

FORTRESS



ENERGY

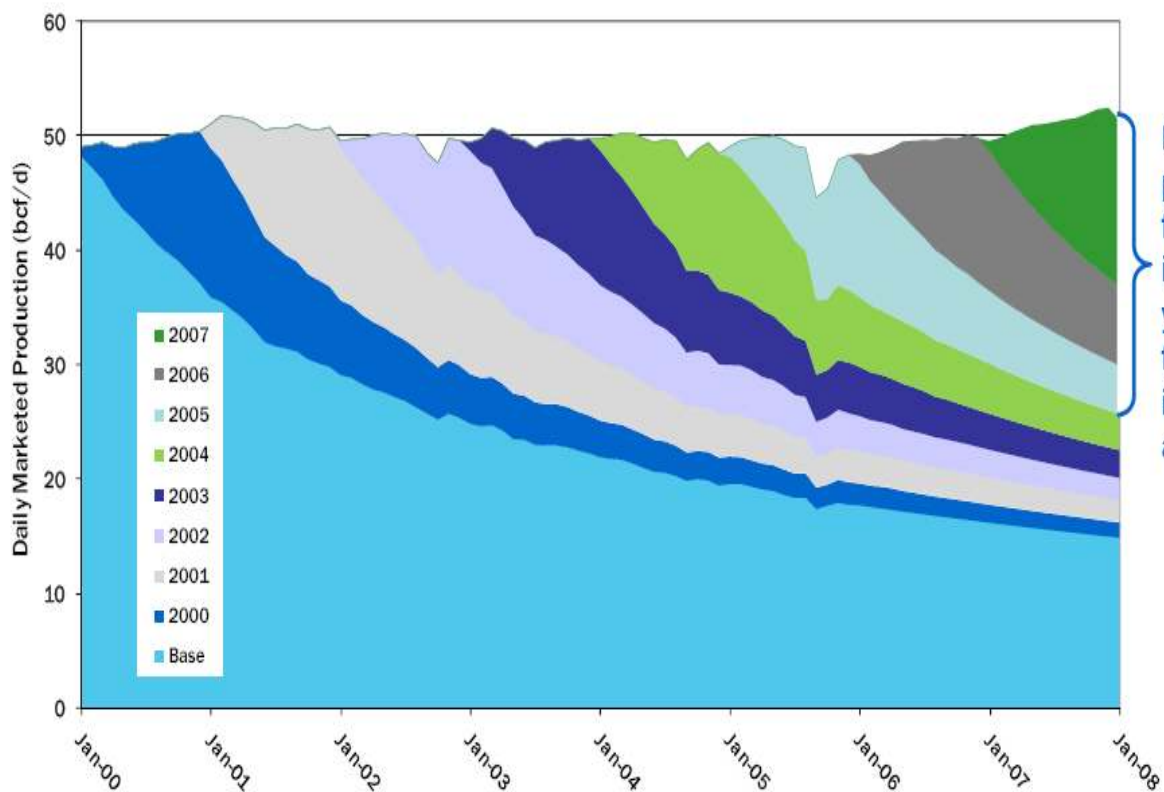
North American Natural Gas Markets

October 5th, 2009

J. Cameron Bailey CFA
President and Chief Executive Officer

Historical Decline Rates

Historical Natural Gas Production



Base Decline	27.2%	24.6%	24.0%	25.5%	25.5%	24.8%	24.5%
First Year Decline	50.1%	41.8%	43.6%	46.5%	48.8%	45.5%	44.1%

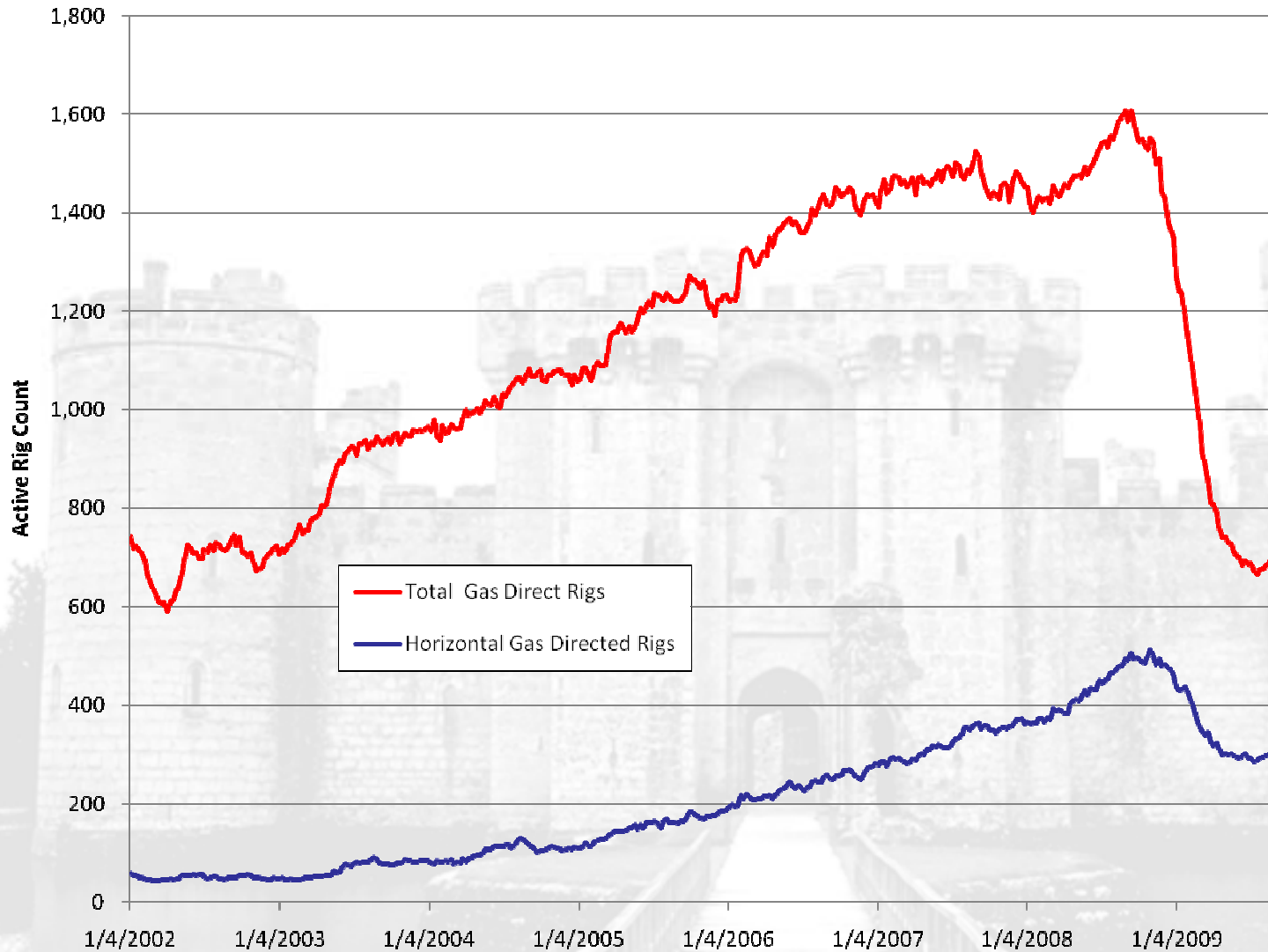
Source: IHS Energy

US Production Declining by 30 - 35% per annum



FFEL: TSX September 28, 2009

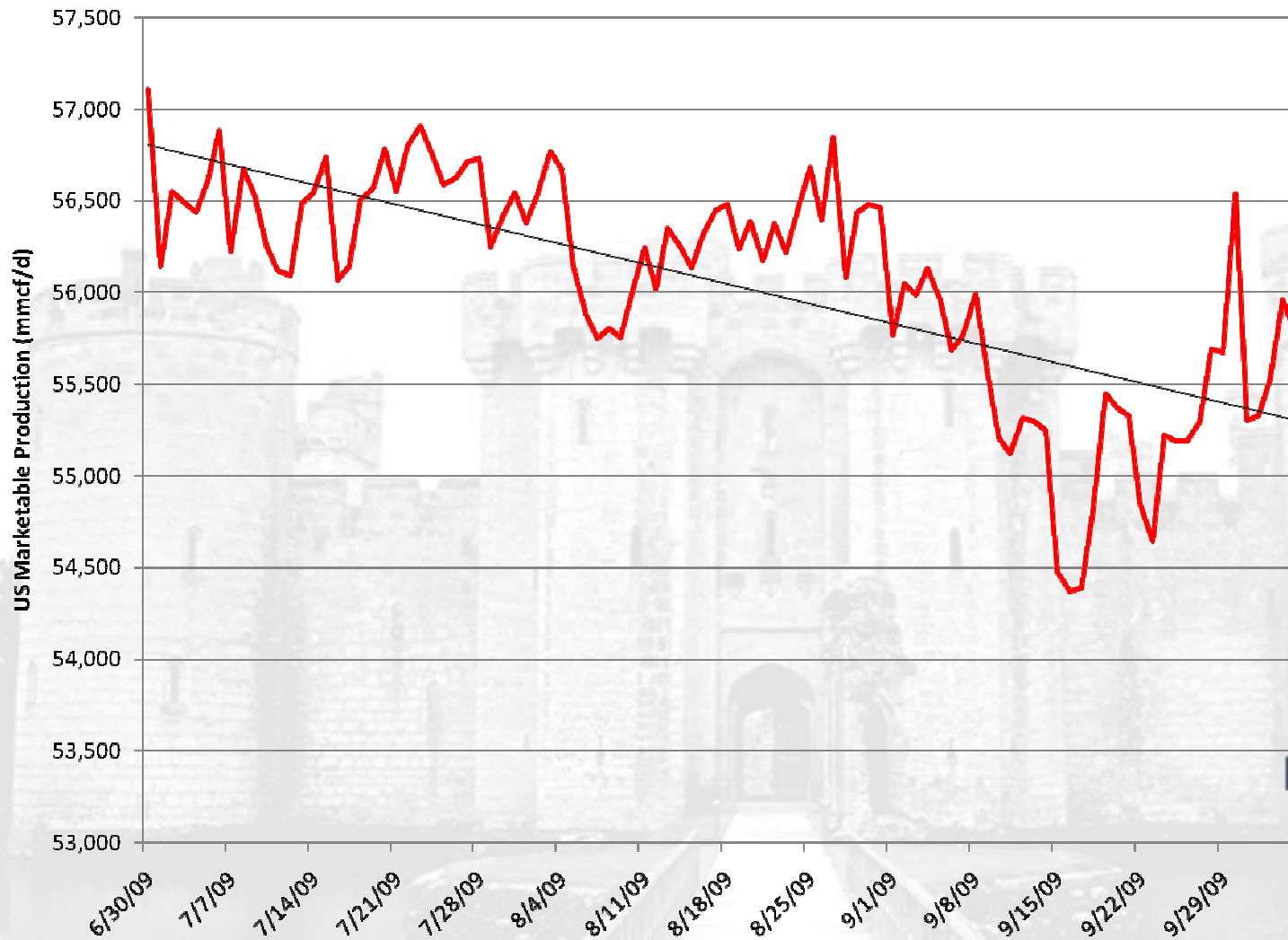
US Natural Gas Directed Rig Count – Future Supply?



