

August 15, 2011

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) August 9, 2011 Short-Term Energy Outlook:

Spot prices, natural gas. EIA projects for calendar years 2011 and 2012 Henry Hub natural gas average spot prices of

\$4.24 and \$4.41, respectively, per million British thermal units (MMBtu). The price per MMBtu averaged \$4.39 in 2010, \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

EIA's assumptions do not yet fully reflect recent economic and financial developments that point to a weaker economic outlook.

Spot prices, crude oil. The West Texas Intermediate (WTI)

crude oil spot price per barrel is expected to average about \$96 in 2011 and \$101 in 2012. The WTI crude oil spot price per barrel averaged \$79 in 2010, \$62 in 2009, \$100 in 2008, and \$72 in 2007.

Consumption. EIA expects 2011 natural gas consumption to rise to 67.4 billion cubic feet per day (Bcf/d), an increase of about 1.8% over 2010. EIA expects electric power sector consumption and industrial sector consumption in 2011 to grow by 3.7% and 1.7%, respectively.

Production. Total marketed U.S. natural gas production is expected to grow by 5.9% in 2011. Total marketed U.S. natural gas production increased by 4.4% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

Imports. EIA expects gross pipeline imports of natural gas to average 8.7 Bcf/d in 2011 and 8.4 Bcf/d in 2012, decreases of 4.3% and 3.7%, respectively, when compared to 2010. Liquefied natural gas (LNG) imports are expected to decline from about 1.2 Bcf/d in 2010 to 1 Bcf/d in 2011. U.S. imports of LNG totaled about 431 Bcf in 2010, 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Exports. Pipeline gross exports of natural gas to Canada and Mexico are expected to increase to 4.3 Bcf/d in 2011 and 2012, compared to 3.1 Bcf/d of natural gas exported in 2010. Source: <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Data

- September Natural Gas Futures Contract (as of August 12), NYMEX at Henry Hub closed at \$4.060 per million British thermal units (MMBtu)
- September Light, Sweet Crude Oil Futures Contract (as of August 12), NYMEX at Cushing closed at \$85.38 per U.S. oil barrel (Bbl.) or approximately \$13.60 per MMBtu

Last week: Texas, U.S. CDD higher than norm

For the week beginning 8/7/11 and ending 8/13/11, cooling degree days continued to be much higher than normal for Texas and the U.S. For the cooling season (1/1/11 to 12/31/11), cumulative cooling degree days were 33% above normal for Texas and 25% above normal for the U.S. Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

| City or Region | Total CDD for week ending 8/13/11 | * Week CDD +/- from Normal | Year-to-date total CDD | * YTD % +/- from Normal |
|----------------|-----------------------------------|----------------------------|------------------------|-------------------------|
| Amarillo | 131 | + 47 | 1608 | + 68 % |
| Austin | 173 | + 33 | 2441 | + 27 % |
| Dallas – FW | 189 | + 49 | 2453 | + 42 % |
| El Paso | 160 | + 47 | 2191 | + 36 % |
| Houston | 182 | + 50 | 2599 | + 38 % |
| San Antonio | 177 | + 37 | 2656 | + 35 % |
| Texas** | 167 | + 38 | 2329 | + 33 % |
| U.S.** | 78 | + 8 | 1036 | + 25 % |

* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs are calculated.
 ** State and U.S. degree days are population-weighted by NOAA.

Last week: U.S. Natural Gas Storage at 2,783 Bcf

For the week ending 8/5/11, U.S. working gas in storage increased from 2,758 to 2,783 Bcf, compared to 2,980 Bcf in storage a year ago and compared to an average of 2,863 Bcf in storage during the 5-year period from 2006 to 2010. Working gas in storage in the producing region (which includes Texas) decreased from 982 to 961 Bcf. Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

| Region | Week ending 8/5/11 | Prior Week | One-week Change | Current Δ from 5-YR Average (%) |
|----------------|--------------------|------------|-----------------|---------------------------------|
| East | 1,418 | 1380 | + 38 | - 8.0 % |
| West | 404 | 396 | + 8 | - 2.2 % |
| Producing | 961 | 982 | - 21 | + 5.8 % |
| Lower 48 Total | 2,783 | 2,758 | + 25 | - 2.8 % |

