

January 26, 2009

Natural Gas Trends

Highlights

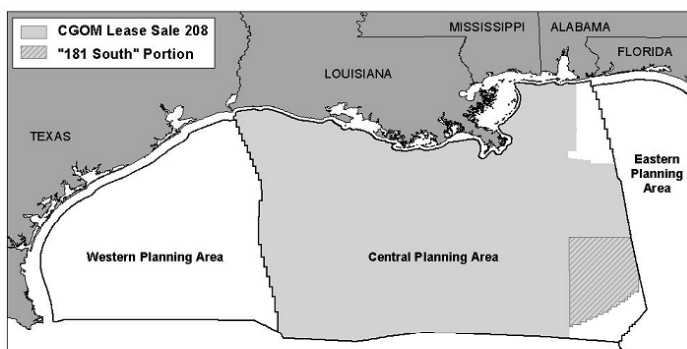
TEXAS TO BENEFIT FROM SALE OF LEASES

Western GOM oil and gas leases sold. On 1/22/09, the U.S. Department of the Interior's Minerals Management Service (MMS) announced its acceptance of **\$484 million** of bids on 313 oil and gas leases located in the Western Gulf of Mexico (GOM). Proceeds derived from the sale will be distributed to the general fund of the U.S. Treasury; a **portion of the proceeds will be shared with Texas** and other affected States. The five companies with the largest number of accepted high bids were:

LARGEST NUMBER OF HIGH BIDS ACCEPTED

Exxon Mobil	128 bids accepted	\$125 million
Hess Corporation	22 bids accepted	\$14.2 million
Chevron USA, Inc.	20 bids accepted	\$127 million
Devon Energy	20 bids accepted	\$6.7 million
Anadarko E&P	19 bids accepted	\$14.8 million

Central GOM oil and gas lease sale announced. On 1/15/09, the MMS issued its final notice of the upcoming sale of federal oil and gas leases located in the Central Gulf of Mexico, shown below.



The MMS estimates that this lease sale could result in production of approximately 3.365 to 5.405 trillion cubic feet of natural gas and .807 to 1.336 billion barrels of oil. Specifications regarding Lease Sale 208, which will be held in New Orleans on 3/18/09, were published in the *Federal Register* on 1/14/09. Per the Gulf of Mexico Energy Security Act of 2006, Texas, Mississippi, Louisiana, and Alabama will receive a share of revenues derived from the #181 South Area, noted on the map.

Source: www.mms.gov

Data

- February Natural Gas Futures Contract (January 23) NYMEX at Henry Hub closed at \$4.518.
- February Light, Sweet Crude Oil Futures Contract (January 23) NYMEX at Cushing closed at \$46.47 per Bbl. or approximately \$7.40 per MMBtu.

Heating Degree Days

From 1/18/09 through 1/24/09, Texas experienced much warmer than normal weather while the U.S. experienced slightly cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are **11% below normal for Texas** and normal for the U.S.

Source: NOAA (www.cpc.ncep.noaa.gov)

Heating Degree Days (HDD) *Week ending 1/24/09*

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	133	-76	2096	-16 %
Austin	84	-22	1001	-2 %
DFW	96	-51	1090	-25 %
El Paso	72	-69	1282	-20 %
Houston	59	-39	736	-21 %
San Antonio	51	-52	707	-28 %
Texas**	78	-42	1072	-11 %
U.S.**	212	+4	2449	0 %

* A plus (+) value = cooler than normal; a minus (-) value = warmer than normal.

** State and U.S. degree-days are population-weighted by NOAA.

U.S. Gas Storage Level Drops Below 2.6 Tcf

U.S. working gas in underground storage was 2,560 Bcf for the week ending 1/16/09, a decrease of 176 Bcf from the prior week. A year ago, U.S. gas storage was 2,580 Bcf. The 2004-2008 5-year U.S. average for this week was 2,529 Bcf. Working gas in storage for this week in the producing region (which includes Texas) was 856 Bcf compared to the 2004-2008 5-year average of 774 Bcf.

