

February 17, 2009

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) February 10, 2009 *Short-Term Energy Outlook*:

Spot prices, natural gas. The Henry Hub natural gas spot price is expected to average \$5.01 per Mcf in 2009 compared to \$9.13 per Mcf in 2008 and \$7.17 per Mcf in 2007. In January of 2009, the Henry Hub average spot price was \$5.40 per Mcf – only 41% of the June 2008 average of \$13.07. EIA attributes the decline in natural gas prices to continued weak demand.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average \$43 per barrel in 2009. The WTI average spot price for crude oil averaged about \$100 in 2008 and \$72 in 2007. OPEC is scheduled to meet in Vienna on March 15 to consider another production cut to mitigate "some of the slack" in world oil market prices. In recent months, OPEC twice revised production targets downward to stabilize prices.

U.S. real gross domestic product (GDP) is expected to decline by 2.7% in 2009, triggering decreases in domestic energy consumption for all major fuels.

Consumption. The U.S. economic downturn is contributing to a decline in natural gas consumption, particularly in the industrial sector. Total U.S. natural gas consumption is expected to decline by 1.3% in 2009. Consumption in the industrial and electric power sectors is expected to decline in 2009 by 5.1% and 1%, respectively.

Production. Total U.S. marketed natural gas production, which increased by approximately 5.9% in 2008, is projected to increase only slightly in 2009. Drilling activity has significantly declined as the number of working natural gas rigs has dropped by more than 31% since August 2008; thus, natural gas production is expected to decline in the second half of 2009.

Imports. Liquefied natural gas (LNG) imports are expected to total 369 Bcf in 2009 depending, in part, on the timing of supply additions in Russia, Norway, Qatar and Yemen. U.S. imports of LNG totaled about 350 Bcf in 2008 and 771 Bcf in 2007.

Source: www.eia.doe.gov

Data

- March Natural Gas Futures Contract (February 13), NYMEX at Henry Hub closed at \$4.452
- March Light, Sweet Crude Oil Futures Contract (February 13), NYMEX at Cushing closed at \$37.51 per Bbl. or approximately \$5.97 per MMBtu

Heating Degree Days

From 2/8/09 thru 2/14/09, Texas and the U.S. experienced warmer than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are 14% below normal for Texas and 1% below normal for the U.S.

Heating Degree Days (HDD) Week ending 2/14/09

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	145	-35	2616	-14 %
Austin	27	-59	1220	-6 %
DFW	42	-77	1378	-25 %
El Paso	109	-2	1586	-20 %
Houston	13	-67	899	-24 %
San Antonio	8	-73	849	-32 %
Texas**	39	-59	1316	-14 %
U.S.**	143	-46	3021	-1 %

* A plus (+) value = cooler than normal; a minus (-) value = warmer than normal.
 ** State and U.S. degree-days are population-weighted by NOAA.

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

U.S. Gas Storage Level Declines to 2,020 Bcf

For the week ending 2/6/09, U.S. working gas in storage declined to 2,020 Bcf as compared to 1,976 Bcf in storage a year ago and 1,996 Bcf for the 2004 to 2008 5-year average. Working gas in storage in the producing region (which includes Texas) dropped to 721 Bcf, significantly higher than 651 Bcf in storage a year ago and 635 Bcf for the 2004 to 2008 5-year average.

U. S. Working Gas in Storage (Bcf) Week ending 2/6/09

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	972	1087	-115	- 11.8 %
West	327	334	-7	+ 26.3 %
Producing	721	758	-37	+ 13.5 %
Lower 48 Total	2020	2179	-159	+ 1.2 %

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

U.S. Gas Rigs Trend Lower to 1,054

The U.S. gas rig count was down 50 for the week and down 374 compared to 12 months ago. The U.S. total rig count was down 60 for the week and down 434 compared to 12 months ago. As of 2/13/09, 19.3% of North American rigs were directional, 37.1% horizontal, and 43.5% vertical.

Source: Baker Hughes, Inc.

Baker Hughes Rotary Rig Count (2/13/09)

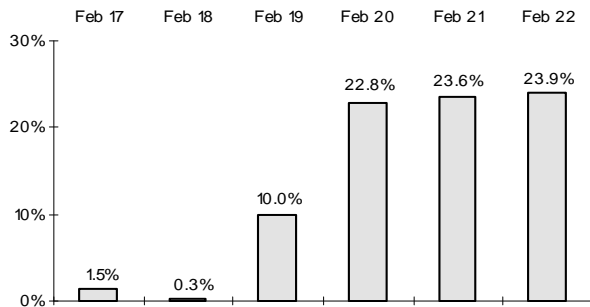
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1339	-60	1773	-434
Gas	1054	-50	1428	-374
Oil	273	-10	339	-66
Texas	581	-31	875	-294
N. Amer.	1760	-74	2405	-645

Above Normal Energy Use Forecasted For U.S.

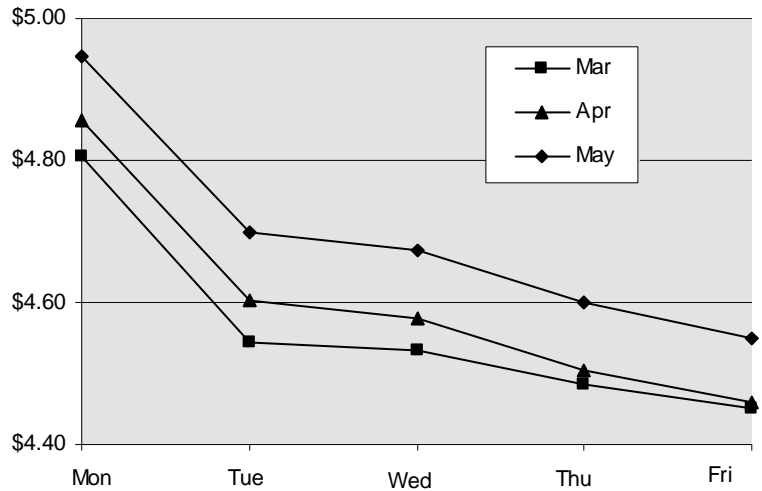
Higher than normal energy use is forecasted for the U.S. this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

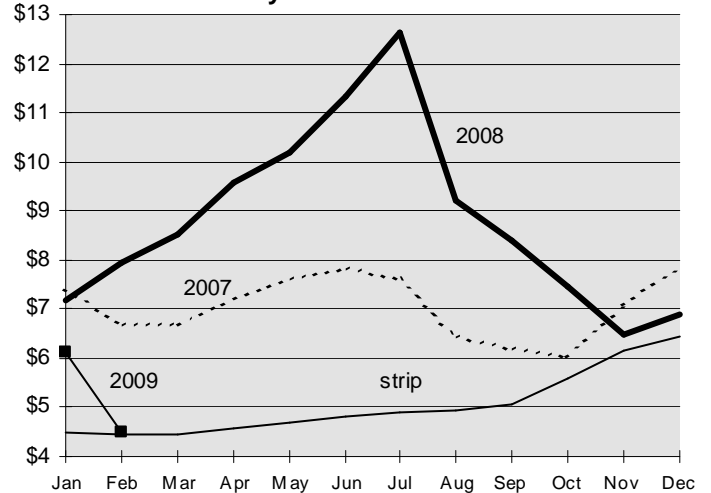
U.S. Energy Use Forecast



NYMEX Natural Gas Price Movement 2/9/09 - 2/13/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 2/13/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (March Futures)				
NYMEX	\$4.452	-\$0.322	-\$4.056	\$5.210