

V+ Prism

SOUTHWESTERN ENERGY COMPANY

Fayetteville
Northeast Appalachia
Southwest Appalachia
New Ventures
Midstream Services

$\frac{R^2}{A} \rightarrow V^+$



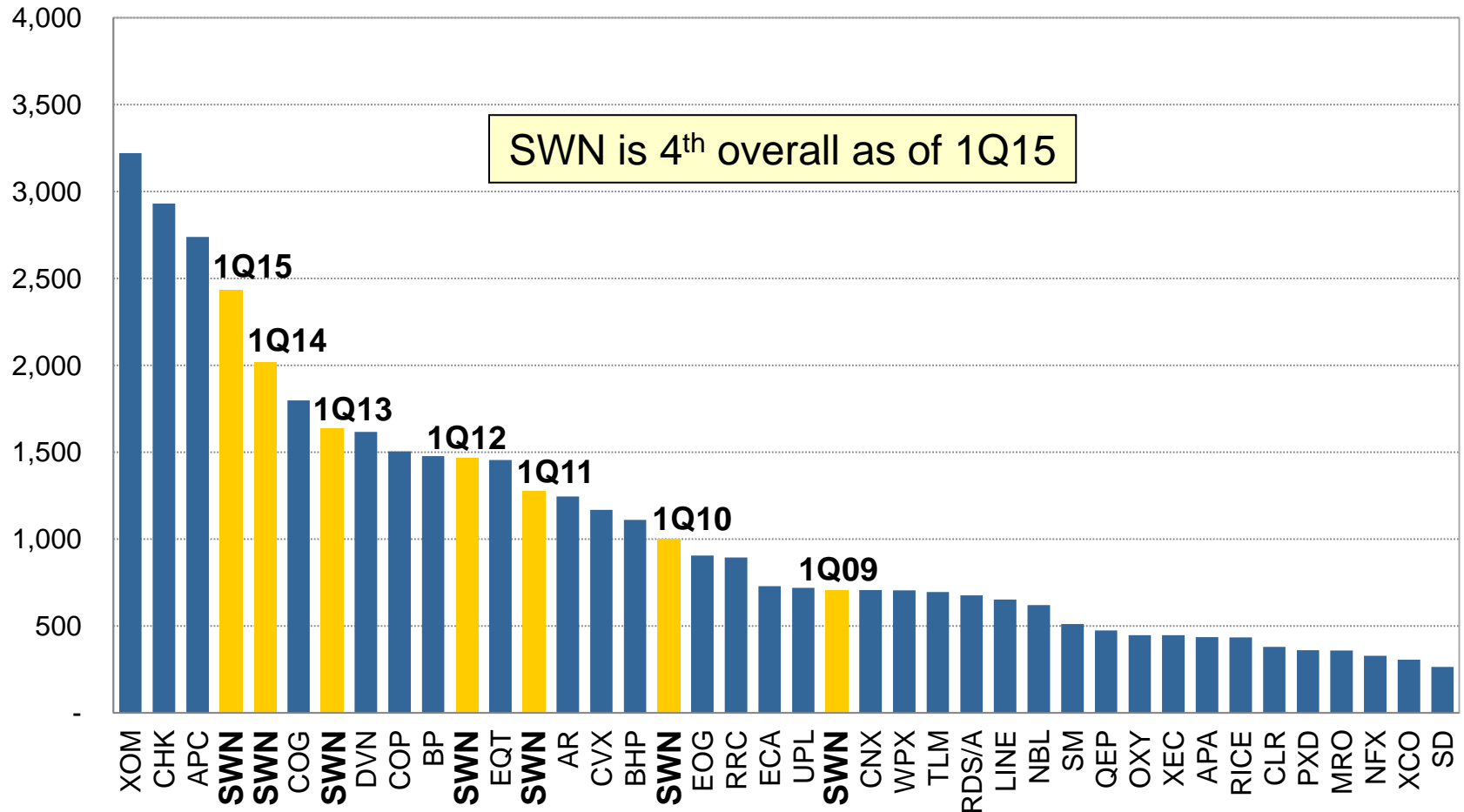
**NARUC 2015 Summer
Committee Meetings
New York City**

July 13, 2015

**Natural Gas for
BaseLoad Power –
“A Natural Gas Producers Perspective”**

Jim Tramuto
Vice President
Governmental & Regulatory Strategies

US Lower 48 Gas Production Sorted by 1Q15 (MMcf/d)

