Wyoming Pipelines: The Territory Ahead
Sponsored by The University of Wyoming

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October 31, 2008
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Uniquely Positioned Portfolio

RESERVES
- 15% INT'L/FRONTIER
- 23% TEXAS/MIDCONT
- 12% DW GOM
- 50% ROCKIES

PRODUCTION
- 15% INT'L/FRONTIER
- 20% TEXAS/MIDCONT
- 35% ROCKIES
- 30% DW GOM
Leading Rockies Producer

- 25,000+ Identified Lower-Risk Drill Sites
- Drill ~2,500 Wells in 2008
- 5-Year Expectations
  - Drill 9,000 - 11,000 Wells
  - Convert 5 - 6 Tcfe to Proved
- Unique Competitive Advantages
  - Water Pipeline
  - Low-Cost CO₂ Supply
  - Land Grant Royalty
- Significant Midstream Position

<table>
<thead>
<tr>
<th>Assets</th>
<th>Performance</th>
<th>Consistency</th>
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<tr>
<td>YE07 Reserves</td>
<td>7.2 Tcfe</td>
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<tr>
<td>Net Lower-Risk Captured Resources</td>
<td>~14 Tcfe</td>
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<tr>
<td>2Q08 Net Production</td>
<td>1.3 Bcfe/d</td>
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<tr>
<td>Net Acreage</td>
<td>10 Million</td>
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Northern Rockies Natural Gas Export Pipelines

Total Capacity Approx. 7.7 Bcfd

<table>
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<tr>
<th>West</th>
<th>Capacity</th>
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<tbody>
<tr>
<td>NWP North</td>
<td>650</td>
</tr>
<tr>
<td>NWP South</td>
<td>360</td>
</tr>
<tr>
<td>Kern</td>
<td>2,000</td>
</tr>
<tr>
<td>TransColorado</td>
<td>435</td>
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<tr>
<td>Total</td>
<td>3,445</td>
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East

<table>
<thead>
<tr>
<th>East</th>
<th>Capacity</th>
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<tbody>
<tr>
<td>REX</td>
<td>1,500</td>
</tr>
<tr>
<td>Trailblazer</td>
<td>850</td>
</tr>
<tr>
<td>KMI</td>
<td>400</td>
</tr>
<tr>
<td>CIG</td>
<td>330</td>
</tr>
<tr>
<td>Chey. Plains</td>
<td>730</td>
</tr>
<tr>
<td>Southern Star</td>
<td>180</td>
</tr>
<tr>
<td>WBI</td>
<td>265</td>
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<td>Total</td>
<td>4,255</td>
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</table>

Source: APC, El Paso Corp.

Total Capacity Approx. 7.7 Bcfd
Rockies Gas Supply - Dramatic Growth

Northern Rockies Natural Gas Production (Bcfd)

+1.5 Bcfd

Constrained

Greater Green River, Powder River, Wind River, Piceance, Uintah, DJ Basins

Source: Reid Energy
Rockies Gas Demand is Highly Seasonal

CO, UT, WY Natural Gas Consumption

~1.5 Bcf/d Seasonal Change

Source: Energy Information Administration
Rockies Price Driven By Export Capacity Utilization

Source: Reid Energy

Rockies Export Capacity Utilization and Basis

Export Pipes Full!

Mid-Continent Bottlenecks

Capacity Utilization: 60% to 100%
Northwest Rockies Basis: -7.50 to 0.50

Source: Reid Energy
$1.00/MMBtu ~ $3 billion/year Rockies production value
Next Generation of Rockies Export Proposals

Ruby, Bison and Kern expansion currently sufficiently subscribed
Producers Drive Pipeline Development

Rockies Natural Gas Export Capacity

2001 to 2008 Expansions:
REX, Cheyenne Plains, Grasslands, Kern, Trailblazer

<table>
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<th>Type</th>
<th>Current Total Capacity</th>
<th>Expansions Since 2001</th>
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<tr>
<td>Producer</td>
<td>4,500</td>
<td>2,500</td>
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<tr>
<td>Utility</td>
<td>1,500</td>
<td></td>
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<tr>
<td>Generator</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>Marketer</td>
<td>1,000</td>
<td></td>
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<tr>
<td>Industrial</td>
<td>100</td>
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</table>
New Export Pipeline Development

