

April 6, 2009

# Natural Gas Trends

## Highlights

### GAS STORAGE CAPACITY LIMITS MAY BE TESTED

**EIA estimates gas storage limit.** As the end of winter nears, U.S. gas storage levels remain unusually high – in excess of 1.6 Tcf. The Energy Information Administration (EIA) estimated last fall that, as of mid-2008, U.S. natural gas storage capacity was approximately 92% of the designed working gas storage capacity of 3.7 Tcf. (For a variety of reasons, natural gas storage operational capacity is not equivalent to natural gas storage design capacity.) As the summer injection season progresses through 2009, U.S. storage capacity limits could be tested. If storage capacity limits are met, storage operators may have to curtail late-season injections, potentially impacting domestic gas markets and imports.

### Houston storage companies make headlines.

Cadeville Gas Storage, a subsidiary of Houston-based Cardinal Gas Storage Partners, announced a non-binding open season from 3/31 thru 4/30 for a proposed 16.5 Bcf gas storage facility near Monroe, Louisiana, scheduled to be available in 2011. Houston-based Bobcat Gas Storage received approval from FERC to more than double its storage capacity in the Gulf Coast region to 52 Bcf, beginning in 2010. Houston-based Multifuels has proposed to build the first natural gas storage facility located in Arizona, a 5 Bcf facility that will serve Arizona's gas utilities beginning in 2013, if legislative and regulatory approvals are received. Houston-based Floridian Natural Gas Storage plans to build a \$600 million gas storage facility in Florida, a state with a history of hurricane-related utility outages. However, the project is currently on hold because Florida's gas utilities have not agreed to use the capacity. Florida consumer groups have publicly supported construction of the gas storage facility in south Florida, arguing that Florida's gas utilities are undermining the state's increasingly gas-dependent electric system by relying on out-of-state gas storage.

Sources: *Platts Gas Daily* 3/16/09, 3/23/09, 3/25/09, 4/1/09, 4/6/09

### BIDS 3x CAPACITY

In a recent auction of 6 Bcf of natural gas storage capacity in north Texas, Houston-based Falcon Gas Storage Company received bids for more than triple the available capacity.

Nine companies submitted bids for about 20 Bcf of gas storage, although only 6 Bcf was available.

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

## Data

- May Natural Gas Futures Contract (April 3), NYMEX at Henry Hub closed at \$3.801
- May Light, Sweet Crude Oil Futures Contract (April 3), NYMEX at Cushing closed at \$52.51 per Bbl. or approximately \$8.36 per MMBtu

### Heating Degree Days

From 3/29/09 thru 4/4/09, Texas and the U.S. experienced warmer than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days were 14% below normal for Texas and 1% below normal for the U.S.

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

### Heating Degree Days (HDD) *Week ending 3/28/09*

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	109	+15	3353	- 16 %
Austin	38	+18	1524	- 6 %
DFW	48	+17	1793	- 22 %
El Paso	24	-15	1907	- 22 %
Houston	22	+2	1135	- 24 %
San Antonio	12	-6	1042	- 32 %
Texas**	28	-10	1626	- 14 %
U.S.**	115	-2	3909	- 1 %

\* A plus (+) value is cooler than normal; a minus (-) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.  
 \*\* State and U.S. degree-days are population-weighted by NOAA.

### U.S. Gas Storage Level Unchanged at 1,654 Bcf

For the week ending 3/27, U.S. working gas in storage remained flat at 1,654 Bcf, as compared to 1,282 Bcf in storage a year ago and 1,371 Bcf for the 5-year average from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased from 709 to 731 Bcf, as compared to 497 Bcf in storage a year ago and 520 Bcf for the 5-year average from 2004 to 2008.

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

### U. S. Working Gas in Storage (Bcf) *Week ending 3/27/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	641	664	-23	+ 1.9 %
West	282	281	+1	+ 39.6 %
Producing	731	709	+22	+ 40.6 %
Lower 48 Total	1654	1654	0	+ 22.4 %

### U.S. Gas Rig Count Drops to 808

The U.S. **gas** rig count was down 2 for the week and down 650 when compared to 12 months ago. The U.S. **total** rig count was up 4 for the week and down 787 when compared to 12 months ago. The number of rigs increased this week in Alabama, Alaska, Kansas, Louisiana, Pennsylvania, Texas and West Virginia.

