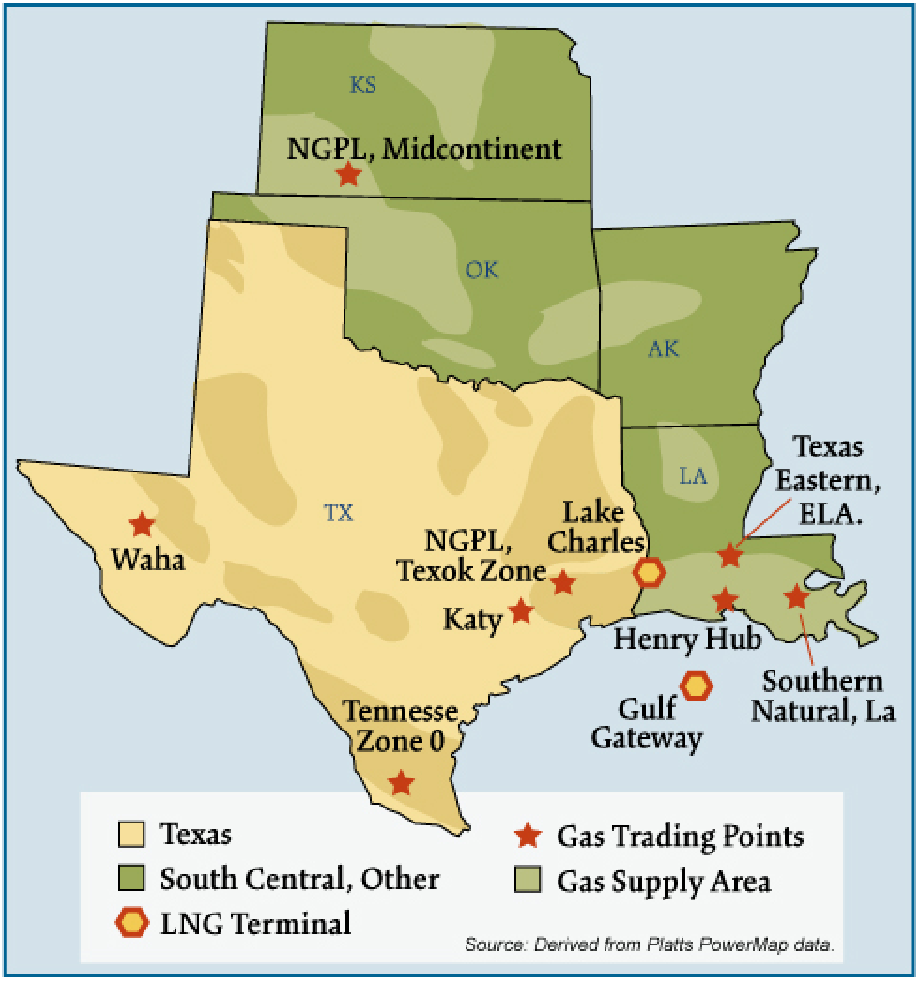
South Central Natural Gas Regions



Overview:

Market Description

The South Central is the key natural gas producing region in the United States. In 2005, it accounted for about 57 percent of total estimated dry natural gas production and nearly 50 percent of proved dry natural gas reserves. The region is home to almost 2 Tcf of storage capacity and innumerable interstate and intrastate pipeline interconnections and natural gas market centers and hubs such as the Henry, Katy, Moss Bluff and Waha Hubs. In 2005, regional gas consumption exceeded one-quarter of lower-48 natural gas production and represented one-third of lower-48 natural gas consumed by the electric power sector.

Geography

States covered: Arkansas, Kansas, Louisiana, Oklahoma, and Texas.

Major Trading Hubs

Henry Hub, Egan Hub, Waha Hub, Katy Hub, Houston Ship Channel, Moss Bluff Hub, Carthage Hub, NGPL TexOK, NGPL South Texas, and Southern Natural (Louisiana).

Updated May 4, 2007

Storage

State Capacity: Louisiana and Texas account for 65 percent of total South Central storage capacity. Over one-third of the storage facilities in the region are salt cavern facilities and represent almost 40 percent of regional storage deliverability. Storage facilities are well inter-connected to both intra-state and interstate pipelines. South Central storage enables customers in market areas (e.g., the Southeast, Mid-Atlantic and Northeast regions) to balance their daily needs and draw upon additional supplies on peak days.

Depleted Field Capacity: 92%
Salt Cavern: 8%
Total Capacity: South Central has 23 percent of total U.S. storage capacity.
Major Storage Pipelines and Capacity:

Louisiana
* Henry Hub: 15 Bcf
* Egan Hub: 14 Bcf
* Perryville: 97 Bcf

Texas
* Katy Storage: 21 Bcf
* Moss Bluff: 12 Bcf

Pipeline Flows

Average Daily Supply: The South Central region is a net exporter of natural gas mainly to downstream markets in the Midwest, Southeast, Mid-Atlantic and Northeast.

