

NAESB Gas/Electric Coordination Task Force

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A Division of Chevron USA, Inc

NAESB Gas/Electric Coordination Task Force A PRODUCER PERSPECTIVE - OVERVIEW

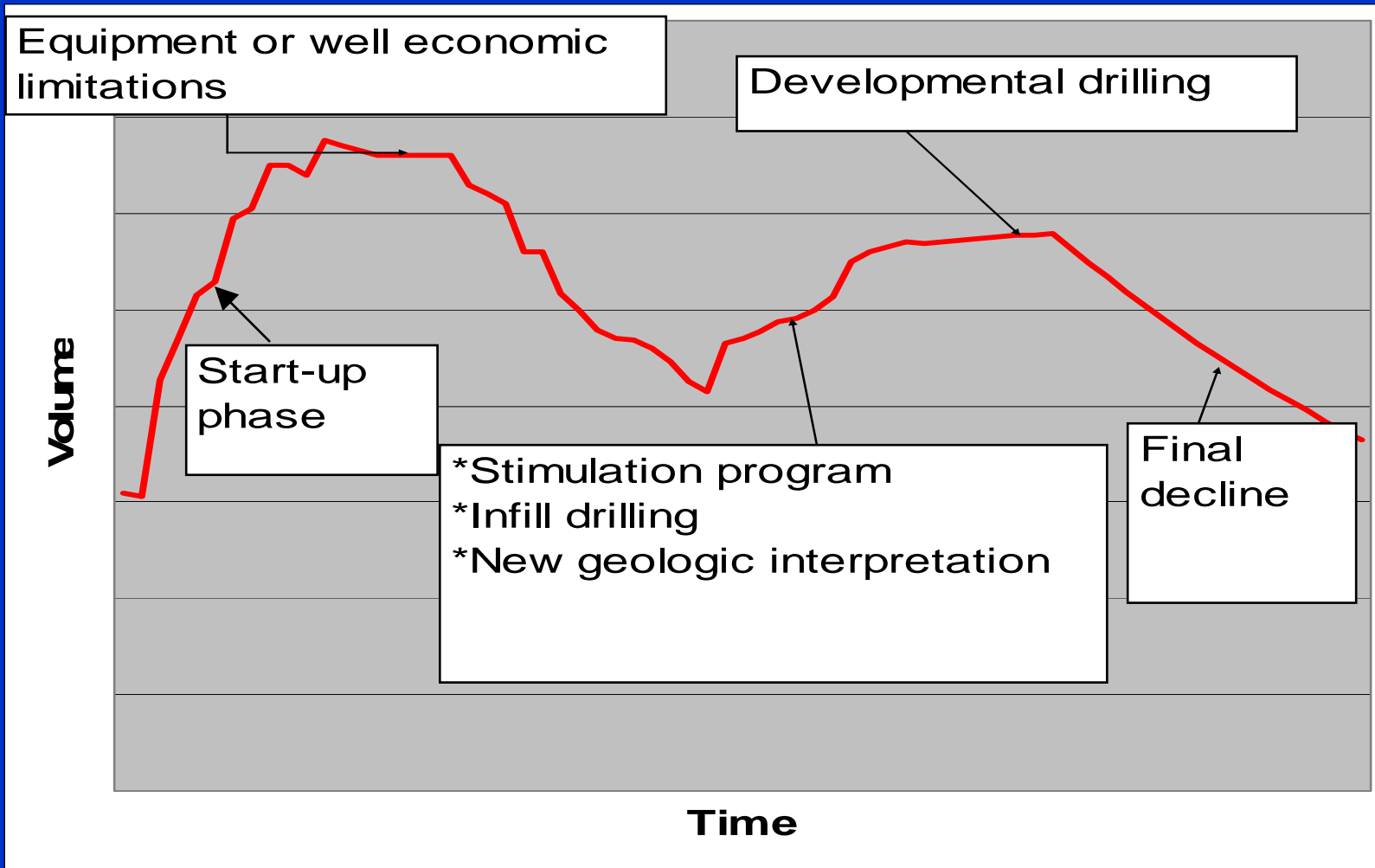
- Producer Priorities
- First of Month Process Schematic
- Production Forecast Process
- Marketing and Trading
- Transportation and Exchange
- Nominations and Confirmations
- Accounting Process
- Summary/Questions

