

July 20, 2009

Natural Gas Trends

Highlights

FERC TO AMEND RULES APPLICABLE TO SEC. 311 & HINSHAW PIPELINES

Market transparency. On 7/16/09, the Federal Energy Regulatory Commission (FERC) issued a *Notice of Proposed Rulemaking* (NOPR) outlining the agency's goal of increasing gas market transparency by changing reporting requirements applicable to certain intrastate pipelines, referred to as Sec. 311 pipelines and Hinshaw pipelines, over which it has jurisdiction pursuant to the Natural Gas Policy Act and the Natural Gas Act. The agency proposes:

- To require quarterly, rather than annual, transactional reports;
- To require reporting of storage transactions not currently reported, in addition to the current reporting of transportation transactions;
- To establish a procedure for electronic reporting to the FERC in a uniform format and posting of reports on the FERC's website; and
- To require that all information on such reports be made available to the public, without redaction.

In response to the *Notice of Inquiry*, which preceded the FERC's NOPR, the agency received comments from 18 parties. Nine commenters opposed the proposal. Five commenters recommended a limited alternative to the proposal. Four commenters advised imposing more stringent interstate requirements on Hinshaw and Sec. 311 pipeline companies.

Less stringent than interstate rules. The NOPR states that the proposed rules will increase market transparency without being unduly burdensome to pipeline companies. After modification of the reporting requirements for Sec. 311 and Hinshaw pipelines, such pipelines will continue to have less stringent requirements than interstate pipelines.

Comment period. Through the NOPR, the agency invited interested persons to comment on its proposed rule changes. Comments are due within 90

days from the date the NOPR is published in the Federal Register. A copy of the NOPR can be downloaded at: <http://elibrary.ferc.gov/idmws/search/advResults.asp>

Source: www.ferc.gov

Data

- August Natural Gas Futures Contract (July 17), NYMEX at Henry Hub closed at \$3.669
- August Light, Sweet Crude Oil Futures Contract (July 17), NYMEX at Cushing closed at \$63.56 per Bbl. or approximately \$10.12 per MMBtu

Deja vu: Cooling Degree Days High for Texas

From 7/13/09 thru 7/17/09, Texas experienced significantly warmer than normal weather while the U.S. experienced slightly cooler than normal weather. For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 17% above normal for Texas and 1% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

Cooling Degree Days (CDD) *Week ending 7/18/09*

City or Region	Week Total CDD	Week CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	116	+ 24	718	+ 14 %
Austin	158	+ 22	1675	+ 20 %
DFW	180	+ 40	1459	+ 23 %
El Paso	167	+ 41	1456	+ 25 %
Houston	160	+ 32	1772	+ 28 %
San Antonio	167	+ 29	1924	+ 33 %
Texas**	153	+ 25	1493	+ 17 %
U.S.**	70	- 4	564	+ 1 %

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

U.S. Gas Storage Injections Rise to 2,886 Bcf

For the week ending 7/10/09, U.S. working gas in storage increased from 2,796 to 2,886 Bcf, 25.6% higher than the 2,297 Bcf in storage a year ago and 18.7% higher than the 5-year average from 2004 to 2008 of 2,432 Bcf. Working gas in storage in the producing region (which includes Texas) increased from 1,013 to 1,032 Bcf.

Source: www.eia.doe.gov

U. S. Working Gas in Storage (Bcf) *Week ending 7/10/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1411	1349	+ 62	+ 9 %
West	443	434	+ 9	+ 25.9 %
Producing	1032	1013	+ 19	+ 31.3 %
Lower 48 Total	2886	2796	+ 90	+ 18.7 %

U.S. Gas Rig Count Drops To 665

The U.S. gas rig count was down 7 for the week and down 869 when compared to 12 months ago. The U.S. total rig count was up 4 for the week and down 1008 when compared to 12 months ago. Source: Baker Hughes, Inc.

