

March 12, 2012

Natural Gas Trends**Highlights****EIA's SHORT-TERM ENERGY OUTLOOK**

According to the Energy Information Administration's (EIA's) March 6, 2012 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects a Henry Hub natural gas average spot price of \$3.17 and \$3.96 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. Supply disruptions in the Middle East and Africa contributed to a significant increase in world crude oil prices in February, up \$6 from last month's projection. As such, EIA expects the price of West Texas Intermediate (WTI) crude oil to average about \$106 per barrel in 2012. 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.

EIA expects electric power generation from natural gas to increase by 9% in 2012; generation from coal is expected to decline by 5%.

Consumption. EIA expects U.S. natural gas consumption to average 68.9 billion cubic feet per day (Bcf/d) in 2012, an increase of 2.1 Bcf/d (3.1%) over 2011 consumption. Electric power sector consumption of natural gas is expected to grow by about 9% in 2012, although this trend may level off in 2013 if natural gas prices rise.

Production. In 2011, total marketed production of natural gas grew by the largest year over year volumetric increase in history, 4.8 Bcf/d. Total marketed U.S. natural gas production increased by 7.9% in 2011, by 4.4% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

Imports. EIA expects gross pipeline imports of natural gas to decline by .6 Bcf/d (7%) in 2012, as U.S. supplies displace Canadian sources. Liquefied natural gas (LNG) imports are expected to decline by .3 Bcf/d (28%) in 2012. About .7 Bcf/d of LNG will be imported in 2012 and 2013 to fulfill long-term contract 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/steo/pub/contents.html>

Data

- April Natural Gas Futures Contract (as of March 2), NYMEX at Henry Hub closed at \$2.484 per million British thermal units (MMBtu)
- April Light, Sweet Crude Oil Futures Contract (as of March 2), NYMEX at Cushing closed at \$106.70 per U.S. oil barrel (Bbl.) or approximately \$17 per MMBtu

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

For the week beginning 2/26/12 and ending 3/3/12, heating degree days (HDD) were lower than normal for Texas and the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 18% below normal for Texas and 14% below normal for the U.S.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/3/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	118	-33	3122	-10%
Austin	34	-24	1375	-7%
DFW	34	-51	1675	-20%
El Paso	70	-14	2036	-8%
Houston	18	-37	918	-32%
SAT	27	-27	1055	-25%
Texas**	37	-33	1427	-18%
U.S.**	140	-21	2979	-14%

* 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 2,433 Bcf

For the week ending 3/8/12, U.S. working gas in storage declined from 2,513 to 2,433 Bcf, compared to 1,694 Bcf in storage a year ago and compared to an average of 1,641 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 974 to 967 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/2/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,114	1,174	-60	+ 42.6%
West	352	365	-13	+ 44.3%
Producing	967	974	-7	+ 57.2%
Lower 48 Total	2,433	2,513	-80	+ 48.3%

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

Last week: U.S. gas rig count down 21 to 670

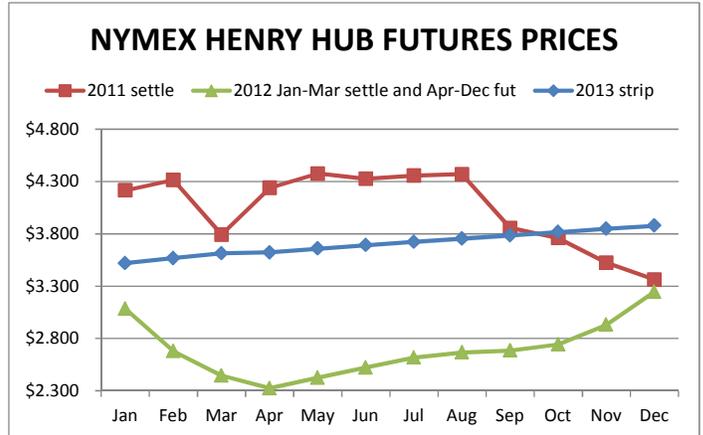
The gas rig count for the U.S. was down 21 when compared to the prior week and down 212 when compared to 12 months ago. The U.S. total rig count was down 16 from the prior week, and up 258 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 3/9/12	+/- prior week	Year ago	+/- year ago
Texas	929	+3	727	+202
U.S. gas	670	-21	882	-212
U.S. oil	1296	+3	827	+469
U.S. total	1973	-16	1715	+258
Canada	655	-26	628	+27

Numbers are excerpted and not meant to be totaled

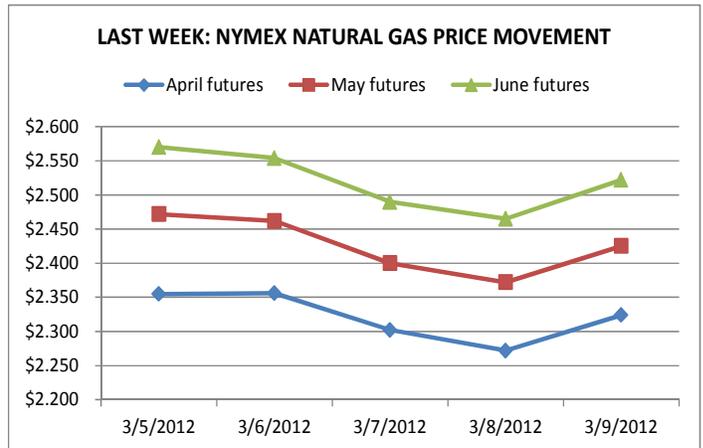
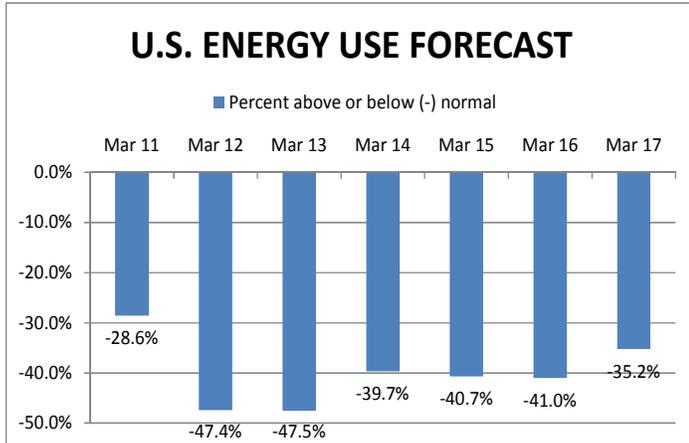
Strip prices. Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices for the next twelve months of natural gas futures contracts.



This week: U.S. energy use lower than normal

U.S. energy use is forecasted to be 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 PRICE SUMMARY AS OF 3/9/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$2.324	-\$0.160	-\$1.916	\$2.893

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