

June 11, 2012

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

According to the Energy Information Administration's (EIA's) June 12, 2012 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects a Henry Hub natural gas average spot price of \$2.55 and \$3.23 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 \$95 per barrel during the second half of 2012, with the average U.S. refiner acquisition cost averaging \$100 per barrel. 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 69.5 billion cubic feet per day (Bcf/d) in 2012, an increase of 2.7 Bcf/d (4.1%) over 2011 consumption. Electric power sector consumption of natural gas is expected to grow by about 20% in 2012, because natural gas is now priced lower than coal, in some regions.

Production. EIA expects 2012 production growth to average 2.3 Bcf/d (up 3.4%) in 2012. 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 .4 Bcf/d (4.3%) in 2012, as U.S. supplies displace Canadian sources. Liquefied natural gas (LNG) imports are expected to decline by .3 Bcf/d (33%) in 2012. An average of .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

- July Natural Gas Futures Contract (as of Jun 8), NYMEX at Henry Hub closed at \$2.299 per million British thermal units (MMBtu)
- July Light, Sweet Crude Oil Futures Contract (as of Jun 8), NYMEX at Cushing closed at \$84.10 per U.S. oil barrel (Bbl.) or approximately \$13.39 per MMBtu

Last week: Texas CDD higher than normal

For the week beginning 6/3/12 and ending 6/9/12, cooling degree days (CDD) were higher than normal for Texas and lower than normal for the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 40% above normal for Texas and 37% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (HDD)				
City or Region	Total CDD for week ending 6/9/2012	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	61	8	387	121%
Austin	115	10	869	26%
DFW	116	19	832	73%
El Paso	128	24	740	56%
Houston	134	31	1128	60%
SAT	124	16	1015	38%
Texas**	111	16	864	40%
U.S.**	35	-5	290	37%

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDD are calculated. ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. natural gas storage at 2,877 Bcf

For the week ending 6/1/12, U.S. working gas in storage rose from 2,815 to 2,877 Bcf, compared to 2,164 Bcf in storage a year ago and compared to an average of 2,190 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 1,080 to 1,091 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/1/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,363	1,325	38	+ 34.2%
West	423	410	13	+ 27.4%
Producing	1,091	1,080	11	+ 29.6%
Lower 48 Total	2,877	2,815	62	+ 31.4%

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

Last week: Gas rig count down 23 to 879

The natural gas rig count for the U.S. was down 23 when compared to the prior week and down 314 when compared to 12 months ago. The U.S. total rig count was up 4 when compared to the prior week, and up 129 when compared to 12 months ago.

Source: Baker Hughes

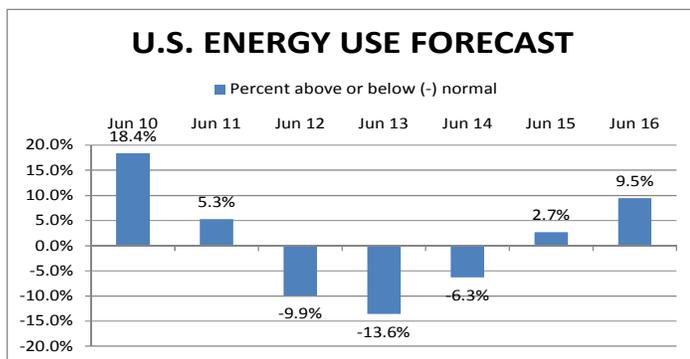
BAKER HUGHES ROTARY RIG COUNT				
	As of 6/8/12	+/- prior week	Year ago	+/- year ago
Texas	934	2	833	+101
U.S. gas	565	-23	879	-314
U.S. oil	1414	28	969	+445
U.S. total	1984	4	1855	+129
Canada	230	74	232	-2

Numbers are excerpted and not meant to be totaled

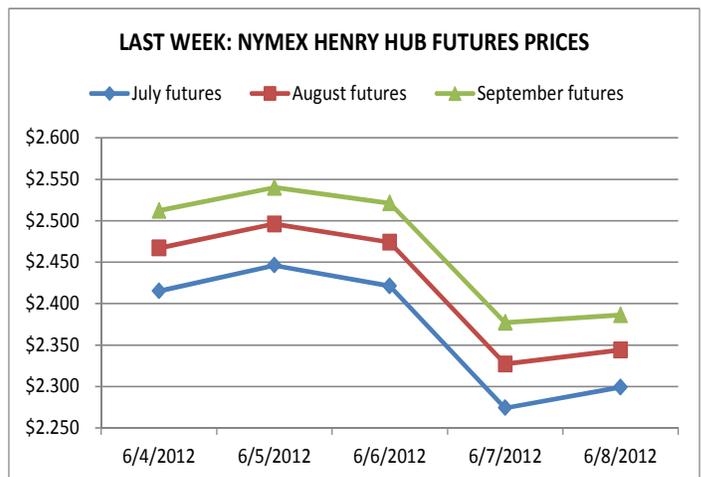
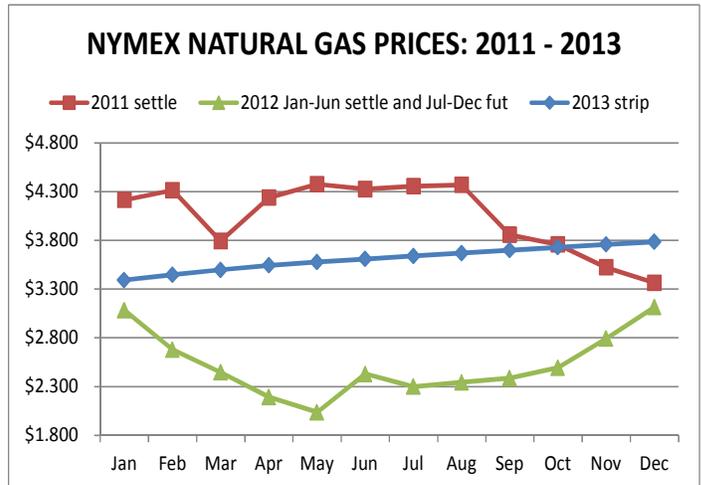
This week: U.S. energy use seesaws

U.S. energy use is forecasted to be lower than normal mid-week, yet otherwise higher 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



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 6/8/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$2.299	-\$0.027	-\$2.058	\$2.927

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