Major Pipelines: Texas Eastern Transmission, Tennessee Gas Pipeline, Southern Natural Gas, Transcontinental Gas Pipe Line, Gulf South Pipeline, CenterPoint Energy Gas Transmission, Natural Gas Pipeline Company of America, Trunkline Gas Company, Columbia Gulf Transmission Company, Texas Gas Transmission, and Florida Gas Transmission.

Updated May 4, 2007

Demand by Sector (2005):

- Residential: 6%
- Commercial: 5%
- Industrial: 44%
- Electric Utility: 34%

State: Louisiana and Texas account for 83 percent of total South Central demand. Those two states account for 22 percent of average annual U.S. demand.

South Central Total: 6.0 Tcf annually (16.4 Bcfd), which accounts for 27 percent of total U.S. daily demand.

Residential Consumer Total: 7.2 million which is approximately 11 percent of total residential consumers in the US.

Key Consuming States: Texas alone accounts for 55 percent of the total number of consumers in the South Central and about 6 percent of the total number of consumers in the U.S.

Residential Consumers: Account for 92 percent of total regional consumers but only 7 percent of overall demand, while the industrial sector accounts for 49 percent of overall demand.

Production

State: Texas, Oklahoma and Louisiana account for 93 pecent of South Central production.

Total: South Central production accounts for 45 percent of total U.S. production.

Prices

Henry Hub	2005	2006
Average Price	$8.11	$6.76
Highest Daily Price	$15.40	$9.92
Lowest Daily Price	$5.53	$3.67

Corrected August 6, 2007

Imports and Exports

International gas imports and exports still play a minor role in the South Central market when compared to regional domestic gas production. Pipeline imports from Mexico are negligible; exports to Mexico averaged about 800 MMMcfd in 2006. LNG is poised to reflect a growing share of regional supplies. The Lake Charles and Excelerate Energy Bridge LNG facilities complement domestic regional gas supplies. Although Lake Charles accounted for a growing share of U.S. LNG imports in 2006 average utilization at the terminal remains low and imports depend mainly on U.S. supply and demand market dynamics versus gas requirements, pricing, and logistics in competing markets.

Imports at Lake Charles LNG Plant:

2004: 0.5 Bcfd
2005: 0.3 Bcfd
2006: 0.4 Bcfd

Imports from Mexico into the U.S.: Flows are negligible averaging 0.01 Bcfd thus far in 2006.

Exports from US into Mexico:

2005: 0.7 Bcfd
2006: 0.8 Bcfd

Major Exporter: El Paso natural gas accounts for the majority of gas flows into Mexico. It flows:

2005: 0.5 Bcfd
2006: 0.6 Bcfd

Updated May 4, 2007

Focal Point

New Hub in Gulf: Independence Hub, a natural gas production facility located more than 100 miles south of the Mississippi River Delta in 8,000 feet of water in the Gulf of Mexico, began flow of natural gas in July 2007. At least 9 production wells located in 4 lease areas will be connected to the Hub which will flow nearly 1 Bcfd when fully operational, a total of 10 percent of current offshore production. Receipts will be into the Tennessee 500 leg. Anadarko Petroleum will operate the Hub which was built and is 80% owned by Enterprise Partners L.P.

Gulf Coast Production: Production - both onshore and offshore - declined by 708 MMcfd, or 5 percent, in 2005 according to analysis of pipeline postings. Gulf production in 2006 declined 500 MMcfd (4.3 percent) to 12.1 Bcfd from 12.6 Bcfd.

New Pipeline across the Sabine: In May 2007 CenterPoint Energy Gas Transmission placed into service Phase 1 of its Carthage, TX to Perryville, LA pipeline, with a capacity of 0.96 Bcfd that will grow to 1.24 Bcfd in subsequent phases. The terminus at Perryville has connections to four interstate pipelines: ANR, Columbia Gulf, Texas Gas and Trunkline. The 2006 State of the Markets Report describes gas price differences lasting months and as high as $4/MMBtu between points West and East of the Sabine River, after the 2005 hurricanes damaged production and transportation infrastructure. This new pipeline eases significant transportation constraints that created these price differences.

Updated August 3, 2007

Yearly Average of DA Hub Prices

Annual Average Day Ahead Prices ($/MMBtu)

	2005	2006	5 Years
Henry Hub	$8.63	$6.74	$6.00
NGPL Midcontinent	$7.57	$5.89	$5.41
Houston Ship Channel	$8.03	$6.38	$5.77
Katy	$7.99	$6.36	$5.73
Waha	$7.59	$5.99	$5.45

Source: Derived from *Platts* data.

