

# Gas producers aim to hold steady

Drilling lags, but production may increase

By DUSTIN BLEIZEFFER - Star-Tribune energy reporter | Posted: Monday, November 9, 2009 12:00 am

Natural gas production levels in Wyoming have mostly held steady this year in the midst of a huge drop in drilling activity. Now some of the major players are making steps toward moderately increased levels of drilling for 2010.

"We're relatively upbeat about the Rockies right now, because of the differentials and pricing we're seeing are a lot better than they've been in the past. The transportation out of the Rockies is better, and that improves the economics of production in Wyoming," said Chip Minty, spokesman for Devon Energy.

Wyoming's Consensus Revenue Estimating Group recently issued a cautiously optimistic forecast noting that this year's natural gas production may be slightly higher than 2008. Rather than a big rebound in 2010, "the recovery is expected to be gradual," according to CREG's revenue forecast.

Despite flush natural gas storage across the nation, prices remained relatively stable. And with the addition of the Rockies Express pipeline and other export capabilities, gas producers in Wyoming and other Rocky Mountain states have avoided the "differential" or price discount that plagued the industry in past years.

Natural gas sold at Wyoming's two main trading hubs averaged about \$4.18 per thousand cubic feet last week compared to \$4.48 at Henry Hub in Louisiana.

Companies like Oklahoma-based Devon Energy are currently drawing up their capital budgets for 2010, trying to determine how many wells they're going to drill and where.

Minty said Devon is almost certainly going to increase its drilling activity in the Haynesville shale gas play in eastern Texas and in the Barnett shale in northern Texas.

"We do plan to be more active in Wyoming next year," Minty said.

Devon plans to add rigs in the Wind River Basin, Washakie Basin and Powder River Basin. But just how many, Devon cannot say yet.

Minty said Devon's overall capital budget in 2009 was \$4 billion - about half of what it was in 2008. The company still maintains a total 2,700 oil and gas wells in Wyoming and 600,000 lease acres. Devon employs 178 workers in the state.

This year Devon idled nearly 600 coal-bed methane wells in the Powder River Basin. Minty said Devon has not yet finalized a development plan for its Powder River Basin operations.

"We anticipate we will continue to be active in Wyoming," Minty said. "I think our activity -- the amount of financial resources that we can spend in Wyoming -- is going to be dictated by economic conditions."

Coal-bed methane production in the Powder River Basin has held steady this year for Williams Production RMT, the biggest player in the basin. Williams produced about 137.3 million cubic feet of gas per day in 2008.

"This year has been one of our slowest in terms of new development in the Powder, but our local production levels have been comparable to 2008 and even slightly better in some months," said Williams spokesman Kelly Swan.

For 2010, Williams expects its companywide drilling budget to be relatively flat -- around \$1 billion.

"But we are hopeful that we'll be able to see an up-tick in our Powder River activity," Swan said. "Our office in Gillette is certainly eager to get out in the field and see more drilling. They're not used to years like this."

Swan said Williams has avoided layoffs in the Powder River Basin, maintaining its work force at about 110.

Questar Exploration and Production said it's already returning natural gas wells in Wyoming to production after curtailments earlier this year.

"Flush production from shut-ins and ongoing normal-cause completions has boosted Questar E&P current production to about 575 (million cubic feet of gas) per day," Questar E&P President and CEO Chuck Stanley stated in a press release.

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Top Wyoming coal-bed methane producers, 2008

- \* Williams Production RMT Co., 3,243 producing wells, 137.3 million cubic feet
- \* Lance Oil & Gas Co. Inc., 2,433 wells, 76.1 million cubic feet
- \* Anadarko Petroleum Corp., 530 wells, 73 million cubic feet
- \* Yates Petroleum Corp., 1,306 wells, 47.5 million cubic feet
- \* Pennaco Energy Inc., 1,557 wells, 37.7 million cubic feet

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