

**February 9, 2009**

**Natural Gas Trends**

**Highlights**

**TEXAS COMPANIES ANNOUNCE 2008 RESULTS**

Houston-based **Newfield Exploration Company** announced a 2008 year-end loss of \$373 million. The loss reflects a \$1.8 billion reduction (\$1.2 billion after-tax) in the carrying value of its oil and gas properties due to lower commodity prices at year-end, a net unrealized gain on commodity derivatives of \$665 million (\$429 million after-tax), and a goodwill impairment of \$62 million. For the 4<sup>th</sup> quarter of 2008, Newfield recorded a net loss of \$789 million. Newfield is listed on the NYSE, ticker symbol NFX.

Source: [www.newfield.com](http://www.newfield.com)

Dallas-based **Atmos Energy** announced 2008 net income of \$180.3 million, a 7% increase over the company's 2007 net income of \$168.5 million. Regulated operations contributed \$134.1 million to 2008 net income while nonregulated operations contributed \$46.2 million. For Atmos' 1st quarter of 2009 ended 12/31/08, net income was \$76 million compared to the company's 1st quarter income of \$73.8 million in 2007. First quarter results included a 25% increase in net income from the company's regulated gas distribution business, largely due to \$15 million of rate increases in the Mid-Tex and Louisiana divisions. Atmos is listed on the NYSE, ticker symbol ATO.

Source: [www.atmosenergy.com](http://www.atmosenergy.com)

Houston-based **EOG Resources, Inc.** announced 2008 net income "available to common stockholders" of \$2.4 billion, more than double the company's 2007 net income of \$1.1 billion. EOG's reported net income included, in part, a \$735 million gain (\$473 million after tax) from the company's investments in derivatives contracts. For the 4<sup>th</sup> quarter ended 12/31/08, EOG reported net income of \$461.5 million compared to 4<sup>th</sup> quarter net income of \$458 million in 2007. EOG is listed on the NYSE, ticker symbol EOG.

Source: [www.egresources.com](http://www.egresources.com)

Houston-based **Marathon Oil Corporation** announced 2008 net income of \$3.5 billion about 11% less than net income of nearly \$4 billion reported in 2007. For the 4<sup>th</sup> quarter of 2008, Marathon reported a net loss of \$41 million compared to net income of \$668 million during the 4<sup>th</sup> quarter of 2007. The 2008 year-end results include a \$1.4 billion expense related to the impairment of goodwill in the company's Oil Sands Mining segment and a \$182 million gain from the company's trading of foreign currency derivative instruments. Marathon is listed on the NYSE, ticker symbol MRO.

Source: [www.marathon.com](http://www.marathon.com)

**RULE CHANGE**

Current SEC rules require firms to value reserves based on year-end commodity prices, leading to significant asset writedowns affecting reported 2008 profits for the oil and gas industry.

The SEC recently modified its reserve valuation rules to include an average commodity price rather than a single-day price, but the new rules do not take effect until year-end 2009. Source: *Platts Gas Daily*

**Data**

- March Natural Gas Futures Contract (February 6) NYMEX at Henry Hub closed at \$4.774
- March Light, Sweet Crude Oil Futures Contract (February 6) NYMEX at Cushing closed at \$40.17 per Bbl. or approximately \$6.40 per MMBtu.

**Heating Degree Days**

From 2/1/09 thru 2/7/09, Texas experienced warmer than normal weather while the U.S. experienced cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are **11% below normal for Texas** and 1% above normal for the U.S.

Source: NOAA ([www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov))

*Heating Degree Days (HDD) Week ending 2/7/09*

| City or Region | Week Total HDD | Week HDD +/- from Normal * | Year-to-date Total HDD | YTD, % +/- from Normal * |
|----------------|----------------|----------------------------|------------------------|--------------------------|
| Amarillo       | 131            | -61                        | 2471                   | -14 %                    |
| Austin         | 70             | -24                        | 1193                   | - 2 %                    |
| DFW            | 78             | -52                        | 1336                   | - 22 %                   |
| El Paso        | 84             | -38                        | 1477                   | - 21 %                   |
| Houston        | 56             | -31                        | 886                    | - 20 %                   |
| San Antonio    | 38             | -52                        | 841                    | -28 %                    |
| Texas**        | 77             | -31                        | 1277                   | -11 %                    |
| 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 Declines to 2,179 Bcf**

For week ending 1/30/09, U.S. working gas in storage declined to 2,179 Bcf as compared to 2,119 Bcf in storage a year ago and 2,162 Bcf for the 2004 to 2008 5-year average. Working gas in storage in the producing region (which includes Texas) dropped to 758 Bcf, significantly higher than 684 Bcf in storage a year ago and 678 Bcf for the 2004 to 2008 5-year average.

