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The Buffalo News : Business Today

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Gas well exceeds expectations

National Fuel's third drilling site produces triple the anticipated yield

By David Robinson

NEWS BUSINESS REPORTER

December 23, 2009, 7:24 AM / 2 comments

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National Fuel Gas Co.'s third natural gas well in the lucrative Marcellus Shale region in northwestern Pennsylvania is starting out as the best yet.

The Amherst-based energy company's third well under its own drilling program yielded far better results than the strong production National Fuel initially realized from its first two wells in the region.

The third well, located in Tioga County, produced an average of 9.5 million cubic feet of natural gas per day during its first week of operation. That's nearly three times the average yields National Fuel executives had expected from the potentially high-producing wells in the region.

National Fuel's first three wells in Tioga County are producing an average of 6.7 million cubic feet of gas per day, which is far better than the industry average, said Matthew D. Cabell, the president of National Fuel's oil and natural gas drilling business.

The strong early results from National Fuel's drilling efforts on the more than 720,000 acres it controls in northwestern Pennsylvania have prompted the company to speed up its plans to drill new wells in the Marcellus Shale. National Fuel now expects to drill 50 to 70 new horizontal wells in the region during the fiscal year that ends in September between its own exploration program and a joint venture it operates with EOG Resources.

National Fuel last month said it now plans to spend 50 percent more than it initially outlined in August to drill wells in the Marcellus region. National Fuel's current plans call for the company to spend \$180 million to \$200 million during the current fiscal year that began in October.

National Fuel's first well in the Marcellus region yielded 5.8 million cubic feet of gas per day during its initial seven-day test, while a second well produced at a daily rate of 4.7 million cubic feet over its first seven days. National Fuel executives have estimated that those initial production rates could decline by nearly 70 percent during the first year of a well's operation.

"We are more confident than ever in our ability to efficiently and effectively develop our substantial acreage

position," Cabell said.

The company also said gas has begun flowing through its \$16 million Covington gathering system, an eight-mile pipeline that links wells in Tioga County and the much larger Tennessee Gas Pipeline system.

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In answer to your questions.

1. A different take:

<http://www.investors.com/NewsAndAnalysis/Article.aspx?id=516041>

2. Never happen.

Posted by: DaveMarx on Dec 24,2009 at 07:44 am

Inappropriate

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It would be interesting to know a few more things about this story.

1. Does National Fuel use the environmentally damaging hydraulic drilling technique? See

<http://www.nytimes.com/2009/12/24/science/earth/24drill.html?ref=nyregion>

2. Does this increase in supply mean that the commodity price National Fuel charges its customers (and the public sector through its subsidy to National Fuel via the HEAP program) will go down?

Posted by: Cynical on Dec 23,2009 at 10:42 pm

Inappropriate

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