NAESB Gas/Electric Coordination Task Force

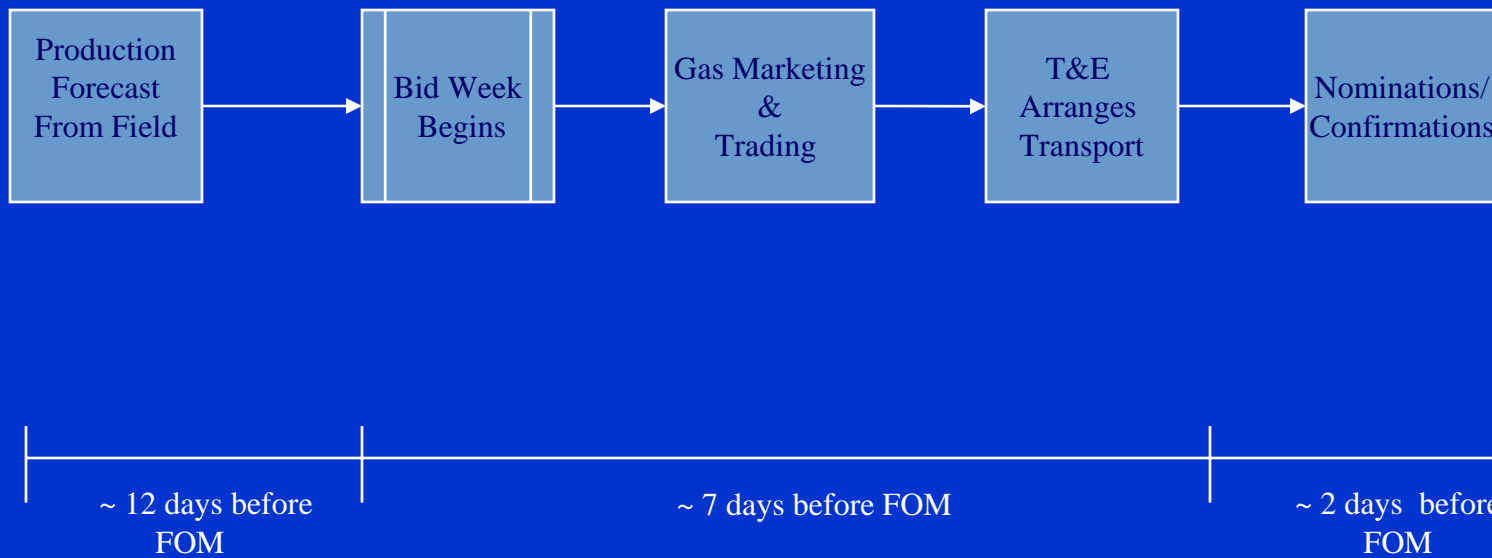
A PRODUCER'S PRIORITIES

1. Safety/Environmental protection
2. Flow certainty at best flow rate
 - Equipment limits
 - Reservoir limits
 - Stakeholder obligations
 - ✓ Leases
 - ✓ Taxing authorities
 - ✓ Partners
3. Pricing and portfolio management
 - Diverse customer mix
 - Credit issues

NAESB Gas/Electric Coordination Task Force Typical Field Production Profile



NAESB Gas/Electric Coordination Task Force FOM Process Schematic



NAESB Gas/Electric Coordination Task Force Production Forecast Process - Art or Science?

➤ Communications with Field

- Software, phone, telemetry
- Thousands of wells, hundreds of sales points

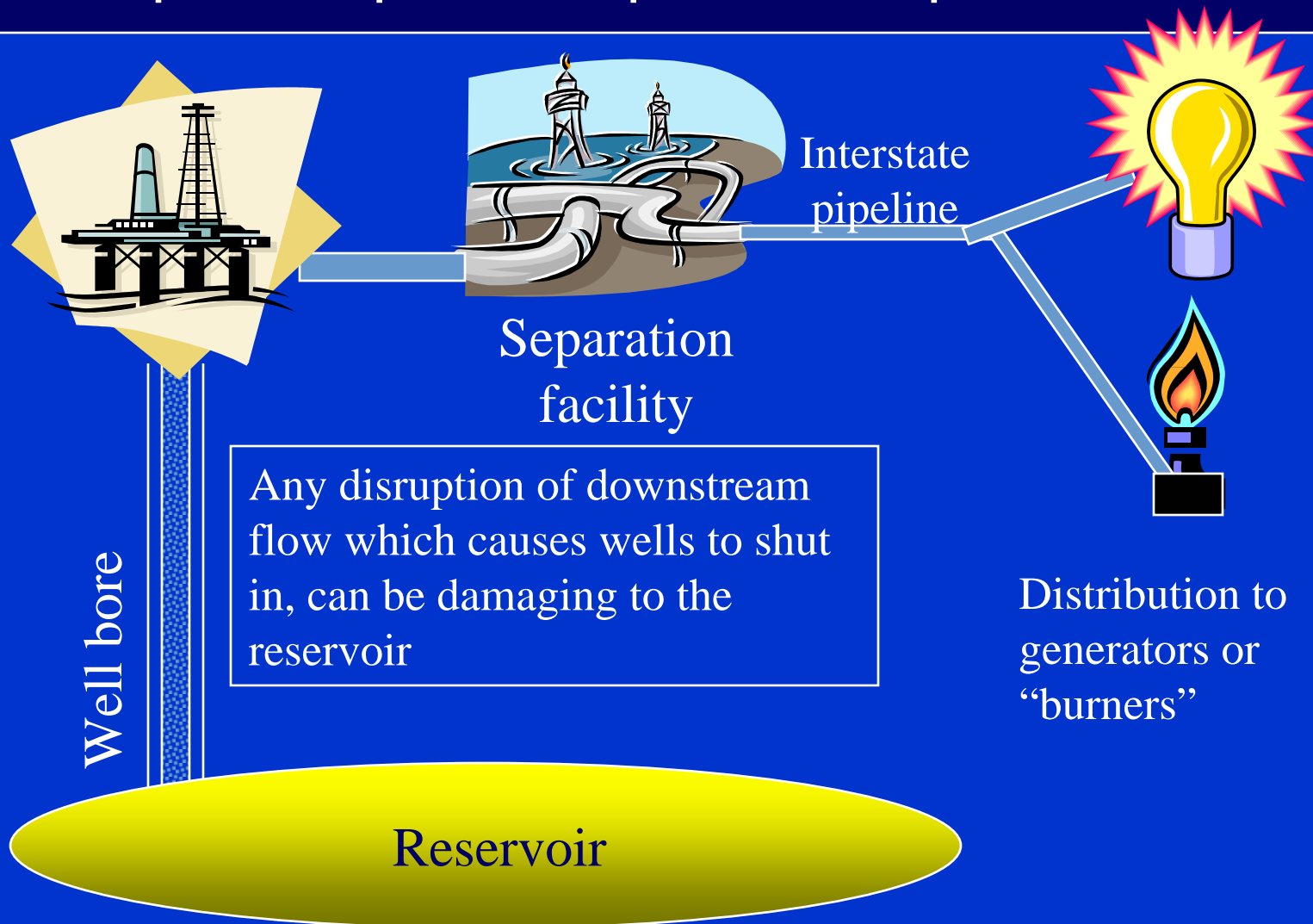
➤ Adjustments for:

