

March 26, 2012

Natural Gas Trends**Highlights****CHESAPEAKE and GE PLAN TO DEVELOP CNG & LNG INFRASTRUCTURE**

Chesapeake Energy Corporation and General Electric Company (GE) recently announced their collaboration to develop infrastructure solutions that will accelerate the adoption of compressed natural gas (CNG) and liquefied natural gas (LNG) as transportation fuels. Beginning in the fall of 2012, GE will provide more than 250



modular CNG compression stations to complement the existing natural gas vehicle infrastructure. GE's modular compression stations, which are referred to as "CNG In A Box", will provide the core infrastructure to enable expanded

access at existing fueling stations and other designated installations.

"CNG In A Box" takes natural gas from a pipeline and compresses it on-site at an industrial location or at a traditional automotive fueling station to turn it into CNG. A CNG vehicle, such as a taxi, bus, or small truck, can refill its tank using a traditional fuel dispenser. Chesapeake and GE intend to improve access to CNG, which is used in light-duty to medium-duty vehicles, such as pickups, vans, SUVs, taxicabs, transit buses, refuse trucks, delivery trucks, and consumer vehicles, and to LNG, which is used for heavy-duty industrial purposes. The collaboration is intended to reduce the cost of owning and operating a natural gas vehicle fueling station.

Chesapeake has also entered into discussions with Valero Energy Corporation about adding natural gas fueling stations along major Texas interstates. The Texas Commission on Environmental Quality has grant funds available for this purpose under the Clean Transportation Triangle (CTT) Program, which provides grant funding for natural gas fueling stations along interstate highways between Houston, San Antonio and the Dallas – Fort Worth area. The CTT Program was established by the Texas Legislature's Senate Bill 385 (82nd Legislative Session) in 2011. Grant applications are due by April 17, 2012. For information about the CTT Program, contact TCEQ's Kate Williams at 512-239-6797 or visit:

<http://www.tceq.texas.gov/airquality/terp/ctt.html>

Sources: www.chk.com and www.tceq.com

Photo: Courtesy of FERC at www.ferc.gov

Data

- April Natural Gas Futures Contract (as of March 23), NYMEX at Henry Hub closed at \$2.275 per million British thermal units (MMBtu)
- May Light, Sweet Crude Oil Futures Contract (as of March 23), NYMEX at Cushing closed at \$106.87 per U.S. oil barrel (Bbl.) or approximately \$17.02 per MMBtu

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

For the week beginning 3/18/12 and ending 3/24/12, heating degree days (HDD) were again 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 20% below normal for Texas and 17% below normal for the U.S.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/24/2012	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	95	-18	3349	-13%
Austin	13	-17	1458	-8%
DFW	24	-22	1764	-22%
El Paso	62	8	2230	-7%
Houston	1	-28	951	-35%
SAT	9	-18	1123	-26%
Texas**	23	-20	1521	-20%
U.S.**	46	-78	3220	-17%

* 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 2,380 Bcf

For the week ending 3/16/12, U.S. working gas in storage rose from 2,369 to 2,380 Bcf, compared to 1,614 Bcf in storage a year ago and compared to an average of 1,545 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) rose from 965 to 985 Bcf.

Source: www.cia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/16/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,049	1,059	-10	+ 51.4%
West	346	345	1	+ 44.8%
Producing	985	965	20	+ 60.8%
Lower 48 Total	2,380	2,369	11	+ 54.0%

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

Last week: U.S. gas rig count down 11 to 652

The gas rig count for the U.S. was down 11 when compared to the prior week and down 228 when compared to 12 months ago. The U.S. total rig count was down 16 from the prior week, and up 230 when compared to 12 months ago.

Source: Baker Hughes

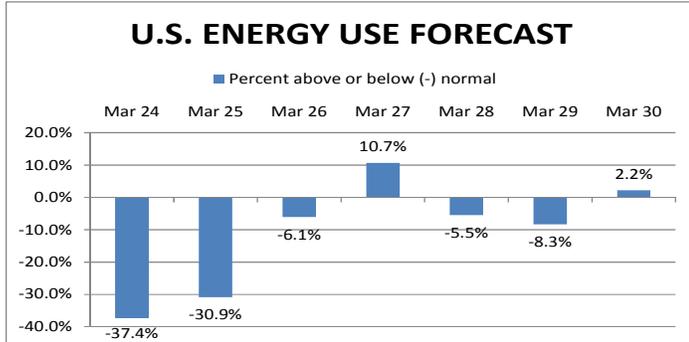
BAKER HUGHES ROTARY RIG COUNT				
	As of 3/23/12	+/- prior week	Year ago	+/- year ago
Texas	915	-11	766	+149
U.S. gas	652	-11	880	-228
U.S. oil	1313	-4	851	+851
U.S. total	1968	-16	1738	+230
Canada	352	-165	429	-77

Numbers are excerpted and not meant to be totaled

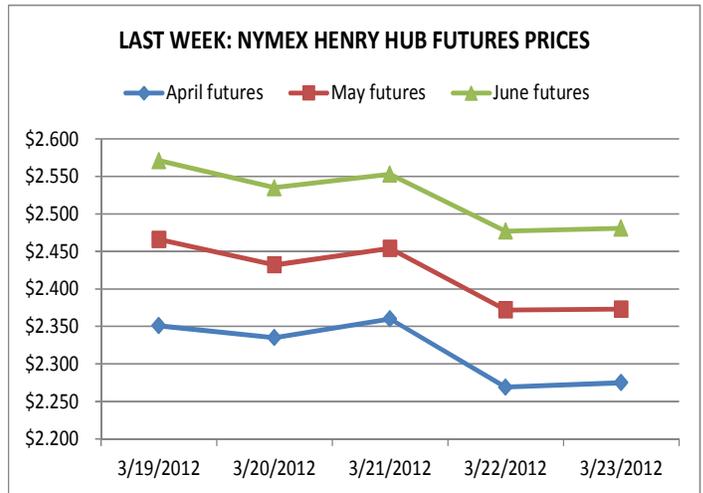
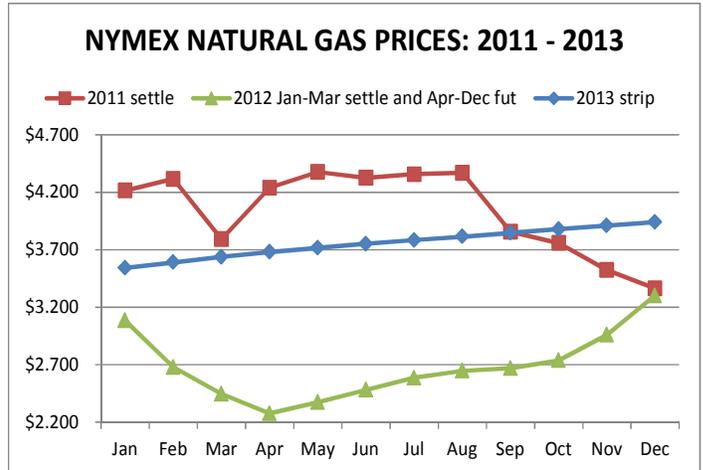
This week: U.S. energy use seesaws

U.S. energy use is forecasted to be lower than normal this week, with the exception of higher than normal energy use on Tuesday and Friday, 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



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 3/23/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$2.275	-\$0.051	-\$1.965	\$2.862

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