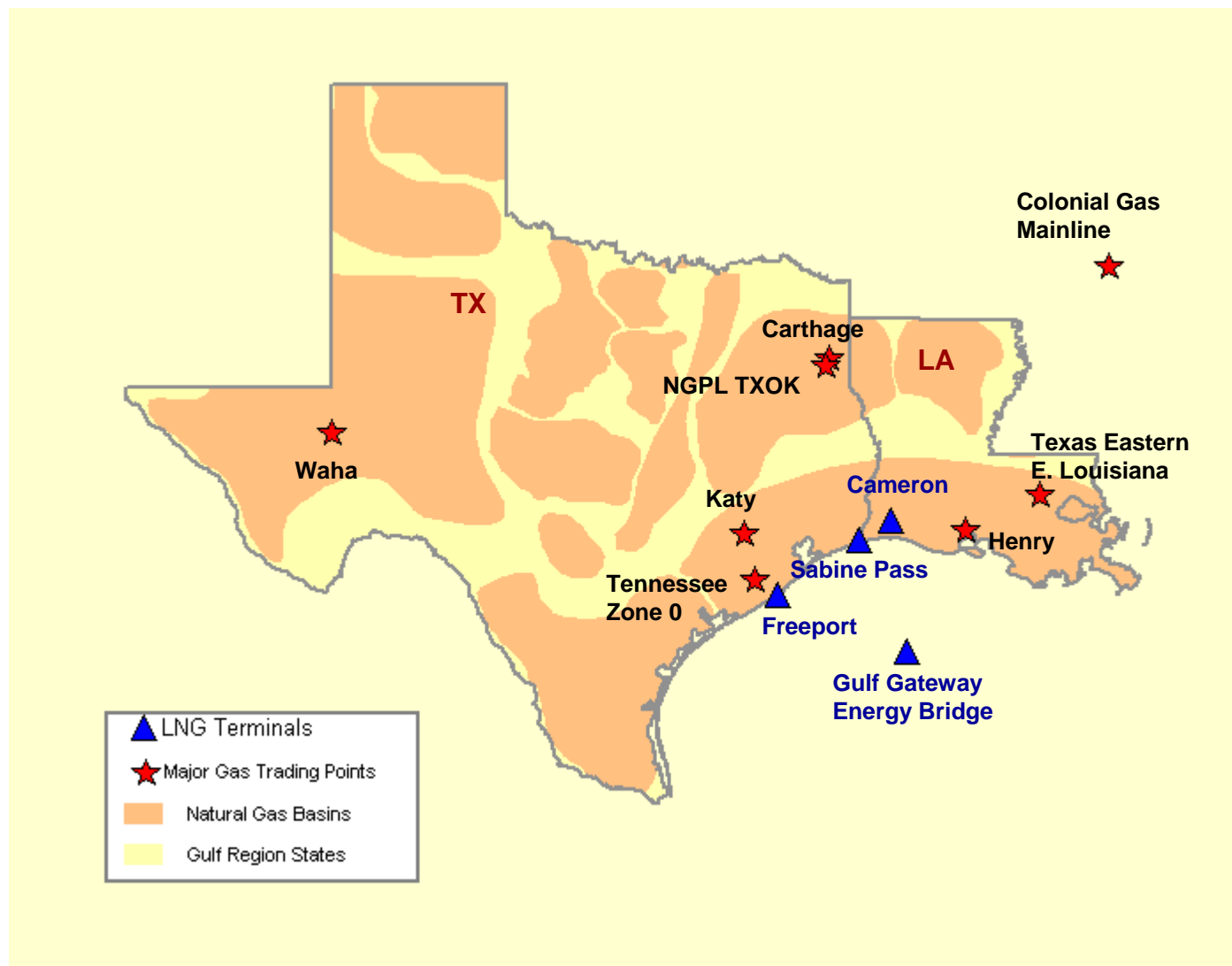


Gulf Natural Gas Region



OVERVIEW

Market Description

The Gulf region is the key natural gas producing region in the United States. In 2007 it accounted for 58 percent of total estimated dry natural gas production and over 48 percent of proved dry natural gas reserves. In addition, the region is experiencing burgeoning production from shale gas plays. The Gulf 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, Carthage, Katy, Moss Bluff, Perryville and Waha Hubs. In 2007, regional gas consumption exceeded one-third of lower-48 natural gas production and represented almost one-third of lower-48 natural gas consumed by the electric power sector.

Geography

States covered: Louisiana and Texas.

Major Trading Hubs

Henry Hub, Egan Hub, Waha Hub, Katy Hub, Carthage Hub, Houston Ship Channel, Moss Bluff Hub, NGPL TexOK, NGPL South Texas, Southern Natural (Louisiana), and Columbia Gulf Mainline (used as a proxy for gas purchased in Perryville, LA).

