

March 7, 2011

Natural Gas Trends

Highlights

WINTER STORM EVALUATIONS INITIATED



More than 80 electric generation plants were impacted by the severe winter storm that blanketed Texas during the first week of February, resulting in a series of rolling blackouts across the State. Natural gas utilities were also affected by the storm.

Feb 11 - NERC initiates Event Analysis. On February 7, 2011 the North American Electric Reliability Council (NERC) announced that it would examine the bulk power system impacts of recent extreme weather conditions to determine the adequacy of preparations and potential improvements. On February 11, 2011 NERC issued a letter providing formal notice of its intent to conduct an **Event Analysis** on the preparation and performance of the bulk power system during these cold weather events.

Feb 14 - FERC initiates inquiry into winter storm outages. On February 14, 2011 the Federal Energy Regulatory Commission (FERC) initiated an **Inquiry Into Recent Outages in Texas and the Southwest**, Docket No. AD11-9-000. FERC indicated the initiation of a separate enforcement investigation would be determined at a later date, depending on the outcome of the inquiry.

Feb 15 - Texas Legislature conducts hearings. The Texas Legislature's Senate Committee on Business & Commerce held **hearings** on February 15, 2011 to ascertain how and why the winter storm impacted the electric and natural gas industries. Testimony was presented by the Railroad Commission of Texas, the Public Utility Commission of Texas (PUC), the Electric Reliability Council of Texas (ERCOT) and others.

Sources: www.ferc.gov; www.nerc.com; and Texas Legislature Online

Data

- April Natural Gas Futures Contract (as of Mar 4), NYMEX at Henry Hub closed at \$3.809 per million British Thermal Units (MMBtu)
- April Light, Sweet Crude Oil Futures Contract (as of Mar 4), NYMEX at Cushing closed at \$104.42 per U.S. oil barrel (Bbl.) or approximately \$16.63 per MMBtu

Last week: Texas much warmer than normal

For the week beginning 2/27/11 and ending 3/5/11, heating degree days were much 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 3% 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 3/5/11	* Week HDD +/-from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	104	- 44	3187	- 9 %
Austin	45	- 11	1657	+ 12 %
Dallas – FW	44	- 38	1913	- 9 %
El Paso	63	- 18	1986	- 11 %
Houston	18	- 35	1248	- 8 %
San Antonio	21	- 31	1299	- 9 %
Texas**	39	- 29	1696	- 3 %
U.S.**	148	- 11	3533	+ 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 1,745 Bcf

For the week ending 2/25/11, U.S. working gas in storage declined from 1,830 to 1,745 Bcf compared to 1,754 Bcf in storage a year ago and compared to an average of 1,760 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) **increased** from 687 to 696 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 2/25/11	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	809	880	- 71	- 9.0 %
West	240	263	- 23	- 7.0 %
Producing	696	687	+ 9	+ 13.5 %
Lower 48 Total	1745	1830	- 85	- 0.9 %

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

Last week: Gas Rig Count down 7 to 899

The gas rig count for the U.S. was down 7 last week, when compared to the prior week, and down 27, when compared to 12 months ago. The U.S. total rig count was up 8 last week, when compared to the prior week, and up 311, when compared to 12 months ago.

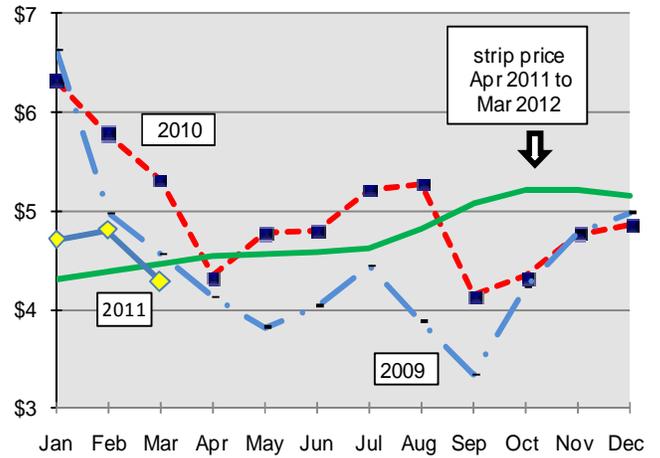
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 3/4/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1707	+ 8	1396	+ 311
Gas	899	- 7	926	- 27
Oil	801	+ 18	456	345
Texas	733	- 5	588	+ 145
N. Amer.	2332	+ 10	1939	+ 393

Numbers are excerpted and not meant to be totaled

NYMEX HENRY HUB FUTURES PRICES

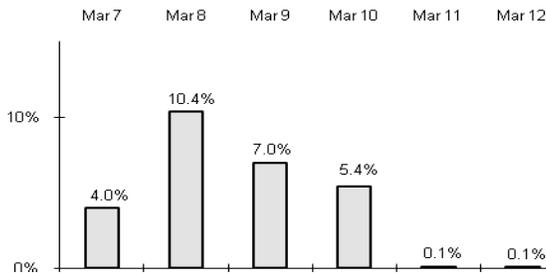


This week: U.S. Energy Use Higher Than Norm

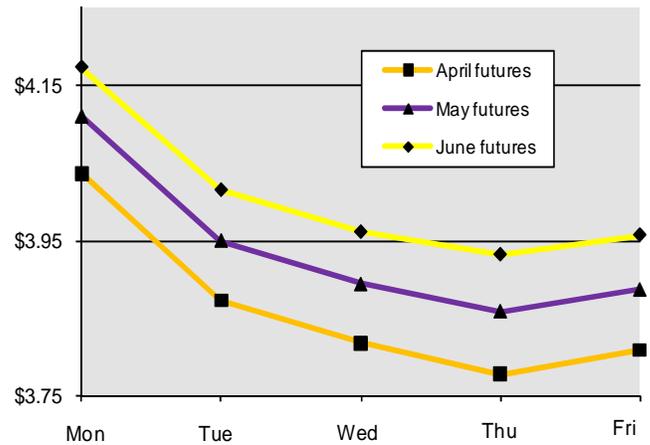
This week, U.S. energy use is forecasted to be higher than normal, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 2/28/11 - 3/4/11



GAS PRICE SUMMARY AS OF 3/4/11

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$3.809	-\$0.067	-\$0.033	\$4.246

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