Baker Hughes Rotary Rig Count (7/17/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S. total	920	+ 4	1928	- 1008
Gas	665	- 7	1534	- 869
Oil	244	+ 10	385	- 141
Texas	342	+ 6	922	- 580
N. Amer.	1072	- 22	2338	- 1266

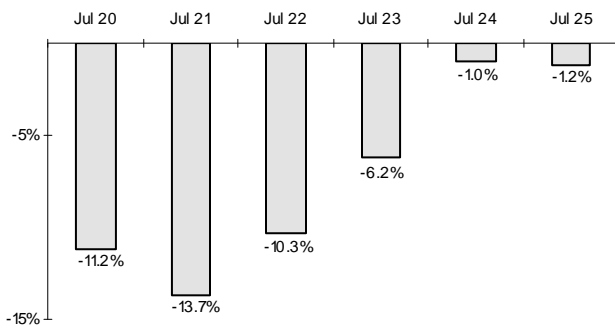
Rig counts and gas production used to rise and fall in tandem, but not so much now. Horizontal drilling techniques and advances in shale drilling technologies have, generally, led to large increases in production per rig.

U.S. Energy Use Below Normal This Week

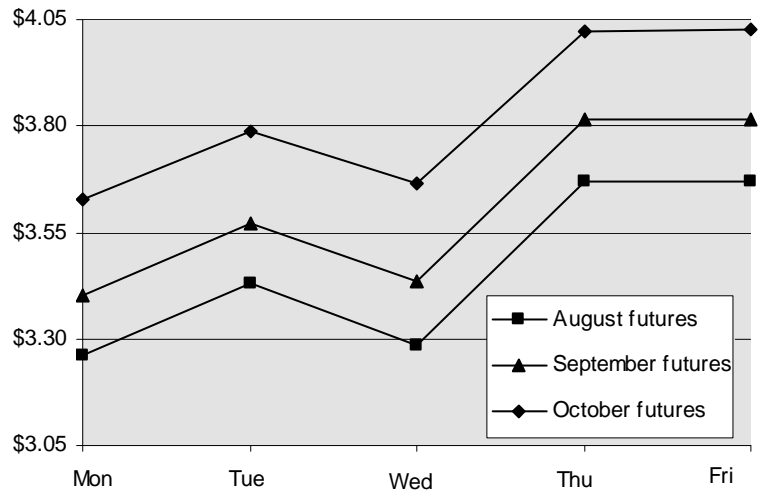
U.S. energy use is forecasted to be below normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

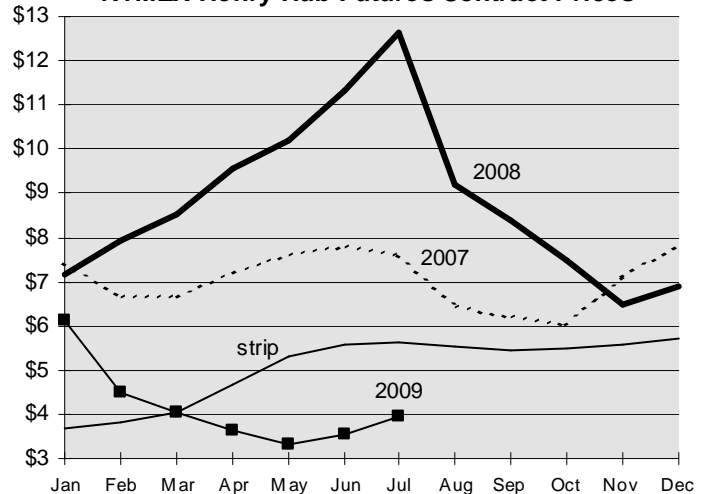
U.S. Energy Use Forecast



NYMEX Natural Gas Price Movement 7/13/09 - 7/17/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 7/17/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (August futures)				
NYMEX	\$3.669	\$0.296	-\$5.548	\$5.046