

Natural Gas—New Perspective For A New Decade

By John Kean

You're all familiar with the expression "one picture is worth a thousand words," which might be true in some cases but it certainly doesn't apply when it comes to describing our country's energy situation.

Wouldn't it be great if I could simply flash a picture on the screen and say, "There it is—that's what this energy problem is all about?" Not even a *thousand* pictures, let alone a *thousand* words, could fully tell the story of our current energy problems, our needs, or for that matter, indicate the role which natural gas will play in the '80s and well into the future.

Barely three years ago, the Eastern two-thirds of the country was throttled by a near-crisis shortage of natural gas—or more accurately, *not* by a *real* shortage of natural gas but by an *economic* shortage which in turn caused a deliverability problem.

Yet today we hear such terms as "golden age," "optimistic" and "renaissance" used by people inside and outside the gas industry to describe the dramatic turnaround that has occurred.

What brought about this seemingly sudden reversal? Certainly, it didn't happen overnight. It didn't *just* happen. It took the dedication and untiring efforts of literally thousands of industry and non-industry people who were vitally concerned with the growing energy needs of our nation.

The '70s indeed brought many serious concerns for our industry. But as the decade ended we had sound reasons for optimism and enthusiasm not only for our industry but also for the consumers we serve. During 1979, favorable regulatory, legislative and business decisions were made to ensure that gas would play a vital role in the nation's energy future.

The American Gas Association (AGA) recently held a conference that was entitled "Marketing Initiatives—Roaring Into the '80s." Perhaps people in marketing are by nature somewhat more exuberant than most of us, but the theme of that conference nevertheless shows a new, vigorous and positive attitude in our industry—a far cry from that *infamous* day a few years ago, when one of the major TV networks proclaimed the end of our indus-

try (by visually extinguishing the blue flame).

Possibly the best news of last year actually came in the closing months of 1978 when the Natural Gas Policy Act (NGPA) was approved by Congress and signed by the President. The first full year of the NGPA has been marked as a year of improved gas supply for all markets. It was a year which proved that "the gas option" could make a vital contribution to this country's energy future. Without a doubt, the NGPA has exceeded expectations not only by spurring new natural gas exploration but also by transferring gas between markets. Natural gas well completions this past year increased by 13 percent over wells completed a year ago.

Exploratory drilling and seismic activities are at record levels. In offshore areas of high gas potential, gas completions are up by about 10 percent. Another area favorably affected through deregulation under NGPA involves drilling for gas below 15,000 feet, or "deep gas." Deregulation of the price of this gas has led to a 10 percent increase in deep well completions. The Potential Gas Committee estimates that these deep horizons comprise 20 percent of the potential U.S. gas supplies.

The Western overthrust belt is also experiencing a major increase in drilling activity for both gas and oil. Recent gas finds in Wyoming attest to the vast untapped potential of this region. Deregulation of Devonian shale gas has brought about intense development of the Appalachian Basin. Gas well completions in 1979 have increased 20 percent.

In addition to providing effective incentives for the increased production of natural gas, NGPA has also made it possible for the Federal Energy Regulatory Commission (FERC) to adopt a reasonable regulatory approach by allowing intrastate pipeline sales to the interstate market and by retaining the pre-existing rule permitting 60-day emergency purchases. By this action, they substantially improved the flow of gas to the nation as a whole. *Today*, there is truly *one* market for natural gas.

This flow from the *intra* to the *interstate* market reached a level of one trillion cubic feet (TCF) in 1979, contributing both to the expansion of sales to existing customers and to the displacement of imported oil by all classes of customers. In fact, since January 1979 it is estimated that natural gas has displaced more than 160 million barrels of foreign oil. To my way of thinking, switching from oil to gas *whenever feasible*—makes good sense economically, is supported by the Federal government, and in fact—is the patriotic thing to do. The big question which remains unanswered is: Can conventional gas supplies alone meet *all* of our growing needs? The answer for the residential customer is yes, *now*, into the foreseeable future. For other classes of customers, *maybe*, and for some, *no*. A substantial part of future gas supplies must come from supplemental sources if we are to meet the growing needs of every class of customers.

Last year, we made good progress toward developing some of the supplemental sources that will be required to meet these future energy demands. For example, a favorable decision by the FERC in August 1979 removed the last major barrier to the start of construction of a liquefied natural gas (LNG) facility at Point Conception, California. The plant will regasify LNG from Southern Alaska and Indonesia. LNG is important to our nation's supply mix.

In 1978, only 100 billion cubic feet of LNG was imported. By the end of the '80s the U.S. may import as much as two TCF of LNG each year. By the year 2000, this figure could rise to three TCF and provide about 10 percent of the estimated demand of between 30 and 35 TCF. LNG imports unlike foreign oil have employment and balance of payments advantages. Imports of gas in its natural form are also important. In December of 1979, the Canadian government approved the export to the U.S. of an additional 3.75 TCF of natural gas. This amount, coupled with the nine TCF already under contract for export to our country adds significantly to our supply availability.