

October 12, 2009

Natural Gas Trends

Highlights

EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) October 6, 2009 Short-Term Energy Outlook:

Spot prices, natural gas. The Henry Hub average spot price was \$3.06 per Mcf in September. EIA projects an annual average Henry Hub natural gas spot price per Mcf of \$3.85 in 2009 and \$5.02 in 2010. Prices averaged \$9.13 per Mcf in 2008 and \$7.17 per Mcf in 2007.

Lower breakeven costs for domestic production and growing global LNG supply may limit sustained price increases.

Spot prices, crude oil. West Texas Intermediate (WTI) spot prices for crude oil are expected to average about \$70 per barrel through the 2009-2010 winter (October–March). The WTI average spot price for crude oil averaged \$100 in 2008 and \$72 in 2007.

New coal-fired generating capacity is expected to put downward pressure on natural gas - fired electric generation.

Consumption. U.S. total natural gas consumption is projected to decline by 2% in 2009 and by .2% in 2010. During the first seven months of 2009, electric power sector consumption increased by .4% while industrial sector consumption declined by 12.4%, when compared to the same period last year. In 2010, EIA expects commercial and industrial consumption growth to be offset by a decline in power sector consumption.

Production. Total U.S. marketed natural gas production is expected to increase by 1.5% in 2009 and to decline by 2.8% in 2010. The 2010 decline is projected for two reasons, first, the 2009 pullback in drilling and, second, curtailments that may be necessary if natural gas inventories bump up against capacity limits, as expected. Total U.S. marketed natural gas production increased by approximately 5.9% in 2008.

Imports. Liquefied natural gas (LNG) imports to the U.S. are expected to rise to 471 Bcf in 2009 and to 660 Bcf in 2010. 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 are expected to fall by 5.9% in 2009 primarily because of how the weak economy has affected the industrial sector and because of changes in electricity generation sources. Coal emissions are expected to decline by 10.1% in 2009. CO² emissions are expected to rise 1.1% in 2010, if the projected economic recovery occurs.

Source: www.eia.doe.gov

Data

- November Natural Gas Futures Contract (Oct 9), NYMEX at Henry Hub closed at \$4.77
- November Light, Sweet Crude Oil Futures Contract (Oct 9), NYMEX at Cushing closed at \$71.77 per Bbl. or approximately \$11.43 per MMBtu

Most Texas Cities Warmer Than Normal YTD

For the cooling season (1/1/09 to 12/31/09), cumulative cooling degree days are 11% above normal for Texas and 3% above normal for the U.S. From 10/4/09 thru 10/10/09, Texas had higher than normal cooling degree days while the U.S. had a nearly normal level of cooling degree days.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 10/10/09	* Week CDD +/- from Normal	Year-to-date total CDD	* YTD % +/- from Normal
Amarillo	0	- 12	1320	- 1 %
Austin	73	+ 11	3137	+ 12 %
Dallas - FW	20	- 20	2706	+ 8 %
El Paso	37	+ 9	2718	+ 22 %
Houston	98	+ 41	3276	+ 22 %
San Antonio	87	+ 23	3494	+ 23 %
Texas**	55	+ 7	2788	+ 11 %
U.S.**	16	- 1	1201	+ 3 %

* 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.

U.S. Gas Storage Inventories Ascend to 3,658 Bcf

For the week ending 10/2/09, U.S. working gas in storage increased from 3,589 to 3,658 Bcf, compared to 3,185 Bcf in storage a year ago and compared to an average of 3,178 Bcf in storage during the 5-year period from 2004 to 2008. Working gas in storage in the producing region (which includes Texas) increased this week from 1,145 to 1,169 Bcf.