Production

Increased shale gas production in the Gulf region and in neighboring regions has changed the production landscape. The output from shale gas resources in the Barnett, Woodford, Fayetteville and Haynesville shale deposits in Texas, Oklahoma, Arkansas and Louisiana is prodigious. Since 2005, these basins are responsible for 7.5 Bcfd of new incremental gas supply prompting the construction of three new interstate pipelines, the expansion of two others, and numerous intrastate pipelines in Texas to transport the gas to markets in the Southeast, Midwest, Mid-Atlantic and Northeast.

Gulf Gas Market: Overview and Focal Points

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Storage

Over one-quarter of the region's storage facilities are salt cavern facilities. In 2008 over 53 Bcf of working gas capacity was added and another 105 Bcf is expected to go into service in 2009. Again, most of this new capacity is multi-turn, high-deliverability salt cavern storage.

Pipeline Flows

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

Major Pipelines: Texas Eastern, Tennessee, Sonat, Transco, Trunkline, NGPL, Columbia, Texas Gas, Florida Gas, Gulf Crossing Pipeline, Midcontinent Express, and Southeast Supply Header.

Imports and Exports

International gas imports and exports continue to play a minor role in the Gulf market when compared to regional domestic gas production. Pipeline imports from Mexico remain negligible; exports to Mexico averaged about 1.0 Bcfd in 2008, up 0.2 Bcfd from 2007. The Freeport LNG Terminal received commissioning cargoes in 2008 and the Sabine Pass and Cameron LNG terminals began operations in April 2008 and July 2009, respectively, but overall utilization of the terminals remains low and imports depend mainly on U.S. supply and demand market dynamics versus gas requirements, pricing, and logistics in competing markets in Europe and Asia.

Send-out at Lake Charles LNG facility:

2005: 0.28 Bcf/d

2006: 0.39 Bcf/d

2007: 0.71 Bcf/d

2008: 0.03 Bcf/d

2009: 0.08 Bcf/d (Jan – June)

Send-out at Gulf Gateway LNG facility:

2005: 0.02 Bcf/d

2006: 0.001 Bcf/d

2007: 0.05 Bcf/d

2008: none

2009: none (Jan – June)

Send-out at Sabine Pass LNG facility:

2005: NA

2006: NA

2007: NA

2008: 0.02 Bcf/d

2009: 0.01 Bcf/d (Jan – June 2009)

Send-out at Cameron LNG facility: Flows are negligible averaging only 0.001 Bcf/d through second quarter 2009.

Gulf Gas Market: Overview and Focal Points

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Imports from Mexico into the U.S.: Flows are negligible averaging 0.1 Bcf/d in 2008.

Exports from US into Mexico:

2007: 0.8 Bcf/d

2008: 1.0 Bcf/d

Contact Information

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South Central Natural Gas Market: Yearly Hub Prices

