

February 2, 2009

Natural Gas Trends

Highlights

DOE, USDA TO FUND \$57 MIL FOR ENERGY R&D

Energy Policy Act of 2005. The U.S. Department of Energy (DOE) recently published its *2009 Annual Plan for Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Resources Research and Development Program*. As required by the Energy Policy Act of 2005 and as described in the Plan, DOE will award **\$32 million** of research and development (R&D) contracts for the development of technologies in three areas, including:

- Drilling in ultra-deepwater
- Development of unconventional resources, and
- Technological challenges faced by small producers.

A copy of the 193-page 2009 Annual Plan can be found at www.rpsea.org.

Food, Conservation, and Energy Act of 2008.

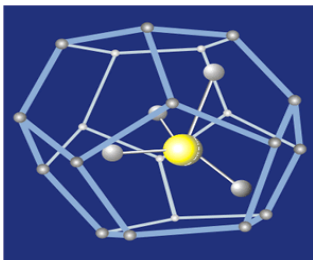
The U.S. Department of Agriculture (USDA) and the DOE announced on 1/30/09 that up to **\$25 million** will be awarded for R&D of technologies and processes to produce biofuels, bioenergy, and high-value biobased products, subject to annual appropriations. Project funding will focus on three areas, including:

- Feedstocks development,
- Biofuels and biobased products development, and
- Biofuels development analysis.

Institutions of higher education, national laboratories, federal and state research agencies, private sector entities, non-profit organizations or consortiums of two or more of these will be eligible to receive research and development funds. This funding opportunity announcement is available online at www.grants.gov.

ABOUT METHANE HYDRATES

In 2008, the DOE entered into cooperative agreements with India, Korea, and Japan to further gas hydrate research.



Methane hydrates are an unconventional source of natural gas in the form of cage-like webs of ice that contain trapped methane. Methane hydrates are usually found where cold temperatures persist, such as the Arctic and Siberia, and under the ocean floor at depths greater than 300 meters, where high pressure dominates. Large deposits have been found in the Gulf of Mexico and other U.S. waters.

The U.S. Geological Survey has estimated that worldwide methane hydrates reserves contain twice the amount of carbon as all known fossil fuels on Earth. Sources: EIA and USGS

Sources: Platts *Gas Daily* and www.doe.gov

Data

- March Natural Gas Futures Contract (January 30) NYMEX at Henry Hub closed at \$4.417.
- March Light, Sweet Crude Oil Futures Contract (January 30) NYMEX at Cushing closed at \$41.68 per Bbl. or approximately \$6.64 per MMBtu.

Heating Degree Days

From 1/25/09 thru 1/31/09, Texas and the U.S. experienced much cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are **10% below normal for Texas** and 1% above normal for the U.S.

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

Heating Degree Days (HDD) Week ending 1/31/09

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	244	43	2340	-13 %
Austin	122	20	1123	0 %
DFW	168	27	1258	-21 %
El Paso	111	-22	1393	-20 %
Houston	94	3	830	-19 %
San Antonio	96	-1	803	-26 %
Texas**	128	13	1200	-10 %
U.S.**	227	23	2676	+1 %

* 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 Dips Below 2.4 Tcf

U.S. working gas in underground storage was 2,374 Bcf for the week ending 1/23/09, a decrease of 186 Bcf from the prior week. A year ago, U.S. gas storage was 2,340 Bcf. The 2004 to 2008 5-year U.S. average for this week was 2,345 Bcf. Working gas in storage for this week in the producing region (which includes Texas) was 808 Bcf compared to 745 Bcf a year ago and 723 Bcf for the 2004 to 2008 5-year average.

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

U. S. Working Gas in Storage (Bcf) Week ending 1/23/09

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1212	1343	-131	- 8.3 %
West	354	361	-7	+18 %
Producing	808	856	-48	+11.8 %
Lower 48 Total	2374	2560	-186	+1.2 %

U.S. Gas Rigs Trend Lower to 1150

The U.S. gas rig count was down 35 for the week and down 282 compared to twelve months ago. The U.S. total rig count was down 43 for the week and down 291 compared to twelve months ago.

