

August 24, 2009

Natural Gas Trends

Highlights

GAS COMPANIES REPORT 2nd QUARTER RESULTS

Atmos Energy Corporation's net income for the quarter ending 6/30/09 was \$2 million, an increase of \$8.6 million when compared to the \$6.6 million loss during the same quarter last year. Atmos' \$2 million in net income for the quarter was primarily due to a 26% increase in net income derived from its Regulated Transmission and Storage segment. Gross profit for the quarter increased by \$13 million (+5%) and operating expenses decreased by about \$9 million (-4%), setting the stage for significant income growth; however, \$41.5 million of the company's \$43.7 million of operating income for the quarter was used to reduce interest expense. During the company's 8/5/09 earnings conference call, Atmos' management affirmed that the company's free cash flow is much higher than was forecasted in February; Atmos is using this cash flow to install automated meters and replace old pipelines. Atmos provides natural gas to 3.2 million customers in 12 states, including Texas.

Source: www.atmosenergy.com

CenterPoint Energy, Inc. reported second quarter net income of \$86 million, compared to net income of \$101 million during the same quarter last year. The amount the company spent to purchase natural gas was about \$1 billion lower than the amount spent for gas during the same quarter last year. During its 8/5/09 earnings conference call, CenterPoint's management acknowledged a \$663 million settlement pending approval by the Public Utility Commission of Texas for recovery of post-hurricane restoration costs. Management also noted that regulatory approvals have been requested for a \$25.4 million rate increase in the Houston area, a \$6.2 million rate increase in Mississippi, and a \$60 million rate increase in Minnesota. CenterPoint provides electricity and natural gas to more than 5 million metered customers in at least six states, including Texas.

Source: www.centerpointenergy.com

ONEOK, Inc. reported net income for the 2nd quarter of \$41.2 million, nearly identical to the 2nd quarter of 2008. As noted in the company's 8/5/09 earnings conference call, the City of Austin recently approved a \$1.1 million rate increase for ONEOK's Texas Gas Service Company, after reducing depreciation expenses by \$5 million. Following the Oklahoma Corporation Commission's establishment on 5/7/09 of earnings bands for ONEOK's Oklahoma Natural Gas, the company filed on 6/26/09 a request to increase rates by \$66 million. ONEOK anticipates approval by the Kansas Corporation Commission of a \$2.7 rate increase request in 2009. ONEOK provides natural gas to more than two million customers in Texas, Kansas, and Oklahoma.

Source: www.oneok.com

Data

- September Natural Gas Futures Contract (Aug 21), NYMEX at Henry Hub closed at \$2.804
- September Light, Sweet Crude Oil Futures Contract (Aug 21), NYMEX at Cushing closed at \$73.89 per Bbl. or approximately \$11.77 per MMBtu

Cooling Degree Days Much Higher Than Normal

From 8/16/09 thru 8/22/09, 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 15% above normal for Texas and 2% above normal for the U.S.

Cooling Degree Days (CDD) *Week ending 8/22/09*

City or Region	Week Total CDD	Week CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	64	- 12	1120	+ 6 %
Austin	160	+ 20	2479	+ 18 %
Dallas - FW	150	+ 15	2169	+ 14 %
El Paso	151	+ 44	2188	+ 25 %
Houston	150	+ 24	2538	+ 24 %
San Antonio	162	+ 27	2760	+ 29 %
Texas**	145	+ 22	2191	+ 15 %
U.S.**	79	+ 14	928	+ 2 %

* 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.

Source: www.cpc.ncep.noaa.gov

U.S. Gas Storage Injections at 3,204 Bcf

For the week ending 8/14/09, U.S. working gas in storage increased from 3,152 to 3,204 Bcf, compared to 2,642 Bcf in storage a year ago and compared to an average of 2,691 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 1,073 to 1,074 Bcf.

U. S. Working Gas in Storage (Bcf) *Week ending 8/14/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1681	1635	+ 46	+ 10.7 %
West	449	444	+ 5	+ 20.1 %
Producing	1074	1073	+ 1	+ 34.4 %
Lower 48 Total	3204	3152	+ 52	+ 19.1 %

Source: www.eia.doe.gov

Gas Rig Count RISES to 695 this week

The gas rig count for the U.S. was up 7 for the week and down 899 when compared to 12 months ago. The U.S. total rig count was up 17 for the week and down 1,013 when compared to 12 months ago. In Texas, most districts had higher rig counts; District 10 (far west) had an unusually large 10-rig increase.

