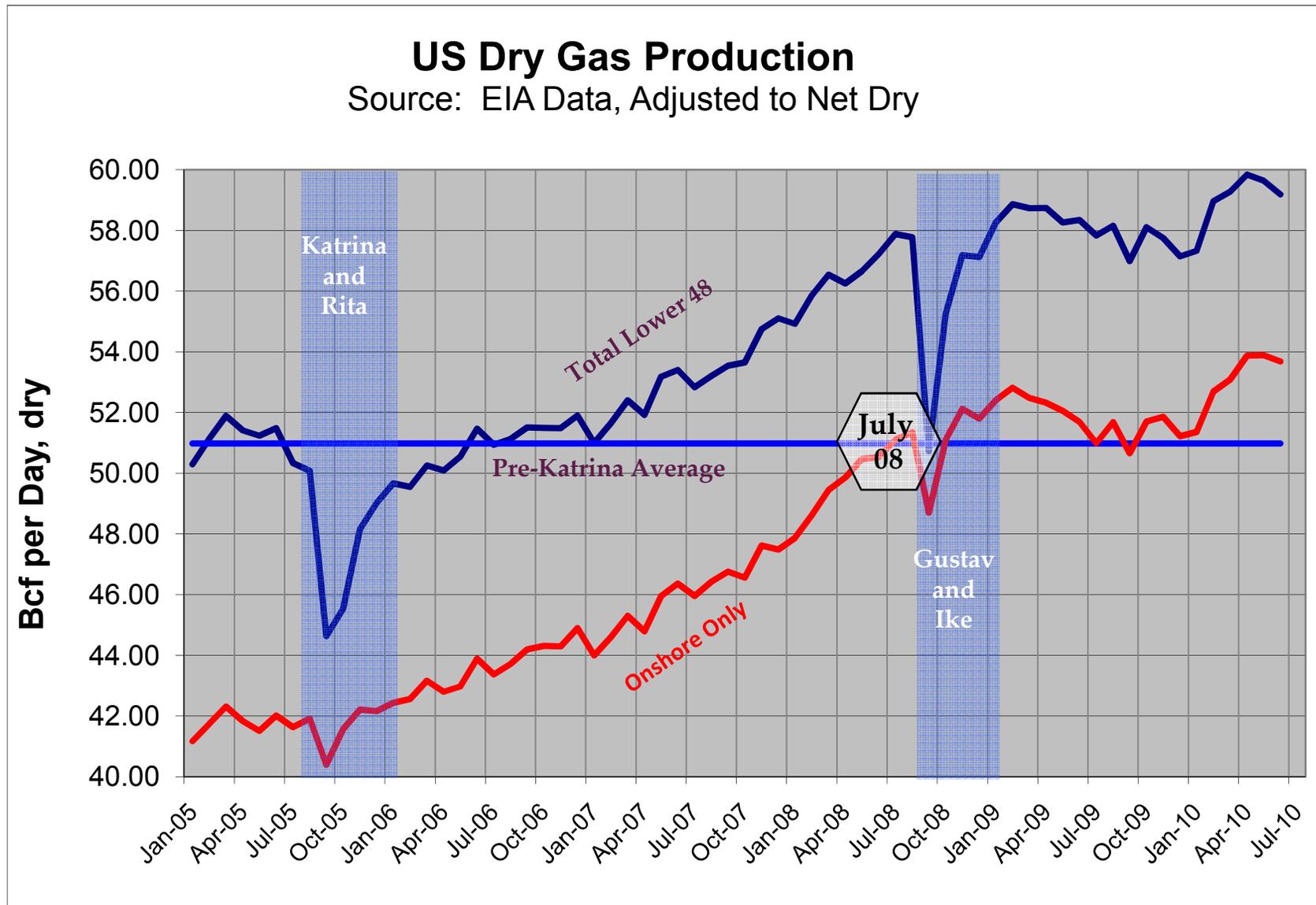
Why? Didn't drilling drop off a lot since 2008?

Yes, in total—but horizontal drilling is going strong...



