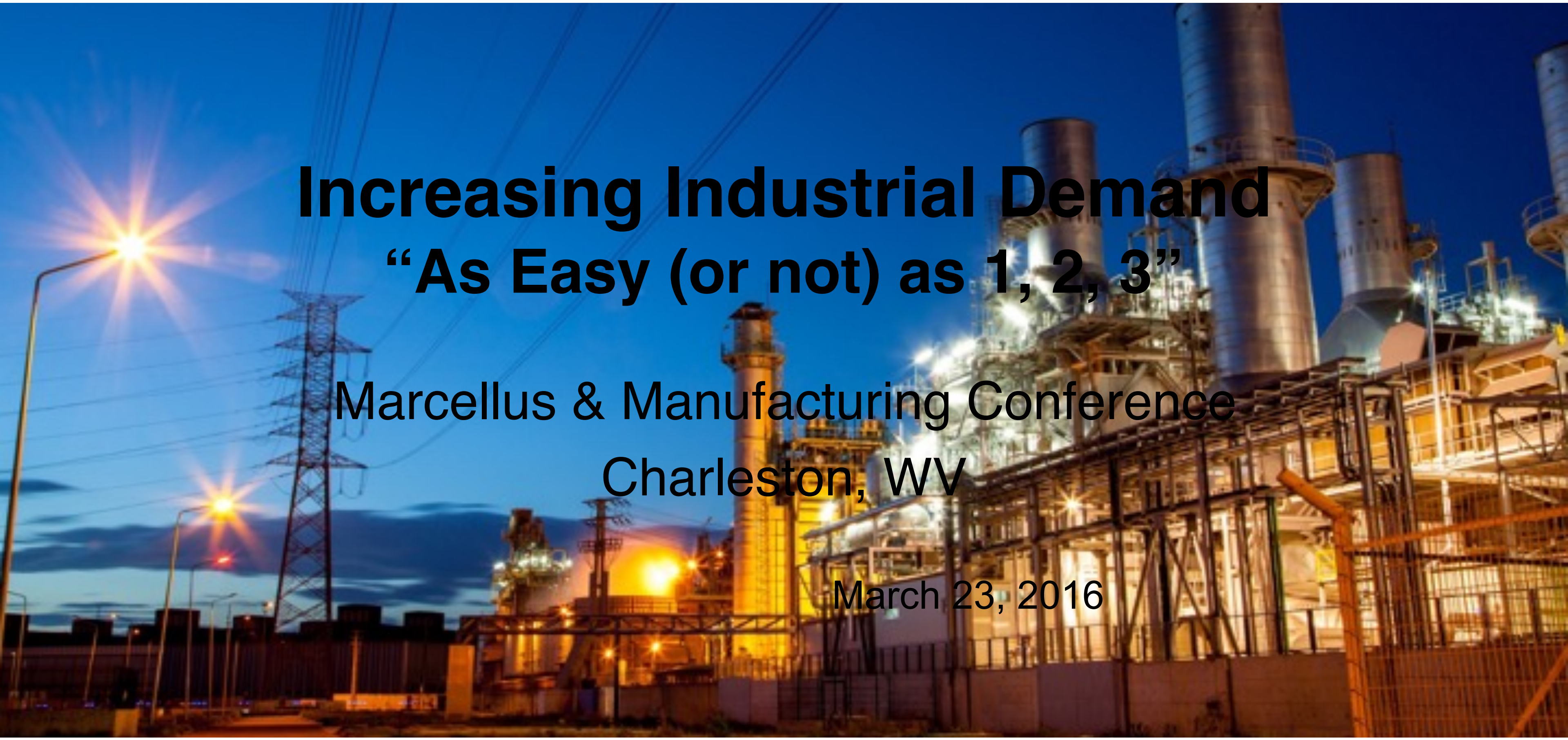


Increasing Industrial Demand
"As Easy (or not) as 1, 2, 3"

Marcellus & Manufacturing Conference

Charleston, WV

March 23, 2016

API's Market Development Group

API is the only national trade association representing all facets of the oil and natural gas industry, which supports 9.8 million U.S. jobs and 8 percent of the U.S. economy. API's more than 650 members include large integrated companies, as well as exploration and production, refining, marketing, pipeline, and marine businesses, and service and supply firms. They provide most of the nation's energy and are backed by a growing grassroots movement of more than 30 million Americans.

