

August 2, 2010

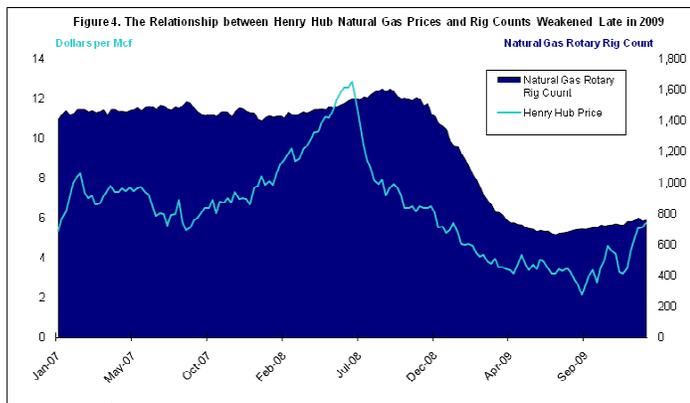
# Natural Gas Trends

## Highlights

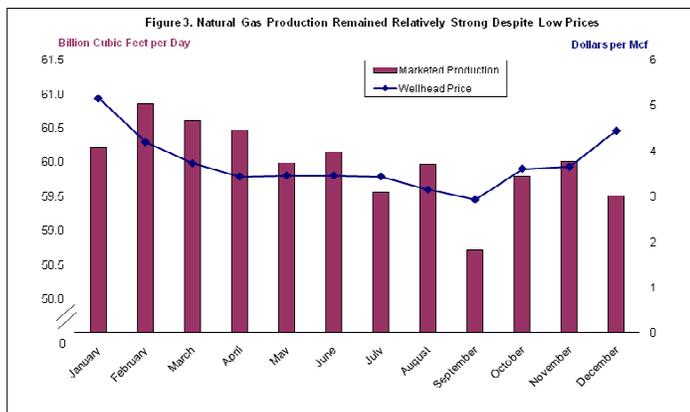
### EIA: NATURAL GAS YEAR-IN-REVIEW 2009

The U.S. Energy Information Administration (EIA) recently released its 2009 review of the natural gas market. In the review, the agency noted a recent trend: a disconnect in the relationship between rig counts, natural gas prices, and production levels.

In previous years, the natural gas rotary rig count, as reported by Baker Hughes Incorporated, traditionally lagged behind Henry Hub natural gas prices by several weeks or more. The relationship between rig counts and Henry Hub prices became less apparent in the second half of 2009, as shown in EIA's Figure No. 4, below.



Despite a relatively low number of active rigs, natural gas production continued to be robust in 2009, as shown in EIA's Figure No. 3, below. Technology advances in drilling and well-completion techniques facilitated continued efficiency gains.



EIA's report is available at:  
[http://www.eia.gov/pub/oil\\_gas/natural\\_gas/feature\\_articles/2010/ngvir2009/ngvir2009.html](http://www.eia.gov/pub/oil_gas/natural_gas/feature_articles/2010/ngvir2009/ngvir2009.html)

## Data

- September Natural Gas Futures Contract (July 30), NYMEX at Henry Hub closed at \$4.923
- September Light, Sweet Crude Oil Futures Contract (July 30), NYMEX at Cushing closed at \$76.01 per Bbl. or approximately \$12.58 per MMBtu

### Last week: Cooler Warmer Than Normal in Texas

For the week beginning 7/25/10 and ending 7/31/10, cooling degree days were lower than normal for Texas and higher than normal for the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 5% above normal for Texas and 21% above normal for the U.S. Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

### COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 7/31/10	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	90	- 1	897	+ 12 %
Austin	132	- 8	1668	+ 1 %
Dallas – FW	150	+ 3	1798	+ 23 %
El Paso	113	- 7	1574	+ 13 %
Houston	137	+ 4	1854	+ 14 %
San Antonio	133	- 7	1703	0
Texas**	125	- 5	1581	+ 5 %
U.S.**	84	+ 9	839	+ 21 %

\* 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. Gas Storage Increased to 2,919 Bcf

For the week ending 7/23/10, U.S. working gas in storage increased from 2891 to 2919 Bcf compared to 3013 Bcf in storage a year ago and compared to an average of 2680 Bcf in storage during the 5-year period from 2005 to 2009. Working gas in storage in the producing region (which includes Texas) increased from 992 to 987 Bcf. Source: [www.eia.doe.gov](http://www.eia.doe.gov)

### U.S. WORKING GAS IN STORAGE

Region	Week ending 7/23/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1459	1425	+ 34	+ 1.7 %
West	473	474	- 1	+ 22.9 %
Producing	987	992	- 5	+ 14.6 %
Lower 48 Total	2919	2891	+ 28	+ 8.9 %

Units in billion cubic feet (Bcf)

**Last week: Gas Rig Count Down 10 To 972**

The gas rig count for the U.S. was down 10 last week and up 295 when compared to 12 months ago. The U.S. total rig count was up 1 last week and up 638 when compared to 12 months ago.