Updated January 16, 2007

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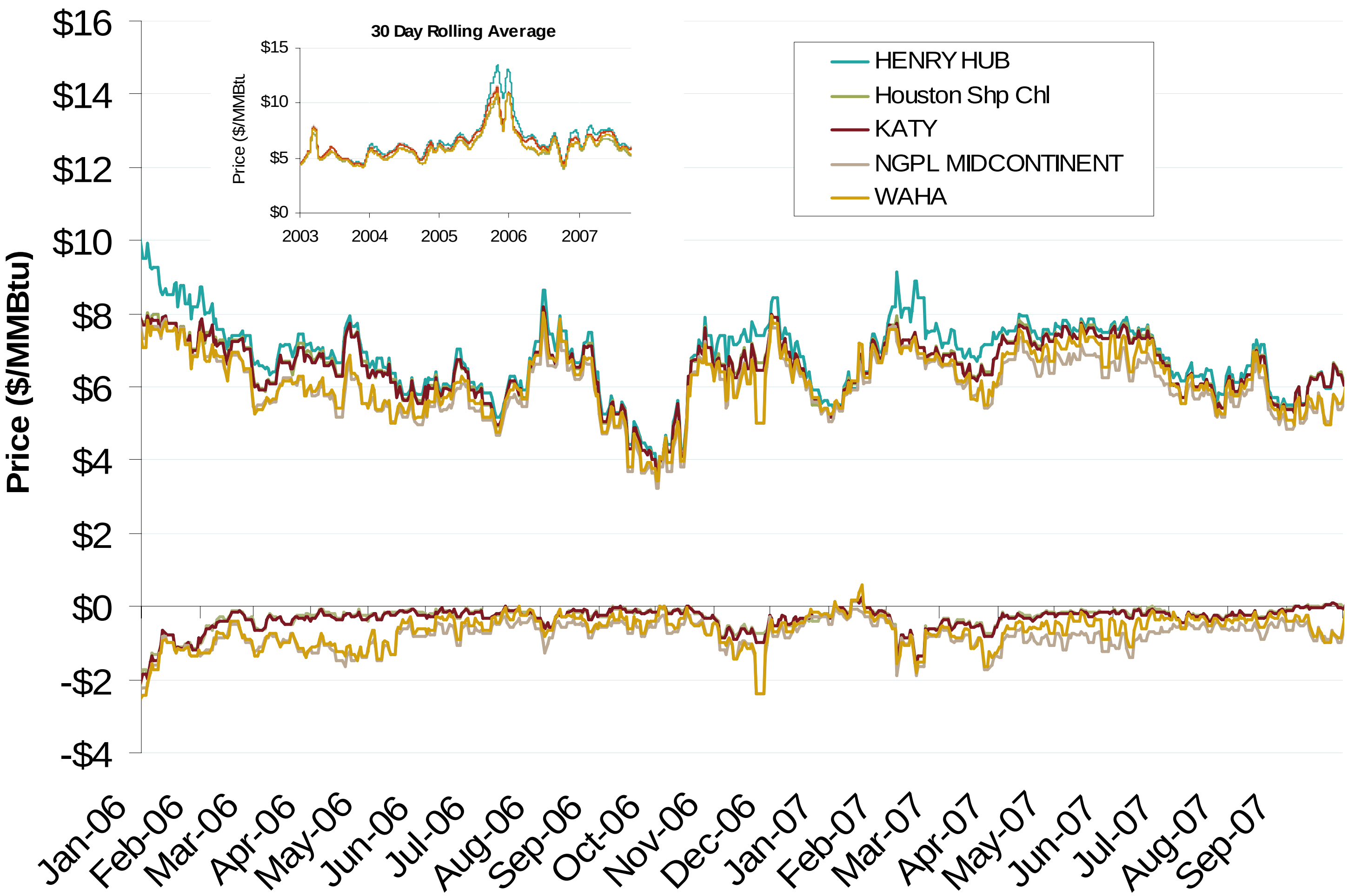
South Central Day-Ahead Hub Spot Prices and Basis