Source: Baker Hughes



US Natural Gas Production - Declining

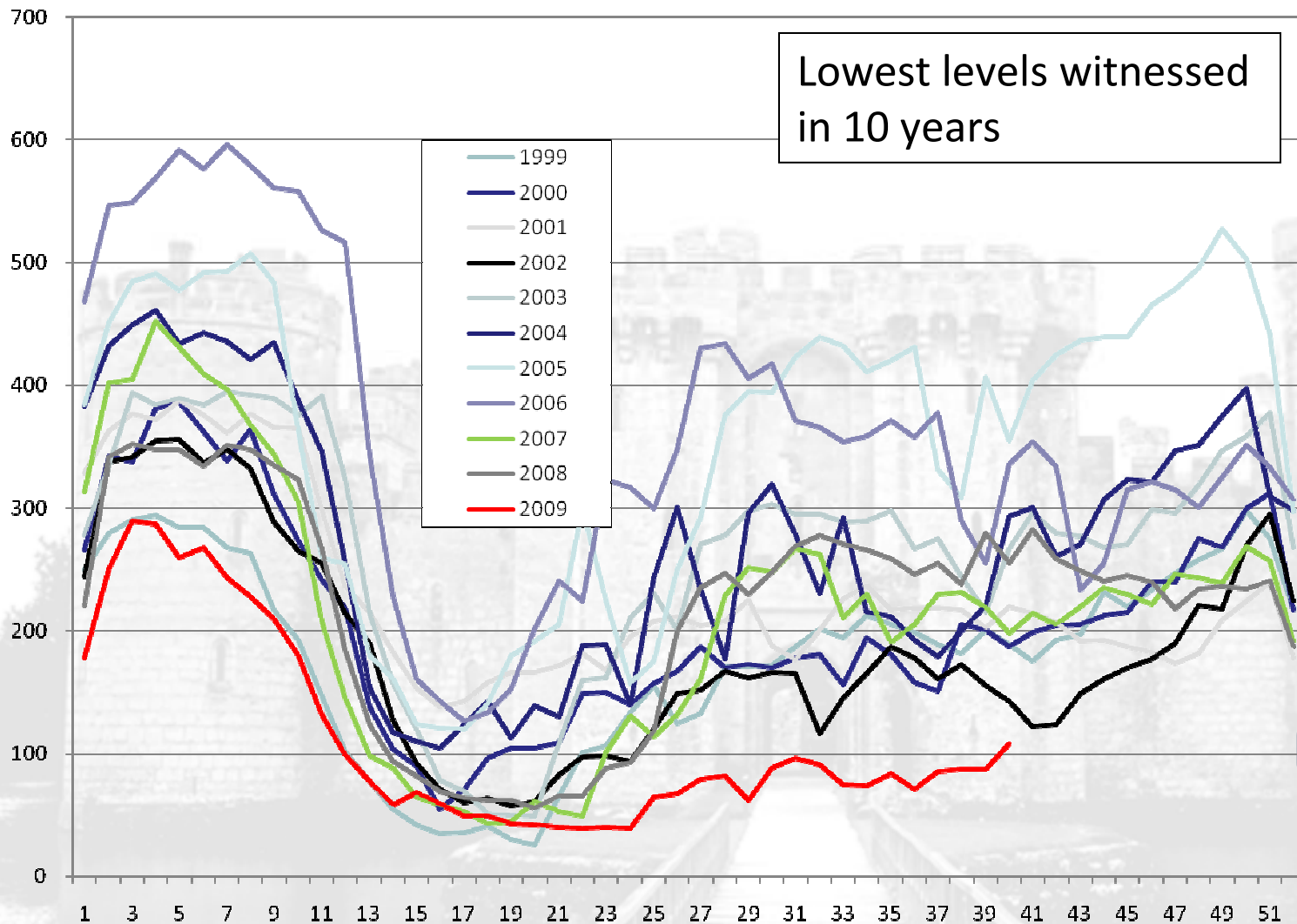


Source: Bentek



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Canadian Gas Drilling Rig Count – Future Supply?



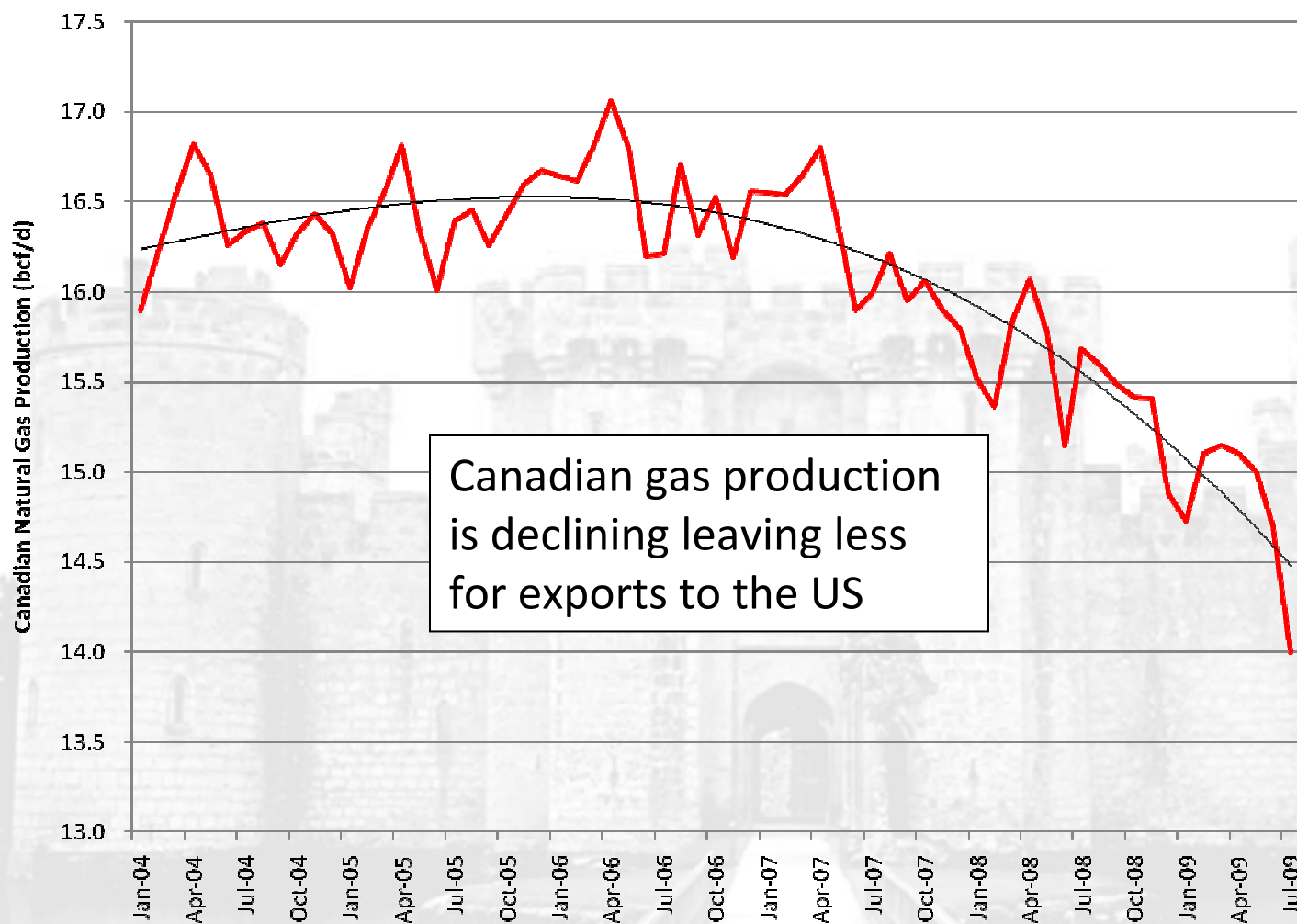
Source: Baker Hughes

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Canadian Gas Production - Declining