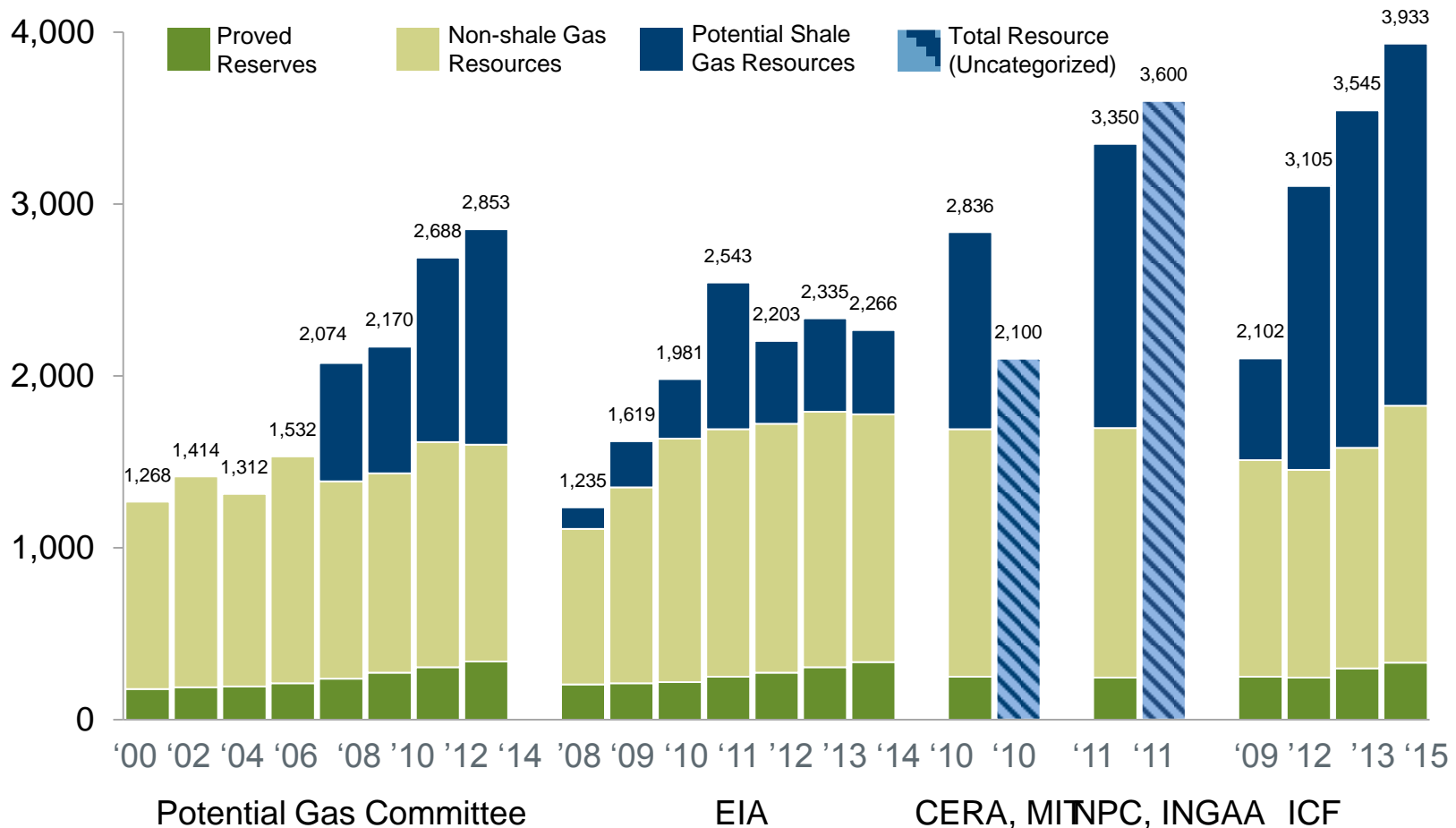


- Strategy built on the Formula: The *Right People* doing the *Right Things*, wisely investing the cash flow from the underlying *Assets* will create *Value +*.

$$\frac{R^2}{A} \rightarrow V^+$$

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Estimates of U.S. Recoverable Natural Gas (trillion cubic feet)

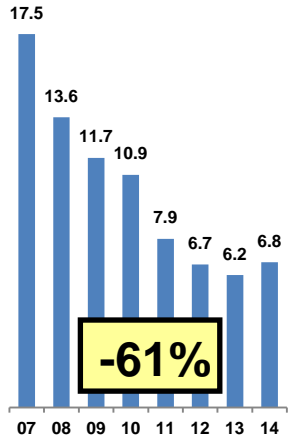


Continuous Improvement

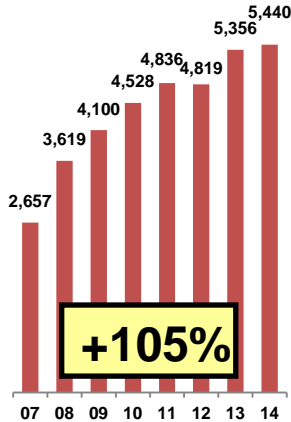
Fayetteville Shale

Notes: Finding and development costs exclude revisions and capital investments in our sand facility, drilling rig related and ancillary equipment.