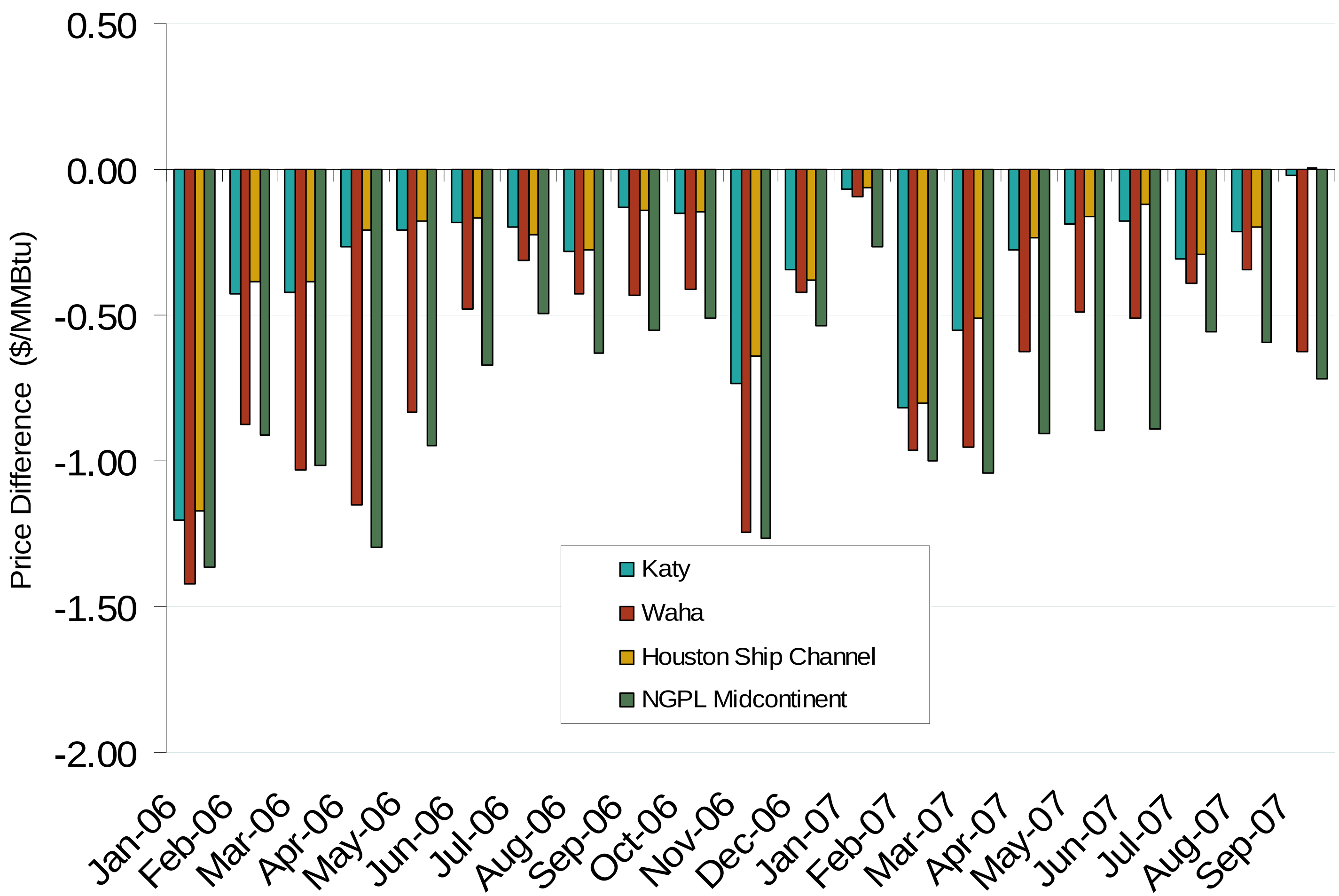


Source: Derived from *Platts* data.