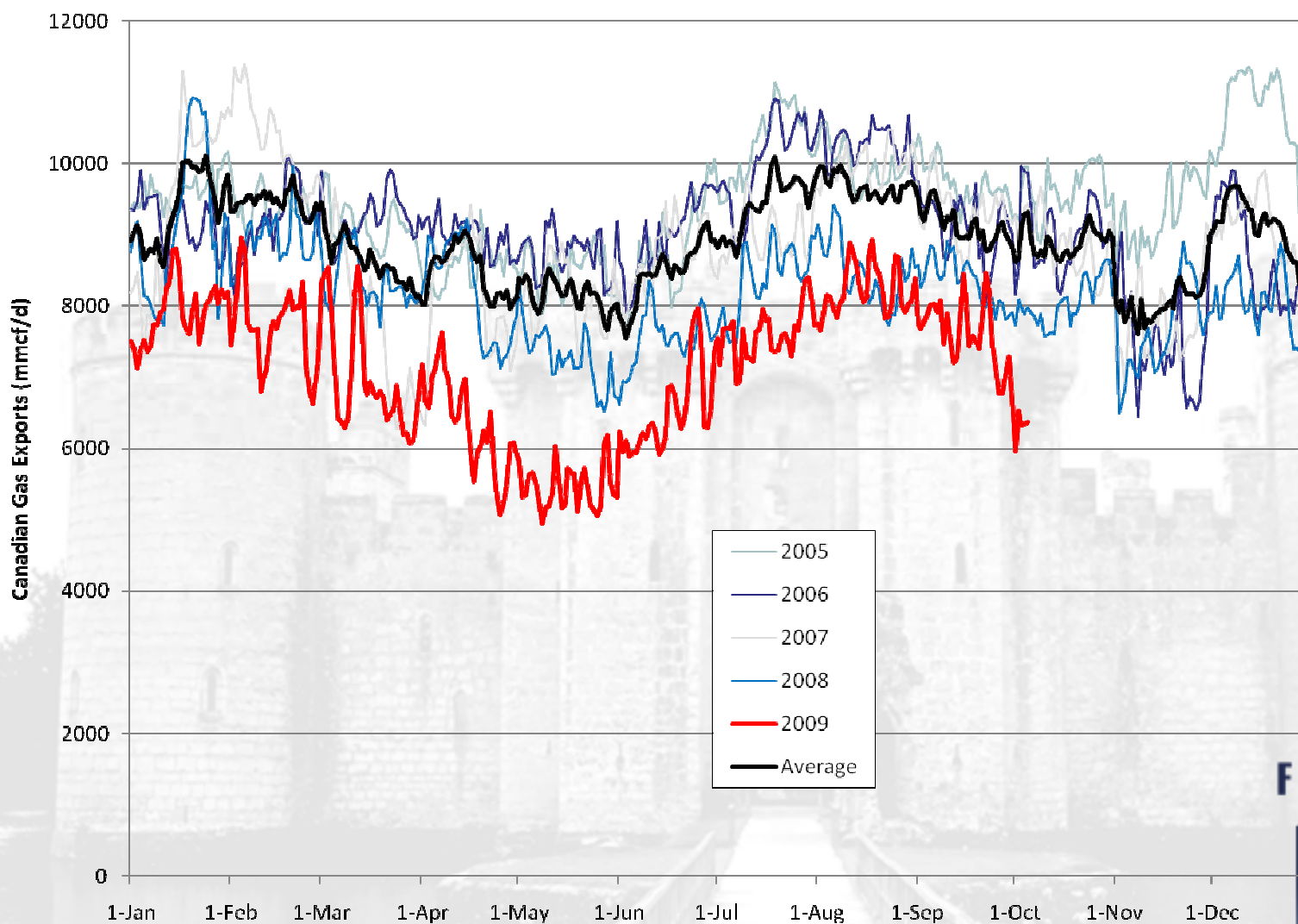


Source: NEB

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Canadian Gas Export to the United States



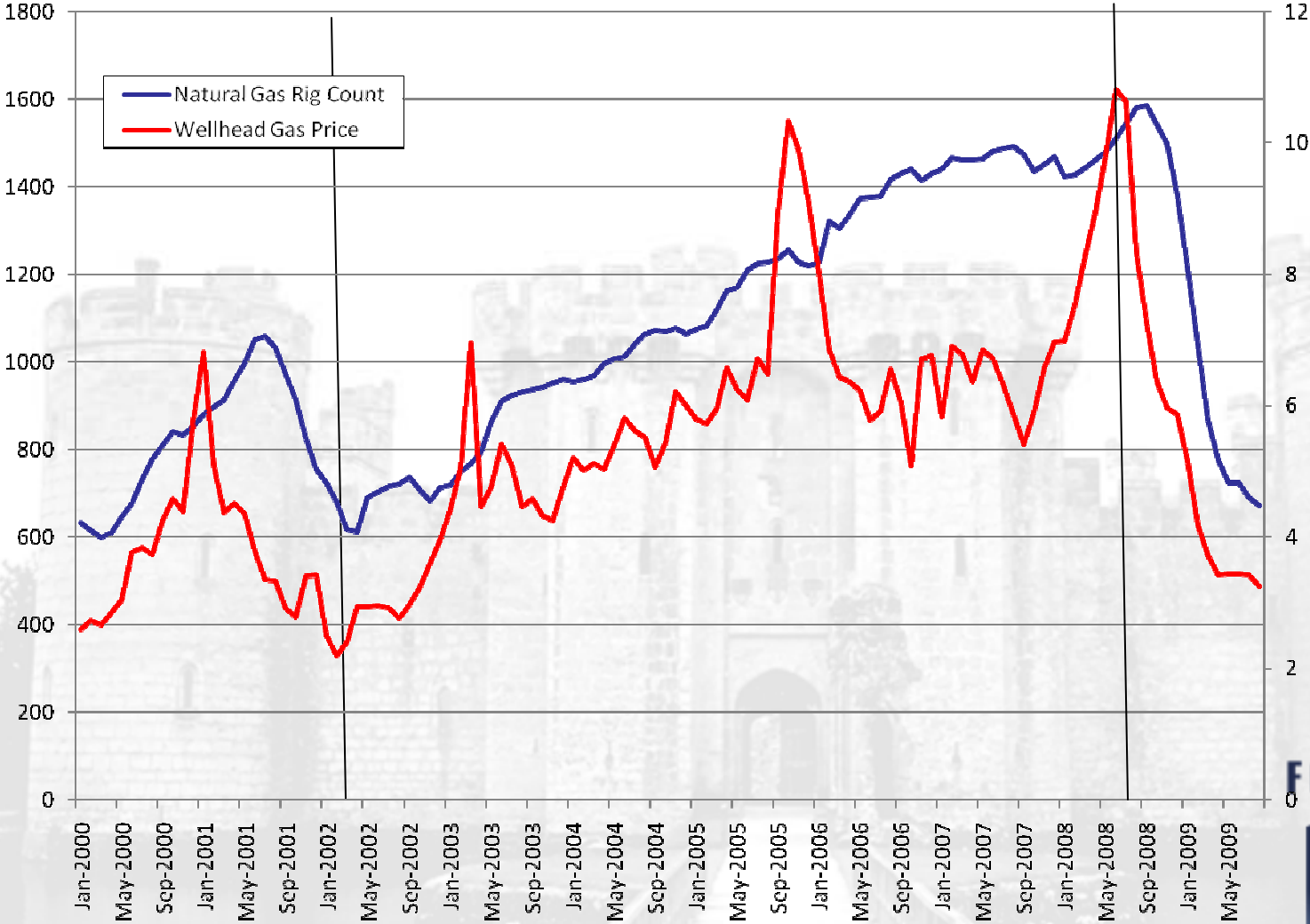
Source: Bentek

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US Wellhead Prices vs US Natural Gas Rig Count



