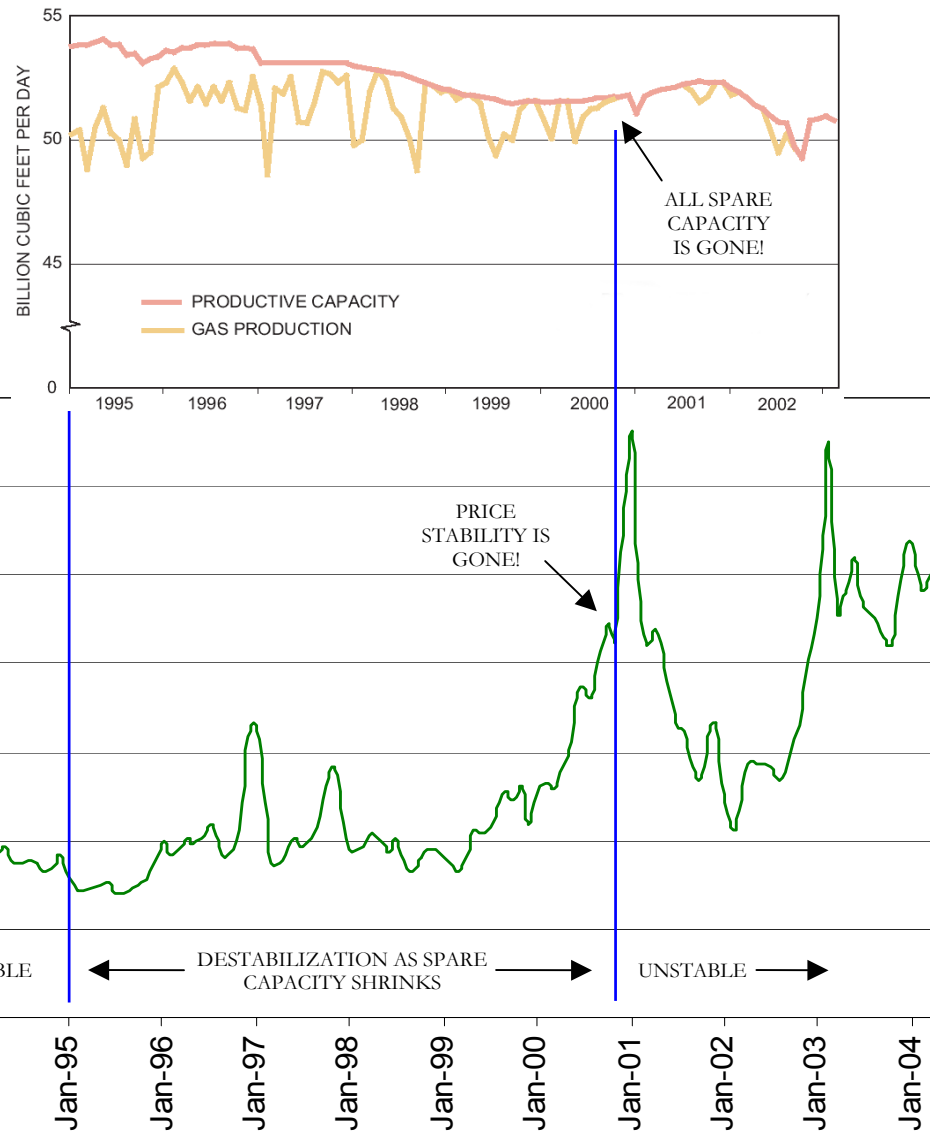


## Natural Gas Prices Will Keep Climbing Without Spare Production Capacity, Prices Cannot Stabilize

The natural gas industry in the U.S. lower-48 states produces about 50-billion cubic feet per day (50 BCFD, yellow line) – nearly the same amount it produced in 1995. But in 1995, the industry had the capability of producing 53 BCFD (red line), giving them 3 BCFD of spare capacity. Today, there is no spare capacity. Note that when spare capacity vanished in late 2000, prices skyrocketed (green line). **Gas prices cannot stabilize without spare productive capacity.** This sets the stage for prices to rise uncontrollably as the resource depletes.



*Sources: Natural gas production and productive capacity is from Energy and Environmental Analysis, Inc., and published in a 2003 report by the National Petroleum Council.*

*Wellhead price history is from the U.S. Department of Energy.*