Updated October 5, 2007

2044

South Central Monthly Average Basis Value to Henry Hub



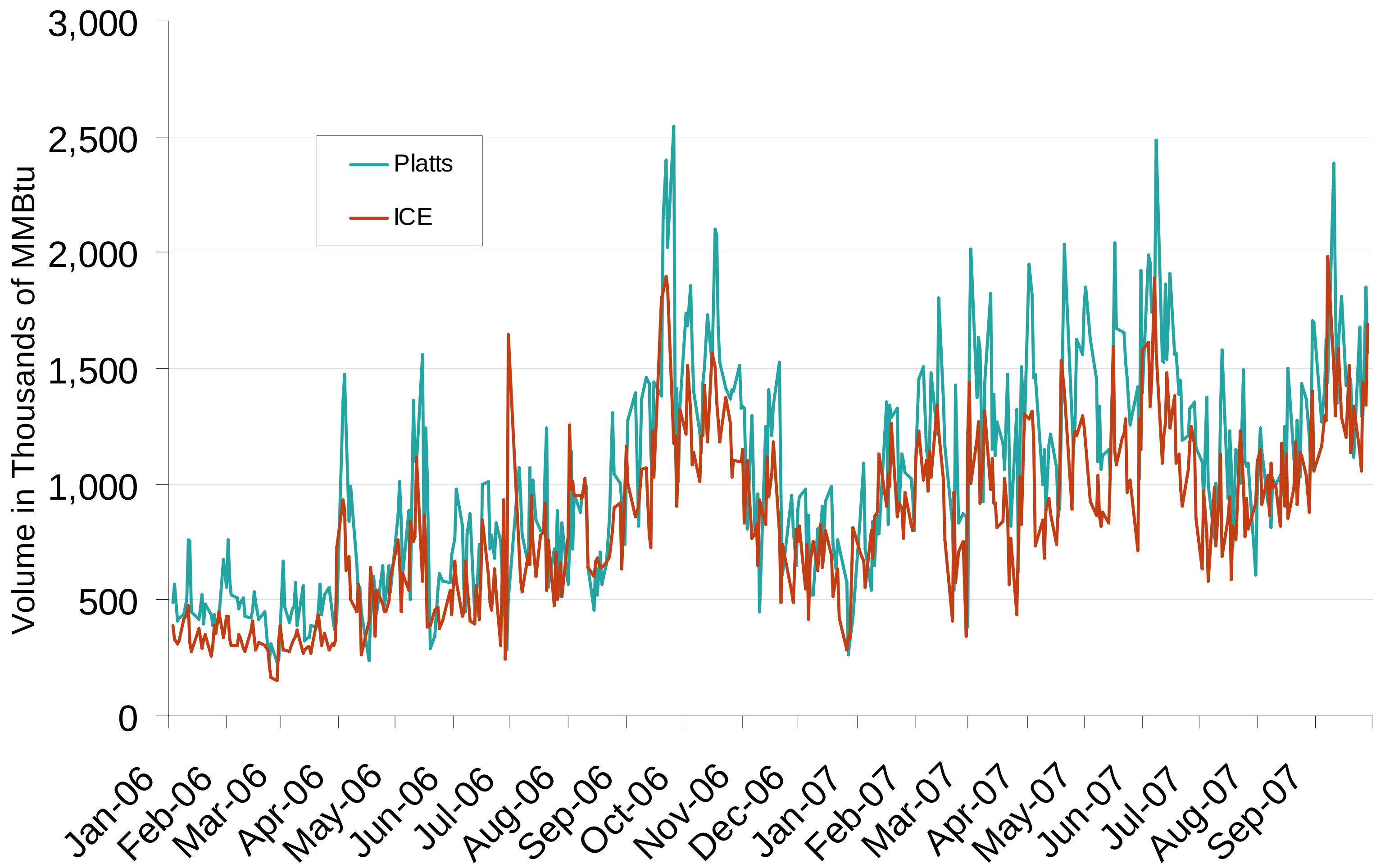
Source: Derived from *Platts* data.

Updated October 5, 2007

2045

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Published and Traded Daily Spot Volumes at Henry Hub



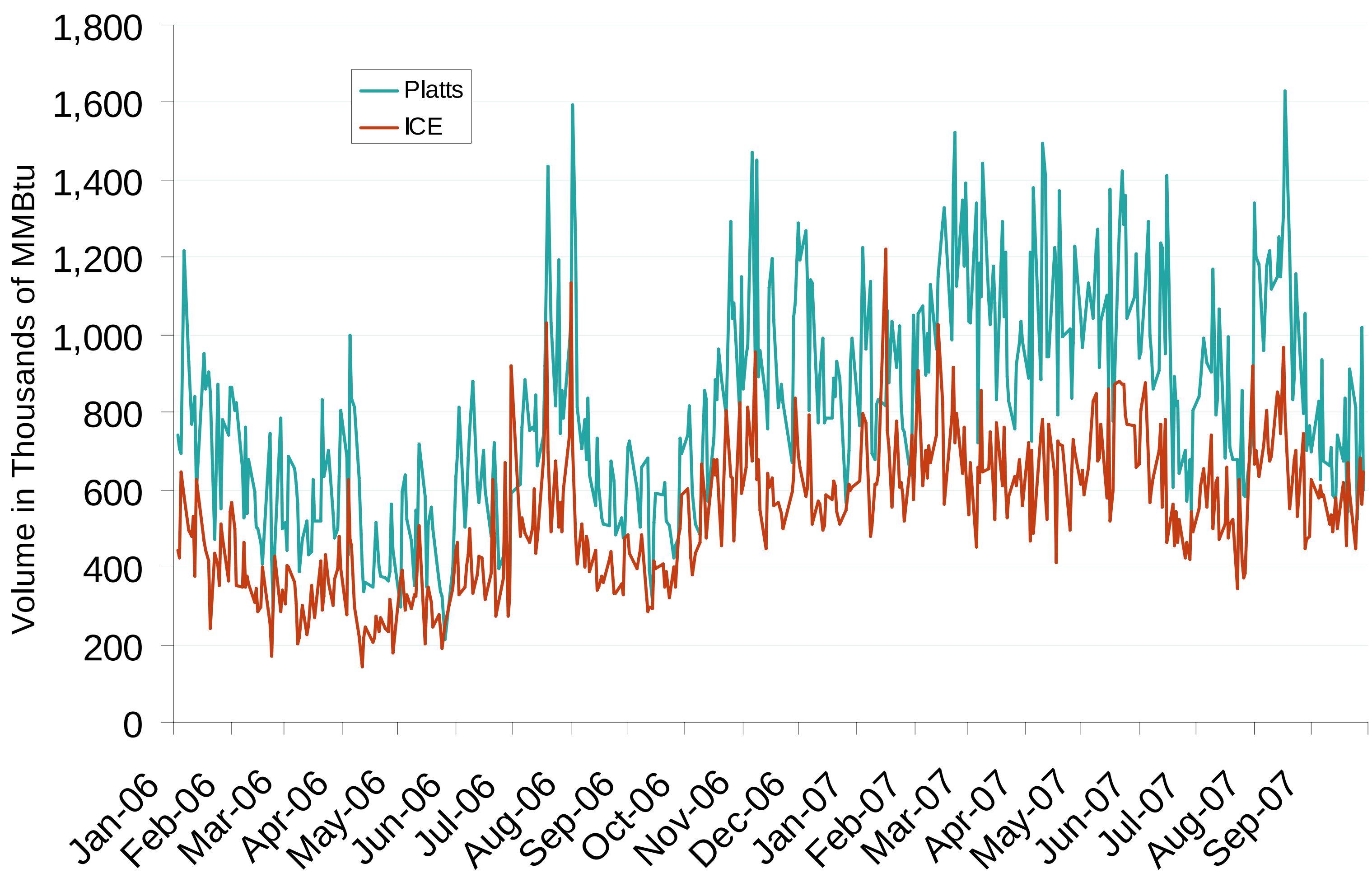
Source: Derived from *Platts* and *ICE* data.