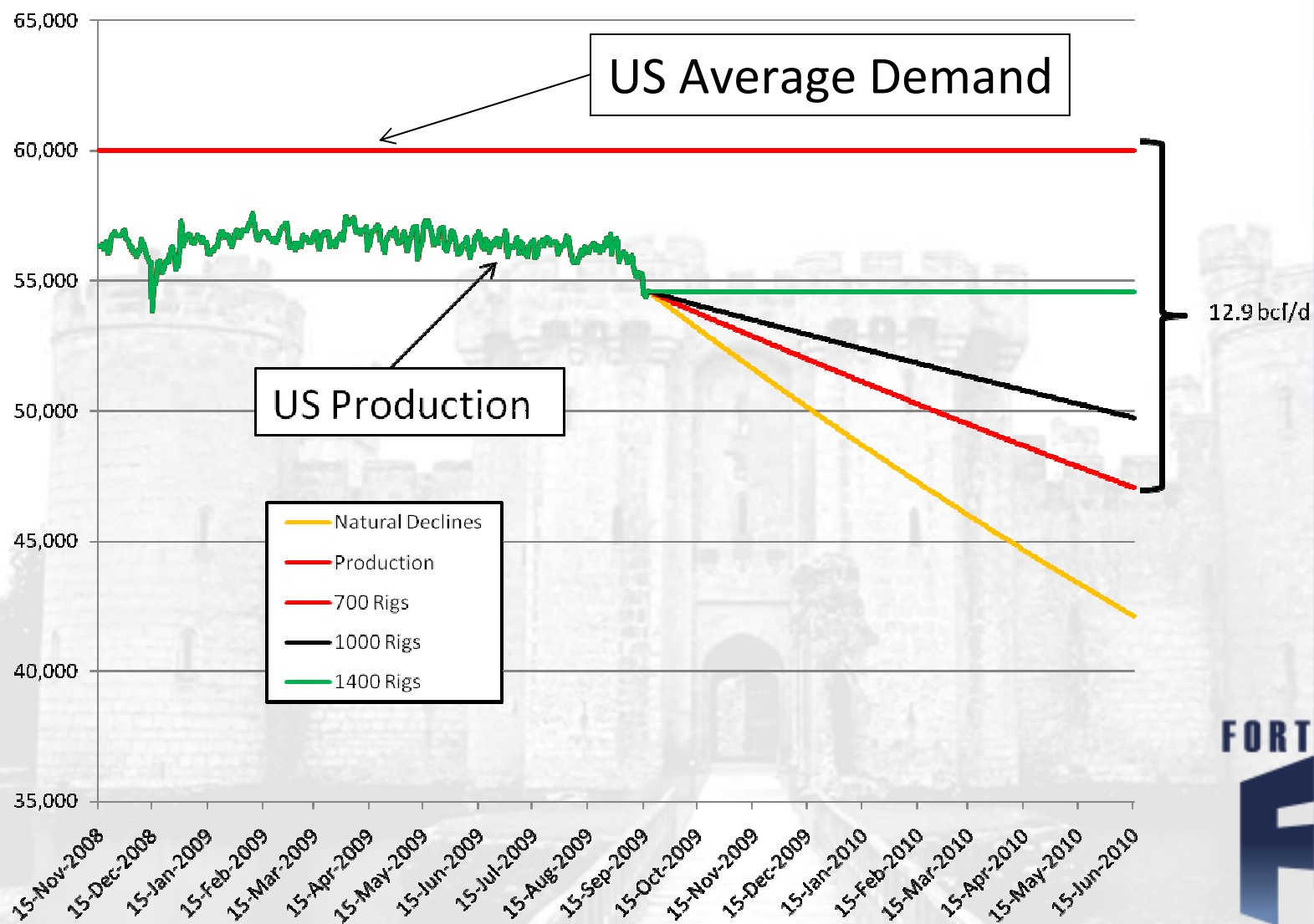
Source: EIA

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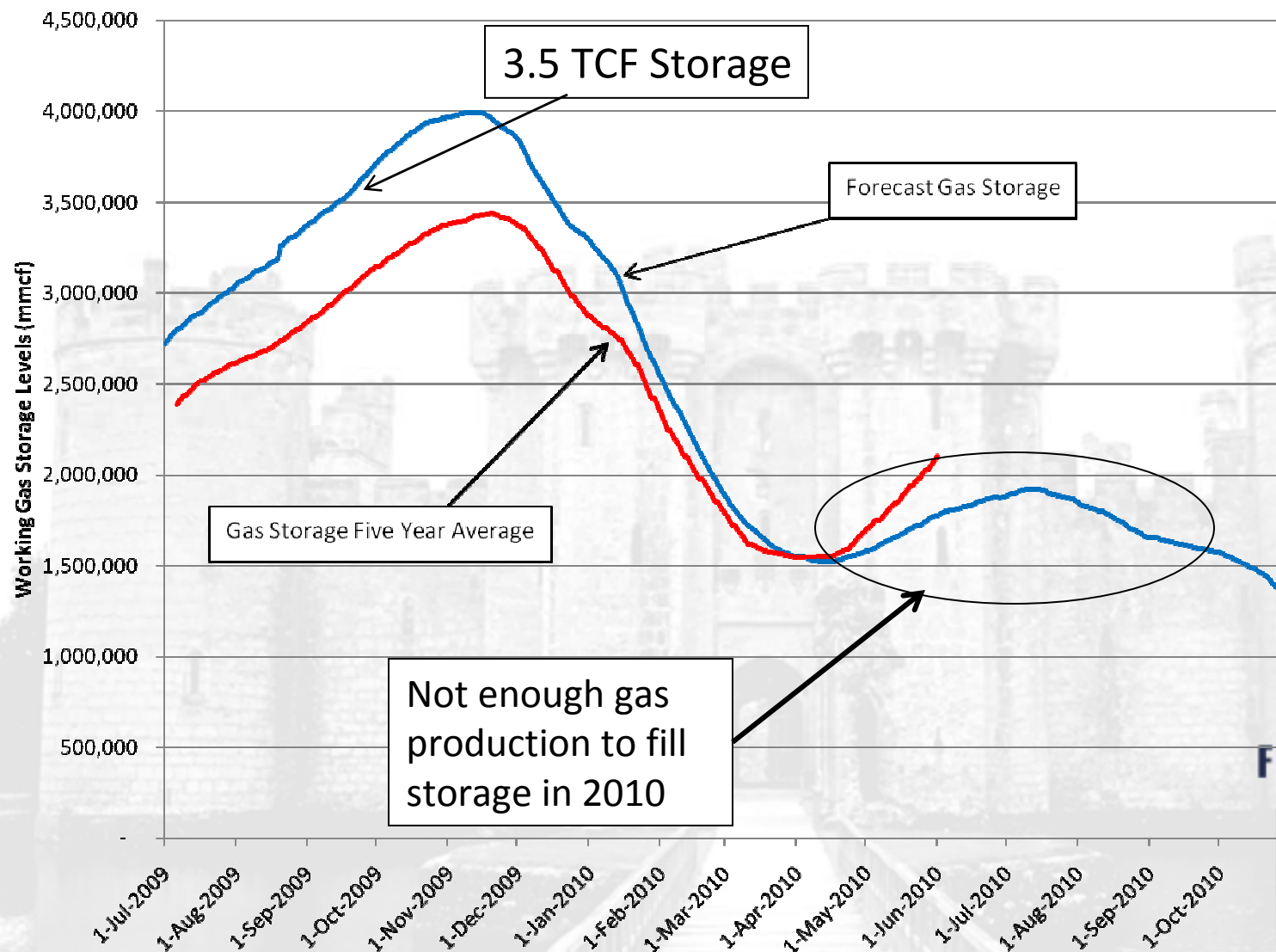
The Growing US Supply Deficit



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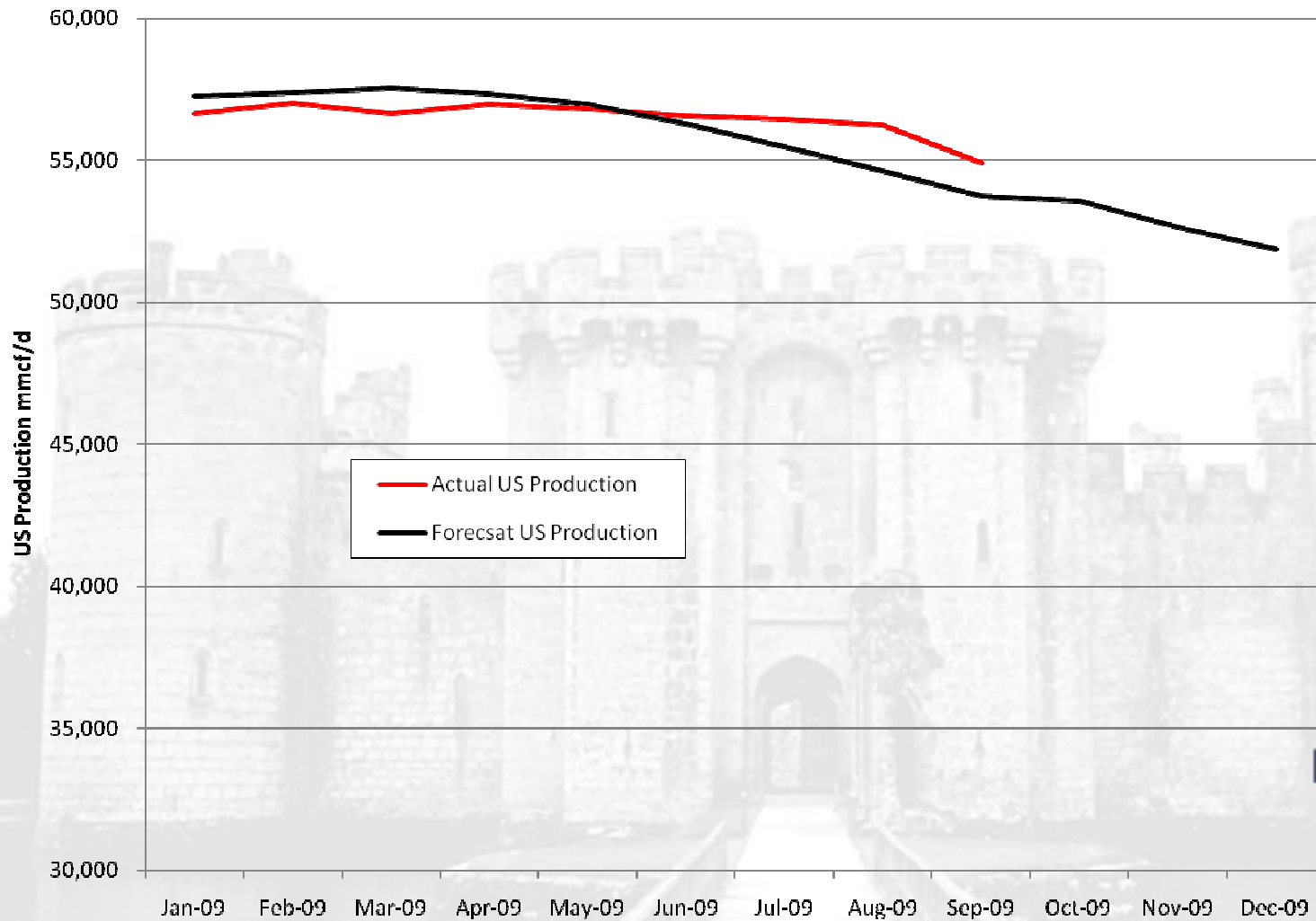
Forecast Gas Storage Levels – 700 Rigs Operating



