

October 11, 2010

Natural Gas Trends

Highlights

EAGLE FORD SHALE ATTRACTS INTERNATIONAL INVESTMENT

Statoil, an international energy company based in Norway, and Canada-based Talisman Energy, LLC, have entered into a 50/50 joint venture to acquire 97,000 acres in the Eagle Ford Shale in southwest Texas. The transaction, valued at **\$1.325 billion** or approximately \$10,900 per acre, is expected to close by the end of 2010.

In a separate transaction valued at **\$180 million**, Statoil will purchase 50% of Talisman's existing 37,000 acres of Eagle Ford assets. Statoil anticipates that a significant portion of revenue from Statoil's Eagle Ford assets will be derived from gas liquids and condensate. For more information, visit www.statoil.com.

According to Chesapeake's CEO, Aubrey McClendon, the transaction will reduce U.S. oil imports over time, create thousands of high-paying U.S. jobs, and bring significant tax revenues to local, state and federal coffers.

Oklahoma-based Chesapeake Energy Corporation and CNOOC Limited, China's largest producer of offshore oil and natural gas, announced an agreement whereby a wholly owned subsidiary of CNOOC will purchase a 33.3% undivided interest in Chesapeake's 600,000 net oil and gas leasehold acres in the Eagle Ford Shale.

The transaction, valued at **\$1.08 billion**, is expected to close by year end. For more information, visit: www.cnooltd.com.

Data

- November Natural Gas Futures Contract (Oct 8), NYMEX at Henry Hub closed at \$3.651
- November Light, Sweet Crude Oil Futures Contract (Oct 8), NYMEX at Cushing closed at \$82.66 per U.S. oil barrel (Bbl.) or approximately \$13.16 per million British Thermal Units (MMBtu)

Last week: Cooler Than Normal in Texas, U.S.

For the week beginning 10/3/10 and ending 10/9/10, cooling degree days were lower than normal for Texas and the U.S. For the cooling season (1/1/10 to 12/31/10), cumulative cooling degree days are 7% above normal for Texas and 21% above normal for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/9/10	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	9	- 4	1608	+ 20 %
Austin	2	- 62	2825	+ 1 %
Dallas – FW	17	- 25	3056	+ 23 %
El Paso	51	+ 21	2678	+ 21 %
Houston	21	- 38	3105	+ 16 %
San Antonio	13	- 53	2898	+ 2 %
Texas**	25	- 25	2685	+ 7 %
U.S.**	8	- 10	1405	+ 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 Approaches 3.5 Tcf

For the week ending 10/1/2010, U.S. working gas in storage increased from 3,414 to 3,499 Bcf compared to 3,648 Bcf in storage a year ago and compared to an average of 3,279 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 1,050 to 1,082 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 10/1/10	Prior Week	One-week Change	Current Δ from 5-YR Avg (%)
East	1920	1867	+ 53	+ 1.9 %
West	497	497	0	+ 11.7 %
Producing	1082	1050	+ 32	+ 13.8 %
Lower 48 Total	3499	3414	+ 85	+ 6.7 %

Units in billion cubic feet (Bcf)

Last week: Gas Rig Count Up 9 To 971

The gas rig count for the U.S. was up 9 last week and up 245 when compared to 12 months ago. The U.S. total rig count was up 12 last week and up 630 when compared to 12 months ago.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT

	As of 10/8/10	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1671	+ 12	1041	+ 630
Gas	971	+ 9	726	+ 245
Oil	690	+ 3	305	+ 385
Texas	727	+ 9	396	+ 331
N. Amer.	2074	+ 102	1280	+ 794

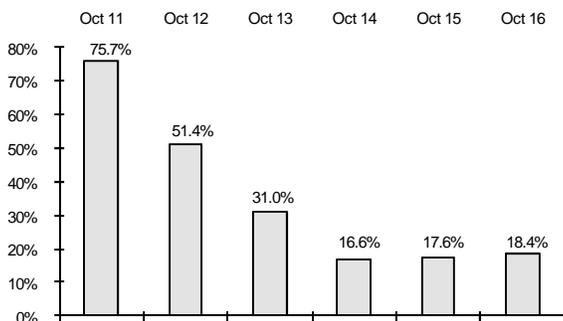
Numbers are excerpted and not meant to be totaled

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

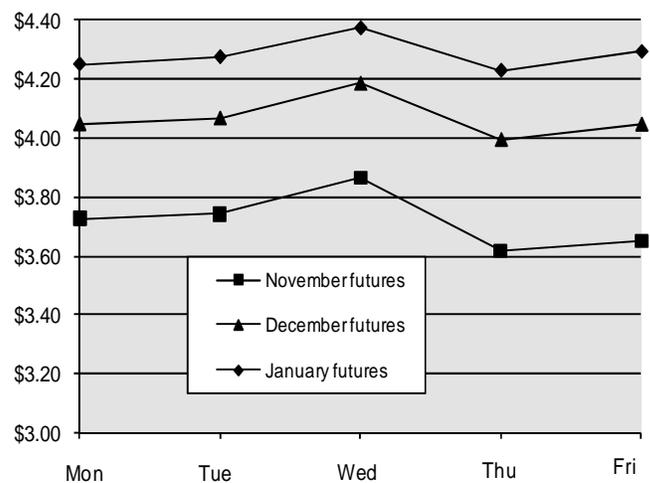
U.S. energy use is forecast to be much higher than normal this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index

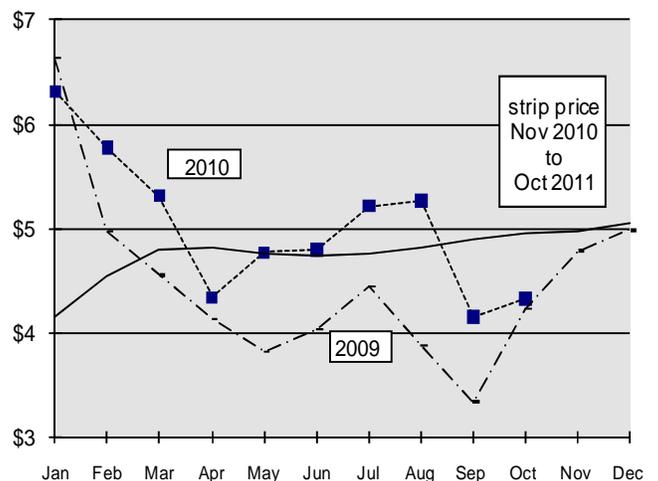
U.S. ENERGY USE FORECAST



NYMEX NATURAL GAS PRICE MOVEMENT 10/4/10 - 10/8/10



NYMEX HENRY HUB FUTURES PRICES



GAS PRICE SUMMARY AS OF 10/8/10

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.651	-\$0.146	-\$0.638	\$4.277