Federal Energy Regulatory Commission • Market Oversight @ FERC.gov

Annual Average Spot Hub Prices

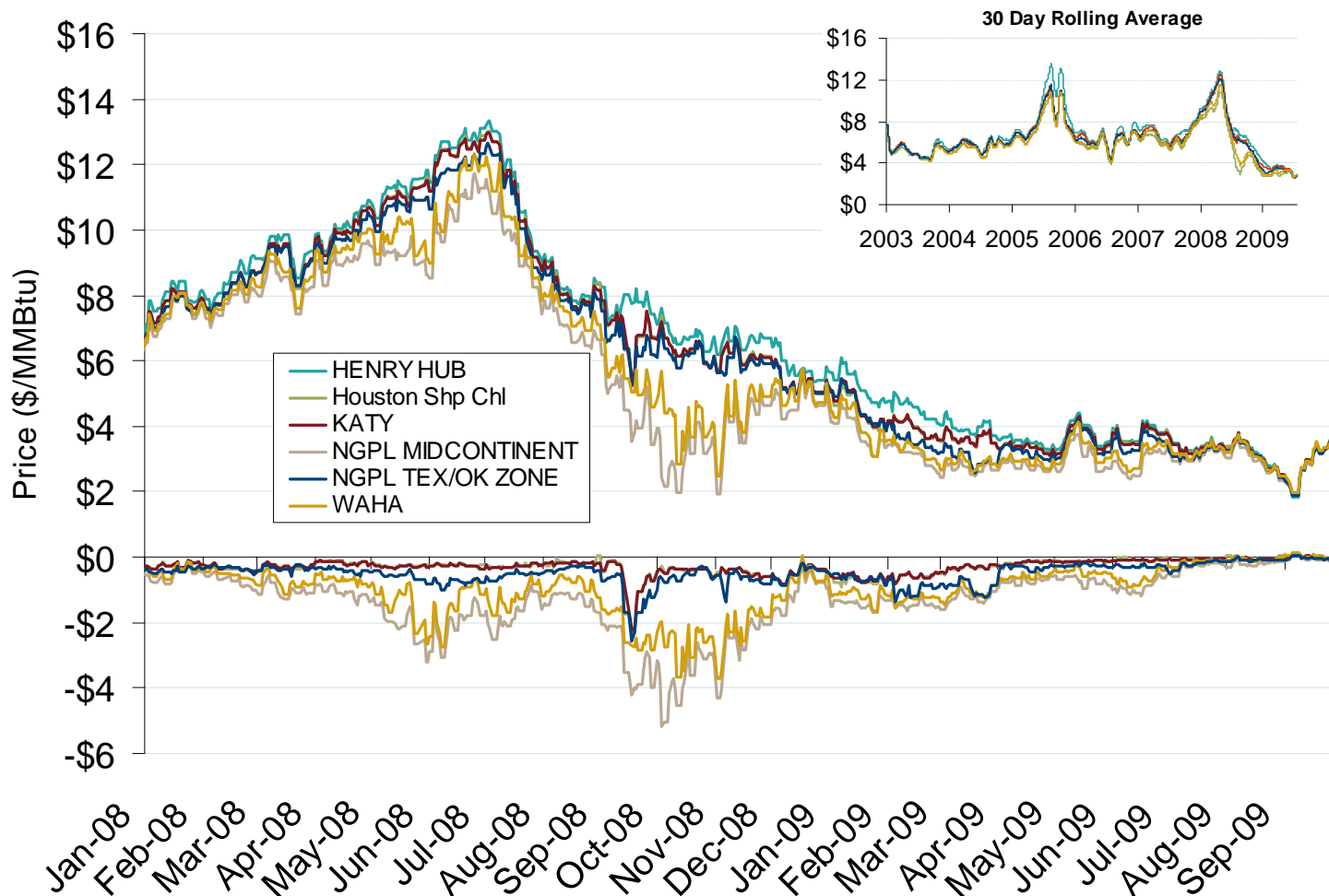
Annual Average Day Ahead Prices (\$/MMBtu)						
	2004	2005	2006	2007	2008	5-Year Avg
Henry Hub	\$5.85	\$8.69	\$6.74	\$6.94	\$8.85	\$7.41
NGPL Midcontinent	\$5.40	\$7.57	\$5.89	\$6.12	\$7.11	\$6.42
Houston Ship Channel	\$5.70	\$8.03	\$6.38	\$6.63	\$8.50	\$7.05
Katy	\$5.67	\$7.99	\$6.36	\$6.61	\$8.51	\$7.03
Waha	\$5.38	\$7.59	\$5.99	\$6.34	\$7.57	\$6.58
El Paso Permian	\$5.34	\$7.54	\$5.89	\$6.20	\$7.44	\$6.48
Panhandle TX/OK	\$5.45	\$7.59	\$5.89	\$6.09	\$7.07	\$6.42
Tennessee Zone 0	\$5.64	\$8.00	\$6.38	\$6.59	\$8.50	\$7.02

Source: Derived from *Platts* data.