API advances its market development priorities by working with industry, government, and customer stakeholders to promote increased demand for and continued availability of our nation's abundant natural gas resources for a cleaner and more secure energy future.

Market Segments

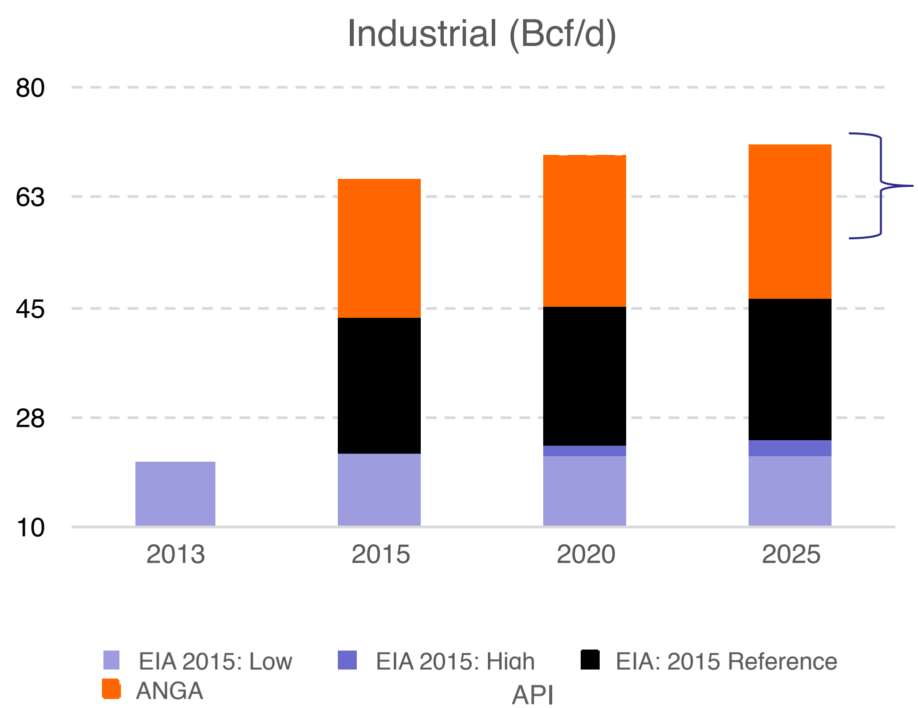
Power generation

Transportation

Industrial demand

LNG exports

Industrial Demand Potential



Policy Components Impacting Demand
Free Trade
High Domestic Economic Growth
High International Economic Growth

Low Domestic Economic Growth
Low International Economic Growth
Delayed Infrastructure Development

