

September 14, 2009

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) September 9, 2009 Short-Term Energy Outlook:

Working horizontal rigs now represent more than half of the active natural gas drilling fleet.

Spot prices, natural gas. The Henry Hub average spot price was \$3.23 per Mcf in August. EIA projects an annual average Henry Hub natural gas spot price per Mcf of \$3.65 in 2009 and \$4.78 in 2010. Prices averaged \$9.13 per Mcf in 2008 and \$7.17 per Mcf in 2007.

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. total natural gas consumption is projected to decline by 2.4% in 2009 and to remain flat in 2010. Industrial sector consumption declined by 12% during the 1st half of 2009. In 2010, EIA expects commercial and industrial consumption to increase slightly while residential and electric power sector consumption are expected to remain flat.

Production. Despite plunging gas prices and a decline in the number of working natural gas drilling rigs, total U.S. marketed natural gas production is expected to increase slightly in 2009 by .9%. The current production trend reflects significant improvements in horizontal drilling technology and robust productivity from shale gas discoveries in Louisiana, Oklahoma, Arkansas, and Pennsylvania. Total U.S. marketed natural gas production increased by approximately 5.9% in 2008 and is projected to decrease by 3.5% in 2010.

As U.S. natural gas inventories swell to record-high levels, some curtailment of production is expected, given a U.S. storage capacity limit of about 3.9 Tcf.

Imports. Liquefied natural gas (LNG) imports to the U.S. are expected to rise to 460 Bcf in 2009 and to 660 Bcf in 2010. U.S. LNG imports totaled about 352 Bcf in 2008 and 771 Bcf in 2007.

CO² emissions. U.S. carbon dioxide (CO²) emissions from fossil fuels are expected to fall by 6% in 2009 because of weak economic conditions and declines in consumption. Coal emissions are expected to decline by 10% in 2009 because of fuel switching from coal to natural gas in the electric power sector.

Source: www.eia.doe.gov

Data

- October Natural Gas Futures Contract (Sep 11), NYMEX at Henry Hub closed at \$2.96
- October Light, Sweet Crude Oil Futures Contract (Sep 11), NYMEX at Cushing closed at \$69.29 per Bbl. or approximately \$11.03 per MMBtu

Cooling Degree Days Above Normal Year-to-date

For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 13% above normal for Texas and 1% above normal for the U.S. From 9/6/09 thru 9/12/09, Texas and the U.S. experienced near normal cooling degree days.

Cooling Degree Days (CDD) *Week ending 9/12/09*

City or Region	Week Total CDD	Week CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	45	- 4	1285	+ 4 %
Austin	101	- 13	2846	+ 15 %
Dallas - FW	113	+ 11	2531	+ 13 %
El Paso	88	+ 4	2500	+ 23 %
Houston	111	+ 4	2901	+ 22 %
San Antonio	103	- 11	3152	+ 25 %
Texas**	98	- 1	2526	+ 13 %
U.S.**	45	+ 2	1080	+ 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.

Source: www.cpc.ncep.noaa.gov

U.S. Gas Storage Injections Rise to 3,392 Bcf

For the week ending 9/4/09, U.S. working gas in storage increased from 3,323 to 3,392 Bcf, compared to 2,897 Bcf in storage a year ago and compared to an average of 2,889 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 1,086 to 1,099 Bcf.

U. S. Working Gas in Storage (Bcf) *Week ending 9/4/09*

Region	This Week	Last Week	Change	Current Δ from 5-Year Average (%)
East	1831	1776	+ 55	+ 9.8 %
West	462	461	+ 1	+ 18.5 %
Producing	1099	1086	+ 13	+ 32.4 %
Lower 48 Total	3392	3323	+ 69	+ 17.4 %

Source: www.eia.doe.gov

Gas Rig Count Stalls at 699 this week

The gas rig count for the U.S. was down 2 for the week and down 907 when compared to 12 months ago. The U.S. total rig count was down 10 for the week and down 1,032 when compared to 12 months ago.