Days to Drill



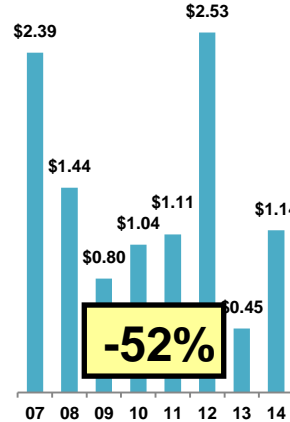
Lateral Length



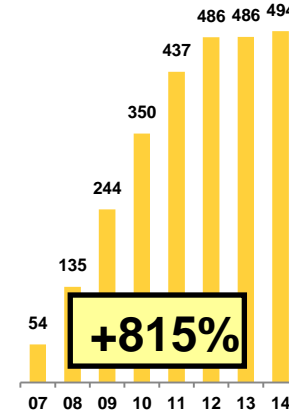
Well Cost (\$ in millions)



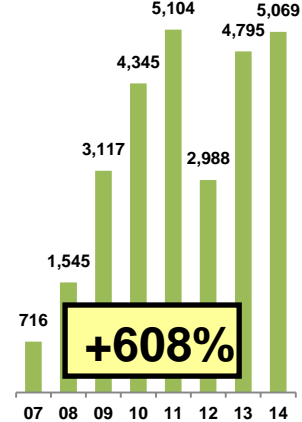
F&D Cost (\$ per Mcf)



Production (in Bcf)

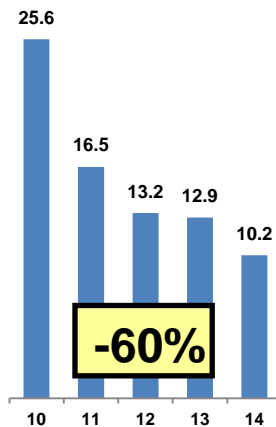


Reserves (in Bcf)

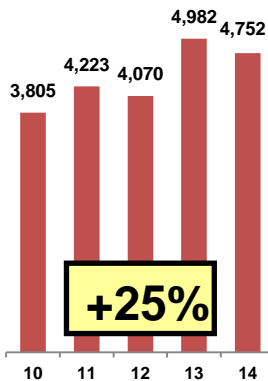


Northeast Appalachia

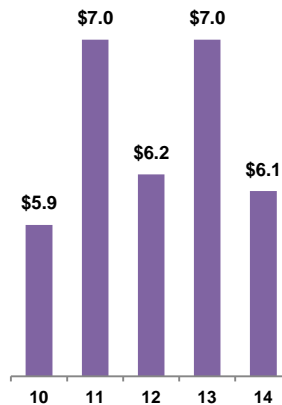
Days to Drill



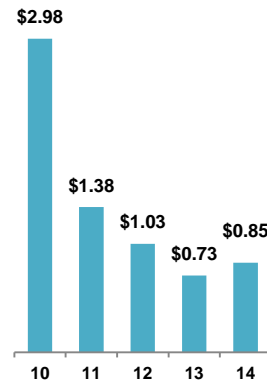
Lateral Length



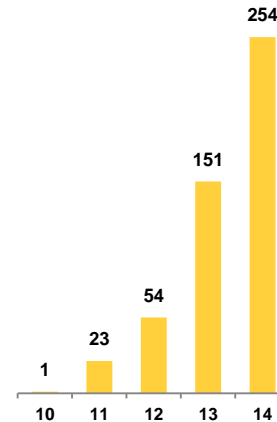
Well Cost (\$ in millions)



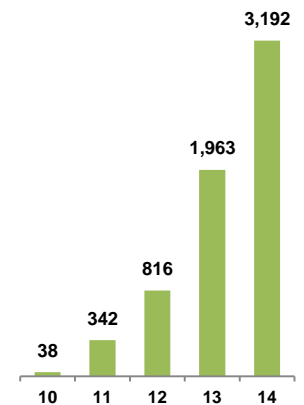
F&D Cost (\$ per Mcf)



