

August 17, 2009

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) August 11, 2009 Short-Term Energy Outlook:

Spot prices, natural gas. In July of 2009, the Henry Hub average spot price was \$3.50 per Mcf. Resilient production, high storage levels, and the potential for increases in both LNG and pipeline natural gas imports suggest that natural gas prices may fall below the current projected 2009 average of \$3.92 per Mcf before space-heating demand picks up this winter and before economic conditions improve. Prices averaged \$9.13 per Mcf in 2008 and \$7.17 per Mcf in 2007.

Beginning this month, EIA began reporting its projections regarding carbon dioxide (CO₂) emissions, which declined by 3.2% in 2008. EIA projects a 5% decline in CO₂ emissions in 2009.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average near \$70 per barrel during the 4th quarter of 2009. The WTI average spot price for crude oil averaged \$100 in 2008 and \$72 in 2007.

Consumption. U.S. natural gas consumption is expected to decline overall by 2.6% in 2009. The severe contraction during the first half of 2009 contributed to an estimated 3.8% drop in daily average natural gas consumption during the first half of 2009 compared with the first half of 2008, driven primarily by a drop in industrial activity.

Production. Total U.S. marketed natural gas production, which increased by approximately 5.9% in 2008, is projected to stay flat in 2009. Production is expected to decrease at a faster pace through the end of 2009 with some curtailments from existing production expected.

Imports. Liquefied natural gas (LNG) imports to the U.S. are expected to rise to about 500 Bcf in 2009 and 740 Bcf in 2010. Recent data suggest that European gas inventory levels are nearing capacity; thus, LNG shipments may be redirected to the U.S. Canadian inventories may also reach capacity soon. U.S. LNG imports totaled about 352 Bcf in 2008 and 771 Bcf in 2007.

Source: www.eia.doe.gov

Data

- September Natural Gas Futures Contract (Aug 14), NYMEX at Henry Hub closed at \$3.238
- September Light, Sweet Crude Oil Futures Contract (Aug 14), NYMEX at Cushing closed at \$67.51 per Bbl. or approximately \$10.75 per MMBtu

Cooling Degree Days Soar in Texas

From 8/9/09 thru 8/15/09, Texas and the U.S. experienced significantly warmer than normal weather. For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 14% above normal for Texas and normal for the U.S.

Source: www.cpc.ncep.noaa.gov

Cooling Degree Days (CDD) *Week ending 8/15/09*

City or Region	Week Total CDD	Week CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	85	+ 2	1056	+ 7 %
Austin	162	+ 22	2319	+ 19 %
Dallas - FW	147	+ 7	2019	+ 15 %
El Paso	136	+ 24	2037	+ 24 %
Houston	151	+ 21	2388	+ 25 %
San Antonio	170	+ 30	2598	+ 29 %
Texas**	141	+ 13	2046	+ 14 %
U.S.**	79	+ 10	849	0 %

* 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 at 3,152 Bcf

For the week ending 8/7/09, U.S. working gas in storage increased from 3,089 to 3,152 Bcf, compared to 2,560 Bcf in storage a year ago and compared to an average of 2,635 Bcf in storage during the 5-year period from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased this week from 1,068 to 1,073 Bcf.

U. S. Working Gas in Storage (Bcf) *Week ending 8/7/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1635	1579	+ 56	+ 11.1 %
West	444	442	+ 2	+ 20.3 %
Producing	1073	1068	+ 5	+ 35.1 %
Lower 48 Total	3152	3089	+ 63	+ 19.6 %

Source: www.eia.doe.gov

Gas Rig Count RISES to 688 this week

The gas rig count for the U.S. was up 7 for the week and down 898 when compared to 12 months ago. The U.S. total rig count was up 2 for the week and down 1,022 when compared to 12 months ago.

Baker Hughes Rotary Rig Count (8/14/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S. total	968	+ 2	1990	- 1022
Gas	688	+ 7	1586	- 898
Oil	272	- 5	395	- 123
Texas	355	- 6	931	- 576
N. Amer.	1138	- 23	2416	- 1278

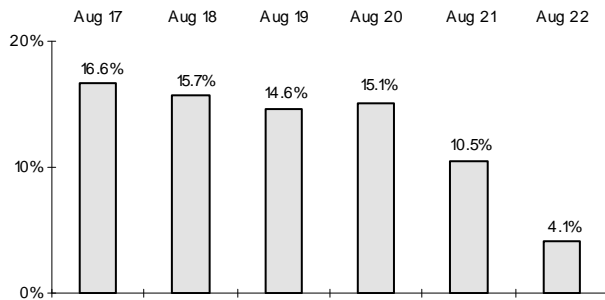
Source: Baker Hughes, Inc.

U.S. Energy Use Forecast For This Week

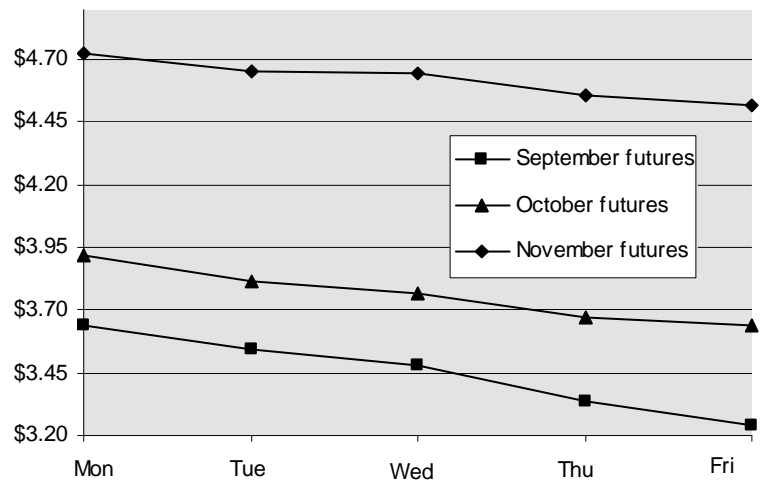
U.S. energy use is forecasted to be significantly above normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

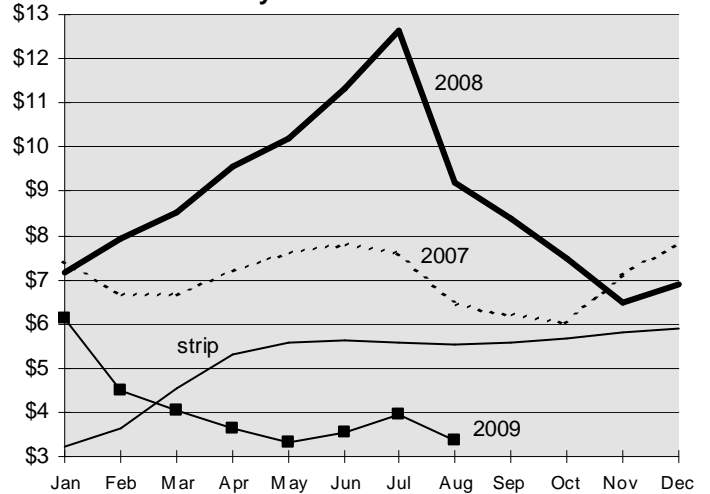
U.S. Energy Use Forecast



NYMEX Natural Gas Price Movement 8/10/09 - 8/14/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 8/14/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (August futures)				
NYMEX	\$3.238	-\$0.436	-\$5.156	\$5.168