Baker Hughes Rotary Rig Count (9/11/09)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S. total	999	- 10	2031	- 1032
Gas	699	- 2	1606	- 907
Oil	288	- 7	413	- 125
Texas	373	- 15	949	- 576
N. Amer.	1205	+ 12	2464	- 1259

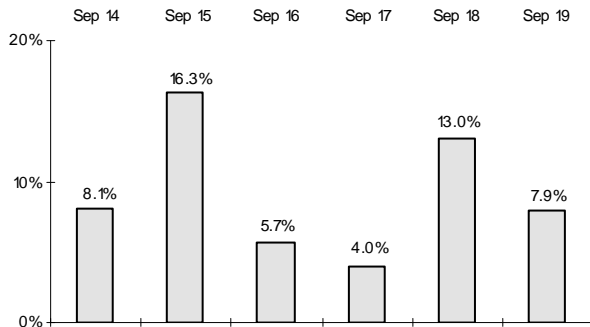
Source: Baker Hughes, Inc.

U.S. Energy Use Forecast: Up 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.

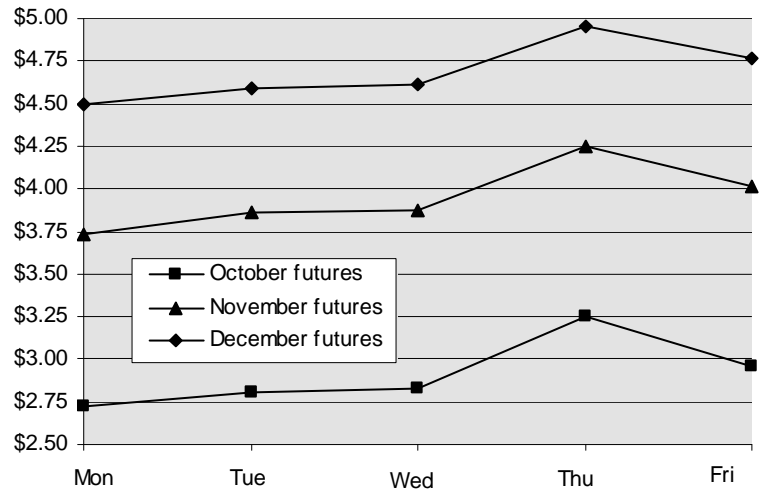
Source: Dominion Energy Index

U.S. Energy Use Forecast

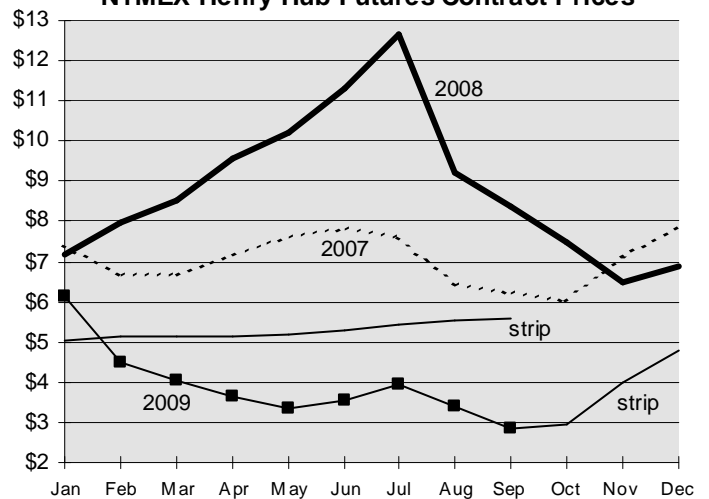


Special Report: On 9/11/09, the Energy Information Administration released a report on the international gas trade. The report details, for example, that in 2008 the U.S. exported gas to Japan (from Alaska) and imported gas from Canada, Egypt, Mexico, Nigeria, Norway (for the first time), Qatar and Trinidad. The report is available for download at: http://www.eia.doe.gov/pub/oil_gas/natural_gas/feature_articles/2009/ngimpexp2008/ngimpexp2008.htm

NYMEX Natural Gas Price Movement 9/7/09 - 9/11/09



NYMEX Henry Hub Futures Contract Prices



Gas Price Summary 9/11/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. October futures				
NYMEX	\$2.960	\$0.232	-\$4.512	\$4.934