Source: AEO 2015, API Analysis

1 - Low-cost Natural Gas

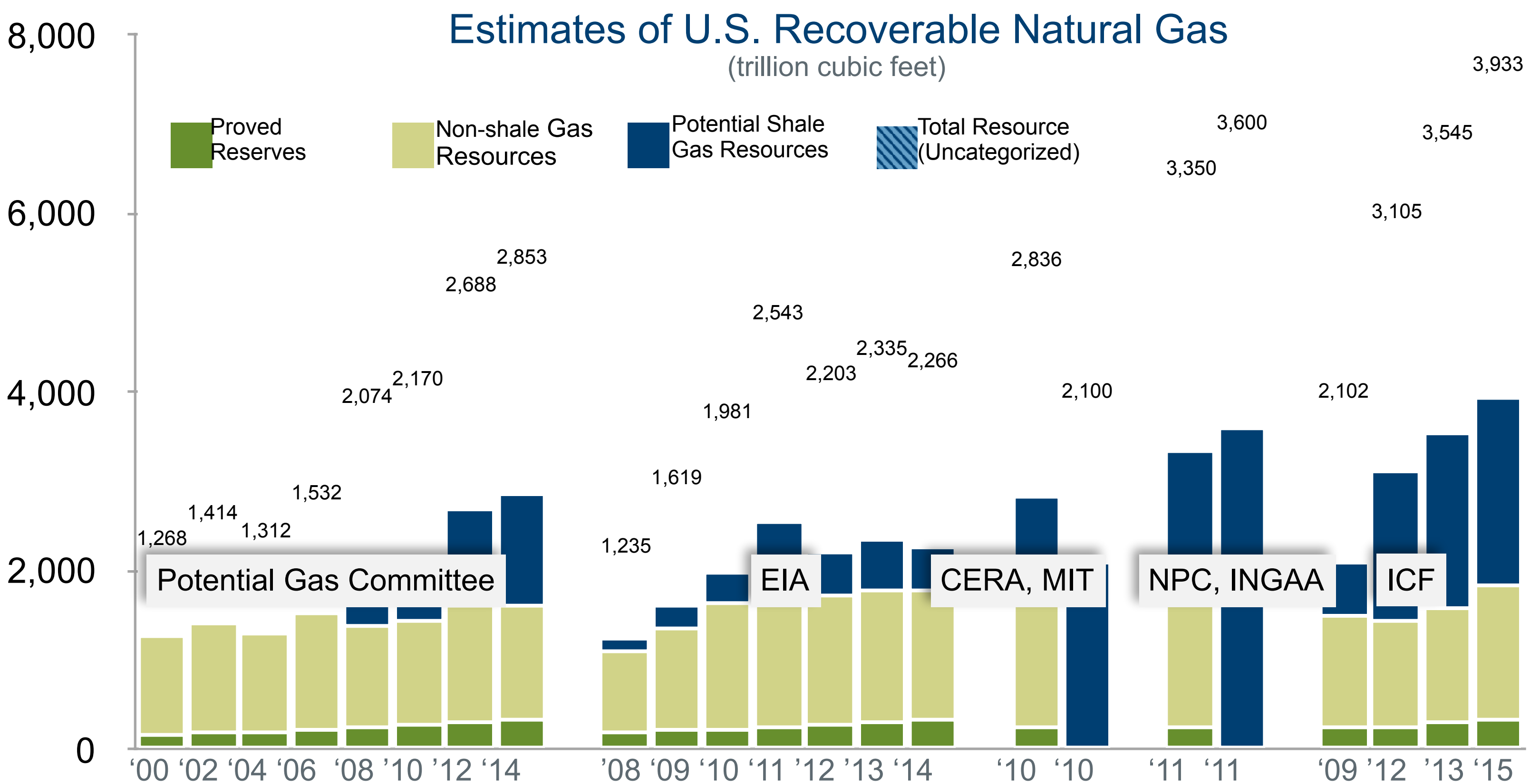
Approximately 1,400 Tcf of natural gas is recoverable at a current break-even Henry Hub price of $4/MMBtu or less (in real terms), a 66 percent increase over 2010 estimates.

More than 800 Tcf can be produced at a current break-even price of $3/MMBtu or less.

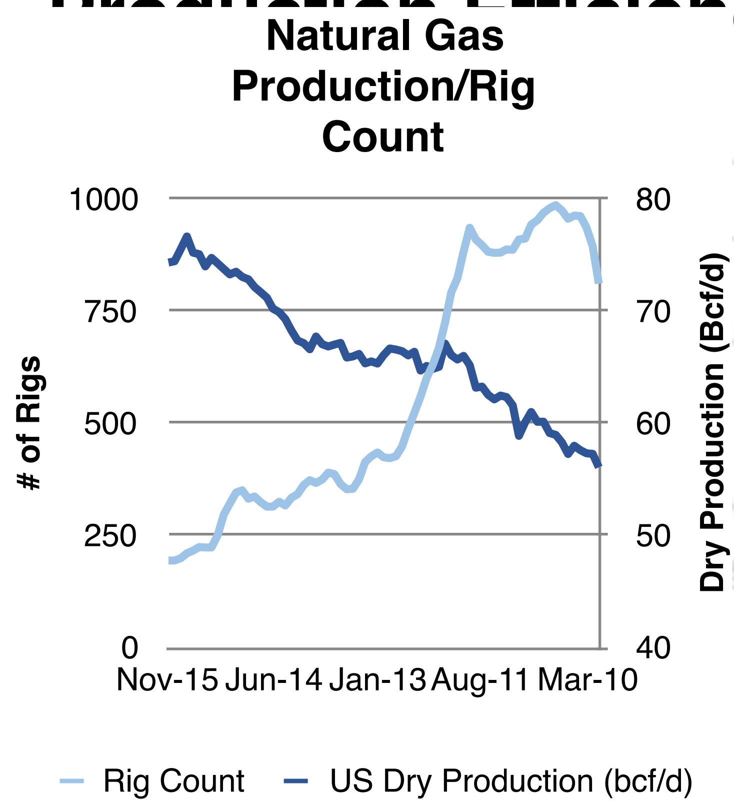
2016 IHS Study - Shale Gas Reloaded: The Evolving View of North American Natural Gas Resources and Costs

