

August 13, 2012

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

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

Spot prices, natural gas. EIA projects a Henry Hub natural gas average spot price of \$2.67 and \$3.34 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 Brent crude oil to average about \$103 per barrel during the second half of 2012 and about \$100 per barrel in 2013. The West Texas Intermediate (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 69.8 billion cubic feet per day (Bcf/d) in 2012, an increase of 3.2 Bcf/d (4.8%) over 2011 consumption. Electric power sector consumption of natural gas is expected to grow by about 22% in 2012, because natural gas is now priced lower than coal, in some regions.

Production. EIA expects 2012 production growth to average 2.5 Bcf/d 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/exports. EIA expects gross pipeline imports of natural gas to decline by .1 Bcf/d (1.3%) in 2012, as U.S. supplies displace Canadian sources. EIA expects pipeline gross imports to remain flat in 2013, at around 8.4 Bcf/d. Liquefied natural gas (LNG) imports are expected to decline by .5 Bcf/d (51%) in 2012. U.S. imports of LNG totaled about 431 Bcf in 2010, 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007. Asian markets are paying higher prices for LNG than the U.S., making the U.S. market a last resort for LNG exporters.

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

Data

- September Natural Gas Futures Contract (as of Aug 10), NYMEX at Henry Hub closed at \$2.770 per million British thermal units (MMBtu)
- September Light, Sweet Crude Oil Futures Contract (as of Aug 10), NYMEX at Cushing closed at \$92.87 per U.S. oil barrel (Bbl.) or approximately \$14.79 per MMBtu

Last week: Texas, U.S. CDD higher than normal

For the week beginning 8/5/12 and ending 8/11/12, cooling degree days (CDD) were higher than normal for Texas and the U.S. For the cooling season (1/1/12 to 12/31/12), cumulative cooling degree days were 21% above normal for Texas and 28% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/11/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	131	+47	1504	61%
Austin	147	+6	2097	12%
DFW	178	+36	2276	35%
El Paso	150	+35	2015	28%
Houston	153	+20	2335	27%
SAT	160	+20	2352	22%
Texas**	149	+20	2082	21%
U.S.**	85	+13	1036	28%

* 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 3,241 Bcf

For the week ending 8/3/12, U.S. working gas in storage rose from 3,217 to 3,241 Bcf, compared to 2,776 Bcf in storage a year ago and compared to an average of 2,855 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) decreased from 1,113 to 1,108 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE				
Region	Week ending 8/3/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,635	1,605	30	+ 8.9%
West	498	499	-1	+ 19.4%
Producing	1,108	1,113	-5	+ 18.2%
Lower 48 Total	3,241	3,217	24	+ 13.5%

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

Last week: U.S. gas rig count down 3

The gas rig count for the U.S. was down 3 when compared to the prior week and down 401 when compared to 12 months ago. The total rig count for the U.S. was up 1 for the week and down 28 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

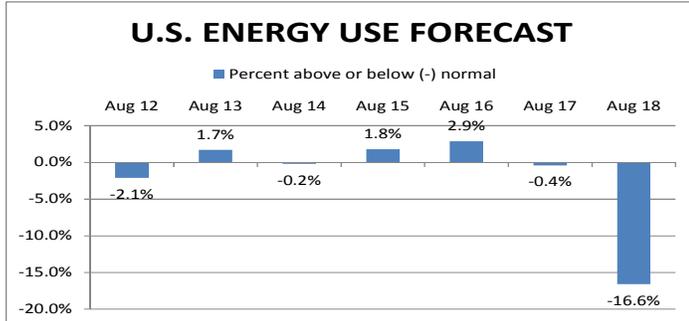
BAKER HUGHES ROTARY RIG COUNT				
	As of 8/10/2012	+/- prior week	Year ago	+/- year ago
Texas	911	+2	886	+25
U.S. gas	495	-3	896	-401
U.S. oil	1432	+3	1055	+377
U.S. total	1931	+1	1959	-28
Canada	299	-4	464	-165

Numbers are excerpted and not meant to be totaled

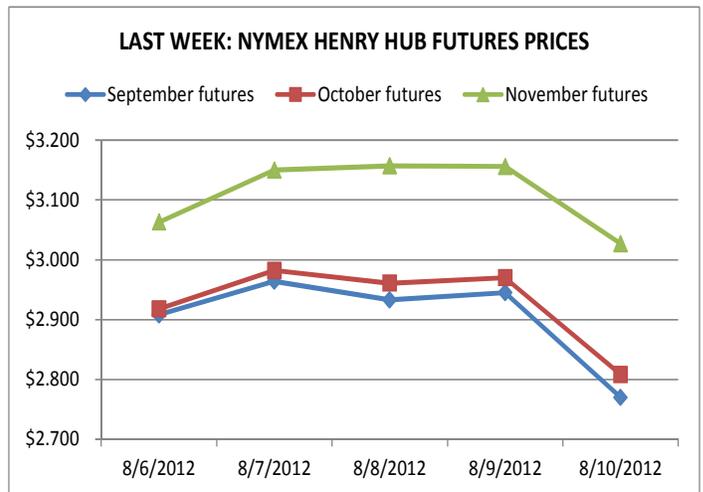
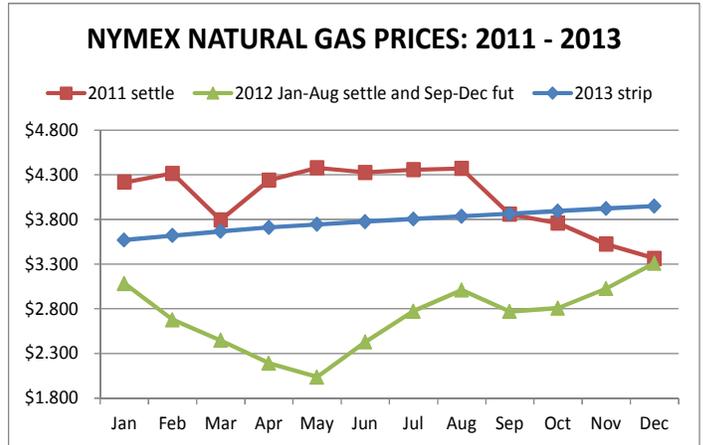
This week: U.S. energy use seesaws

U.S. energy use is forecasted to fluctuate from lower than normal to higher than normal and back, 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 8/10/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$2.770	-\$0.107	-\$1.087	\$3.323

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