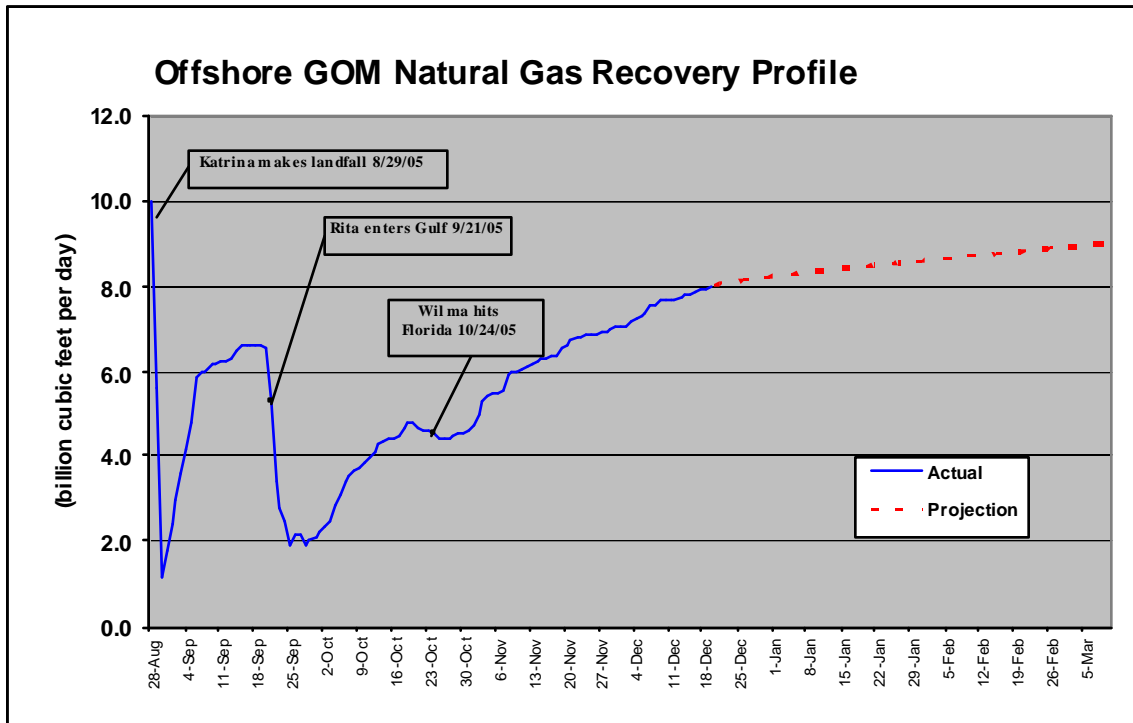


Natural Gas Production and the Gulf of Mexico: *Production Recovery following the 2005 Hurricane Season*

Gulf of Mexico Natural Gas Production Recovery Projection

- Natural gas production in the Gulf of Mexico averaged approximately 10.0 Bcf/d before Hurricane Katrina.
- Current production is approximately 8.0 Bcf/d (approximately 80 percent of normal production). [Information based on MMS data]



This natural gas recovery profile is based on the best available data covering approximately 80% of the natural gas supply chain – production, offshore interstate pipeline system, and processing plant capacities. This updated analysis provides a conservative estimate of the gas flow based upon the projected return to operation of critical elements within the supply chain.

Current Status of Natural Gas Infrastructure in the Gulf Region

Hurricanes Katrina and Rita significantly damaged the natural gas deliverability network in the Gulf of Mexico region. Every segment of the production chain was affected. Production platforms were damaged or destroyed and the offshore pipelines that transport the gas to shore also were impacted. The storm surge damaged numerous onshore gas processing plants, destroying key components and leaving significant amounts of debris in the facilities. While a number of facilities have been brought back online, others required lengthy clean-up and restoration periods.

Some pipelines and gas processing facilities that were damaged by the hurricanes are expected to complete repairs in December and return to operation. A number of these facilities are located along deliverability paths where the gas could not otherwise be re-routed to get to market due to either physical or economic constraints. The return to operation of these facilities should ease the bottleneck effect in some key natural gas producing regions in the Gulf.