Source: Smith Bits

Domestic Production has Increased Rapidly.-----As of July 2008, Onshore Production by itself Reached the Pre-Katrina Value for Total Lower 48 Production



U.S. Shale Gas Basins Align with the Nationwide Pipeline Grid



Sources: EIA, US Natural Gas Pipeline Network

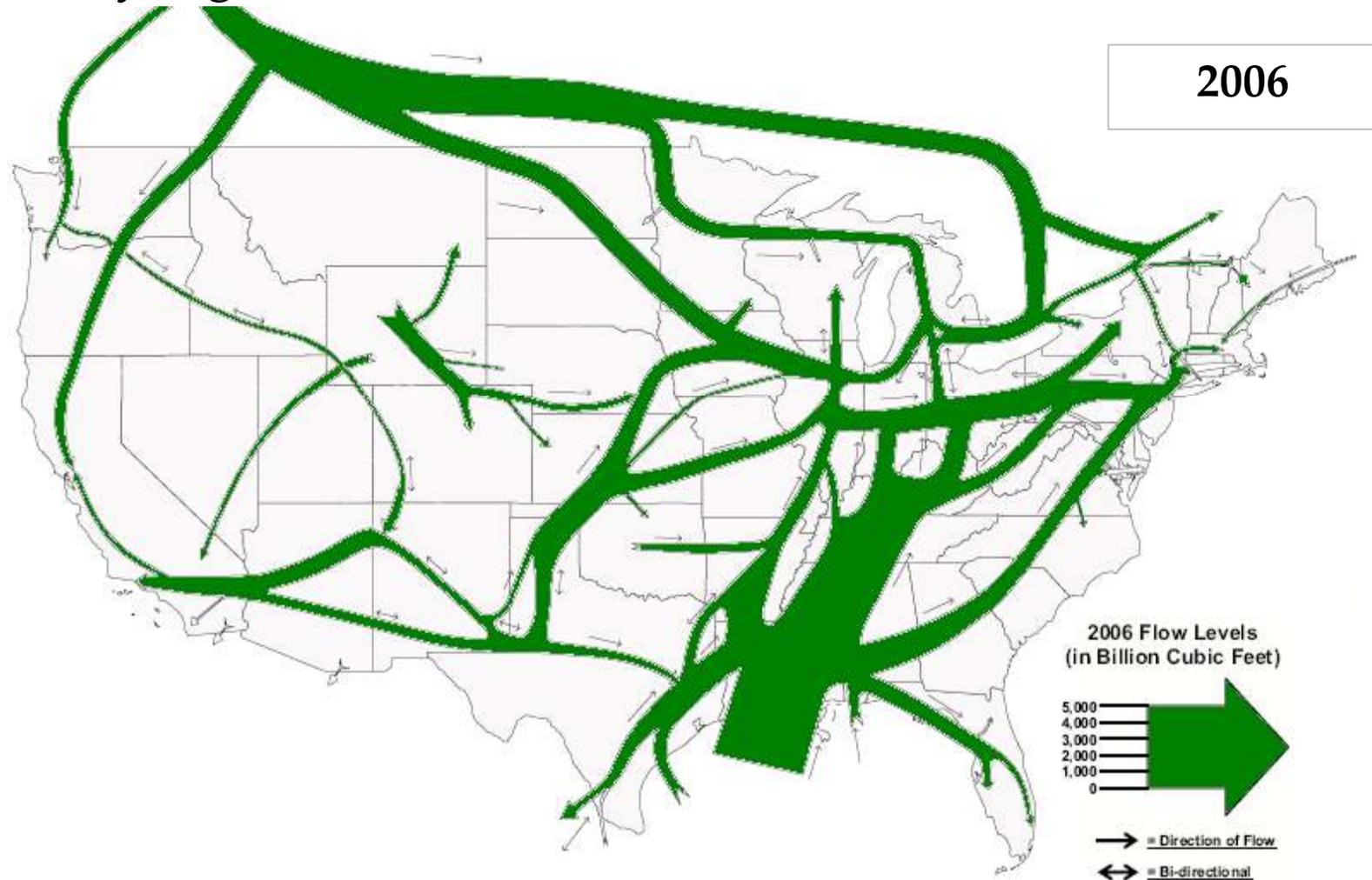
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American Clean Skies Foundation