- Pipeline companies propose projects to the market in a FERC regulated open season.
- If sufficient binding commitments are made by shippers pipeline begins regulatory approval process (FERC 7c, NEPA, etc.).
- Shipper capacity contracts are major binding financial commitments Ten to fifteen year typical term.
- Shippers pay for the capacity whether or not they use it.
- Pipeline developers typically require a fully subscribed project before they will build.
- Once regulatory approvals are obtained then construction can begin.

- Export pipelines are expensive (Ruby ~$3 billion)
- Export pipelines are time consuming (REX 5+ years)
Who Bears the Risks of Pipeline Capacity?

- **Excess capacity**
  - Shippers on existing contracts may not recover their capacity commitment costs – “somebody else can take the risk next time”
  - Pipelines unable to resell capacity at or above cost causing full cycle project economics to be negative – “won’t take capacity risk on the next project”

- **Inadequate capacity – depressed prices**
  - Producers – cash flow and project economics
  - Royalty owners – lower revenues
  - State and local governments – lower revenues
  - Broader economic impact of reduced industry activity
Supply Risks to Producer Pipeline Commitments

- **Regulatory**
  - Requirements for future environmental studies (RMP, EIS, EA) and the likelihood of their timely completion.
  - Future operational restrictions (e.g. seasonal stipulations, set backs, etc.)
  - Ability to obtain required level of drilling permits in a timely and predictable manner
  - Ability to obtain other necessary permits such as air emissions and produced water handling.
  - Access to necessary land position

- **Commercial**
  - Commodity prices – local pricing differentials matter
  - Geology and reservoir performance
  - Availability of equipment and skilled labor

Delays interact with existing well declines to dramatically reduce pipeline capacity requirements for producers
Typical Wattenberg Well Production

Decline Curve (10 year)

Years of Production

Daily Production (Mcf/day)
Anadarko Wattenberg 2004-2007 Field Performance

2004 Production Baseline

*Activities = drills, recomp, refracs

$100 MM 309 activities*
$110 MM 365 activities
$120 MM 419 activities
$196 MM 484 activities
Colorado Natural Gas Production By Year Drilled

Total Colorado Vintage Production for Base Case - ICF - May 1, 2008

Source: ICF Consulting
Colorado Natural Gas Production Scenarios

Reference Case
10% Reduction
20% Reduction
30% Reduction

Source: ICF Consulting
Rockies Decline Rates Are Significant

Composite Rocky Mtn Production based on Currently Producing Wells

Source: ICF Consulting
Active Risk Management in the Rockies

Committed to Incremental 450 MMcf/d of Firm Transportation on Proposed 2011 Pipelines

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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<tr>
<td>Firm Transportation (MMcf/d)</td>
<td>594</td>
<td>594</td>
<td>594</td>
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<tr>
<td>Basis Hedges (MMcf/d)</td>
<td>455</td>
<td>555</td>
<td>310</td>
</tr>
<tr>
<td>Equity Protected</td>
<td>~95%</td>
<td>~95%</td>
<td>~67%</td>
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<tr>
<td>Differential to Henry Hub</td>
<td>$1.47</td>
<td>$1.25</td>
<td>$1.13</td>
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Conclusions

- Utah, Colorado, and Wyoming share the same export capacity pathways and exposure to pipeline congestion
- Rockies price differential is a function of export pipeline capacity utilization
- Pipeline congestion drives down prices hurting producers, royalty owners, and government tax revenues
- Pipeline expansions are expensive and time consuming
- Pipeline expansions are producer driven
- Producers require reasonable certainty in their production forecasts to commit to cause pipes to get built
- Regulatory risks greatly impact producer supply forecasts and thus their willingness to commit to new pipelines