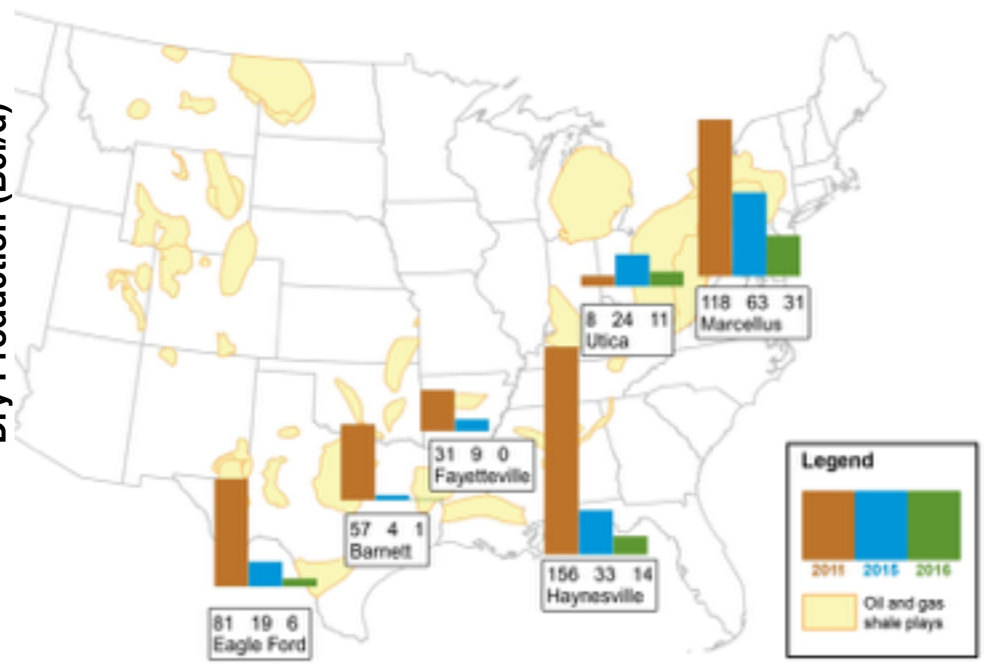
Perspective → In 2015, the U.S. consumed about 27.5 Tcf of natural gas.