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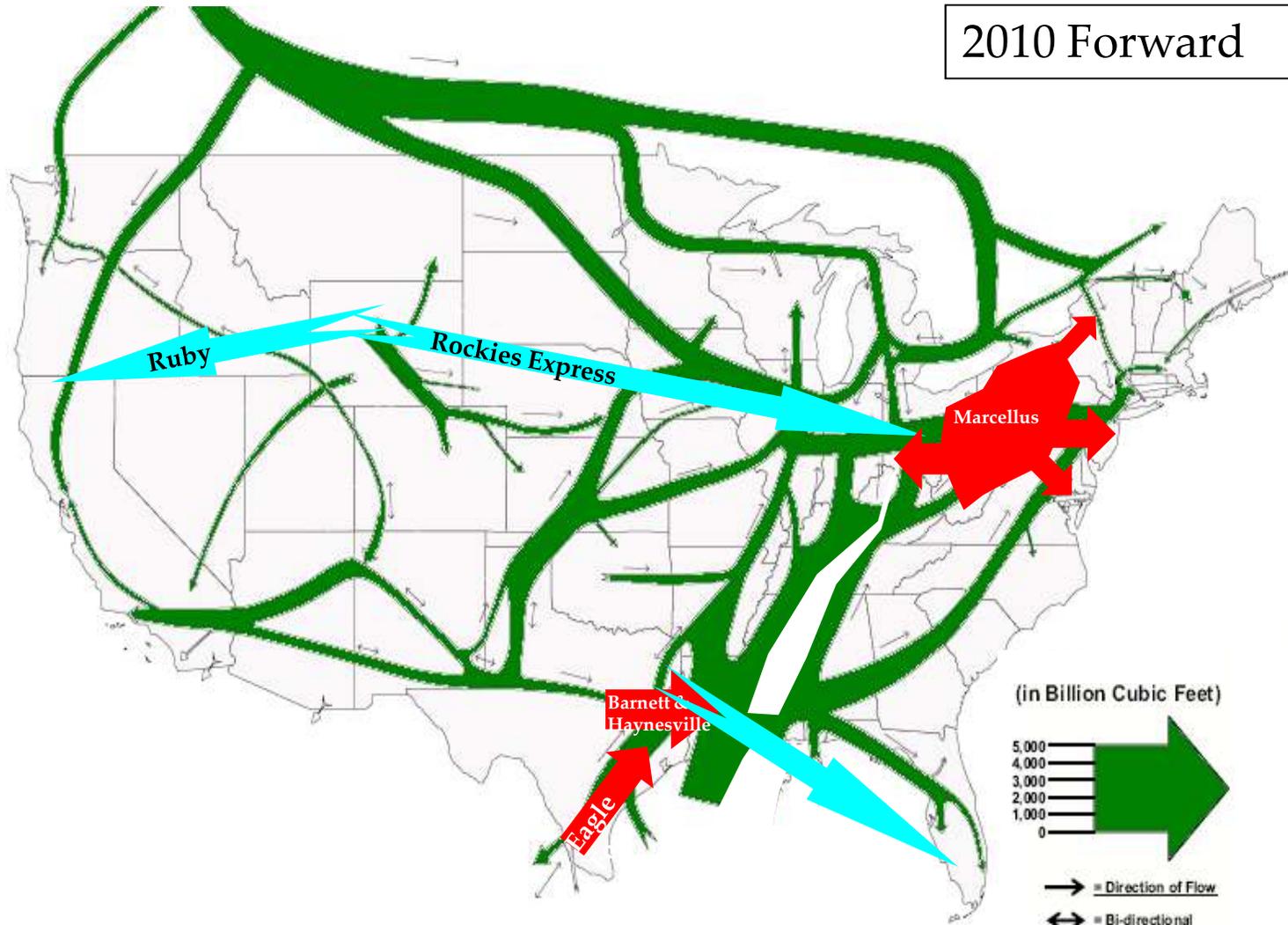
But the Pipeline Industry Has Other Challenges

When you go from Point A to Point B but Point A moves,



But the Pipeline Industry Has Other Challenges

HOUSTON, WE HAVE A PROBLEM



So Where Are the Tough Areas in Regulation?

- Facility authorization (Berne and his gang) is very well under control
- Even with San Bruno, pipeline safety is well under control
- As we heard yesterday, enormous progress has been made on environmental and land-use issues.
- This leaves two areas
 - (1) State and organized market policy toward gas fired generation—and
 - (2) Pipeline rates and services to deal with the flow-direction chaos
- Then there are always LNG Exports. . .