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

Last week: Gas Rig Count up 13 to 896

The **gas** rig count for the U.S. was up 13 last week when compared to the prior week, and down 96 when compared to 12 months ago. The U.S. **total** rig count was up 39 when compared to the prior week, and up 319 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

| | As of 8/12/11 | +/- Prior Week | Year Ago | +/- Year Ago |
|------------|---------------|----------------|----------|--------------|
| U.S. total | 1959 | + 39 | 1640 | + 319 |
| Gas | 896 | + 13 | 992 | - 96 |
| Oil | 1055 | + 24 | 636 | + 419 |
| Texas | 886 | + 20 | 720 | + 166 |
| N. Amer. | 2423 | + 69 | 2035 | + 388 |

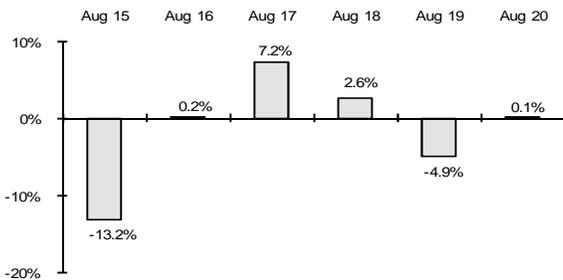
Numbers are excerpted and not meant to be totaled

This week: U.S. Energy use seesaws

U.S. energy use is forecasted to fluctuate again this week, 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

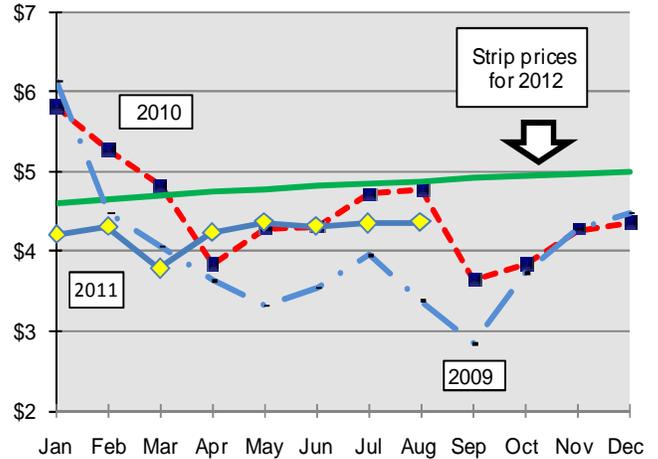
U.S. ENERGY USE FORECAST



NATURAL GAS PRICE SUMMARY AS OF 8/12/11

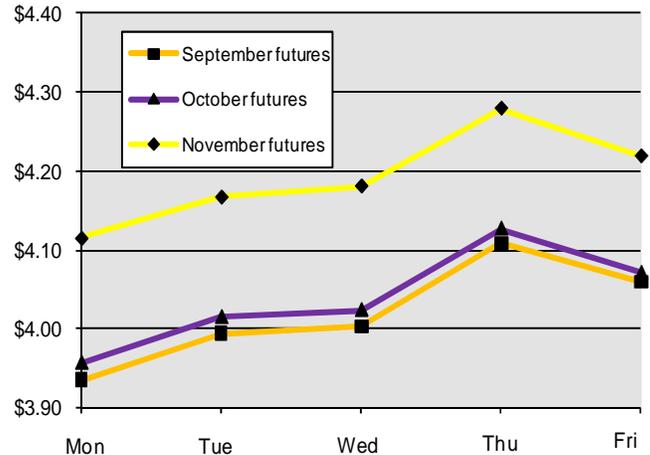
| | This Week | +/- Last Week | +/- Last Year | 12-Month Strip Avg. |
|----------------------|-----------|---------------|---------------|---------------------|
| US September futures | | | | |
| NYMEX | \$4.060 | \$0.119 | \$0.409 | \$4.415 |

NYMEX HENRY HUB FUTURES PRICES



Strip prices. The natural gas strip price, shown above in green, is the average of daily settlement prices, by month, for 2012 futures contracts.

NYMEX NATURAL GAS PRICE MOVEMENT 8/8/11 - 8/12/11



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