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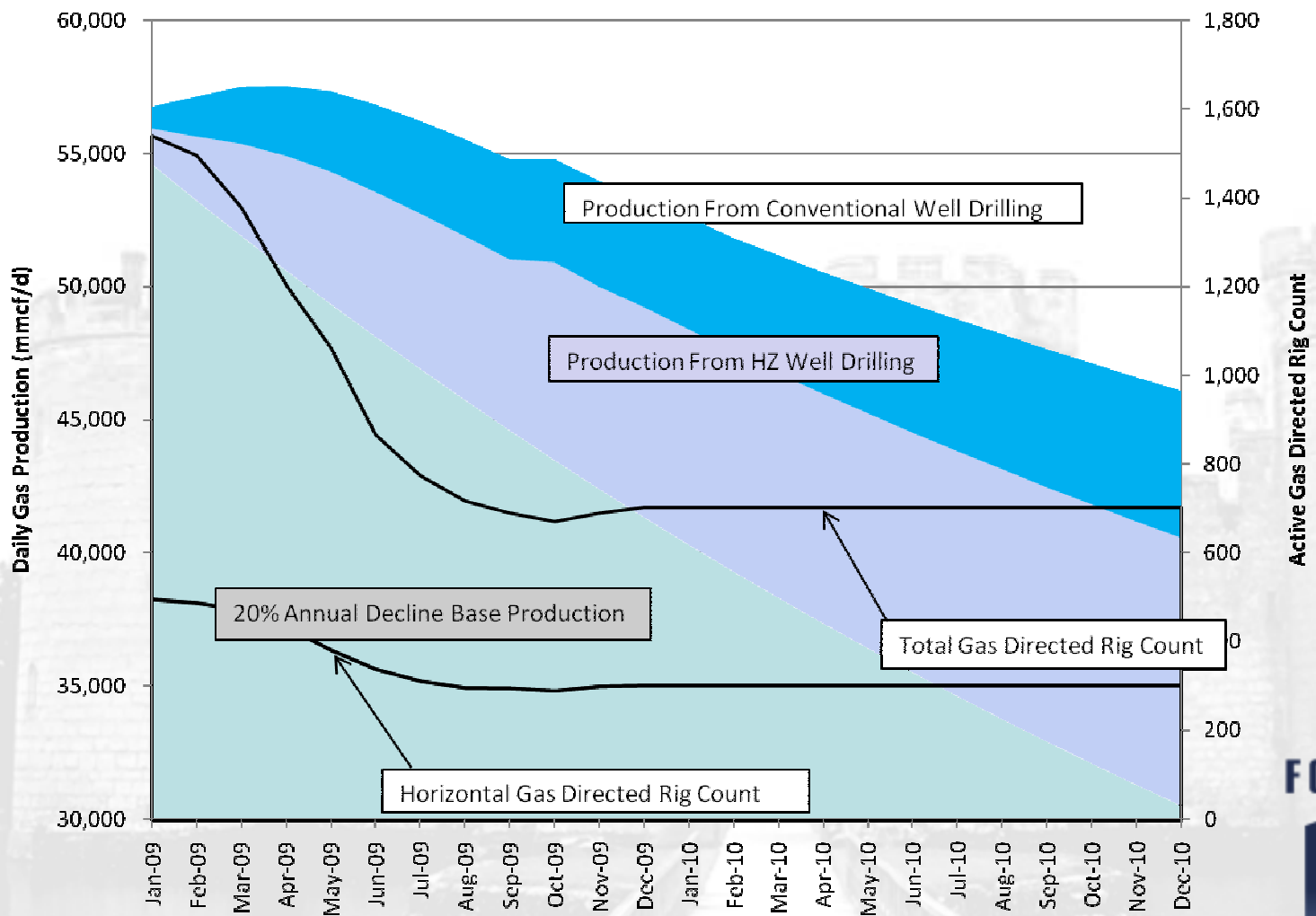
US Production - Declining When?



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Production Decline Analysis – 700 Rigs

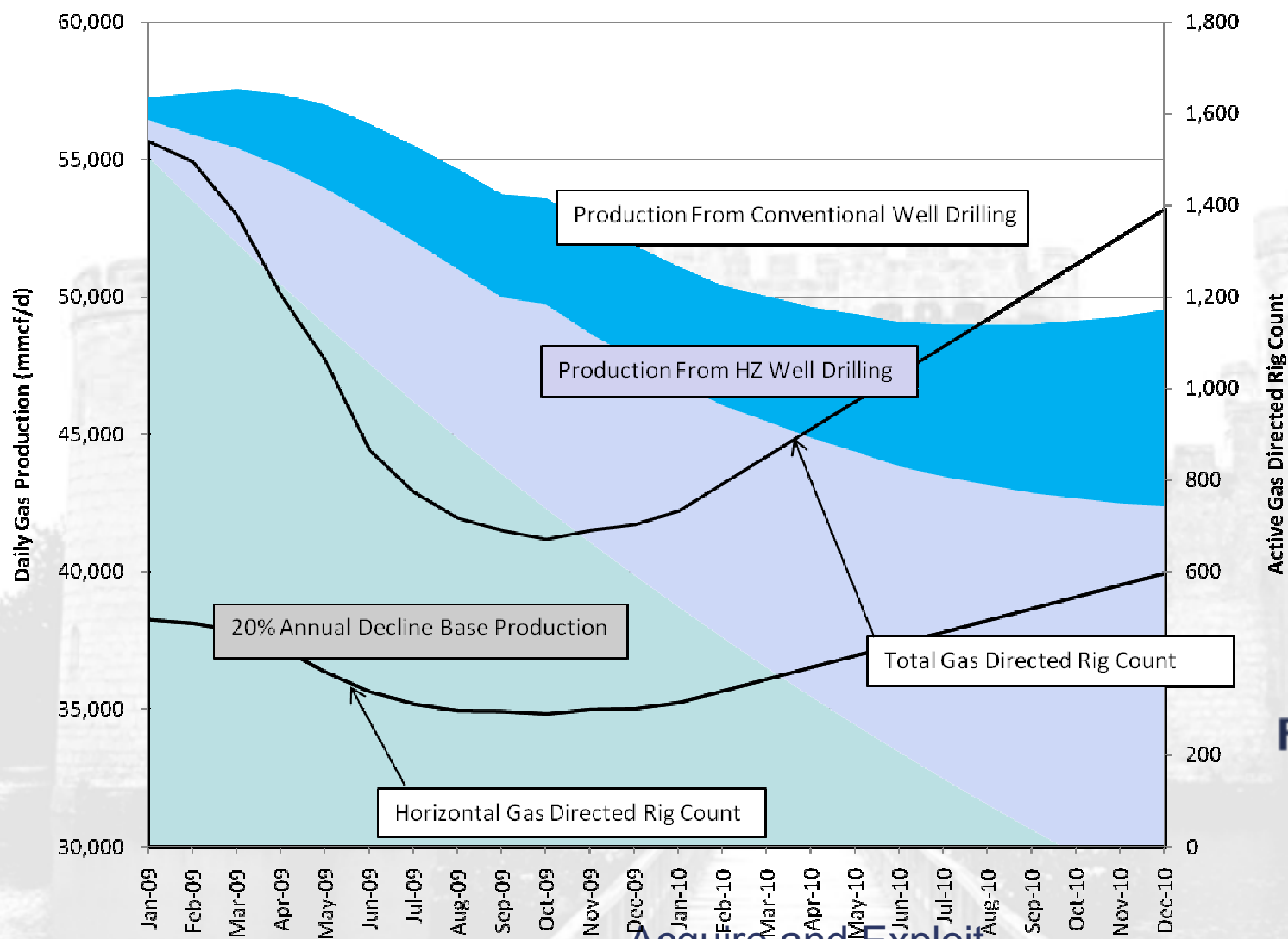


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Production Decline Analysis – Response from Drilling



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Natural Gas - Investment Cycle