Abundant Supply



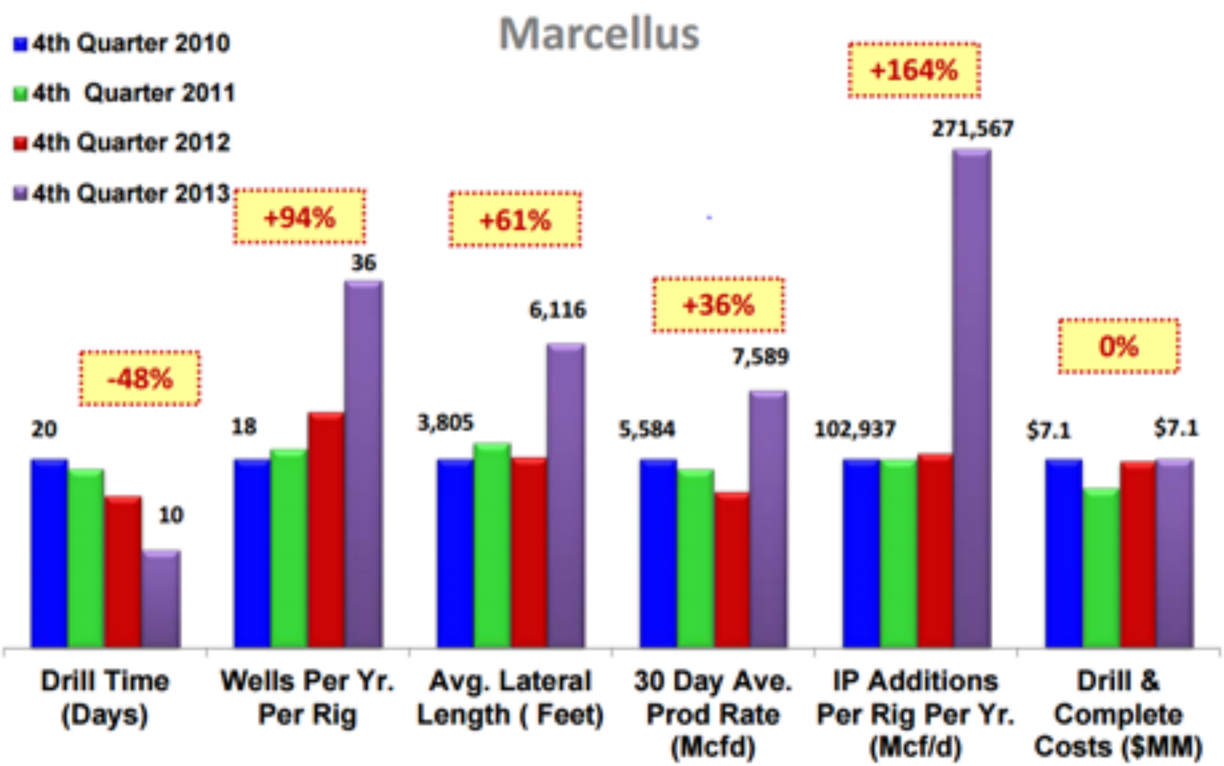
Production Efficiency





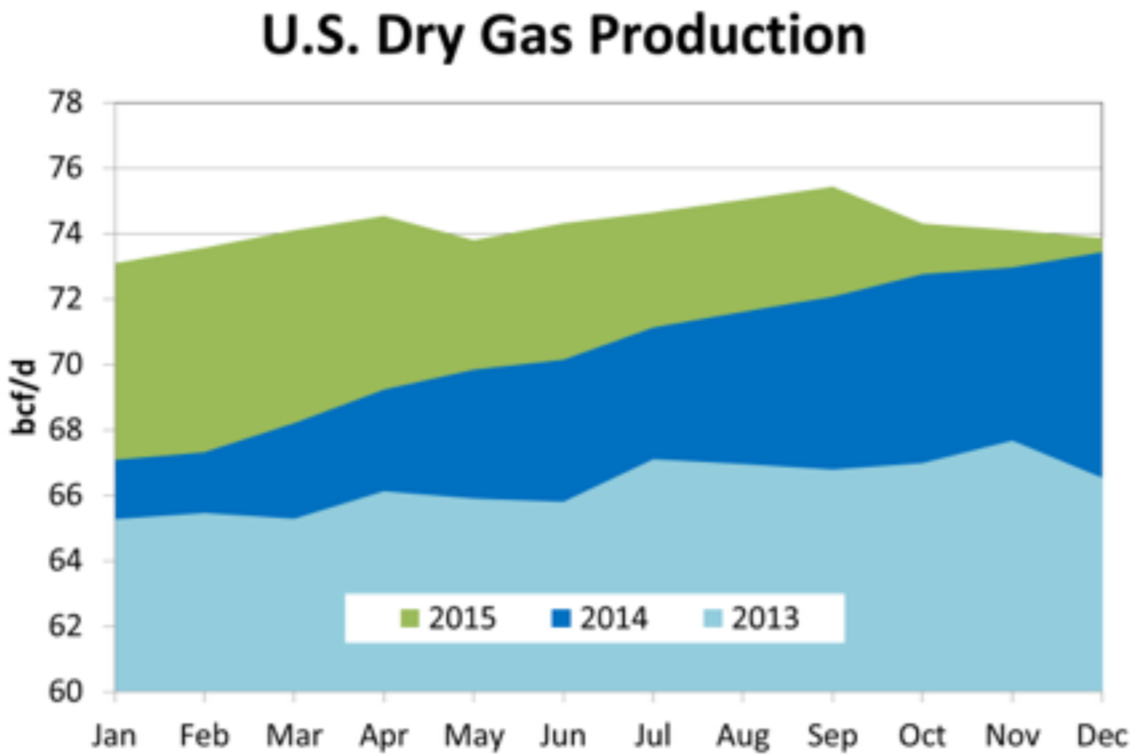
Source: EIA, Baker Hughes

What is Driving Production Efficiency?