Updated October 5, 2007

2152

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Published and Traded Daily Spot Volumes at NGPL Texok

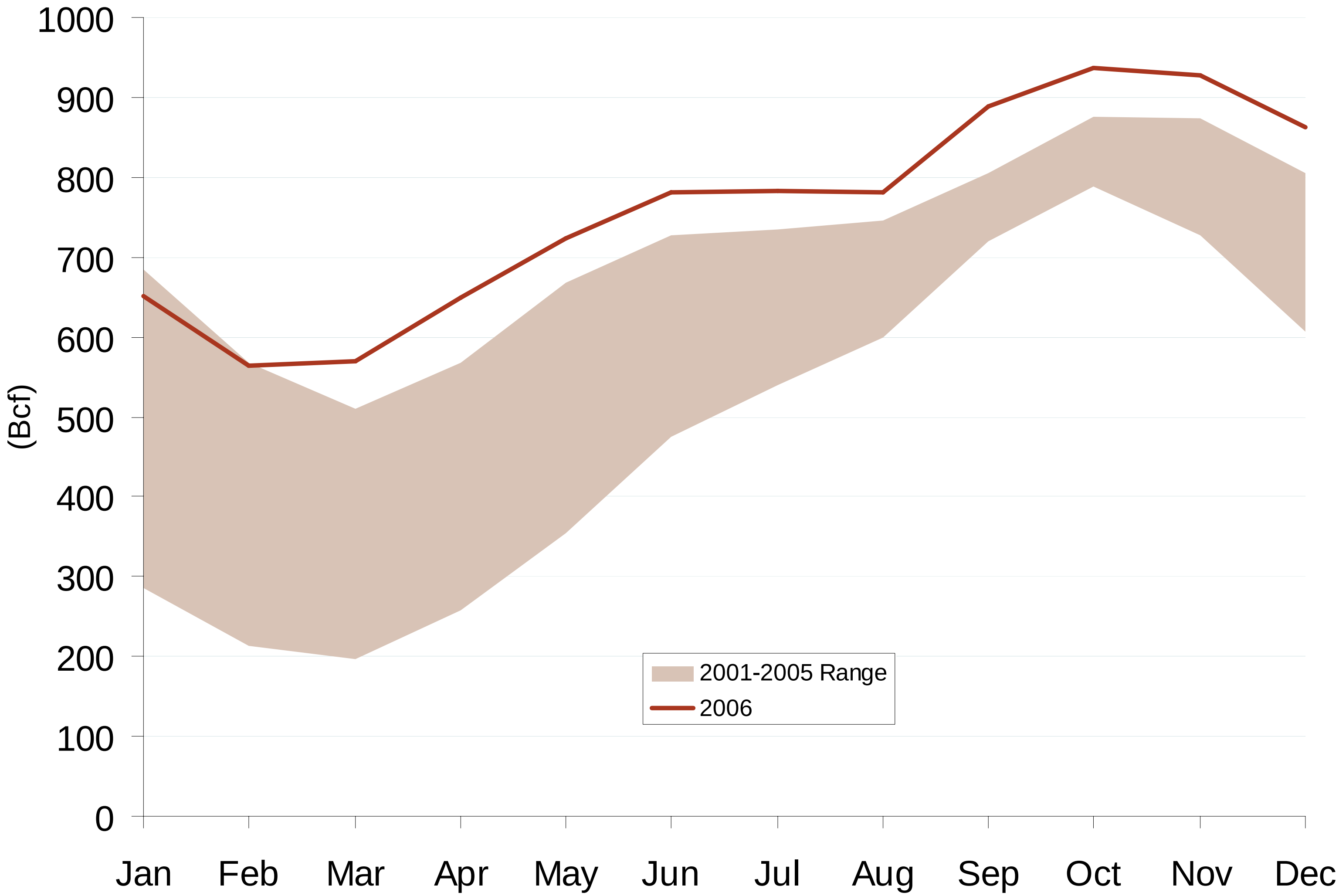


Source: Derived from *Platts* data.