Updated January 23, 2009

2040

Gulf Day-Ahead Hub Spot Prices and Basis

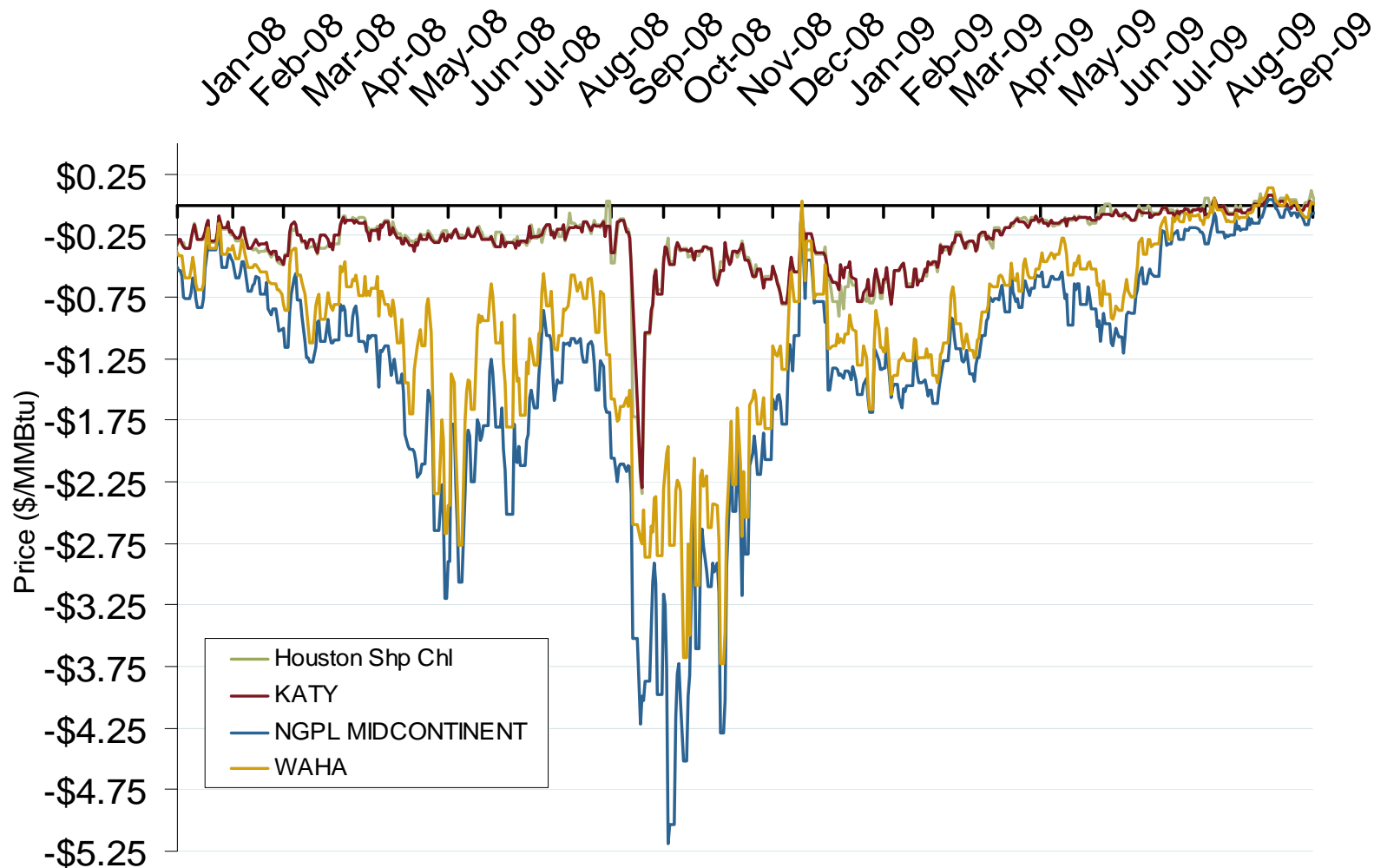


Source: Derived from *Platts* data.

