

May 11, 2009

Natural Gas Trends

Highlights

COLLABORATIVE DATA SHARING MAXIMIZES HAYNESVILLE SHALE ASSETS

Haynesville Shale Collaborative Exploitation Project.
 In April, Houston-based Object Reservoir, Inc. announced the *Haynesville Shale Collaborative Exploitation Project*, a data-sharing alliance between upstream oil and gas producers. The alliance was formed to “accelerate the learning curve for optimal exploitation of operators’ Haynesville shale assets, with best practices for well stimulation, completion, and spacing.”

According to Dr. Joel Walls, the Project Leader, there has been a strong positive sentiment among oil and gas operators in the alliance toward this idea of collaboration, rather than competition, about best practices and technology development.

Alliance members. The alliance includes Frisco-based Comstock Resources, Dallas-based EXCO Resources, Houston-based Petrohawk Energy, Houston-based BP America and other prominent Haynesville operators. Initially, the alliance included seven operators. That number has grown to eight operators with four more making progress toward formalizing their participation. If the alliance grows to at least 12 operators, as anticipated, data collection will be conducted on 60 participant wells.

Workshop kickoff. Members of the alliance met for their first workshop on 4/21/09 to discuss data collection, approaches to data modeling, and Securities and Exchange Commission guidelines. After the workshop, data collection commenced. The next workshop for alliance members will be held in September, 2009.

Project leadership. Object Reservoir, Inc. is a technology and services provider to the global upstream oil and gas industry. The company assists operators around the world in improving reservoir exploitation economics. For this project, Object Reservoir, Inc. partnered with Dallas-based DeGolyer and MacNaughton, a reserves determination consulting firm, to focus on practical prescriptions for “turning resources into reserves.”

Sources: www.objectreservoir.com, www.demac.com and Dr. Joel Walls, V.P. and Chief Petrophysicist for Object Reservoir, Inc.

Data

- June Natural Gas Futures Contract (May 8), NYMEX at Henry Hub closed at \$4.311
- June Light, Sweet Crude Oil Futures Contract (May 8), NYMEX at Cushing closed at \$58.63 per Bbl. or approximately \$9.34 per MMBtu

Heating Degree Days

From 5/3/09 thru 5/9/09, Texas and the U.S. experienced cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days were 13% below normal for Texas and 1% below normal for the U.S.

Source: www.cpc.ncep.noaa.gov

Heating Degree Days (HDD) *Week ending 5/9/09*

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	38	6	3647	- 14 %
Austin	0	0	1560	- 5 %
DFW	3	-4	1866	- 21 %
El Paso	0	-6	1977	- 22 %
Houston	0	0	1158	- 24 %
San Antonio	0	0	1064	- 32 %
Texas**	1	-4	1743	- 13 %
U.S.**	33	-15	4350	- 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. Working Gas in Storage at 1,918 Bcf

For the week ending 5/1/09, U.S. working gas in storage increased from 1,823 to 1,918 Bcf, as compared to 1,427 Bcf in storage a year ago and 1,556 Bcf for the 5-year average from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased from 805 to 831Bcf, as compared to 546 Bcf in storage a year ago and 597 Bcf for the 5-year average from 2004 to 2008.

Source: www.eia.doe.gov

U. S. Working Gas in Storage (Bcf) *Week ending 5/1/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	768	710	+ 58	+ 5.1 %
West	319	308	+ 11	+ 39.9 %
Producing	831	805	+ 26	+ 39.2 %
Lower 48 Total	1918	1823	+ 95	+ 23.3 %

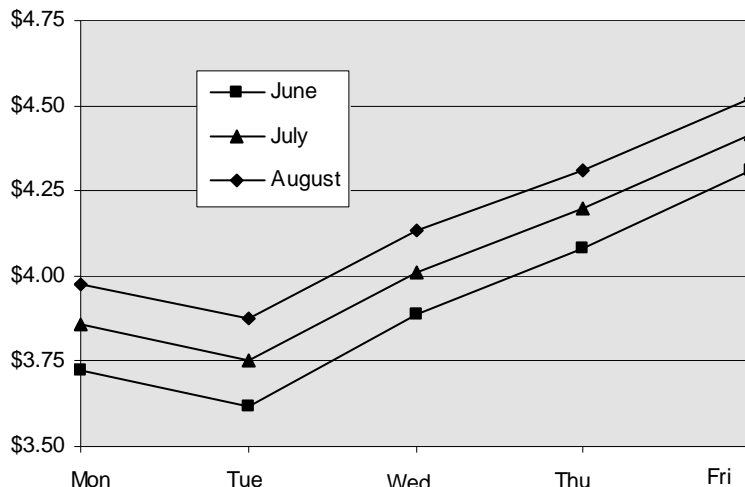
U.S. Gas Rig Count Drops to 730

The U.S. gas rig count was down 11 for the week and down 745 when compared to 12 months ago. The U.S. total rig count was down 17 for the week and down 918 when compared to 12 months ago. Source: Baker Hughes, Inc.

Baker Hughes Rotary Rig Count (5/8/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	928	-17	1846	-918
Gas	730	-11	1475	-745
Oil	190	-6	361	-171
Texas	355	-20	889	-534
N. Amer.	991	-21	1968	-977

NYMEX Natural Gas Price Movement 5/4/09 - 5/8/09

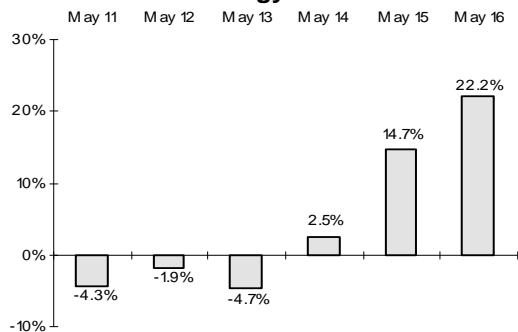


Energy Use Expected to Change From Below Normal to Above Normal This Week

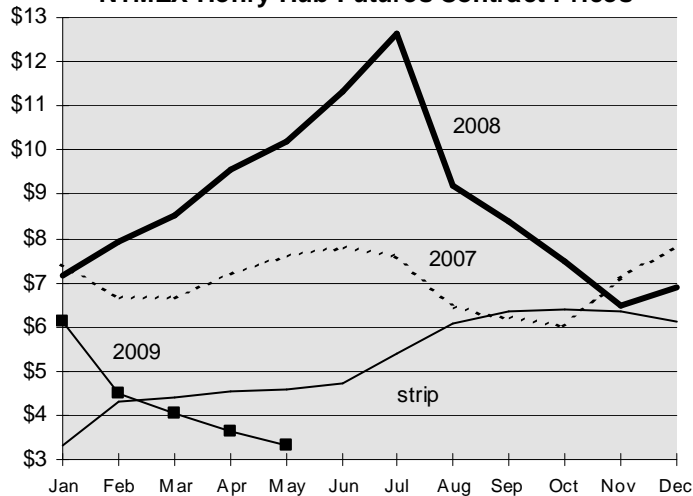
With the exception of 5/12/09, U.S. energy use is forecasted to increase this week from 4.3% below normal to 22.2% above normal, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. Energy Use Forecast



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 5/8/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (June Futures)				
NYMEX	\$4.311	\$1.014	-\$7.000	\$5.451