Source: Baker Hughes, Inc.

**Baker Hughes Rotary Rig Count (4/3/09)**

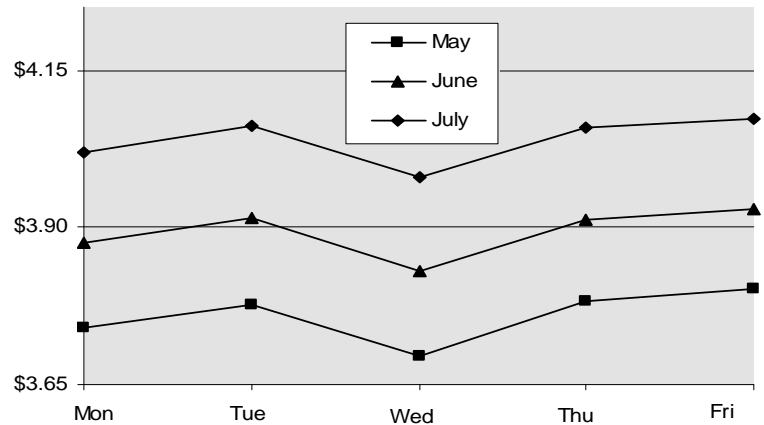
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1043	+4	1830	-787
Gas	808	-2	1458	-650
Oil	224	+7	362	-138
Texas	416	+3	904	-488
N. Amer.	1118	-25	1956	-838

### U.S. May Lack Capacity for Storage of LNG Imports

Charif Souki, Director of Commodity Research at Credit Suisse, recently projected that if U.S. storage facilities are too full to accept liquefied natural gas (LNG) imports this summer, LNG tankers may be turned away. If domestic natural gas prices are high relative to LNG prices, LNG could displace domestic gas, given storage capacity limits.

Source: Platts Gas Daily, 4/3/09

**NYMEX Natural Gas Price Movement 3/30/09 - 4/3/09**

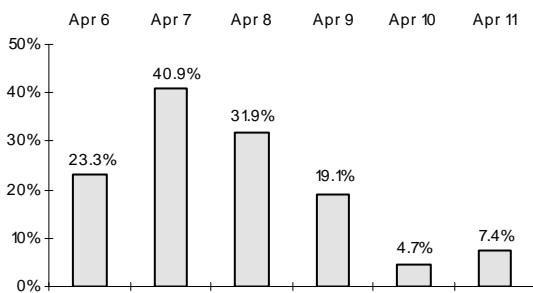


### U.S. Energy Use Higher This Week

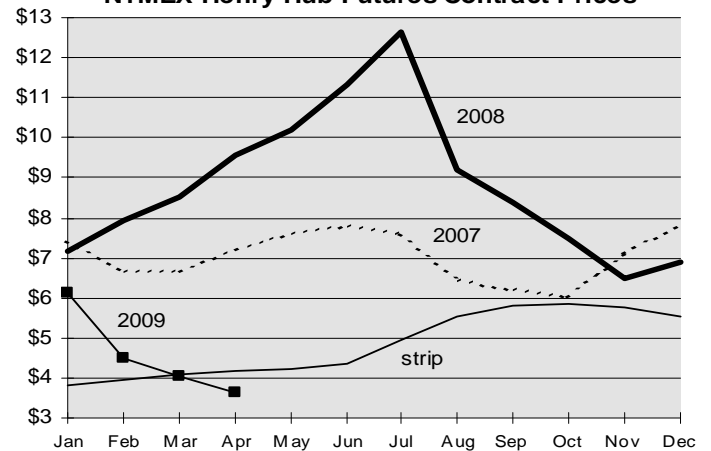
Higher than normal energy use is forecasted for the U.S. thru 4/11 according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

**U.S. Energy Use Forecast**



**NYMEX Henry Hub Futures Contract Prices**



### Gas Price Summary 4/3/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (May Futures)				
NYMEX	\$3.801	\$0.170	-\$6.406	\$4.838