Source: www.eia.doe.gov

U.S. WORKING GAS IN STORAGE

Region	Week ending 10/2/09	Prior Week	One-week Change	Current Δ from 5-Yea Average (%)
East	1992	1955	+ 37	+ 7.4 %
West	497	489	+ 8	+ 16.4 %
Producing	1169	1145	+ 24	+ 30.3 %
Lower 48 Total	3658	3589	+ 69	+ 15.1 %

Units in billion cubic feet (Bcf)

Last Week: Gas Rig Count Rose to 726, Up 14

The gas rig count for the U.S. was up 2 for the week and down 832 when compared to 12 months ago. The U.S. total rig count was up 7 for the week and down 955 when compared to 12 months ago. Source: Baker Hughes, Inc

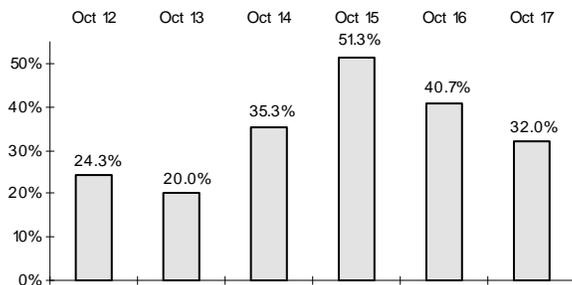
BAKER HUGHES ROTARY RIG COUNT

	As of 10/9/09	+/- Prior Week	Year Ago	+/- Year Ago
U.S. total	1041	+ 17	1990	- 949
Gas	726	+ 14	1548	- 822
Oil	305	+ 2	429	- 124
Texas	396	+ 6	935	- 539
N. Amer.	1280	+ 18	2460	- 1180

This Week: U.S. Energy Use Expected to Soar

U.S. energy use is forecasted to be significantly above normal through week's end, 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

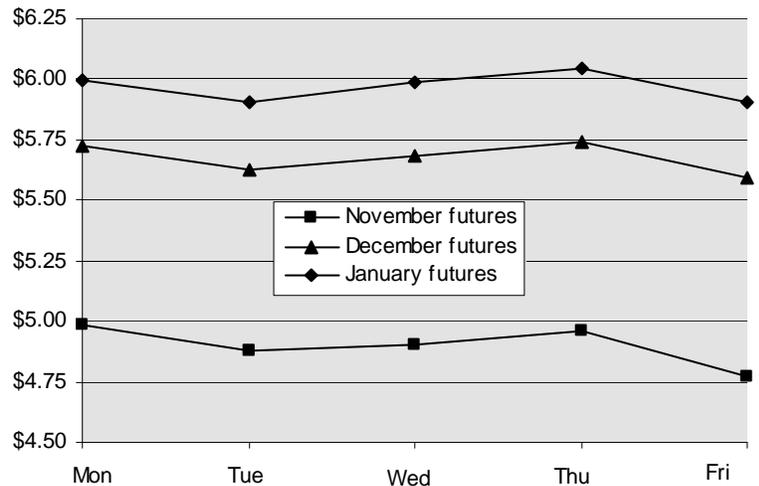
U.S. Energy Use Forecast



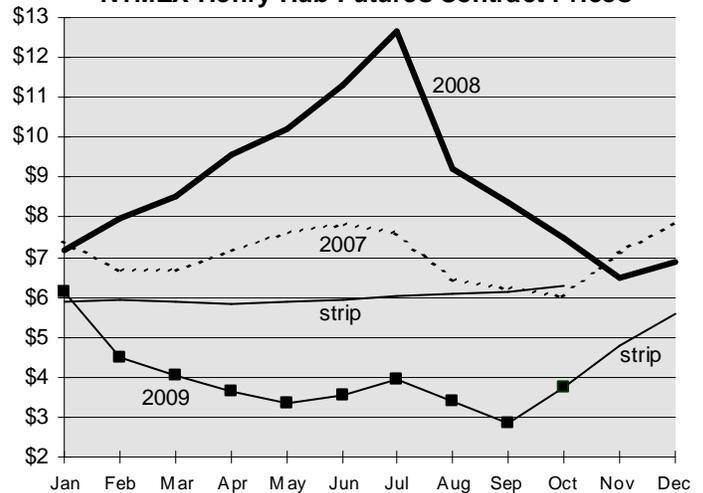
NRRI RELEASES REPORT ON COST TRACKERS

The National Regulatory Research Institute recently released a 23-page analysis of the pros and cons of cost trackers established for the purpose of recovering certain costs. The report, titled "How Should Regulators View Cost Trackers?", is available for download at: http://nrri.org/pubs/gas/NRRI_cost_trackers_sept09-13.pdf

NYMEX Natural Gas Price Movement 10/5/09 - 10/9/09



NYMEX Henry Hub Futures Contract Prices



GAS PRICE SUMMARY 10/9/09

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$4.770	\$0.052	-\$1.699	\$5.861