

## **Alabama Reaches Natural Gas Production and Revenue Milestones**

The offshore and coalbed methane segments of Alabama's oil and gas industry reached major milestones in the production of natural gas during 2007. Offshore wells located in state coastal waters have produced more than 3 trillion cubic feet of gas since production began in 1987. That milestone was reached during October. Gas production from coalbed methane wells surpassed the 2 trillion cubic feet mark in December. Coalbed methane production was first reported to the State Oil and Gas Board in 1980.

By 1992, offshore and coalbed methane wells had become the principal contributors to the state's natural gas production. As a result, Alabama became one of the top ten gas producing states that same year. Since that time, offshore wells have typically produced fifty percent of the state's natural gas each year. During the same time period, annual coalbed methane production initially accounted for approximately 25 percent of the state's production and has steadily increased to nearly 40 percent in 2007. Cumulative production from these two industry segments represents 60 percent of the total natural gas produced in the state since the Oil and Gas Board was established in 1945.

The number of wells and production characteristics are extremely different for these two types of wells. By the end of 2007, coalbed methane wells comprised 80 percent of the state's 6,300 producing wells. Each well produced an average of 63 thousand cubic feet per day during that year. In contrast, 50 offshore wells had average daily production rates of 10.3 million cubic feet. Individual wells, located in state waters and producing from world class gas reservoirs at depths of more than 20,000 feet, have tested at rates of more than 100 million cubic feet of gas per day.

Revenues from offshore gas production are placed into the Alabama Trust Fund for the future benefit of the state and its citizens. That trust fund also reached a major milestone in 2007 when the fund balance reached three billion dollars. Since the Trust Fund was established in the mid-eighties, more than 2.8 billion dollars of investment income generated from Fund revenues had been placed into the state's General Fund account.

Another source of oil and gas revenue is the state's severance taxes, which are assessed on the production from all active wells in the state. These taxes have historically generated 50 to 60 million dollars of revenue annually. Since 2005, annual severance tax revenues have risen to between 130 and 180 million dollars due to the increased value of crude oil and natural gas.

When combined with the offshore revenues, the total oil and gas monies collected by the state have averaged about 534 million dollars per year from 2003 to 2007. This amount is equivalent to about 29 percent of the state's General Fund appropriation for the Fiscal Year 2008.