

April 20, 2009

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) April 14, 2009 *Short-Term Energy Outlook*:

Spot prices, natural gas. The Henry Hub natural gas spot price is expected to average \$4.24 per Mcf in 2009 compared to \$9.13 per Mcf in 2008 and \$7.17 per Mcf in 2007. In March of 2009, the Henry Hub average spot price was \$4.08 per Mcf – only 31% of the June 2008 average of \$13.07. EIA attributes the decline in natural gas prices to continued lower consumption, triggered by the economic slowdown and higher production levels.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average \$53 per barrel in 2009. The WTI average spot price for crude oil averaged about \$100 in 2008 and \$72 in 2007.

Electric power sector consumption is expected to rise slightly by .7% in 2009. The demand for natural gas powered electricity is expected to increase because, in certain regions of the U.S., low-priced natural gas may likely displace coal for power production.

Consumption. The economic downturn is continuing to affect demand for natural gas. U.S. natural gas consumption is expected to decline overall by 1.8% in 2009. U.S. industrial sector consumption is expected to decline by 7.4%. Natural gas consumption by U.S. residential and commercial customers is projected to rise slightly in 2009, given that consumption from these two sectors is influenced more by weather than by macroeconomic conditions.

Production. Total U.S. marketed natural gas production, which increased by approximately 5.9% in 2008, is projected to decline by .3% in 2009. Supply curtailments may be necessary as natural gas storage levels approach capacity limits during the summer of 2009.

Imports. Liquefied natural gas (LNG) imports to the U.S. are expected to total 480 Bcf in 2009. U.S. imports of LNG totaled about 352 Bcf in 2008 and 771 Bcf in 2007.

Source: www.eia.doe.gov

Data

- May Natural Gas Futures Contract (April 17), NYMEX at Henry Hub closed at \$3.729
- May Light, Sweet Crude Oil Futures Contract (April 17), NYMEX at Cushing closed at \$50.33 per Bbl. or approximately \$8.01 per MMBtu

Heating Degree Days

From 4/12/09 thru 4/18/09, Texas and the U.S. experienced cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days were 12% below normal for Texas and normal for the U.S.

Source: www.cpc.ncep.noaa.gov

Heating Degree Days (HDD) *Week ending 4/18/09*

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	73	+5	3543	- 14 %
Austin	8	-1	1560	- 5 %
DFW	24	+7	1861	- 20 %
El Paso	34	+11	1974	- 21 %
Houston	3	-8	1158	- 23 %
San Antonio	0	-8	1064	- 32 %
Texas**	24	+7	1734	- 12 %
U.S.**	93	+12	4220	0 %

* 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. Working Gas in Storage at 1,695 Bcf

For the week ending 4/10, U.S. working gas in storage increased from 1,674 to 1,695 Bcf, as compared to 1,257 Bcf in storage a year ago and 1,384 Bcf for the 5-year average from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased from 744 to 756 Bcf, as compared to 502 Bcf in storage a year ago and 543 Bcf for the 5-year average from 2004 to 2008.

Source: www.eia.doe.gov

U. S. Working Gas in Storage (Bcf) *Week ending 4/10/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	651	647	+ 4	+ 2.7 %
West	288	283	+ 5	+ 39.1 %
Producing	756	744	+ 13	+ 39.2 %
Lower 48 Total	1695	1674	+ 21	+ 22.5 %

U.S. Gas Rig Count Drops to 760

The U.S. gas rig count was down 30 for the week and down 701 when compared to 12 months ago. The U.S. total rig count was down 30 for the week and down 852 when compared to 12 months ago. Source: Baker Hughes, Inc.

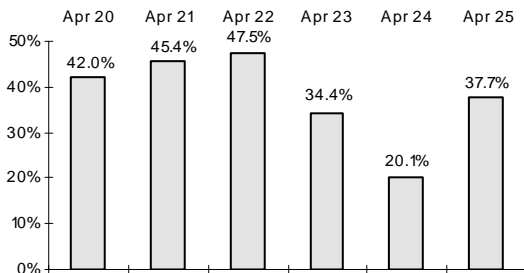
Baker Hughes Rotary Rig Count (4/17/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	975	-30	1827	-852
Gas	760	-30	1461	-701
Oil	205	+1	355	-150
Texas	384	-10	883	-499
N. Amer.	1049	-39	1923	-874

Above Normal Energy Use Expected This Week

Significantly 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

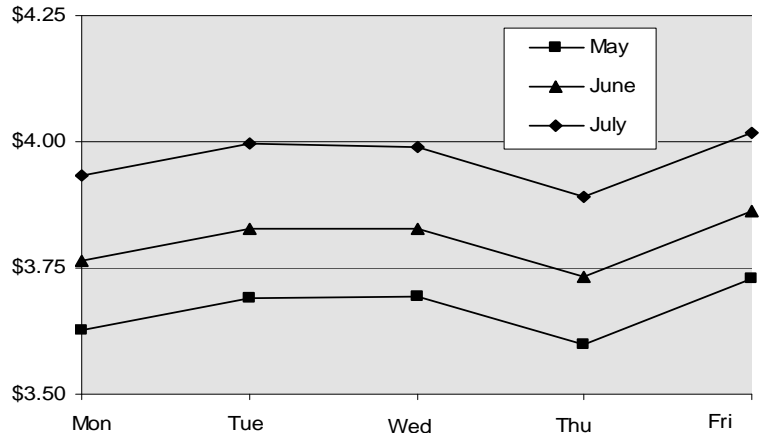


DOE Releases Shale Report

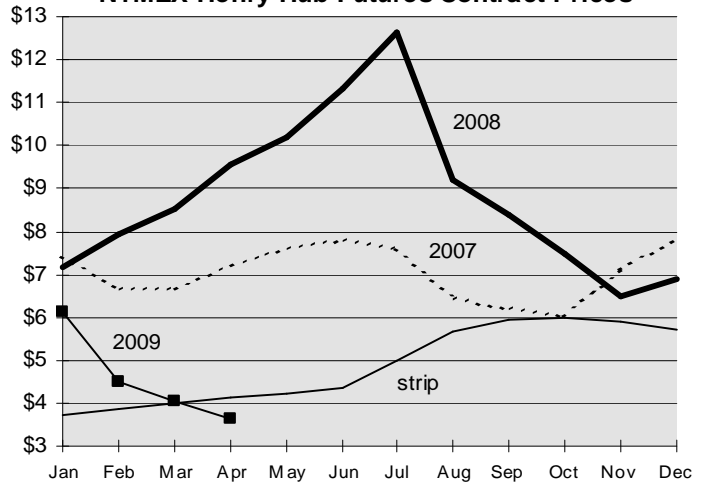
The U.S. Department of Energy (DOE) released on 4/14/09 a 96-page report for regulators, policymakers, and the public titled "Modern Shale Gas Development in the United States: A Primer." The document is at:

http://www.fe.doc.gov/programs/oilgas/publications/naturalgas_general/Shale_Gas_Primer_2009.pdf

NYMEX Natural Gas Price Movement 4/13/09 - 4/17/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 4/17/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (May Futures)				
NYMEX	\$3.729	\$0.119	-\$6.478	\$4.875