Updated October 5, 2007

2152

South Central Regional Storage Inventory Levels



Source: Derived from *EIA* data.

Updated August 9, 2007

Pipeline Projects

Pipeline Projects

Company	Project Name	Capacity (MMcf/d)	Capital Cost (Millions)+	Status	Year Certificated	From-To State
CenterPoint Energy Gas Transmission Co.	Round Mountain	70	$9.8	In-Service 1/06	2004	AR-AR
Discover Gas Transmission LLC	Market Expansion Project	150	$8.5	In-Service 06/05	2004	LA-LA
Trunkline Gas Company, LLC	Trunkline	200	$1.8	In-Service 04/05	2004	TX-TX
CenterPoint Energy Gas Transmission Co.	Line AD Expansion	113	$31.9	Completed but not in service.	2005	OK-OK
Dominion South Pipeline Co., LP	Dominion South	200	$2.3	In-Service 12/05	2005	TX-TX
Tennessee Gas Pipeline Company	Triple-T Extension Project	200	$22.0	Approved	2005	LA-LA
CenterPoint Energy Gas Transmission Co.	Carthage to Perryville Project	1,237	$403.5	Phase I operational on 5/1/07	2006	LA-TX
Total		**2,100**	**$470.0**			

+ Capital cost figures are estimates.

Source: FERC Office of Energy Projects.

Updated May 21, 2007

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Storage Projects

Storage Projects

Company	Project Name	Capacity (Bcf)	Deliverability (MMcf/d)	Capital Cost (Millions)+	Status	Year Certificated	State
Egan Hub Partners, LP	Cavern III	8	0	N/A	In-Service 8/06	2003	LA
CenterPoint Energy Gas Transmission Cc	Chiles Dome Storage Expansion	15	309	$25.6	In-Service 02/06	2005	OK
Liberty Gas Storage LLC	Liberty Gas Storage Project	17.6	1,000	N/A	Under Construction	2005	LA
Natural Gas Pipeline Co. of America	Sayre Storage Field Expansion	10	200	$32.9	Under Construction	2005	OK
Egan Hub Partners, LP		0	1,000	N/A	Approved	2006	LA
Natural Gas Pipeline Co. of America	North Lansing Storage Expansion	10	140	$49.5	Under Construction	2006	TX
Northern Natural Gas Company	Cunningham Field Project	0	70	$6.2	Under Construction	2006	KS
Port Barre Investments, LLC	Bobcat Gas Storage	12	12,00	N/A	Approved	2006	LA
Total		72.6	2,719	$114.2			

+ Capital cost figures are estimates.

Source: FERC Office of Energy Projects. Data as of Dec. 2005.

Updated January 10, 2007

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LNG Projects

LNG Projects

Company	Project Name	Capacity (Bcf)	Send-out (Bcf/d)	Status	Year Certificated	State
Trunkline LNG	Lake Charles Terminal	2.7	0.6	In Service 07/06	2004	LA
Cheniere LNG	Corpus Christi LNG (Corpus Christi, TX)	10.1	2.6	Approved	2005	TX
ExxonMobil	Vista del Sol LNG Terminal (Corpus Christi, TX)	9.8	1.1	Approved	2005	TX
ExxonMobil	Golden Pass LNG Terminal (Sabine, TX)	16.4	2.0	Under Construction	2005	TX
Ingleside Energy-Occidental Energy Ventures	Ingleside Energy Center (Corpus Christi, TX)	6.8	1.0	Approved	2005	TX
Cheniere Creole Trail LNG, LP	Creaole Trail (Cameron)	13.5	3.3	Approved 6/06	2006	LA
Freeport LNG Development, LP	Freeport, TX (Phase II)	3.4	2.5	Approved 9/06	2006	TX
Sabine Pass, LNH, LP	Sabine Pass (Phase II)	10.1	1.4	Approved 6/06	2006	LA
Sempra Energy	Port Arthur Terminal (Phase I)	20.3	3.0	Approved 6/06	2006	TX
Cheniere LNG	Sabine Pass LNG Phase II (Sabine, LA)	10.1	1.4	Approved	TBD	LA
Cheniere/Freeport LNG Development	Freeport LNG Phase II (Freeport, TX)	3.4	2.5	Approved	TBD	TX
Gulf Coast Partners	Calhoun LNG (Port Lavaca, TX)	6.8	1.0	Filed 03/05	TBD	TX
Total		113.38	22.4			

Source: FERC Office of Energy Projects.