- Partner balancing
- Fuel, Liquids processing
- Planned downtime
 - ✓ Pipelines
 - ✓ Field

➤ Production flow dynamics

- Flow typically at maximum rate
- Flow impacted by:
 - ✓ Weather
 - ✓ Pipeline Pressure
 - ✓ Unplanned maintenance
- Reservoir protection is crucial
 - ✓ Ultimate recovery optimization
 - ✓ Liquids unloading in well bores

NAESB Gas/Electric Coordination Task Force Liquids Impact in Upstream Operations



NAESB Gas/Electric Coordination Task Force Marketing and Trading Process

- Bid Week Begins
 - Ain't what it used to be
- NAESB Base Contract
 - Consistent Terms
 - Enhances Liquidity
 - Expedites Negotiation
 - Increases Efficiency
- Portfolio management
 - Term requests (>30 days)
 - Sales/purchases (<30 days)
 - Volume balancing at Pools
 - Storage planning

NAESB Gas/Electric Coordination Task Force Transportation and Exchange Process

- Producers need firm transportation for:
 - Flow certainty
 - Term customer requirements
- Monthly discount requests
 - Posted
 - Negotiated
 - Firm/interruptible
- New or amended contracts
 - Quantity, points
- Firm capacity release
- Park and Loan services
- Long term storage

NAESB Gas/Electric Coordination Task Force CONTROL LOOP WITH PRODUCTION

HOW IT DOES NOT WORK...

ChevronTexaco Gas Scheduler's phone call to Field Office:

“Hey John, I need 15 Dth to balance my pool. Can you crank up well #6?”

ChevronTexaco Trader phone call to Customer:

“Jim, I have that same 8 Dth to sell at the XYZ Field. Can you take it this month?”

No, that is not 8,000...that was 8!”

NAESB Gas/Electric Coordination Task Force Nominations and Confirmations Process

➤ Control loop with Production

- Volume outages/revisions
- Point Operator balancing

➤ Control loop with pipelines

- 4 Standard Cycles
 - ✓ 2 cycles for day-ahead
 - ✓ 2 cycles for intraday
- Interactive Web Sites
 - ✓ Informational Postings Page
 - Critical Notices
 - Operational Flow Orders
 - ✓ Customer Activities Page
 - Nomination revisions
 - Scheduled Quantity Report
 - Pool balancing

NAESB Gas/Electric Coordination Task Force Accounting Process

- Three simultaneous processes
 - Prior month's accounting
 - Current month operations
 - Next month planning
- Prior month activities include:
 - Closeout
 - Customer sales invoices
 - Transportation invoice validation
 - Storage/Imbalance inventory
 - Cashout imbalances
 - Imbalance trading

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A PRODUCER PERSPECTIVE - SUMMARY

- The cooperative efforts of the last 4 years have allowed the producers and other industry segments to create a very reliable nomination/confirmation process.
- Current 4-cycle nomination process allows a producer to ensure product flows with high reliability.
- Producers and natural gas consumers have varying needs for volume management flexibility. All are important!
- We look forward to working with the Task Force to consider the needs of all parties along the value chain.