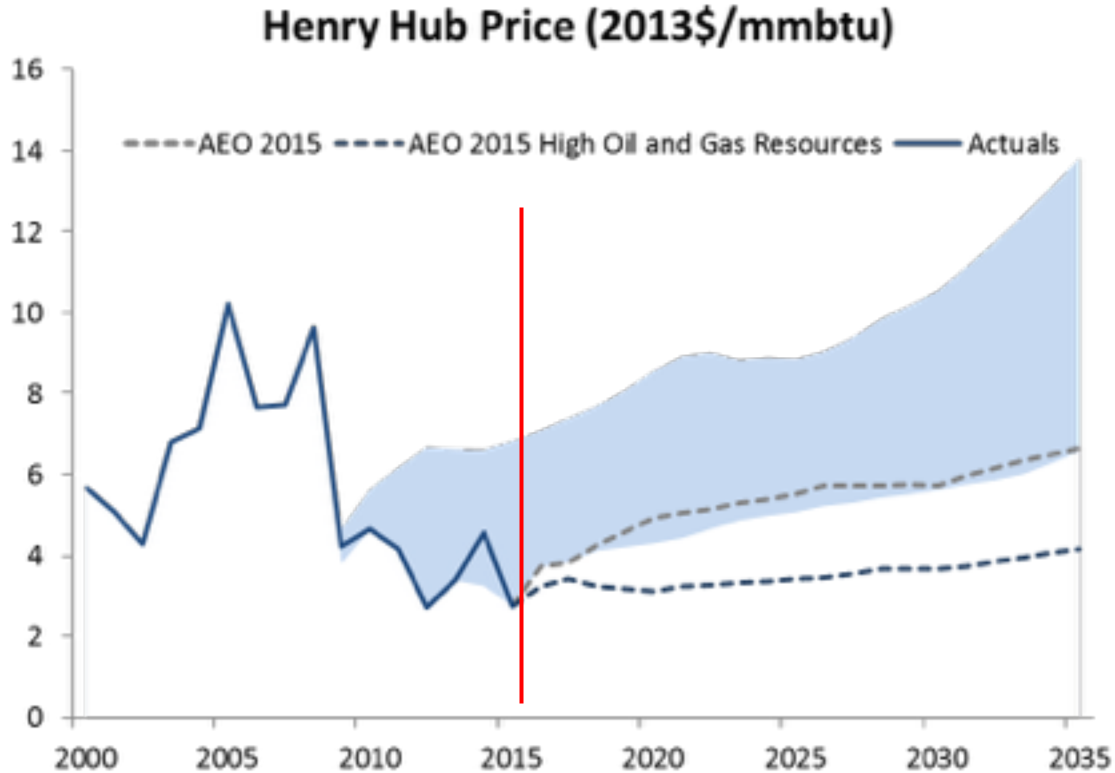
Source: Platts/Bentek (using Southwestern Energy financials)