Updated October 7, 2009

2044

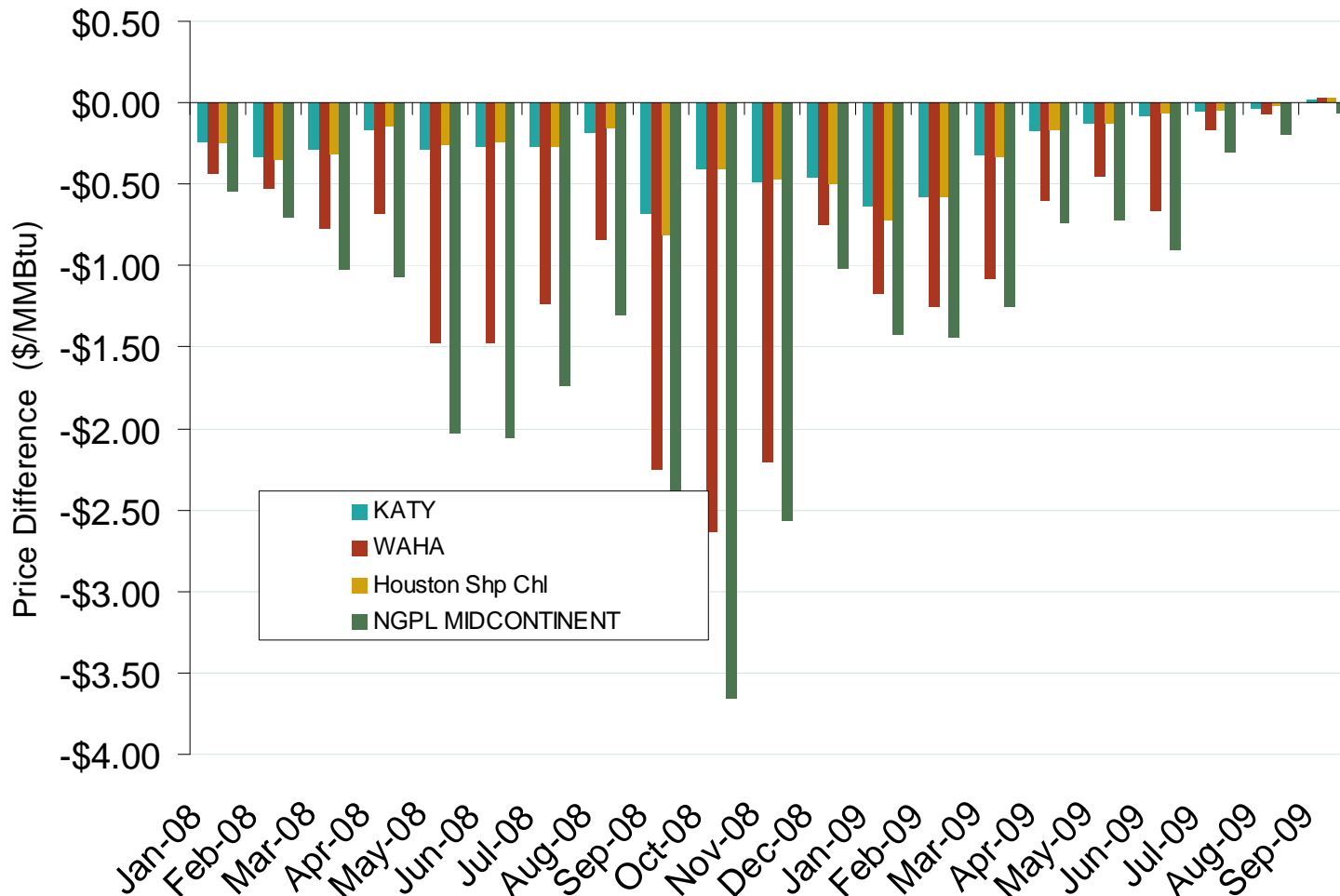
Gulf Day-Ahead Basis

Source: Derived from *Platts* data.