Concept

Land Acquisition

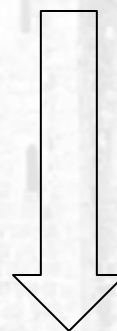
Permits

Rig Count – Baker Hughes Rig Count

Completions

Pipeline Construction & Tie-in

Production – Daily Estimates

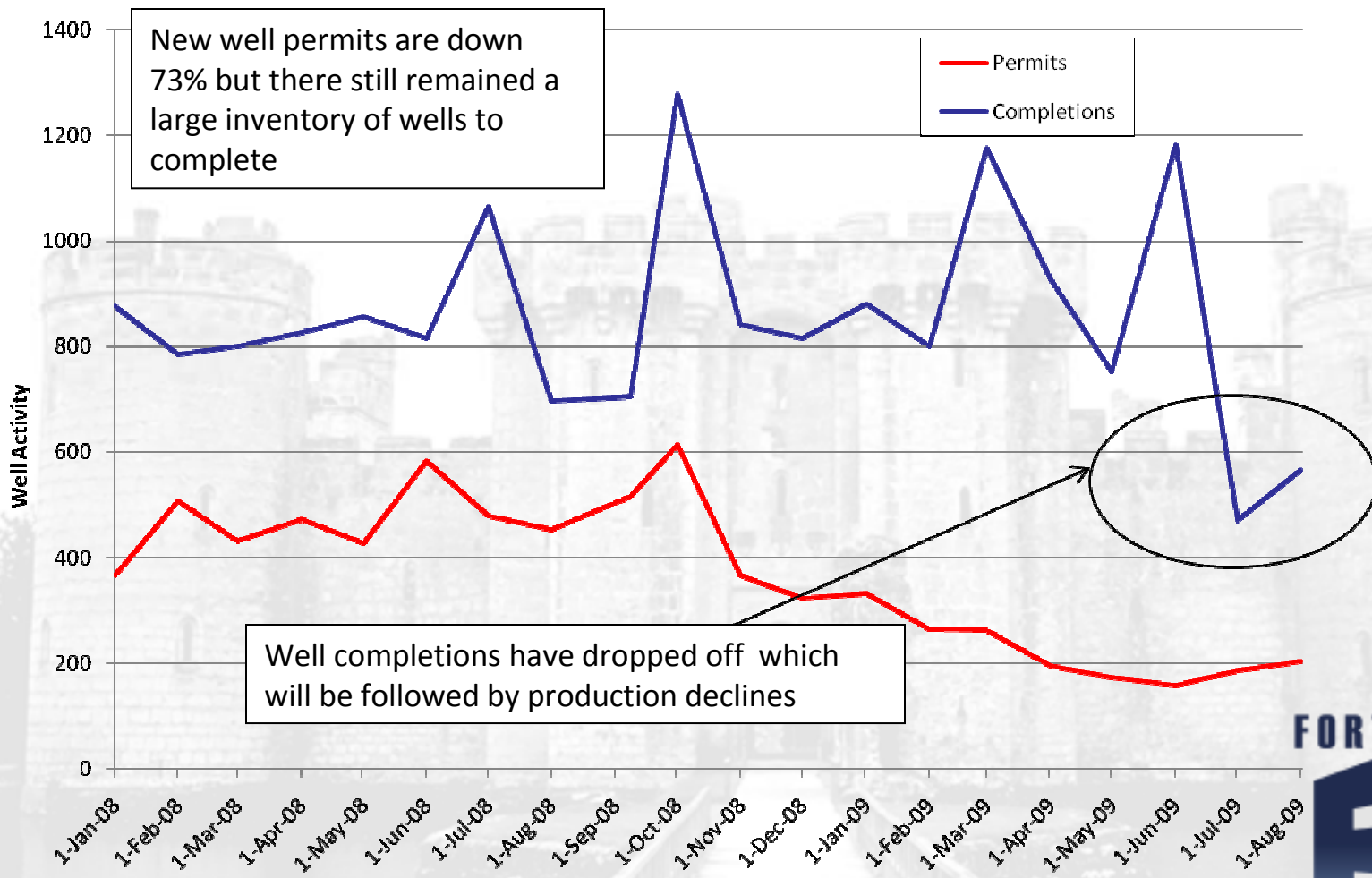


Six Month
Delay?

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Delayed Production Response – Natural Gas Drilling Activity in Texas



Source: Railroad Commission of Texas

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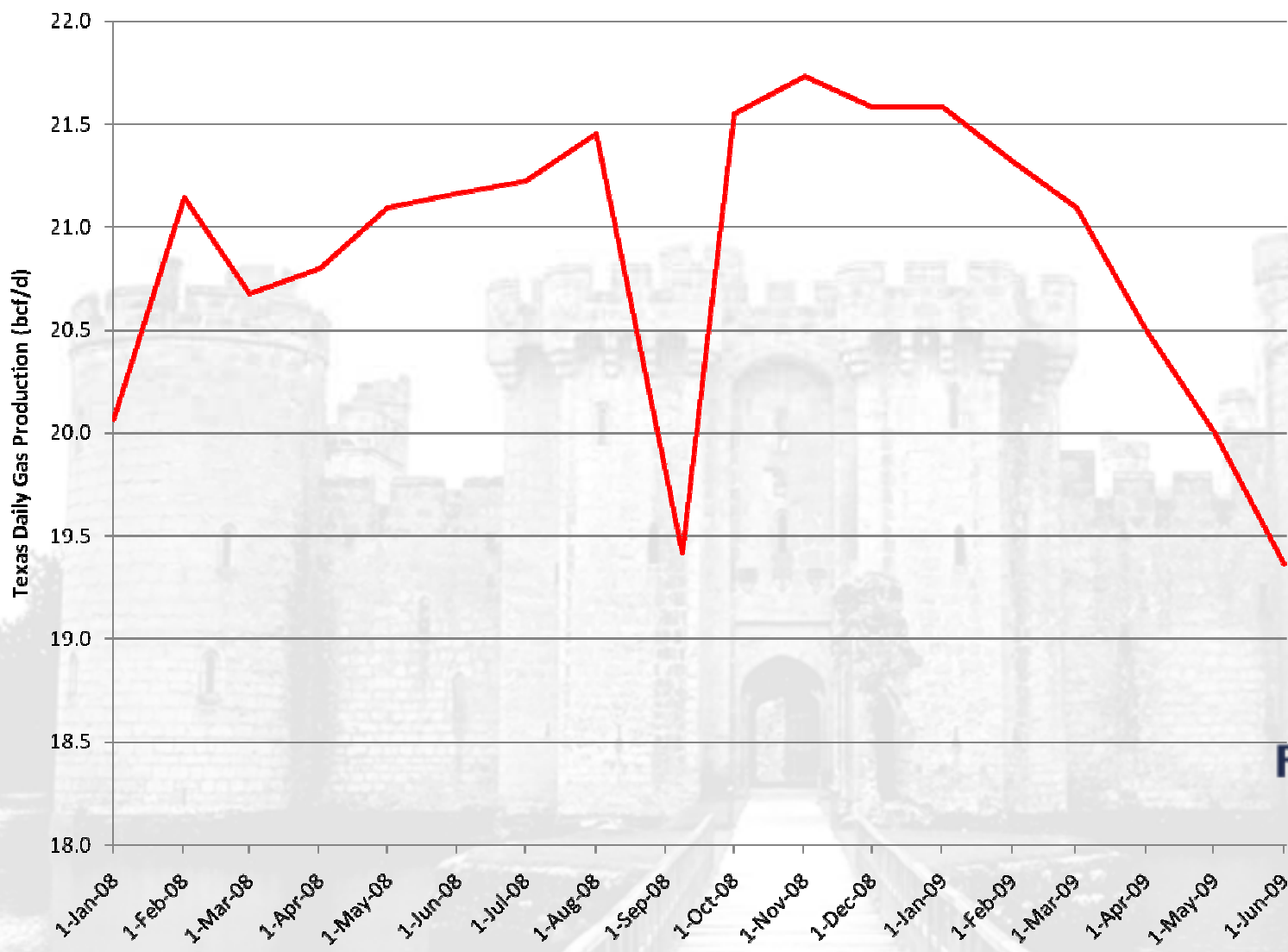
Shale Gas Plays – Texas Barnett Shale

- 12,135 Wells on Production since 2004
- 23% of Texas production
- 2008 Drilling Permits issued were 4,145 representing 75% of all drilling activity in Texas
- Well permits have decreased 73% YOY
- Texas Production represents 33% of US total production.

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Texas - Natural Gas Production - Declining