2013-2015 Production Trends



Source: EIA

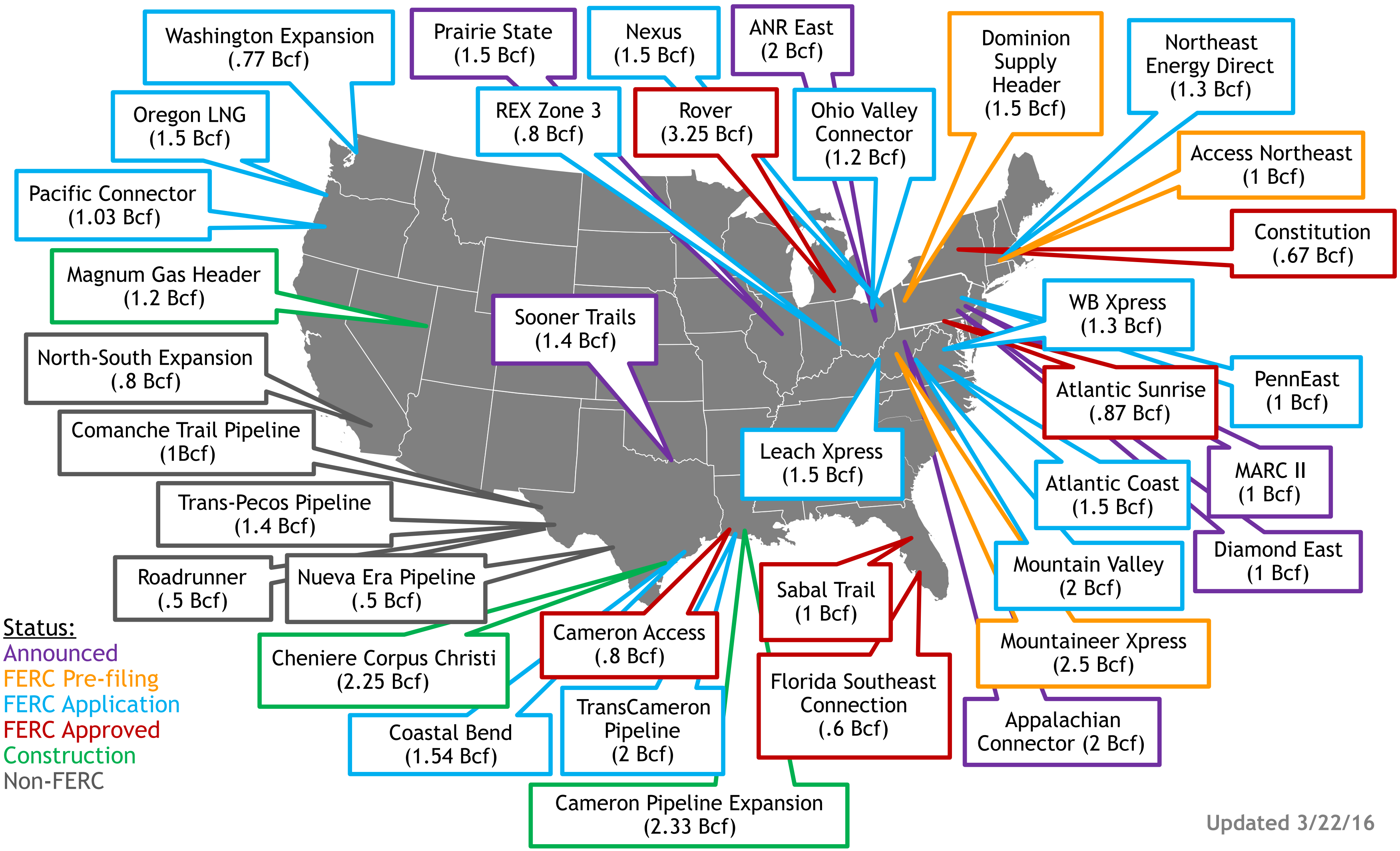
High Resource Reality = Low Gas Prices



Source: Energy Information Administration, NYMEX

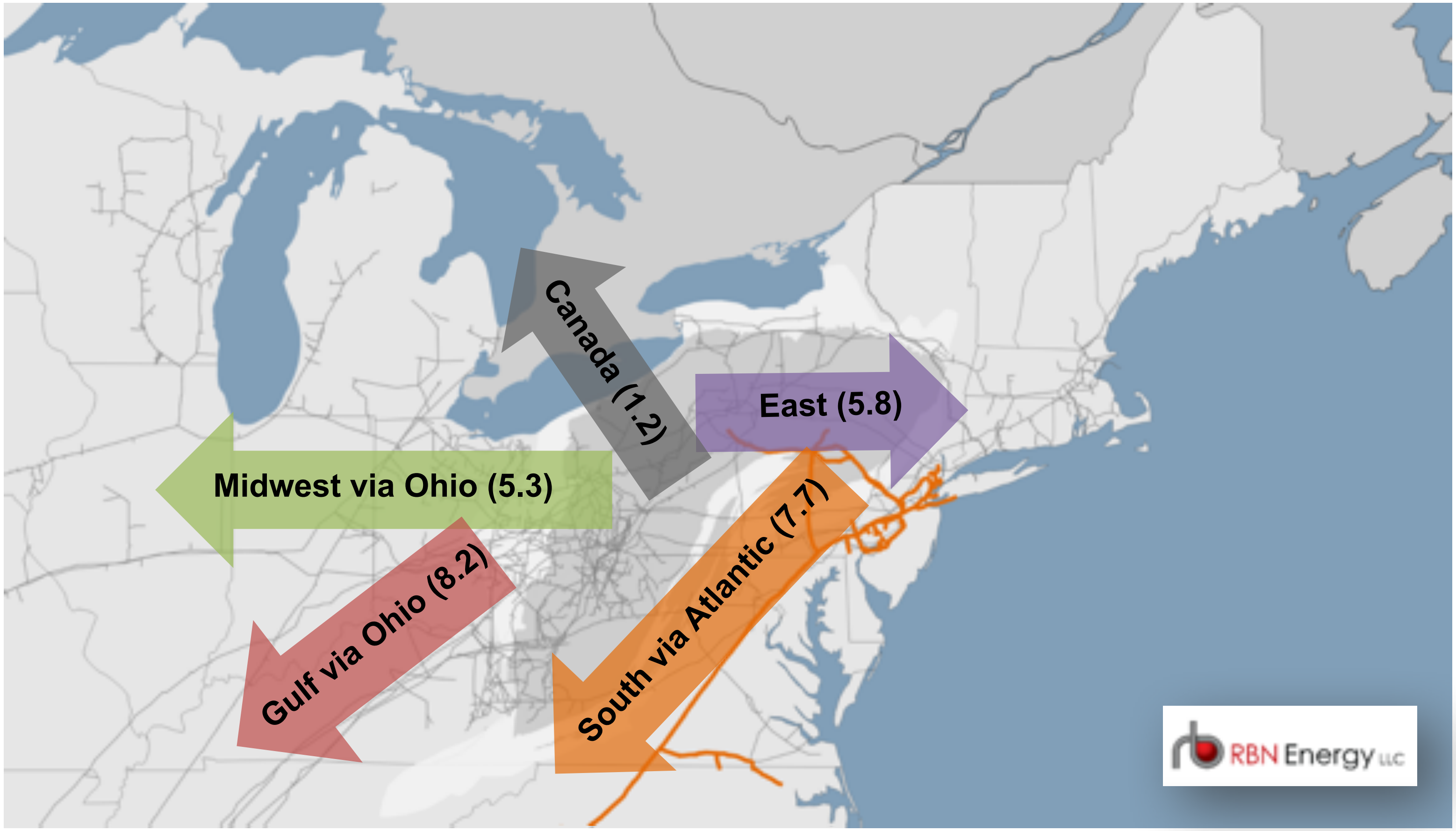
2 - Infrastructure

Major Pipeline Projects (>0.5 Bcf/d + >20 miles)



Updated 3/22/16

Expansions in Marcellus/Utica Takeaway Capacity