Source: EIA ([www.eia.doe.gov](http://www.eia.doe.gov))

*U. S. Working Gas in Storage (Bcf) Week ending 1/30/09*

| Region         | This Week | Last Week | Change | Current Δ from 5-Year Average (%) |
|----------------|-----------|-----------|--------|-----------------------------------|
| East           | 1087      | 1212      | -125   | - 9.8 %                           |
| West           | 334       | 354       | -20    | +19.3 %                           |
| Producing      | 758       | 808       | -50    | +11.8 %                           |
| Lower 48 Total | 2179      | 2374      | -195   | + 8 %                             |

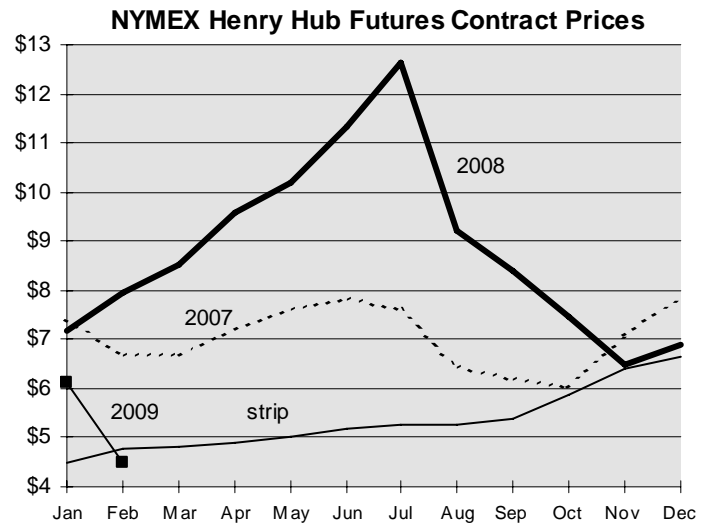
### U.S. Gas Rigs Trend Lower to 1104

The U.S. gas rig count was down 46 for the week and down 320 compared to 12 months ago. The U.S. total rig count was down 73 for the week and down 356 compared to 12 months ago. The number of rigs in Alaska, Arkansas, Louisiana, and North Dakota increased over the past 12 months.

Source: Baker Hughes, Inc.

**Baker Hughes Rotary Rig Count (2/6/09)**

|          | This Week | +/- Last Week | Year Ago | +/- Year Ago |
|----------|-----------|---------------|----------|--------------|
| U.S.     | 1399      | -73           | 1755     | -356         |
| Gas      | 1104      | -46           | 1424     | -320         |
| Oil      | 283       | -26           | 324      | -41          |
| Texas    | 612       | -50           | 872      | -260         |
| N. Amer. | 1834      | -70           | 2353     | -519         |

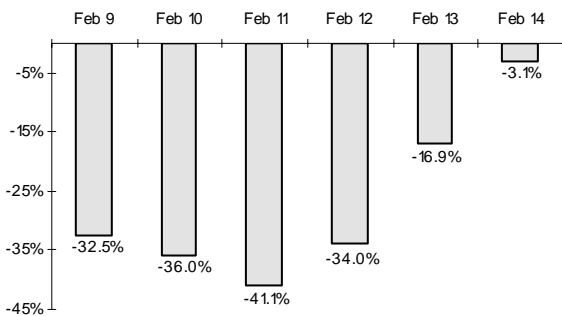


### Below Normal Energy Use Forecasted For U.S.

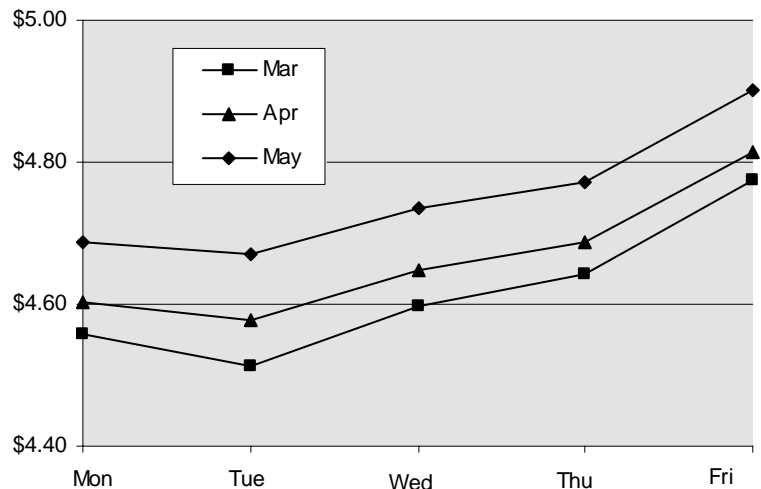
Significantly lower than normal energy use is forecasted for the U.S. this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

**U.S. Energy Use Forecast**



**NYMEX Natural Gas Price Movement 2/2/09 - 2/6/09**



### Gas Price Summary 2/6/09

|                      | This Week | +/- Last Week | +/- Last Year | 12-Month Strip Avg. |
|----------------------|-----------|---------------|---------------|---------------------|
| U.S. (March Futures) |           |               |               |                     |
| NYMEX                | \$4.774   | \$0.357       | -\$3.734      | \$5.517             |