The ongoing repairs being made to gas processing plants and to pipelines and gas-producing platforms in the Gulf will help restore production. Natural gas supplies from the Gulf region are expected to increase throughout December and following months as these natural gas facilities come back online. Here is the latest information on specific industry segments:

Production Platforms

- A recent Minerals Management Survey report found that approximately 13% of 819 manned platforms remain evacuated as of December 19, 2005.

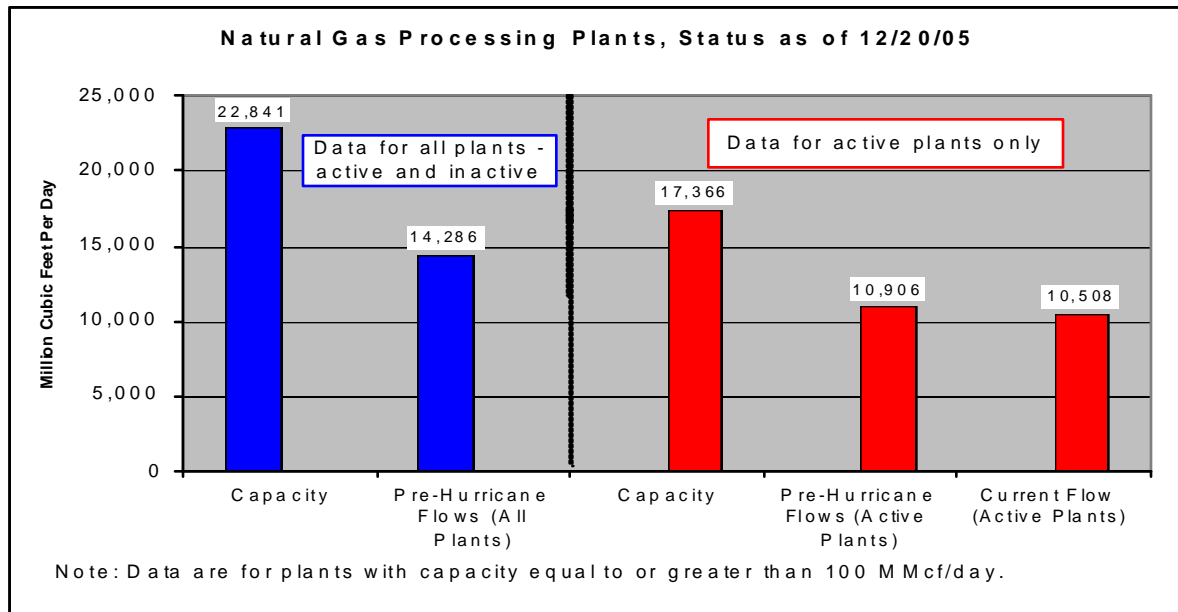
Offshore Pipelines

- The remaining offshore pipeline repairs to be completed are centered on damaged sections of sub-sea pipe. Repairs to these damaged sections are subject to extraneous variables that make it difficult to estimate a firm completion date. DOE anticipates that it is unlikely that the sub-sea repairs of these pipelines will occur before the end of December 2005. However, the negative effect of these sections on recovery has been minimized to the maximum extent as operators have exercised the use of the interconnectivity of pipeline network to bypass the damaged sections.

Gas Processing Plants

- A small number of gas processing plants in Louisiana, with capacities equal to or greater than 100 million cubic feet per day, are not active. These plants have an aggregate capacity of 5.25 billion cubic feet per day (Bcf/d), and they had a total pre-hurricane flow volume of 3.26 Bcf/d. Based on updated company information, pre-hurricane flow volumes indicate that the average utilization of the non-operating plants was roughly 63 percent.

Overview of Natural Gas Processing Plants in the Coastal Gulf Region



- The data in the above graph is for natural gas processing plants as of December 20, 2005. Data are based on updated company information and may show some revisions.
- The data represent those plants with capacity equal to or greater than 100 million cubic feet per day (MMcf/d) in the coastal counties of Texas, Louisiana, Mississippi, and Alabama.
- The blue columns represent capacity and pre-hurricane flows for all plants in the region.
- At 14,286 million cubic feet per day, these plants had an average capacity utilization rate of 63 percent prior to the hurricanes.
- The red columns represent capacity and flows for plants in the region that are currently active.
- The flows associated with currently active plants are 96 percent of the pre-hurricane volumes. In some cases, this flow may include some volumes that bypass the plant.
- The capacity utilization rate for currently active plants was 63 percent prior to the hurricanes and is 61 percent now.