Source: Baker Hughes

**BAKER HUGHES ROTARY RIG COUNT**

	As of 7/30/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1586	+ 1	948	+ 638
Gas	972	- 10	677	+ 295
Oil	603	+ 12	261	+ 342
Texas	675	+ 1	347	+ 328
N. Amer.	1949	+ 15	1148	+ 801

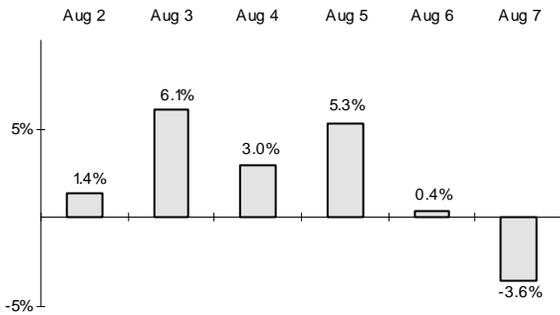
Numbers are excerpted and not meant to be totaled

**This week: U.S. Energy Use Starts Week Higher**

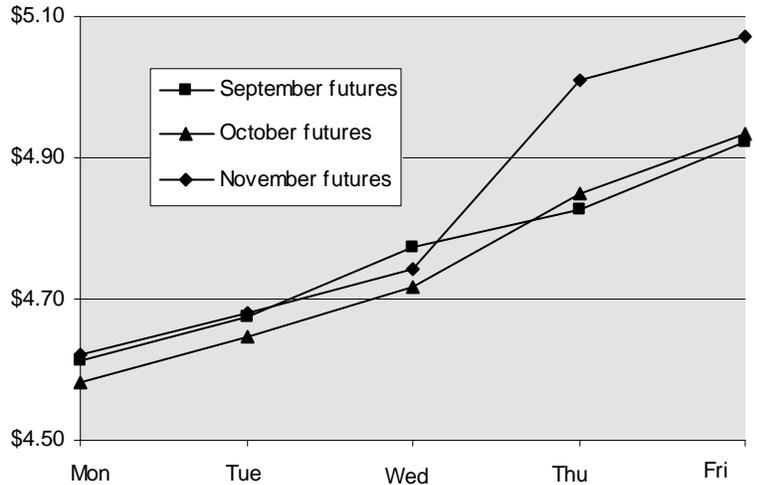
U.S. energy use is forecast to be higher than normal this week until Friday when usage dips below normal, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

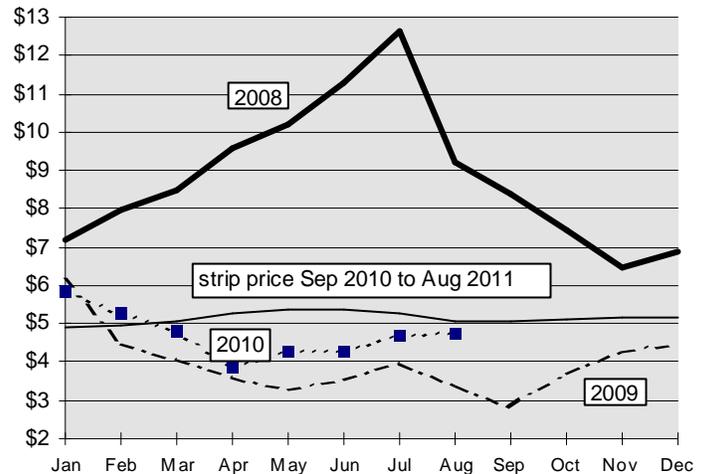
**U.S. ENERGY USE FORECAST**



**NYMEX NATURAL GAS PRICE MOVEMENT 7/26/10 - 7/30/10**



**NYMEX HENRY HUB FUTURES PRICES**



**GAS PRICE SUMMARY AS OF 7/30/10**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$4.923	\$0.521	\$2.080	\$4.797