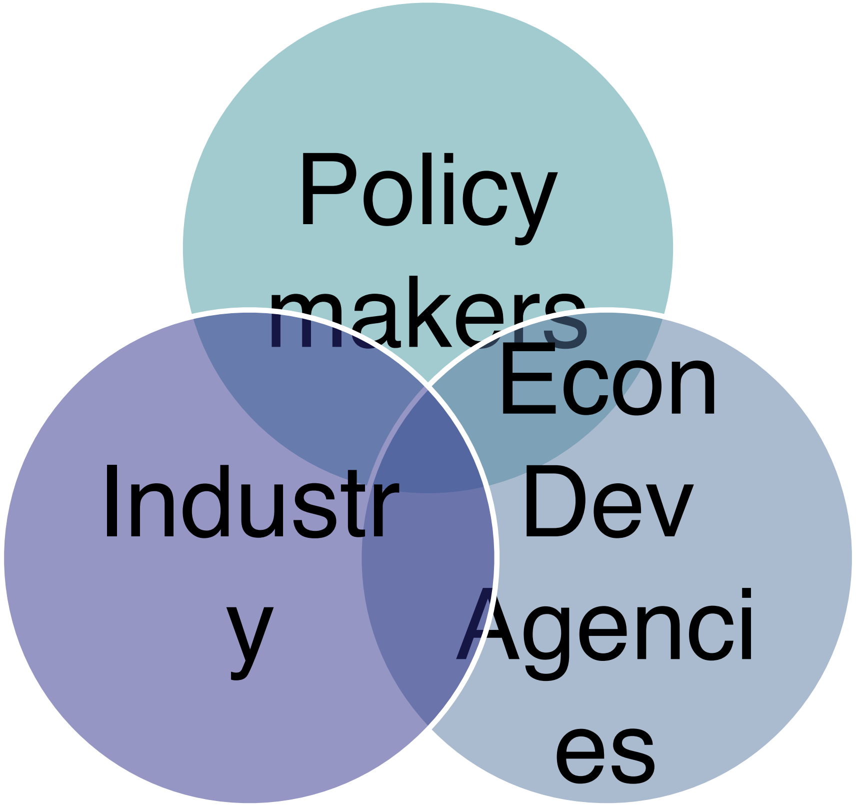


Challenges to Building More Infrastructure

- NIMBY-ism & NOPE-ism
- Permitting and siting
- Market dynamics

3 – Financing & Costs

- Role of state and local policymakers
- Role of economic development agencies
- Role of industry



Conclusion

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