Source: EIA (www.eia.doe.gov)

U. S. Working Gas in Storage (Bcf) *Week ending 1/16/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1343	1468	-125	- 6.3 %
West	361	369	-8	+12.1 %
Producing	856	899	-43	+10.6 %
Lower 48 Total	2560	2736	-176	+1.2 %

U.S. Gas Rigs Trend Lower to 1185

The U.S. gas rig count was down 50 for the week and down 237 compared to twelve months ago. The U.S. total rig count was down 53 for the week and down 232 compared to twelve months ago. While the number of directional and vertical wells decreased, the number of horizontal wells increased, for the week and compared to a year ago. Source: Baker Hughes, Inc.

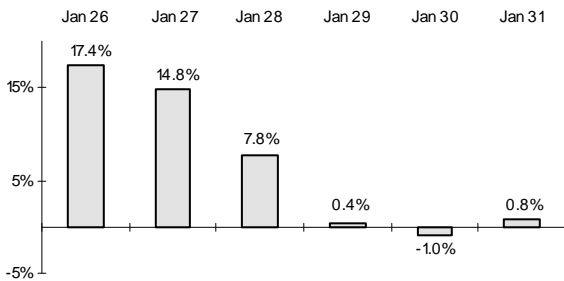
Baker Hughes Rotary Rig Count (1/23/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1515	-53	1747	-232
Gas	1185	-50	1422	-237
Oil	318	-6	318	0
Texas	683	-16	851	-168
N. Amer.	1941	-65	2329	-388

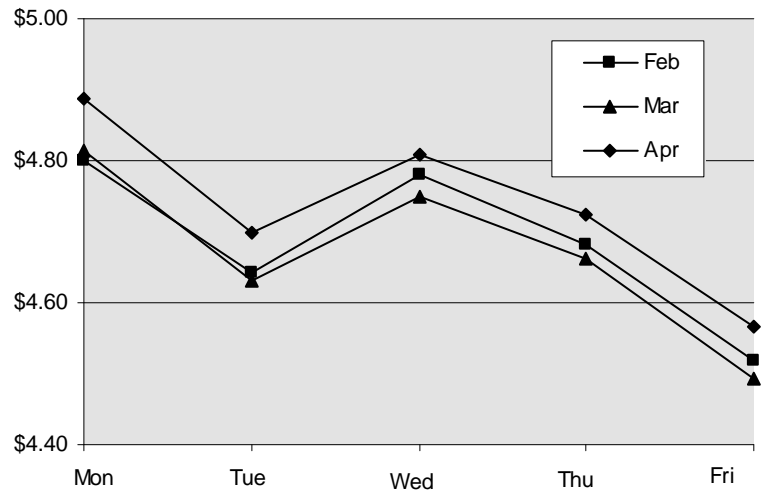
Dominion Energy Use Forecast for U.S.

Except for Friday, above normal energy use is forecasted for the U.S. this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas. Source: Dominion Energy Index

U.S. Energy Use Forecast

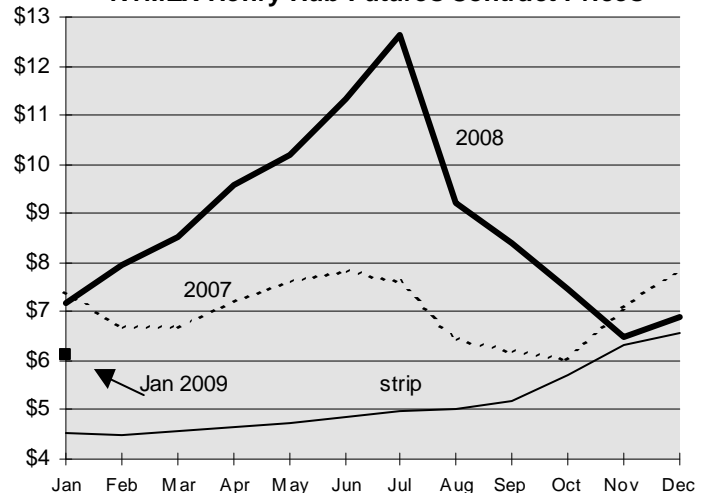


NYMEX Natural Gas Price Movement 1/19/09 -1/23/09



Note: The Martin Luther King holiday occurred on 1/19/09; thus, the 1/16/09 gas price is shown on Monday, 1/19/09, above.

NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 1/23/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (February Futures)				
NYMEX	\$4.518	-\$0.283	-\$3.436	\$5.134