

January 3, 2011

# Natural Gas Trends

## Highlights

### EIA'S 2011 ENERGY OUTLOOK

The U.S. Energy Information Administration (EIA) recently released a draft of its Annual Energy Outlook 2011, the final version of which will be published later this spring. Included among EIA's projections:

#### Shale Gas To Offset Declines in Other U.S. Energy Supply Sources.

EIA expects shale gas production to offset declines in other U.S. dry gas production. Shale gas was about 9% of U.S. dry gas production in 2009; EIA projects that shale gas will be about 45% of U.S. dry gas production in 2035.

*EIA's estimate of technically recoverable unproved shale gas resources increased by 480 Tcf from 2009 to 2010.*

#### Industrial Natural Gas Demand To Grow Sharply.

EIA expects that industrial natural gas demand will grow sharply in the near term, increasing from 7.3 trillion cubic feet (Tcf) in 2009 to 9.4 Tcf in 2020. This 2.1 Tcf increase reverses a recent downward trend in industrial demand. EIA expects a strong recovery in near-term industrial production, growth in the use of combined heat and power technologies, and relatively low natural gas prices.

#### Natural Gas To Increase, Coal To Decrease, for Electricity Generation.

EIA projects that the share of electricity generation from natural gas will increase from 23% in 2009 to 25% in 2035. Relatively low natural gas prices and relatively low capital constructions costs make natural gas more attractive than in the past, when compared to coal. Nevertheless, coal is expected to remain the dominant fuel for electricity generation through 2035 because of the large amount of existing capacity.

A copy of EIA's Early Release Overview may be downloaded from: <http://www.eia.gov/forecasts/aco/index.cfm>

## Data

- January Natural Gas Futures Contract (Dec 30), NYMEX at Henry Hub closed at \$4.338 per million British Thermal Units (MMBtu)
- January Light, Sweet Crude Oil Futures Contract (Dec 31), NYMEX at Cushing closed at \$91.38 per U.S. oil barrel (Bbl.) or approximately \$14.55 per MMBtu

#### Last week: Texas, U.S. warmer than normal

For the week beginning 12/26/10 and ending 1/1/11, heating degree days were lower than normal for Texas and the U.S. For the heating season (7/1/10 to 6/30/11), cumulative heating degree days are 12% below normal for Texas and 3% above normal for the U.S.

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

#### HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 1/1/11	* Week HDD +/-from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	200	- 10	1457	- 19 %
Austin	92	- 13	697	+ 6 %
Dallas – FW	121	- 24	770	- 20 %
El Paso	146	- 3	822	- 27 %
Houston	75	- 19	489	- 20 %
San Antonio	78	- 23	529	- 17 %
Texas**	99	- 21	714	- 12 %
U.S.**	169	- 7	1398	+ 3 %

\* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

#### Last week: U.S. Gas Storage at 3,232 Bcf

For the week ending 12/24/2010, U.S. working gas in storage declined from 3,368 to 3,232 Bcf compared to 3,294 Bcf in storage a year ago and compared to an average of 2,986 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) declined from 1,138 to 1,117 Bcf.

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

#### U.S. WORKING GAS IN STORAGE

Region	Week ending 12/24/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1671	1774	- 103	+ .1 %
West	444	456	- 12	+ 9.4 %
Producing	1117	1138	- 21	+ 22.6 %
Lower 48 Total	3232	3368	- 136	+ 8.2 %

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

**Last week: Gas Rig Count Down 12 to 919**

The gas rig count for the U.S. was down 12 last week and up 160 when compared to 12 months ago. The U.S. total rig count was down 20 last week and up 505 when compared to 12 months ago.

Source: Baker Hughes

**BAKER HUGHES ROTARY RIG COUNT**

	As of 12/30/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1694	- 20	1189	+ 505
Gas	919	- 12	759	+ 160
Oil	765	- 6	418	+ 347
Texas	731	- 15	485	+ 246
N. Amer.	1940	- 85	1398	+ 542

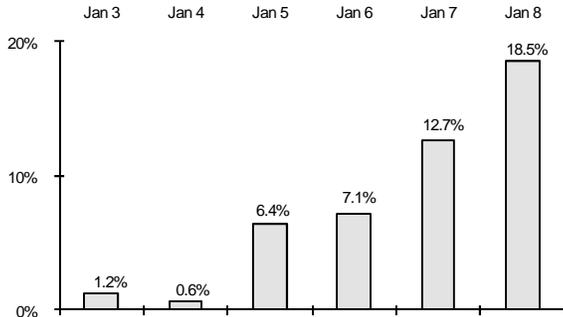
Numbers are excerpted and not meant to be totaled

**This week: U.S. Energy Use Higher Than Normal**

U.S. energy use is forecasted to be higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

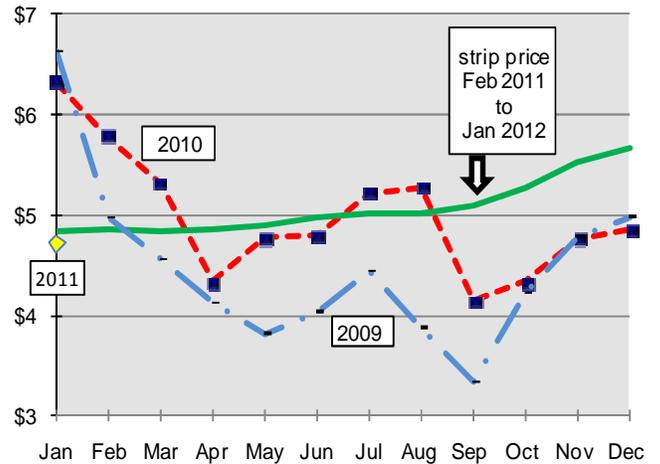
**U.S. ENERGY USE FORECAST**



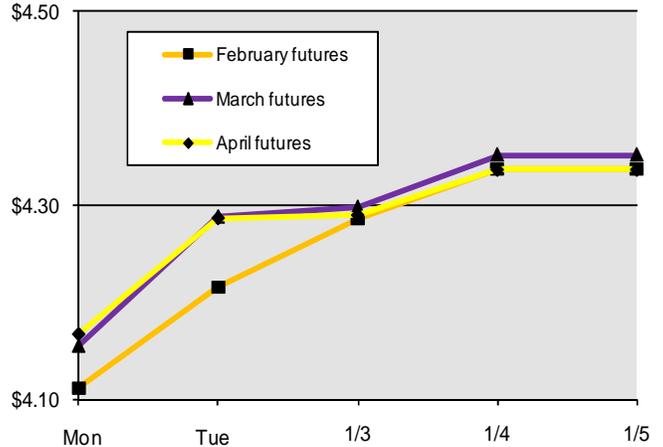
**GAS PRICE SUMMARY AS OF 12/30/10**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$4.338	\$0.255	-\$0.936	\$4.572

**NYMEX HENRY HUB FUTURES PRICES**



**NYMEX NATURAL GAS PRICE MOVEMENT 12/27/10 - 12/31/10**



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