Source: Baker Hughes, Inc.

Baker Hughes Rotary Rig Count (1/30/09)

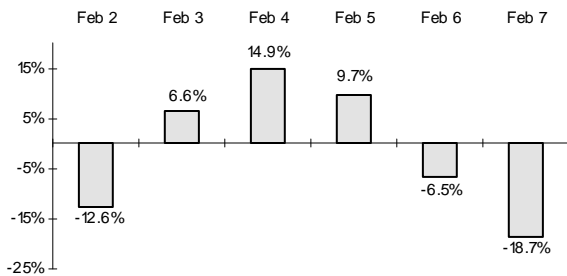
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1472	-43	1763	-291
Gas	1150	-35	1432	-282
Oil	309	-9	324	-15
Texas	662	-21	859	-197
N. Amer.	1904	-37	2356	-452

Energy Use Forecasted to Fluctuate in U.S.

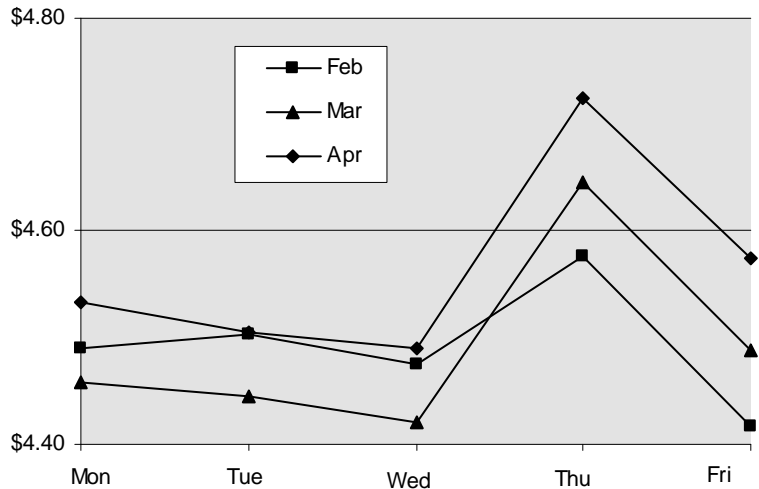
Both above and below normal energy use are forecasted for the U.S. this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. Energy Use Forecast

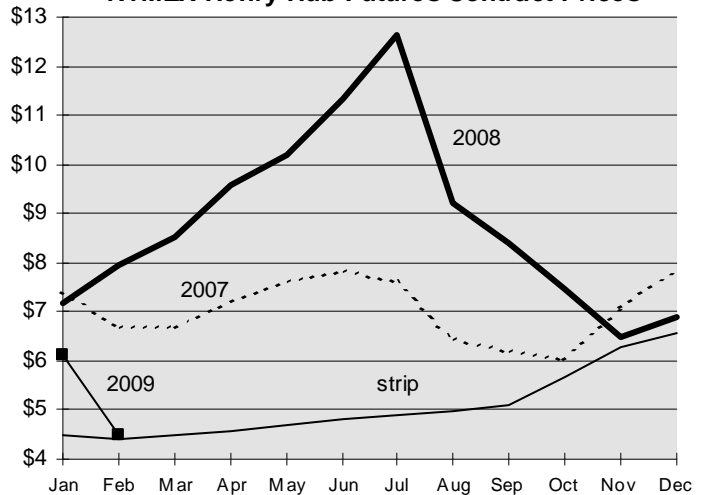


NYMEX Natural Gas Price Movement 1/26/09 -1/30/09



Note: The February futures contract expired on Wednesday, 1/28/09.

NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 1/30/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (March Futures)				
NYMEX	\$4.417	-\$0.384	-\$4.091	\$5.253