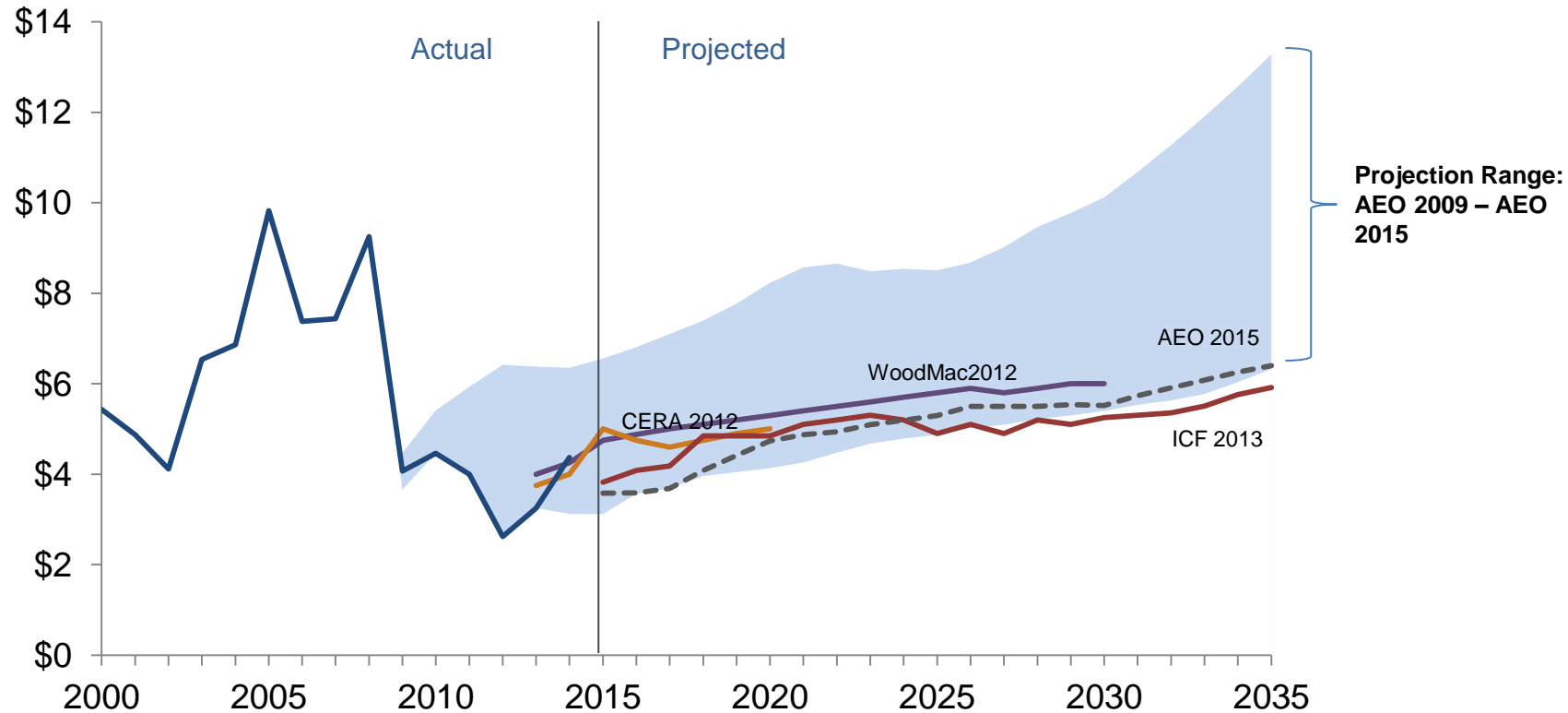
Production (in Bcf)



Reserves (in Bcf)



