

September 10, 2012

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

According to the Energy Information Administration's (EIA's) September 11, 2012 Short-Term Energy Outlook:

**Spot prices, natural gas.** EIA projects a Henry Hub natural gas average spot price of \$2.65 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 \$111 per barrel during the last four months of 2012 and about \$103 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.

*Due to recent increases in natural gas prices, EIA expects coal-fired electricity generation to increase by 9% in 2013 and natural gas generation to fall by about 10%.*

**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. Electric power sector consumption of natural gas is expected to grow by about 21% in 2012 and to decline in 2013 due to recent increases in natural gas prices.

**Production.** EIA expects 2012 production growth to average 2.6 Bcf/d in 2012. For 2013, EIA expects production

growth to slow to .5 Bcf/d, as the slowdown in drilling activity is offset by:

- growth in production from liquids-rich natural gas production areas such as the Eagle Ford Shale,
- wet gas areas of the Marcellus Shale, and
- associated gas from growth in domestic crude oil production.

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.

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

**Data**

- October Natural Gas Futures Contract (as of Sep 7), NYMEX at Henry Hub closed at \$2.682 per million British thermal units (MMBtu)
- October Light, Sweet Crude Oil Futures Contract (as of Sep 7), NYMEX at Cushing closed at \$96.42 per U.S. oil barrel (Bbl.) or approximately \$15.35 per MMBtu

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

For the week beginning 9/2/12 and ending 9/8/12, 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 20% above normal for Texas and 26% above normal for the U.S.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 9/8/2012	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	102	+48	1871	55%
Austin	144	+24	2654	10%
DFW	165	+56	2850	31%
El Paso	121	+32	2520	27%
Houston	143	+32	2915	25%
SAT	152	+33	2972	21%
Texas**	143	+37	2612	20%
U.S.**	75	+28	1313	26%

\* 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 3,402 Bcf**

For the week ending 8/31/12, U.S. working gas in storage rose from 3,374 to 3,402 Bcf, compared to 3,007 Bcf in storage a year ago and compared to an average of 3,073 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 1,124 to 1,117 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

U.S. WORKING GAS IN STORAGE				
Region	Week ending 8/31/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,793	1,759	34	+ 5.5%
West	492	491	1	+ 14.2%
Producing	1,117	1,124	-7	+ 18.5%
Lower 48 Total	3,402	3,374	28	+ 10.7%

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

**Last week: U.S. gas rig count down 21**

The gas rig count for the U.S. was down 21 when compared to the prior week and down 440 when compared to 12 months ago. The total rig count for the U.S. was down 30 for the week and down 94 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

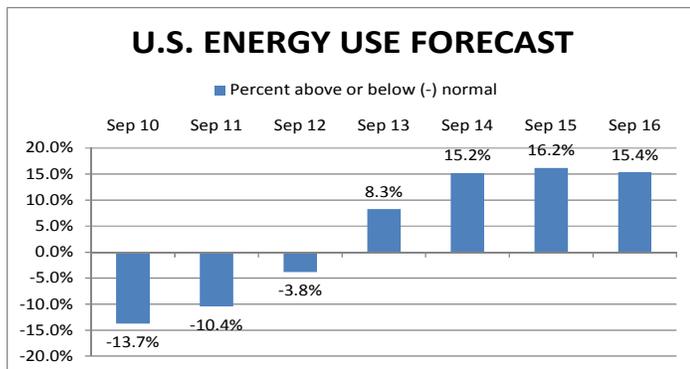
BAKER HUGHES ROTARY RIG COUNT				
	As of 9/7/2012	+/- prior week	Year ago	+/- year ago
Texas	869	-20	884	-15
U.S. gas	452	-21	892	-440
U.S. oil	1409	-10	1057	+352
U.S. total	1864	-30	1958	-94
Canada	345	+29	515	-170

Numbers are excerpted and not meant to be totaled

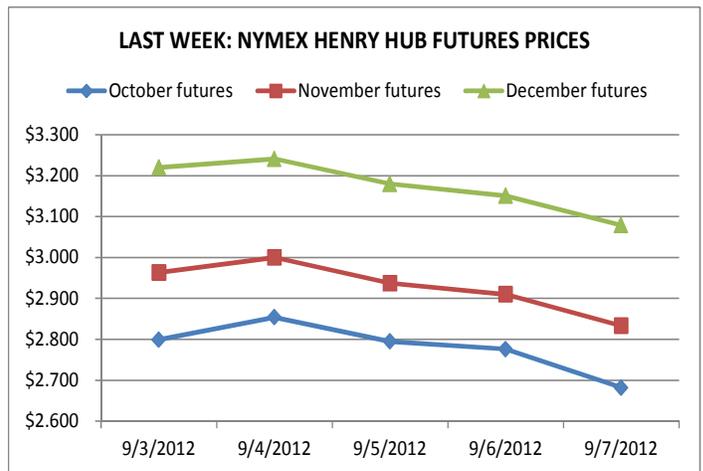
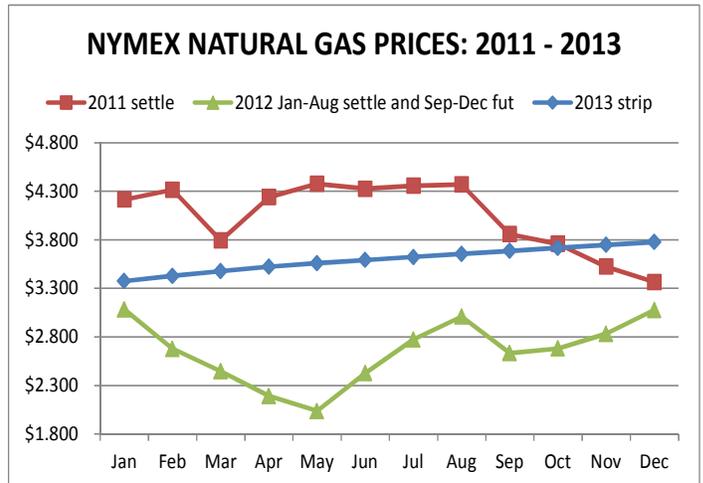
**This week: U.S. energy use down, then up**

U.S. energy use is forecasted to be higher than normal on and after 9/13, 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 9/7/2012**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US October futures				
NYMEX	\$2.682	-\$0.117	-\$1.077	\$3.198

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