

April 25, 2011

**Natural Gas Trends****Highlights****FERC: 2010 STATE OF THE MARKETS**

At the April 21, 2011 meeting of the Federal Energy Regulatory Commission (FERC), the FERC's Office of Enforcement staff presented its **2010 State of the Markets** report, an analysis of natural gas market prices, supply, and consumption. The report highlights a developing trend in gas market dynamics, that is, in 2010 natural gas prices did not track with the prices of other commodities.

*"In some plays, such as the Eagle Ford and North Barnett Shale in Texas, and the Bakken Field in the Dakotas, the breakeven cost for natural gas has fallen to zero, and natural gas has essentially become a byproduct of oil and natural gas liquids drilling."*

In recent years, natural gas prices moved in tandem with other energy commodities, for example, commodities included in the Goldman Sachs Commodity Index. While that Index doubled in the past two years, natural gas prices remained flat. The report identifies certain factors which have contributed to the divergence of natural gas prices from the prices of other energy commodities, including:

- The North American natural gas market is largely self-sufficient and, thus, insulated from international pressures that affect other commodities;
- Higher gas production and added pipeline and storage infrastructure increased supply and reduced geographic and seasonal price variations;
- Natural gas prices appeared to respond in 2010 to physical fundamentals, rather than financial market influences, as in 2008; and
- Natural gas prices and coal prices converged.

The report points out that, with the convergence of natural gas prices and coal prices, natural gas has increasingly edged out coal as the most economical fuel for baseload electric power production, in more parts of the U.S, and for longer periods during the year.

A copy of the report can be downloaded at:

[www.ferc.gov](http://www.ferc.gov)

**Data**

- May Natural Gas Futures Contract (as of Apr 21), NYMEX at Henry Hub closed at \$4.412 per million British Thermal Units (MMBtu)
- May Light, Sweet Crude Oil Futures Contract (as of Apr 21), NYMEX at Cushing closed at \$112.29 per U.S. oil barrel (Bbl.) or approximately \$17.88 per MMBtu

**Last week: Texas warmer, U.S. cooler than normal**

For the week beginning 4/18/11 and ending 4/22/11, 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 7% below normal for Texas and 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 4/23/11	* Week HDD +/-from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	22	- 38	3657	- 12 %
Austin	2	- 5	1774	+ 8 %
Dallas – FW	0	- 14	2076	- 12 %
El Paso	0	- 18	2065	- 18 %
Houston	0	- 7	1311	- 14 %
San Antonio	0	- 7	1351	- 14 %
Texas**	3	- 10	1835	- 7 %
U.S.**	77	+ 5	4279	0 %

\* 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 Rises to 1,654 Bcf**

For the week ending 4/15/11, U.S. working gas in storage increased from 1,607 to 1,654 Bcf, compared to 1,819 Bcf in storage a year ago and compared to an average of 1,631 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 763 to 780 Bcf.

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

**U.S. WORKING GAS IN STORAGE**

Region	Week ending 4/15/11	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	652	623	+ 29	- 10.2 %
West	222	221	+ 1	- 12.3 %
Producing	780	763	+ 17	+ 19.6 %
Lower 48 Total	1654	1607	+ 47	+ 1.4 %

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

**Last week: Gas Rig Count down 7 to 878**

The gas rig count for the U.S. was down 7 last week when compared to the prior week, and down 78 when compared to 12 months ago. The U.S. total rig count was up 28 last week when compared to the prior week, and up 318 when compared to 12 months ago.

Source: Baker Hughes

**BAKER HUGHES ROTARY RIG COUNT**

	As of 4/21/11	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1800	+ 28	1482	+ 318
Gas	878	- 7	956	- 78
Oil	913	+ 33	514	+ 399
Texas	801	+ 22	641	+ 160
N. Amer.	1943	+ 4	1592	+ 351

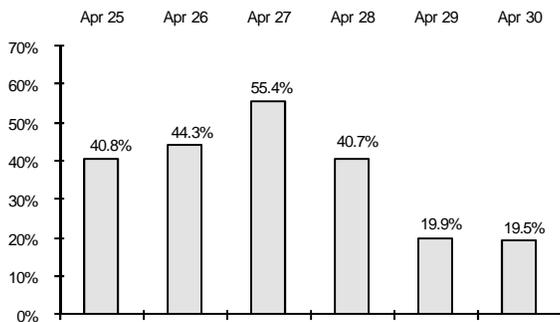
Numbers are excerpted and not meant to be totaled

**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

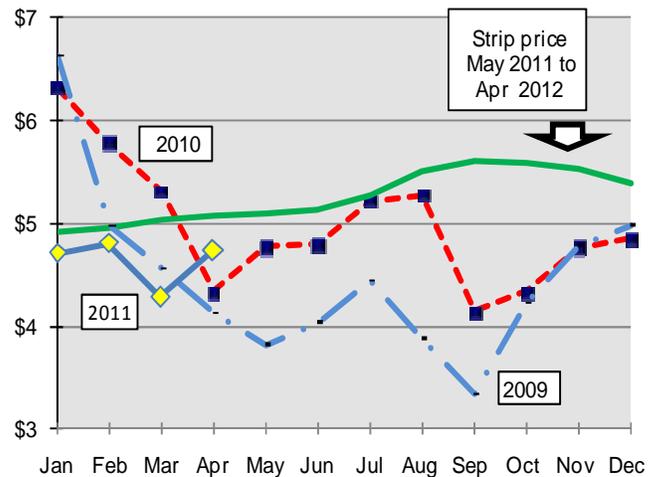
**U.S. ENERGY USE FORECAST**



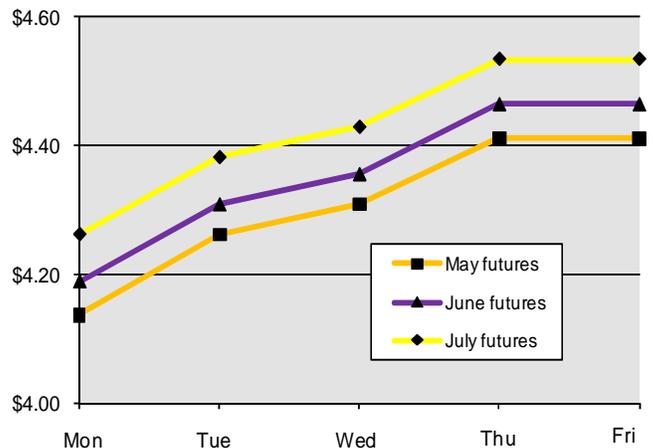
**NATURAL GAS PRICE SUMMARY AS OF 4/21/11**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	\$4.412	\$0.208	\$0.141	\$4.761

**NYMEX HENRY HUB FUTURES PRICES**



**NYMEX NATURAL GAS PRICE MOVEMENT 4/18/11 - 4/22/11**



*Lynne LeMon,  
a natural gas analyst in the  
Market Oversight Section  
of the Gas Services Division,  
is editor of  
Natural Gas Trends.*

*Comments on this publication may be  
directed to Ms. LeMon  
at 512-475-1958 or  
lynne.lemon@rrc.state.tx.us*