



Passing Shale Gas? Presented at the “Phew! Having Gas Issues” Panel

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Are We Passing Shale Gas?

- Natural gas prices have hovered close to \$2 per mcf, a more than decade long low for gas as gas supply continues to outpace demand
- Gas rig counts for dry gas are dropping
- Companies are shifting their rigs instead to wet gas and associated gas areas



Are We Passing Shale Gas?



- Wet gas is composed of condensates:
 - Butane
 - Propane
 - Ethene

- The price of wet gas tracks oil



Are We Passing Shale Gas?



- Production is being scaled back in dry gas areas, because gas storage capacity is nearly filled -- as of last Thursday, 2,667 bcf in storage, which is 40.9% above this time last year
- Yet, there will still be some production in wet gas areas



Are We Passing Shale Gas?



- At \$2, we should be generating with gas and we are. Gas generation is up 27%.
- We expect at least 39 GW (so far announced, it could go as high as 60 GW) of coal-fired capacity to shut down between now and 2015 or 2016 due to EPA regulations



Are We Passing Gas?



- New Gas Generation is Needed to Fill the Gap
- The Pipelines Aren't There
- MISO just starting the conversation
- PJM West? Where Are They on the curve?
- FERC is conducting hearings on gas-electricity interdependence and coordination
- Unless the EPA reg deadlines are extended, it might already be too late



Gas Pains



- Well casing inspections
- So called “Halliburton Exemption/Loophole” found in section 322 of EPACT of 2005
- Ground water benchmarking
- Surface water protection



Gas Pains



- Frack fluid content disclosure -- the debate about FracFocus
 - FracFocus 2.0 for mandatory disclosure states like CO, TX, PA with ACS?
 - Local impacts: roads, community impacts
 - Temporary local effect on air quality
 - Long term CO₂e effect because of methane leakage



Gas Pains



- We need higher prices to exploit the field
- Higher prices, but not too high, so gas exports and other gas uses, but how much?
- We need to exploit the field to have gas replace coal generation
- We need time to develop the infrastructure to move gas to where it can be used; certification, siting, building
- pipeline safety (gathering line issue)



Gas Pains



- Unless extensions are granted to the EPA regs, we may already be too late to avoid electric reliability problems
- Would a double dip recession be a good thing or would it be just more pain?