

February 13, 2012

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) February 7, 2012 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects a Henry Hub natural gas average spot price of \$3.35 and \$4.07 per million British thermal units (MMBtu) in 2012 and 2013, respectively. The price per MMBtu averaged \$4 in 2011, \$4.39 in 2010, \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

Spot prices, crude oil. EIA expects the price of West Texas Intermediate (WTI) crude oil to average about \$100 per barrel in 2012, rising to \$106 by the end of 2013. The WTI crude oil spot price per barrel averaged about \$95 in 2011, \$79 in 2010, \$62 in 2009, \$100 in 2008, and \$72 in 2007.

Consumption. EIA expects U.S. natural gas consumption to average 68.5 billion cubic feet per day (Bcf/d) in 2012, a projected increase of 2.4% over 2011 consumption. While consumption increases are expected from all customer sectors, the largest consumption increase (1.2 Bcf/d) is expected from the electric power sector.

Production. EIA expects U.S. marketed natural gas production to continue to rise in 2012 and 2013. Total marketed U.S. natural gas production increased by 7.8% in 2011, by 4.4% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

Imports and exports. EIA expects gross pipeline imports of natural gas to decline by 5.5% in 2012, as increased U.S. production displaces Canadian sources. Gross pipeline exports grew by 1 Bcf/d in 2011.

Liquefied natural gas (LNG) imports are expected to decline by 28% in 2012. About .7 Bcf/d of LNG will be imported in 2012 and 2013 to fulfill long-term contractual obligations or to provide additional supply during cold snaps and supply disruptions. U.S. imports of LNG totaled about 431 Bcf in 2010, 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Source: <http://www.eia.doe.gov/emeu/stco/pub/contents.html>

EIA expects production to increase in 2012 and 2013, albeit at a slower pace than in 2011, as low natural gas prices reduce the incentive for new drilling plans.

Data

- March Natural Gas Futures Contract (as of February 10), NYMEX at Henry Hub closed at \$2.477 per million British thermal units (MMBtu)
- March Light, Sweet Crude Oil Futures Contract (as of February 10), NYMEX at Cushing closed at \$98.67 per U.S. oil barrel (Bbl.) or approximately \$15.71 per MMBtu

Last week: Texas HDD higher, U.S. lower than norm

For the week beginning 2/5/12 and ending 2/11/12, heating degree days (HDD) were higher than normal for Texas and lower than normal for the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 17% below normal for Texas and 15% below normal for the U.S. Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/11/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	231	46	2668	-10%
Austin	125	36	1200	-5%
DFW	147	24	1463	-18%
El Paso	124	8	1774	-8%
Houston	87	4	808	-30%
SAT	107	21	910	-25%
Texas**	123	21	1238	-17%
U.S.**	174	-19	2520	-15%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDD are calculated.

** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 2,888 Bcf

For the week ending 2/3/12, U.S. working gas in storage decreased from 2,966 to 2,888 Bcf, compared to 2,174 Bcf in storage a year ago and compared to an average of 2,174 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) declined from 1,099 to 1,088 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/3/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,412	1,471	-59	+ 24.3%
West	388	396	-8	+ 28.9%
Producing	1,088	1,099	-11	+ 47.6%
Lower 48 Total	2,888	2,966	-78	+ 32.8%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down 25 to 720

The gas rig count for the U.S. was down 25 when compared to the prior week and down 186 when compared to 12 months ago. The U.S. total rig count was down 8 from the prior week, and up 268 when compared to 12 months ago.

Source: Baker Hughes

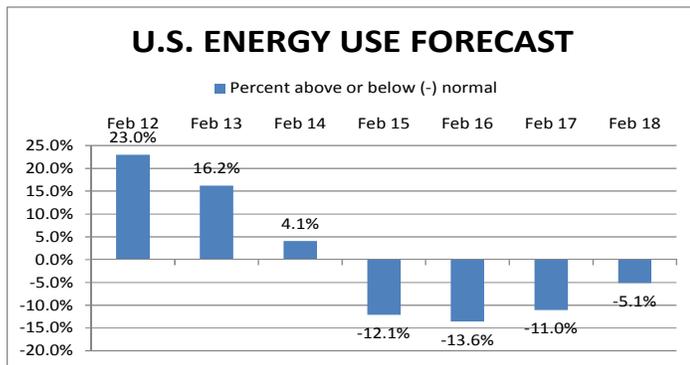
BAKER HUGHES ROTARY RIG COUNT				
	As of 2/10/12	+/- prior week	Year ago	+/- year ago
Texas	909	-5	751	+158
U.S. gas	720	-25	906	-186
U.S. oil	1263	+18	805	+458
U.S. total	1989	-8	1721	+268
Canada	709	-1	630	+79

Numbers are excerpted and not meant to be totaled

This week: U.S. energy use higher, then lower

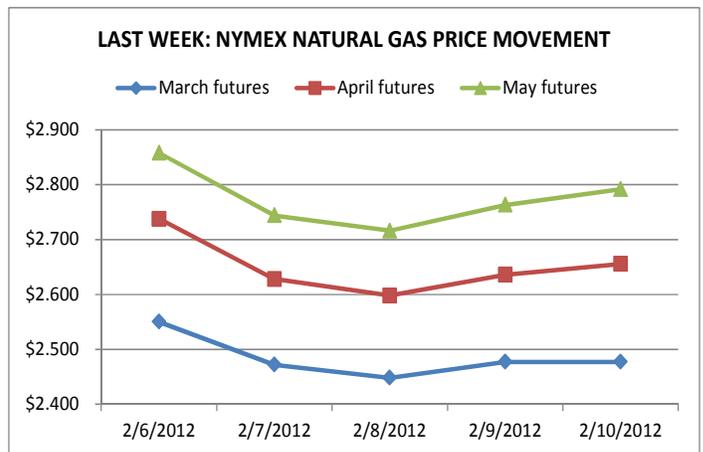
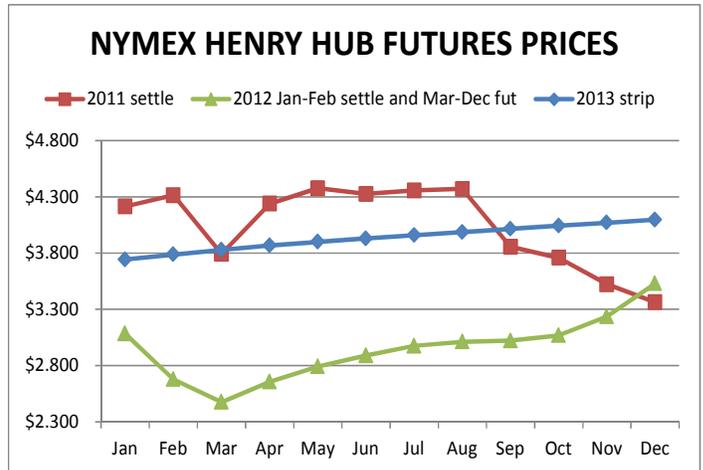
U.S. energy use is forecasted to be higher than normal through Tuesday, then lower than normal, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



Natural Gas Trends will not be published on Monday, February 20, a state holiday. Publication will resume on February 27, 2012.

Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



NATURAL GAS PRICE SUMMARY AS OF 2/10/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$2.477	-\$0.022	-\$1.316	\$3.083

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