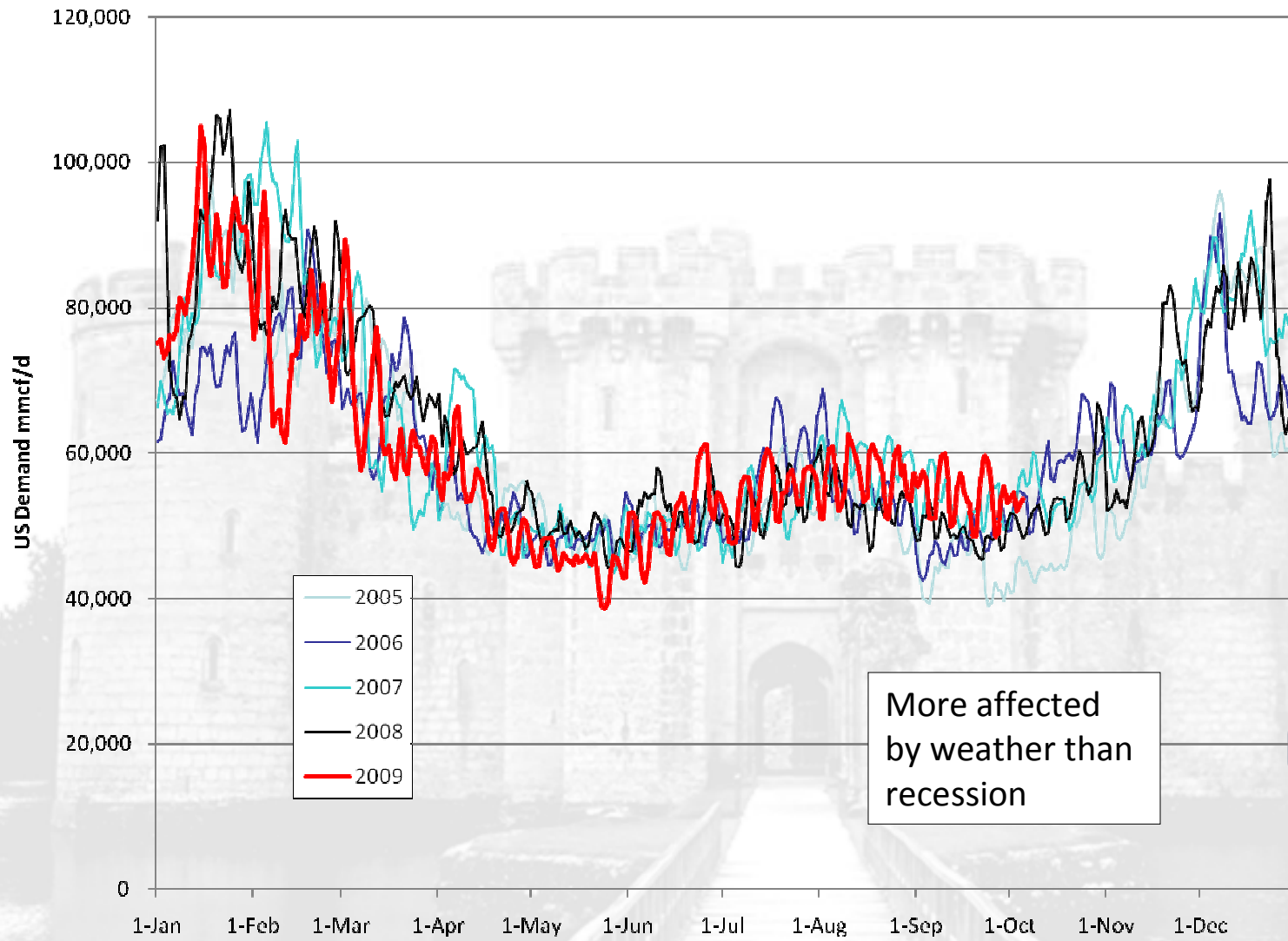
Source: Railroad Commission of Texas

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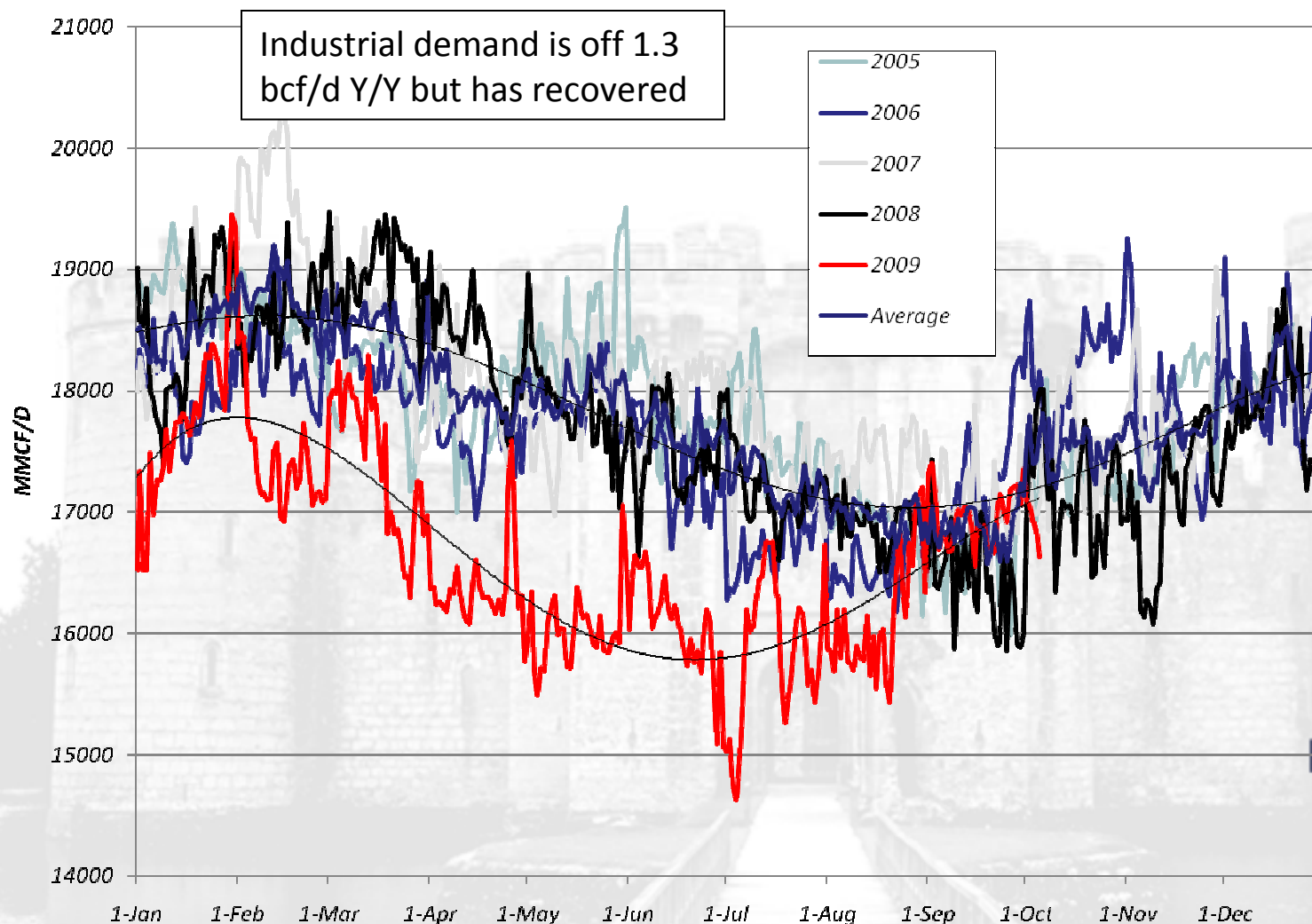
Total US Natural Gas Demand – Recession?



Source: Bentek 2009



Recession and Demand? – Industrial Demand



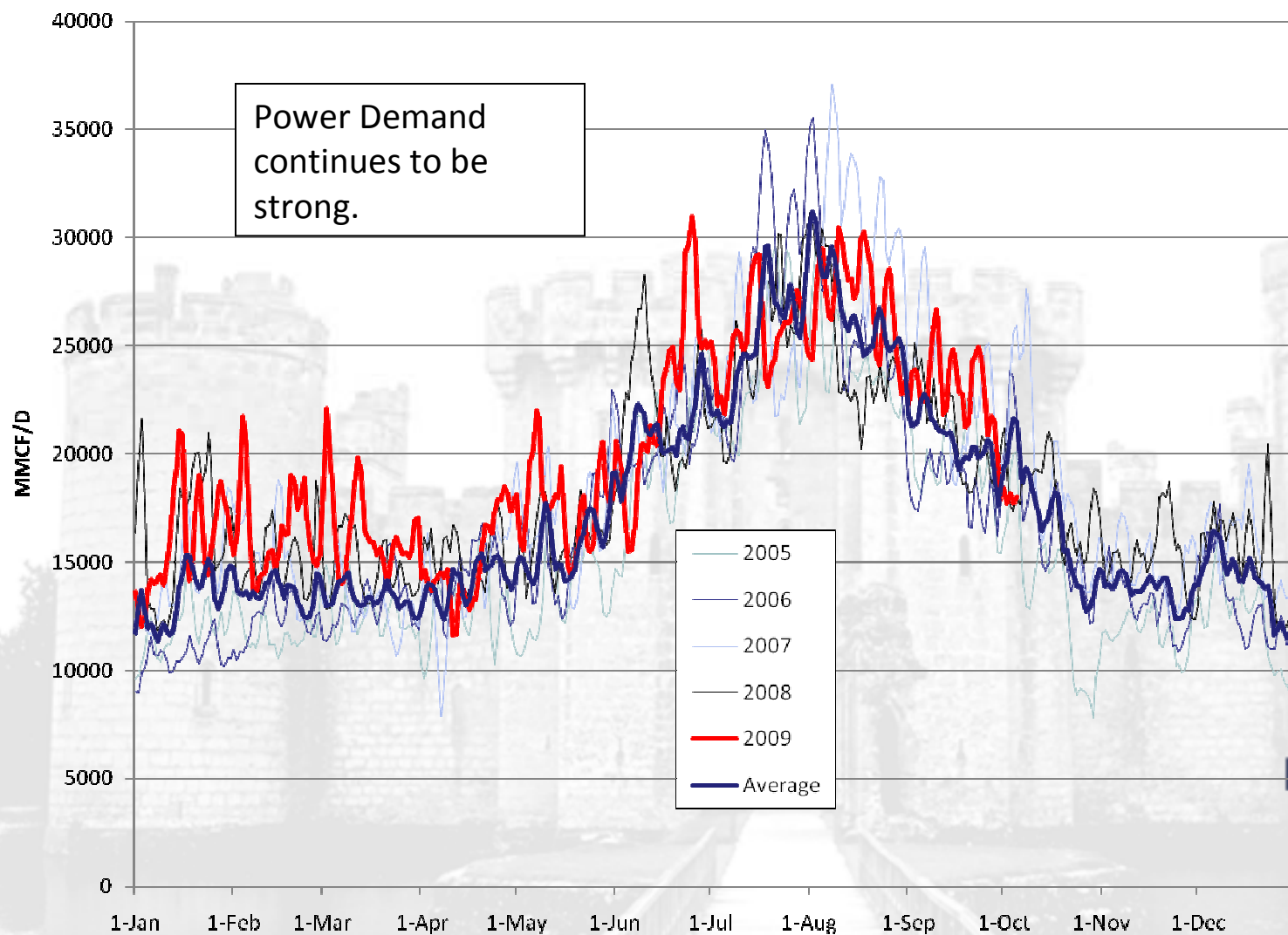
Source: Bentek 2009

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Recession and Demand? – Power Demand