Updated May 21, 2007

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Natural Gas Consumers by Sector (2005)

Sector	Residential	Commercial	Industrial	State Total	% of US	% of Region
Arkansas	555,861	69,990	1,120	626,971	1%	8%
Kansas	856,369	85,638	8,286	950,293	1%	12%
Louisiana	896,992	57,954	1,084	956,030	1%	12%
Oklahoma	880,165	78,720	2,855	961,740	1%	12%
Texas	3,978,755	322,647	9,141	4,310,543	6%	55%
Regional Total	**7,168,142**	**614,949**	**22,486**	**7,805,577**	**11%**	**100%**
US Total	**63,573,466**	**5,196,428**	**205,217**	**68,975,111**		
% of US	**11%**	**12%**	**11%**	**11%**		
% of Region	**92%**	**8%**	**0%**	**100%**		

Source: Derived from *EIA* data.

Note: Units equal number of customers.

Updated January 17, 2007

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Natural Gas Demand by Sector (2005)

Sector	Residential	Commerical	Industrial	Vehicle Fuel	Electric Power	Other Fuel	State Total	% of US	% of Region
Arkansas	33,605	31,521	88,822	188	48,987	10,664	213,787	1%	4%
Kansas	64,898	29,644	97,849	11	14,105	48,586	255,093	1%	4%
Louisiana	40,755	24,978	801,411	144	285,022	133,192	1,285,502	6%	22%
Oklahoma	59,353	39,359	146,593	1,170	242,178	94,813	583,466	3%	10%
Texas	184,895	159,895	1,466,824	2,697	1,466,263	348,967	3,629,541	16%	61%
Gulf Total	**383,506**	**285,397**	**2,601,499**	**4,210**	**2,056,555**	**636,222**	**5,967,389**	**27%**	**100%**
US Total	**4,806,136**	**3,101,526**	**6,745,835**	**22,265**	**5,869,145**	**1,696,296**	**22,241,203**		
% of US	**8%**	**9%**	**39%**	**19%**	**35%**	**38%**	**27%**		
% of Region	**6%**	**5%**	**44%**	**0%**	**34%**	**11%**	**100%**		

Source: Derived from *EIA* data.

Note: Units equal millions of cubic feet. Other Fuel consists of Lease Fuel, Plant Fuel, and Pipeline & Distribution use.

Updated January 17, 2007

2105

Natural Gas Production by State

Dry Production	2004	2005	Yearly Change	2005 % of US	2005 % of Region
Arkansas	186,815	190,302	2%	1%	2%
Kansas	362,548	345,708	-5%	2%	4%
Louisiana	1,223,932	1,192,667	-3%	7%	15%
Oklahoma	1,578,793	1,582,733	0%	9%	19%
Texas	4,707,205	4,899,385	4%	27%	60%
Region Total	**8,059,293**	**8,210,795**	**2%**	**45%**	**100%**
US Total	**18,757,477**	**18,074,237**	**-4%**	**91%**	
% of US	**43%**	**45%**			

Source: Derived from *EIA* data.

Note: Units equal millions of cubic feet.

Updated January 17, 2007

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Natural Gas Storage by Field Type (2005)

Field Type	Salt Dome Fields	Salt Dome Capacity	Aquifers	Aquifers Capacity	Depleted Fields	Depleted Fields Capacity	Total Fields	Total Capacity	% of US Capacity	% of Region	Dry Proved Reserves
Arkansas	0	0	0	0	2	22,000	2	22,000	0%	1%	1,964,000
Kansas	1	1,093	0	0	18	288,655	19	289,747	4%	15%	4,314,000
Louisiana	6	63,314	0	0	8	530,426	14	593,740	7%	30%	10,447,000
Oklahoma	0	0	0	0	13	378,738	13	378,738	5%	19%	17,123,000
Texas	14	120,459	0	0	20	559,637	34	680,096	8%	35%	56,507,000
S. Central Total	**21**	**184,866**	**0**	**0**	**61**	**1,779,456**	**82**	**1,964,321**	**24%**	**100%**	**90,355,000**
US Total	**30**	**250,532**	**44**	**1,350,689**	**320**	**6,667,222**	**394**	**8,268,443**			**204,385,000**
% of US	**70%**	**74%**	**0%**	**0%**	**19%**	**27%**	**21%**	**24%**			**44%**
% of Region	**26%**	**9%**	**0%**	**0%**	**74%**	**91%**	**100%**	**100%**			

Source: Derived from *EIA* data.

Note: Units equal millions of cubic feet.

Updated January 17, 2007

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