

January 25, 2010

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) January 12, 2010 Short-Term Energy Outlook:

Spot prices, natural gas. The Henry Hub average natural gas spot price was \$5.50 per Mcf in December 2009. EIA projects an annual average Henry Hub spot price of \$5.36 per Mcf in 2010. Prices averaged (per Mcf) \$5.50 in 2009, \$9.13 in 2008 and \$7.17 in 2007.

Continued high storage levels combined with enhanced domestic production capabilities and slow consumption growth are expected to keep gas prices from rising dramatically.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average about \$80 per barrel in 2010. The WTI average spot price for crude oil averaged (per barrel) \$62 in 2009, \$100 in 2008 and \$72 in 2007.

Consumption. U.S. total natural gas consumption fell by 1.5% in 2009. Consumption is projected to remain relatively stable in 2010. EIA expects that consumption growth in the residential, commercial, and industrial sectors in 2010 will be offset by a 2.8% decline in electric power sector consumption.

Gas production increased by 3.7% in 2009 despite a 59 percent decline in the working natural gas rig count from September 2008 to July 2009. As of 12/31/09, the number of rigs had increased from a low of 665 to 759.

Production. Total U.S. marketed natural gas production is expected to decline by 3% in 2010. Production increased by 3.7% in 2009 and by 5.9% in 2008.

Imports. Pipeline imports declined by 8.8% in 2009, primarily a reflection of reduced production in Canada. Liquefied natural gas

(LNG) imports to the U.S. are expected to rise significantly to 1.76 billion cubic feet per day in 2010 due to increased supply availability from Russia, Yemen, Qatar and Indonesia. U.S. LNG imports totaled about 352 Bcf in 2008 and 771 Bcf in 2007.

CO² emissions. U.S. carbon dioxide (CO²) emissions from fossil fuels fell by about 6.1% in 2009 with coal emissions declining by nearly 11%. The 2009 reduction in emissions was due to changes in energy consumption in the industrial sector caused by the weak economy, and by a shift in electricity generation sources from coal to lower-emission fuels. CO² emissions are expected to rise 1.5% in 2010.

Source: www.eia.doe.gov

Data

- February Natural Gas Futures Contract (Jan 22), NYMEX at Henry Hub closed at \$5.819
- March Light, Sweet Crude Oil Futures Contract (Jan 22), NYMEX at Cushing closed at \$74.54 per Bbl. or approximately \$11.87 per MMBtu

Last Week: Heating Degree Days Below Normal

For the heating season (7/1/09 to 6/30/10), cumulative heating degree days are 11% above normal for Texas and normal for the U.S. For the week beginning 1/17/10 and ending 1/23/10, heating degree days for Texas and the U.S. were well below normal.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)

City or Region	Total HDD for week ending 1/23/10	* Week HDD +/- from Normal	Year-to-date total HDD	* YTD % +/- from Normal
Amarillo	127	- 83	2491	+ 1 %
Austin	50	- 57	1273	+ 27 %
Dallas – FW	48	- 99	1430	0 %
El Paso	101	- 41	1495	- 6 %
Houston	30	- 68	981	+ 7 %
San Antonio	33	- 71	1038	+ 7 %
Texas**	51	- 70	1321	+ 11 %
U.S.**	164	- 44	2429	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.

Gas Storage Level Plunges To 2,607 Bcf

For the week ending 1/15/10, U.S. working gas in storage declined from 2,852 to 2,607 Bcf, compared to 2,585 Bcf in storage a year ago and compared to an average of 2,613 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) decreased from 906 to 810 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 1/15/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1401	1532	-131	- 3.8 %
West	396	414	- 18	+ 16.1 %
Producing	810	906	- 96	- 0.6 %
Lower 48 Total	2607	2852	-245	- 0.2 %

Units in billion cubic feet (Bcf)

Last Week: Gas Rig Count At 833, Up 22

The gas rig count for the U.S. was up 22 last week and down 352 when compared to 12 months ago. The U.S. total rig count was up 34 last week and down 233 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

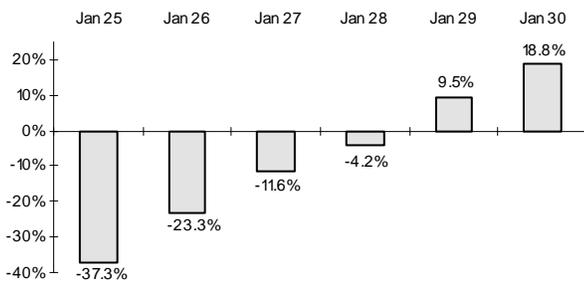
	As of 1/22/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1282	+ 34	1515	- 233
Gas	833	+ 22	1185	- 352
Oil	437	+ 12	318	+ 119
Texas	528	+ 15	683	- 155
N. Amer.	1777	+ 63	1941	- 164

This week: U.S. Energy Use Rises

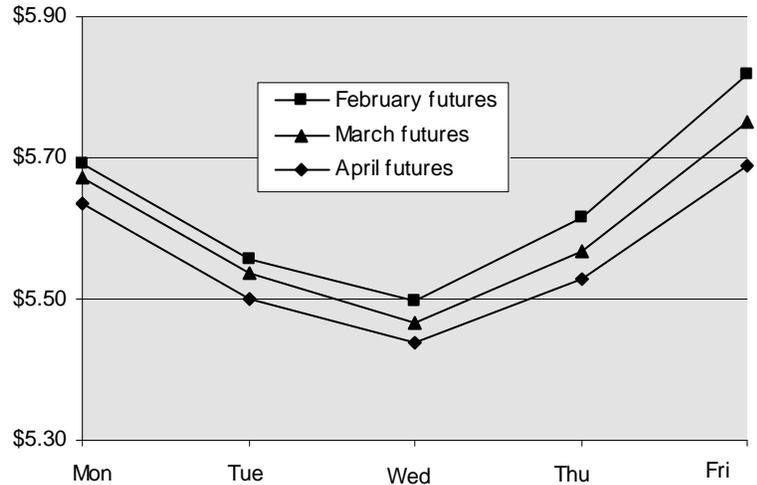
U.S. energy use is forecasted to be lower than normal through Thursday, then higher than normal through the remainder of the week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

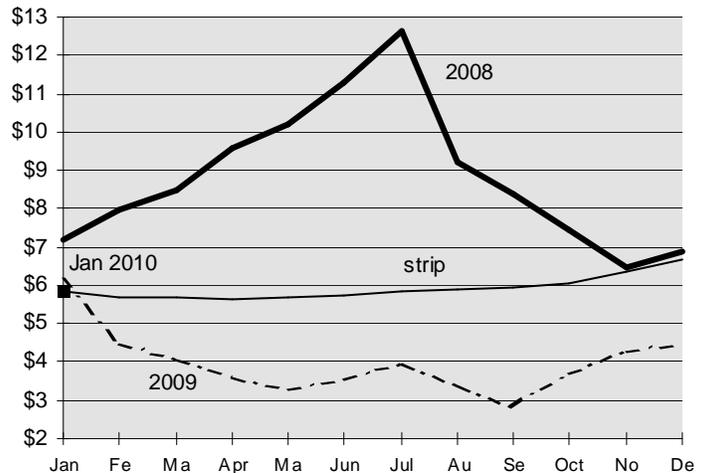
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 1/18/10 - 1/22/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 1/22/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$5.819	\$0.128	\$1.343	\$5.914