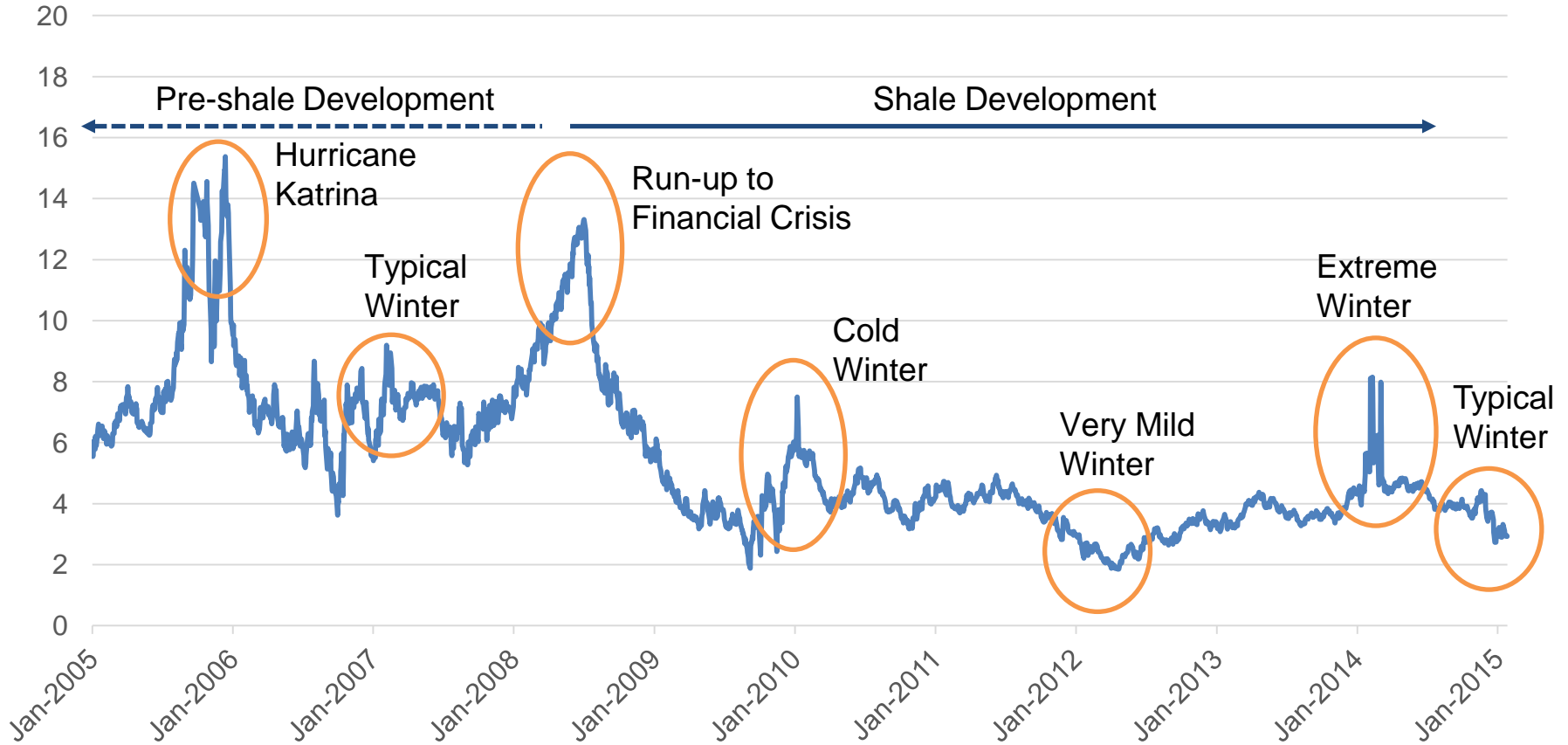
Henry Hub Spot Natural Gas Price (2011\$/MMBtu)



Source: EIA Annual Energy Outlook: 2009, 2010, 2011, 2012, 2013, 2014, 2015
Henry Hub Spot prices (Actual prices: 2000 to 2014)

Spot Price Response Over Time

Natural Gas Spot Price: Henry Hub



A long-term gas contract is not an attempt to beat the spot market on any one day.

Rather, a long-term gas contract should be considered as part of a portfolio strategy designed to deliver price stability and predictability for a portion of a utility's gas needs, while providing the producer with a stable and credit-worthy customer.

- LTAs are a tool to manage fuel price exposure - adding stability and certainty to utility fuel costs and consumer rates
- LTAs are a tool to enhance supply security
- LTAs provide utilities incentive to engage in risk reduction on behalf of their customers by providing the utilities the ability to earn a return on investment or providing pre-approval of purchasing options
- Rules or guidance on LTAs can help ensure a gas-purchasing portfolio that minimizes customer risk by encouraging a variety of market transactions and structures

Recent Louisiana model covers all three:

- 1) Soliciting bids through a request for proposal process
- 2) Entering into bilateral negotiations for a long-term contract or reserve investment
- 3) Relying on long-term financial hedges or futures contracts

Utilities follow the lead of their PUC's on acceptable purchasing practices; therefore it is very important for the PUC's to send strong signals on the acceptance of Long-Term Contracts.

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