Updated October 7, 2009

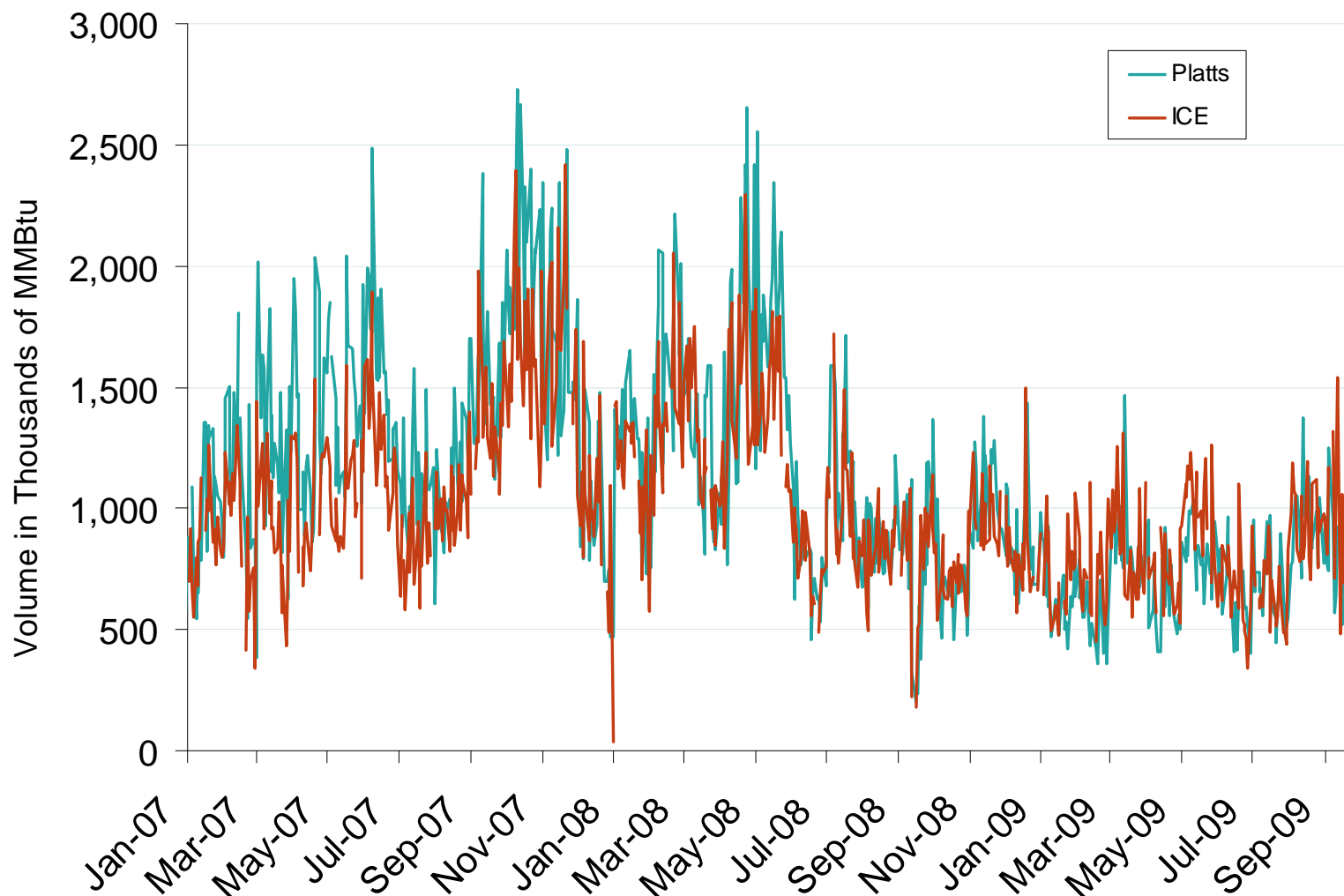
2052

Gulf Monthly Average Basis Value to Henry Hub



Source: Derived from *Platts* data.

Published and Traded Daily Spot Volumes at Henry Hub

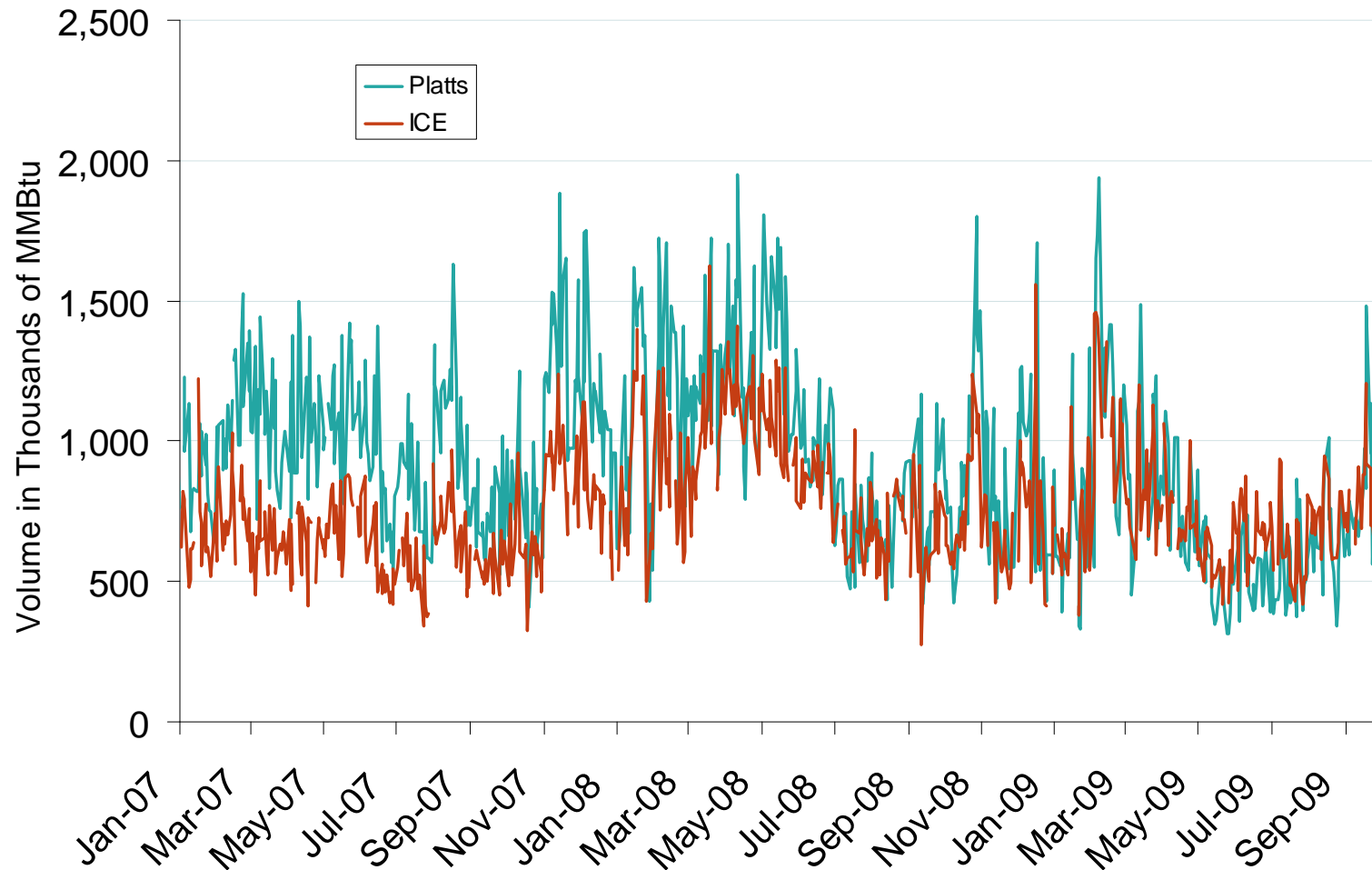


Source: Derived from *Platts* and *ICE* data.

