

February 28, 2011

Natural Gas Trends

Highlights

WORLD PETROLEUM SUPPLIES, PRICES

Instability rocks oil prices. Several countries in the Middle East continue to experience uprisings and unrest after the governments of Tunisia and Egypt were toppled earlier this year. In response to instability in the Middle East, U.S. gasoline prices have begun to rise.



Energy assurance, national conference call. In anticipation of the possibility of future gasoline price spikes and/or petroleum supply disruptions, the National Association of State Energy Officials (NASEO) is convening a national conference call on Thursday, March 3rd from 2pm to 3:30pm central time to discuss petroleum supplies and price increases associated with recent events in the Middle East. The discussion is primarily for public sector energy assurance personnel, such as State Energy Office directors. Among other items, the agenda will include a discussion of:

- past U.S. gasoline price spikes and petroleum supply disruptions;
- Middle East oil production, supply, and distribution;
- U.S. petroleum emergency contingencies;
- Emergency response coordination; and
- Special issues applicable to certain fuels (heating oil, propane, others).

Energy assurance, regional exercise. Representatives from the Railroad Commission's energy assurance team are participating this week in a regional energy assurance exercise in Raleigh, North Carolina. The mock exercise will focus on public sector planning for and response to a crude oil price spike, a refinery disruption, a hurricane, a drought, above normal temperatures, and other such emergencies. Representatives from State Governors' offices and State Legislatures were invited to attend the exercise as were representatives from State Energy Offices, Public Utility Commissions, Emergency Management agencies, State Homeland Security offices, cities, local governments, and energy organizations and industries. For more information, visit:

<http://www.naseo.org/events/index.html>

Data

- April Natural Gas Futures Contract (as of Feb 25), NYMEX at Henry Hub closed at \$4.005 per million British Thermal Units (MMBtu)
- April Light, Sweet Crude Oil Futures Contract (as of Feb 25), NYMEX at Cushing closed at \$97.88 per U.S. oil barrel (Bbl.) or approximately \$15.59 per MMBtu

Last week: Texas much warmer than normal

For the week beginning 2/20/11 and ending 2/26/11, heating degree days were much lower than normal for Texas, yet higher than normal for the U.S. For the heating season (7/1/10 to 6/30/11), cumulative heating degree days are 1% below normal for Texas and 1% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 2/26/11	* Week HDD +/-from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	136	- 25	3083	- 8 %
Austin	23	- 44	1612	+ 13 %
Dallas – FW	43	- 54	1869	- 7 %
El Paso	69	- 25	1923	- 10 %
Houston	3	- 61	1230	- 6 %
San Antonio	9	- 55	1278	- 6 %
Texas**	29	- 49	1657	- 1 %
U.S.**	176	+ 6	3385	+ 1 %

* 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 Drops to 1,830 Bcf

For the week ending 2/18/11, U.S. working gas in storage declined from 1,911 to 1,830 Bcf compared to 1,878 Bcf in storage a year ago and compared to an average of 1,891 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) declined from 698 to 687 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 2/18/11	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	880	937	- 57	- 9.8 %
West	263	276	- 13	- 3.7 %
Producing	687	698	- 11	+ 7.2 %
Lower 48 Total	1830	1911	- 81	- 3.2 %

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

Last week: Gas Rig Count up 1 to 906

The gas rig count for the U.S. was up 1 last week and up 1 when compared to 12 months ago. The U.S. total rig count was down 14 last week and up 326 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 2/25/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1699	- 14	1373	+ 326
Gas	906	+ 1	905	+ 1
Oil	783	- 15	456	+ 327
Texas	738	- 9	565	+ 173
N. Amer.	2322	- 27	1949	+ 373

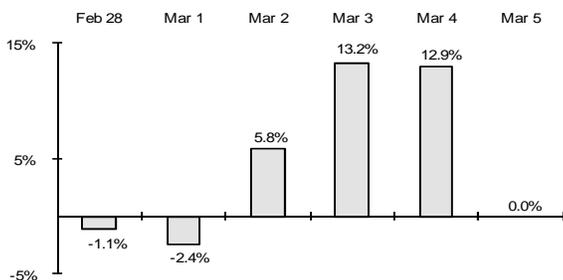
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy Use Seesaws

This week, U.S. energy use is forecasted to be lower than normal early in the week, then higher than normal, then normal, 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.

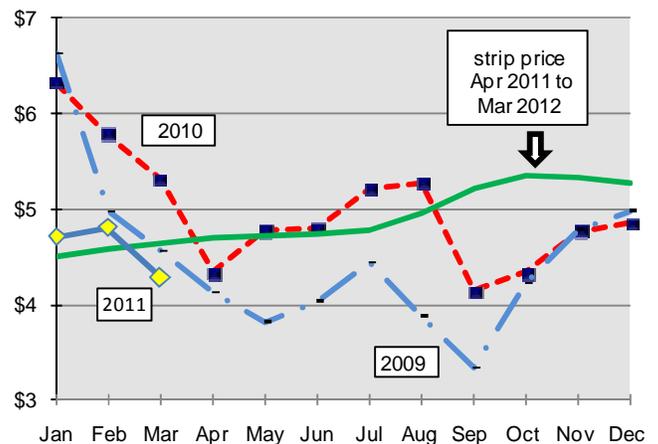
Source: Dominion Energy Index

U.S. ENERGY USE FORECAST

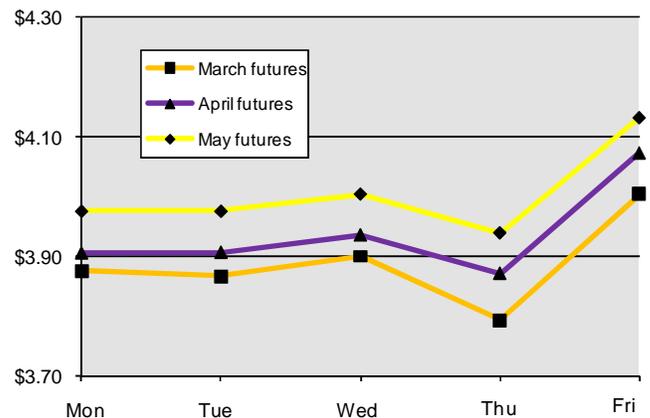


The U.S. Department of Energy recently approved Freeport LNG's application to export liquefied natural gas from the Texas Gulf Coast to 15 foreign countries, including Australia, Bahrain, Canada, Chile, Dominican Republic, El Salvador, Guatemala, Honduras, Jordan, Mexico, Morocco, Nicaragua, Oman, Peru, and Singapore. Source: www.doe.gov

NYMEX HENRY HUB FUTURES PRICES



NYMEX NATURAL GAS PRICE MOVEMENT 2/21/11 - 2/25/11



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GAS PRICE SUMMARY AS OF 2/25/11

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$4.005	\$0.129	\$0.163	\$4.400