Baker Hughes Rotary Rig Count (8/21/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S. total	985	+ 17	1998	- 1013
Gas	695	+ 7	1594	- 899
Oil	280	+ 8	395	- 115
Texas	372	+ 17	931	- 559
N. Amer.	1149	+ 11	2455	- 1306

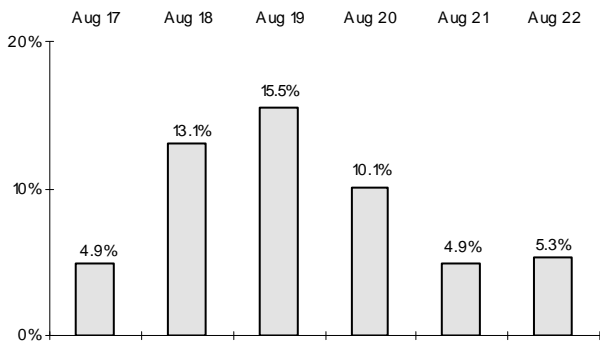
Source: Baker Hughes, Inc.

U.S. Energy Use Forecast For This Week

U.S. energy use is forecast 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

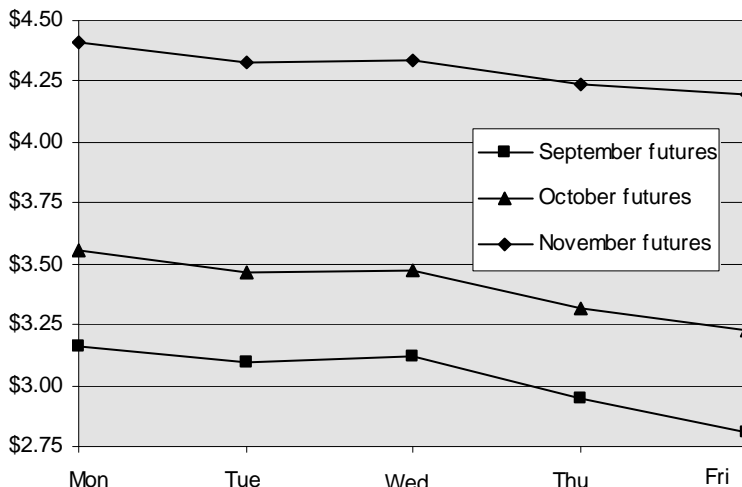
U.S. Energy Use Forecast



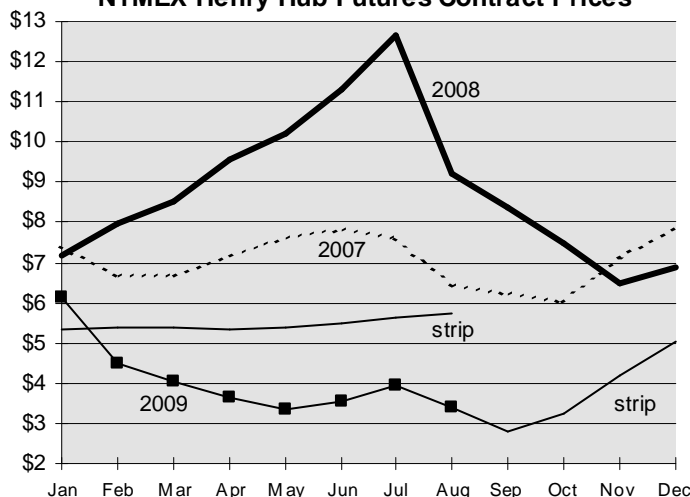
NYMEX Settles At 7-Year Low

On Thursday, 8/20/09, the NYMEX gas futures contract price settled below \$3 for the first time since 2002, as shown below for September futures.

NYMEX Natural Gas Price Movement 8/17/09 - 8/21/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 8/21/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (September futures)				
NYMEX	\$2.804	-\$0.870	-\$5.590	\$4.908