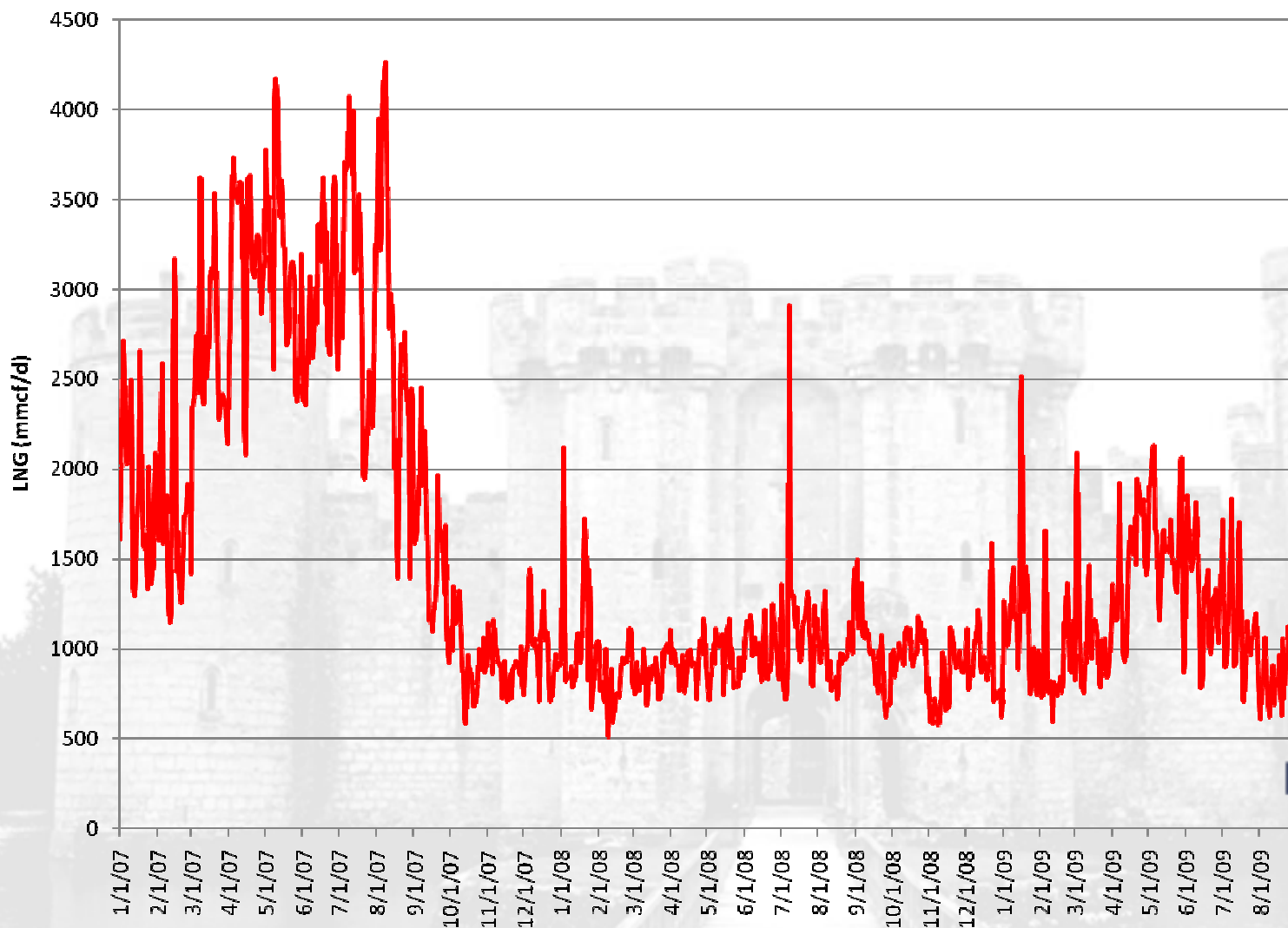
Source: Bentek 2009

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LNG Imports - Excess Capacity



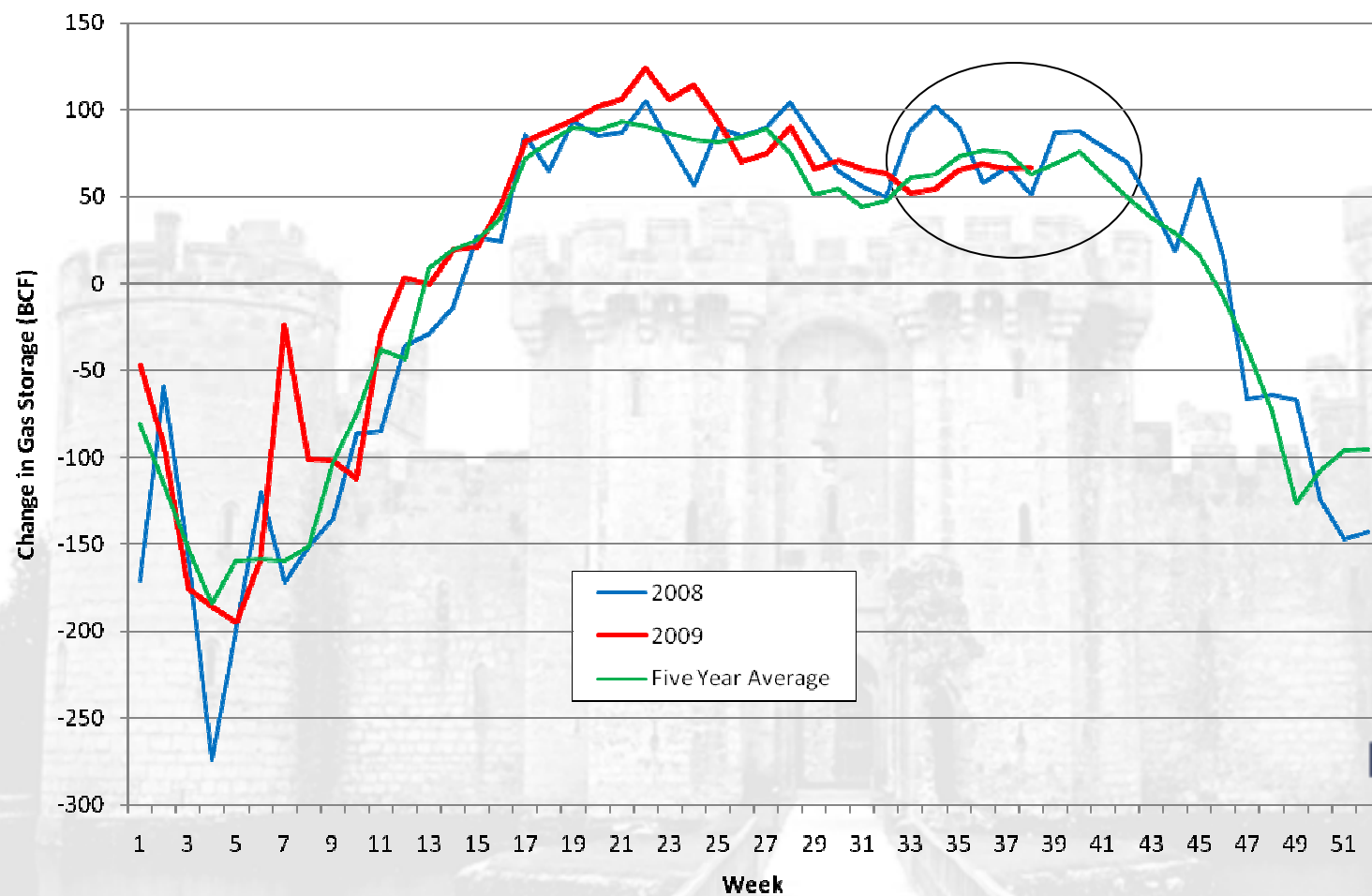
Source: Bentek 2009

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Change in Natural Gas Inventory – Supply/Demand Balance



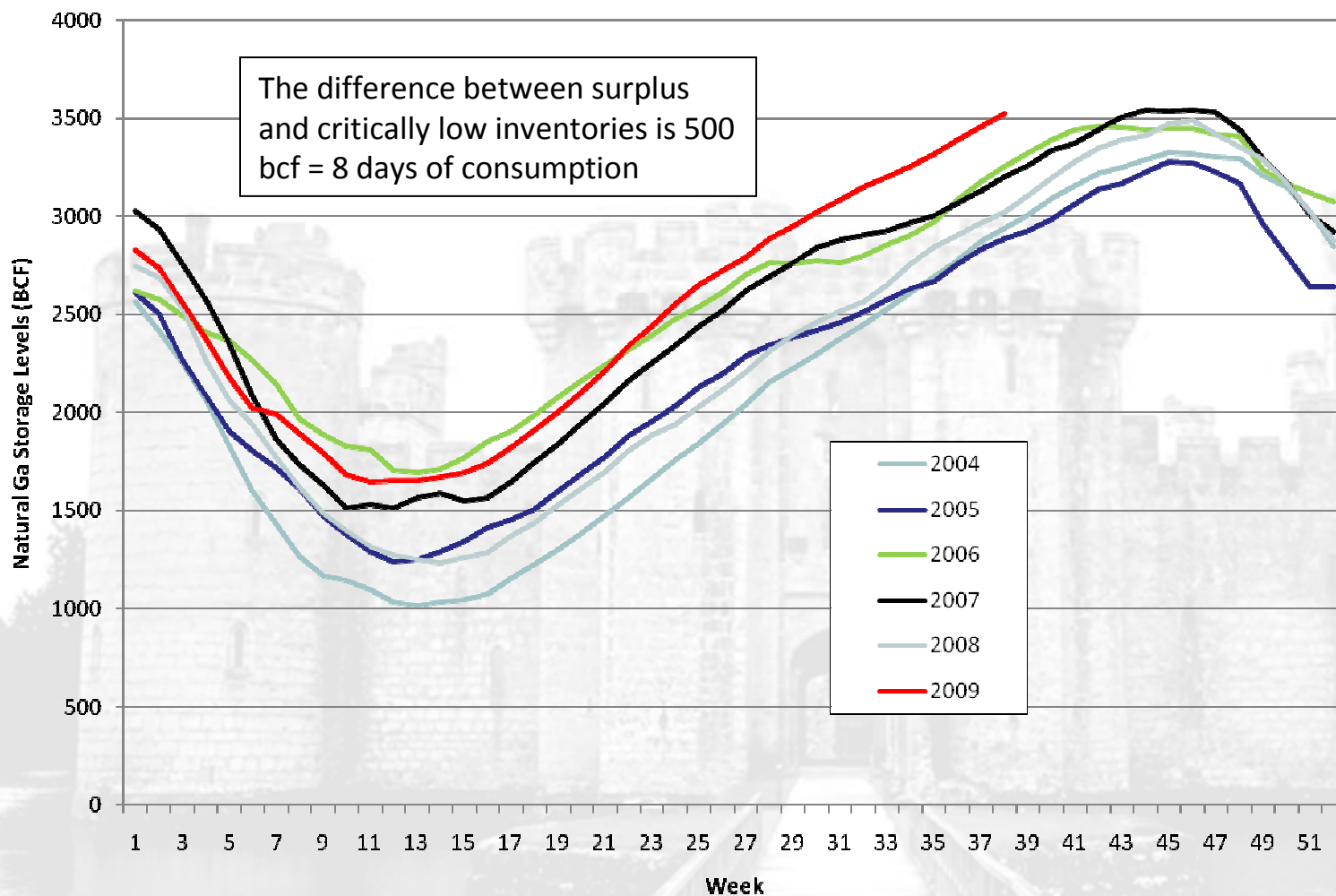
Source: EIA

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Natural Gas Inventories – Awash in Gas ?



Source: EIA

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