Updated October 7, 2009

2152

Published and Traded Daily Spot Volumes at NGPL Texok

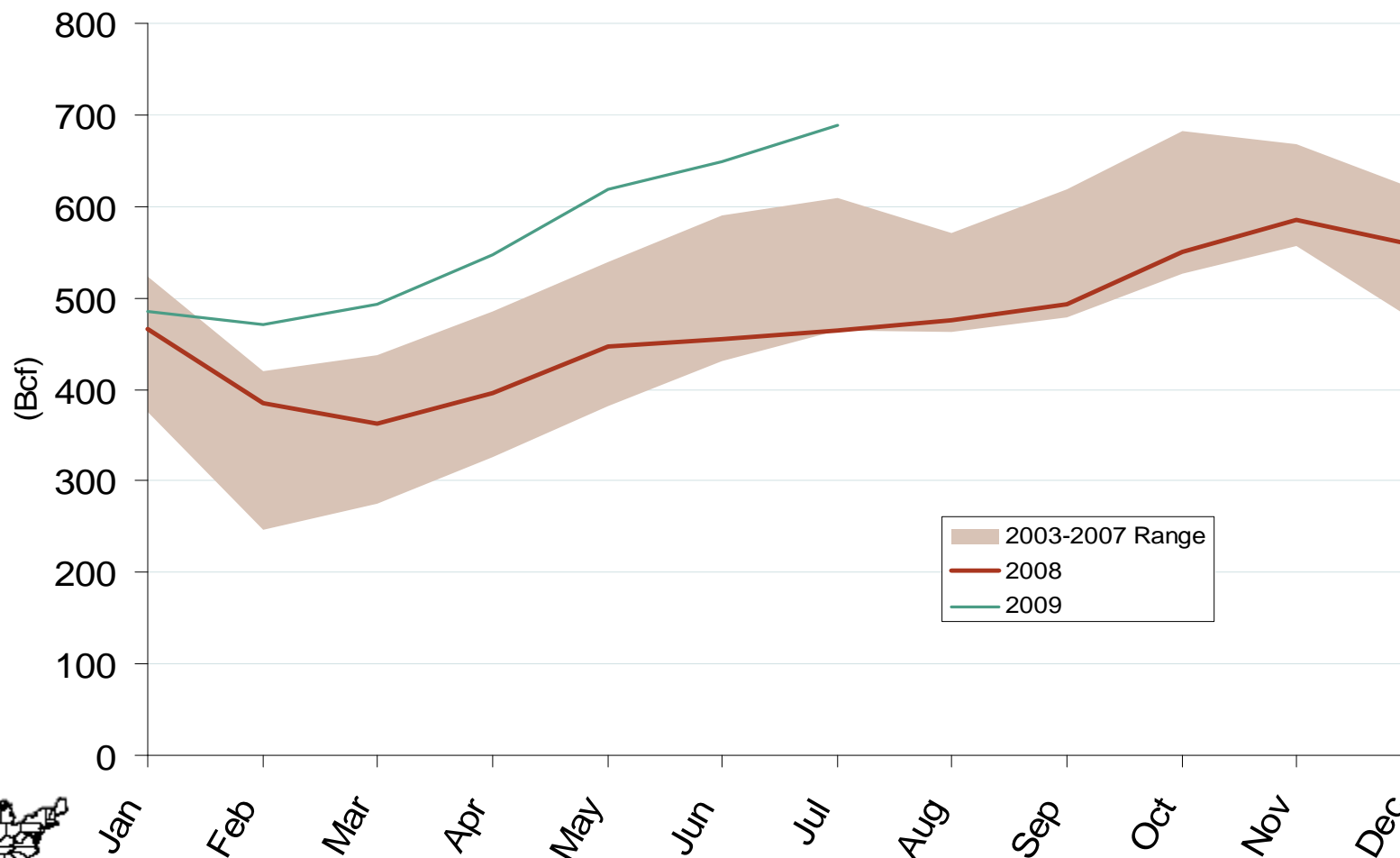


Source: Derived from *Platts* data.

Updated October 7, 2009

2152

Gulf Region Underground Working NG In Storage

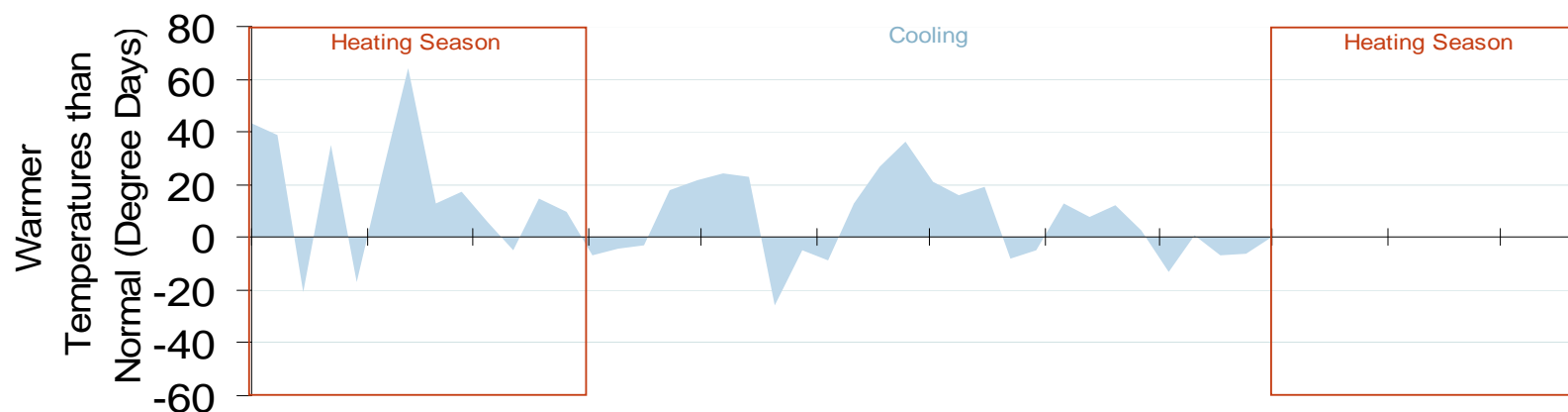
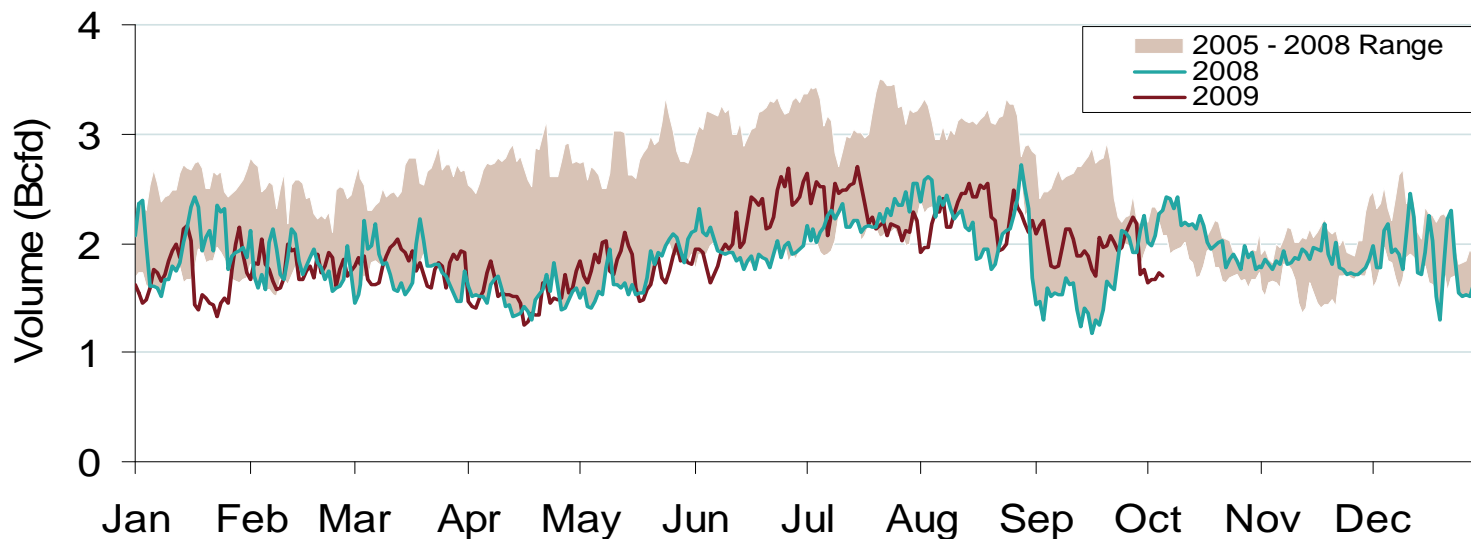


Source: Derived from EIA. Due to a change in methodology, as of October '09 AR, KS, NE, and OK are no longer in the Gulf region.

Updated October 7, 2009

2051

Daily Gulf Natural Gas Demand All Sectors



Source: Derived from *Bentek* data.

Updated October 7, 2009

22500