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RAILROAD COMMISSION OF TEXAS
Gas Services Division
Market Oversight Section

January 28, 2008

Natural Gas Trends

Highlights

- WSI Corporation expects the upcoming three-month period to be colder than normal north and west of a line from El Paso to New York City, with warmer-than-normal temperatures elsewhere. The WSI seasonal outlooks reference a standard 30-year normal (1971-2000). The WSI February forecast continues to call for warmer-than-normal temperatures along the eastern seaboard. Colder temperatures are expected in most other regions, particularly in the Midwest and Northern regions. Mild temperatures in the East should offset increases in natural gas demand in central and western regions. With above-average inventories and generally warmer temperatures expected for February, the outlook for natural gas prices is neutral. The WSI March forecast indicates colder-than-normal temperatures across most of the country, especially across the northern tier. A cold March will create above-normal demand for natural gas and may offset lower-than-normal gas inventory withdrawals during January and February. However, inventories should end the season with supplies that are well above average. Cold weather in March will be supportive for gas prices but may not be overly bullish with the end of the heating season close at hand. Lower temperatures will drive electric loads higher than normal in most regions, but prices should be moderate due to the outlook for steady gas prices near current levels. According to WSI seasonal forecaster Dr. Todd Crawford, "The impacts of the ongoing La Nina event will continue to result in plenty of Arctic air in Canada and the western and central US in February. In the East, the current cold spell should wane during the first half of February, allowing for a return to above-normal temperatures. The above-normal temperatures won't last particularly long in the Northeast, however, as we expect both March and April to be cooler-than-normal."
- On January 22, 2008, the NOAA released a report on new findings by NOAA climate scientists. According to the report, observed warmer ocean waters could mean fewer Atlantic hurricanes striking the United States, as ocean temperatures heavily influence the development of tropical storms. Observations indicated that warming of global sea surface temperatures is associated with a sustained long-term, increase of vertical wind shear in the main development region for Atlantic hurricanes. The increased vertical wind shear coincides with a downward trend in the U.S hurricanes reaching landfall.

Data

- February Natural Gas Futures Contracts (Jan 25) NYMEX at Henry Hub closed at $7.983.
- March Light, Sweet Crude Oil Contracts (Jan 25) NYMEX at Cushing closed at $90.71 per Bbl. or approximately $14.44 per MMBtu.

Heating-Degree Days

Texans experienced cooler than normal weather for the week ending January 26. For the heating season (01/01/07 to present), heating degree-days in **Texas are 9 percent below normal**. Overall, the U.S. experienced cooler than normal weather for the week. (Source: NOAA)

Table 1: Heating Degree-Days (CDD) *Week 01/26/08.*

City or Region	Week Total HDD	Week, HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	219	+12	2220	-13
Austin	154	+49	1158	+10
DFW	172	+26	1185	-20
El Paso	141	+2	1432	-13
Houston	120	24	776	-19
San Ant.	118	+17	858	-15
Texas**	156	+37	1135	-9
U.S.**	250	+43	2315	-8

* A + value = cooler than normal; a - value = warmer than normal.
** State and U.S. degree-days are population-weighted.

U.S. Gas Storage Level Decreases by 155 Bcf

Working gas in underground storage was 2,536 Bcf, a decrease of 155 Bcf from the prior week, for the week ending January 18. A year ago, estimated U.S. gas storage was 2,783 Bcf. The prior five-year average for this week is 2,362 Bcf. Working gas in storage in the producing region, which includes Texas, was 809 Bcf, compared to the five-year average of 707 Bcf. In the east region gas storage was 1,402 Bcf, compared to the five-year average of 1,343 Bcf. In the west region storage was 325 Bcf, compared to the five-year average of 313 Bcf. (Source: Energy Information Administration.)

Table 2: U. S. Working Gas in Storage (Bcf) *Week 01/18/07.*

	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East Region	1402	1482	-80	**+4.4**
West Region	325	351	-26	**+3.8**
Producing Region	809	858	-49	**+14.4**
Lower 48 Total	2536	2691	-155	**+7.4**

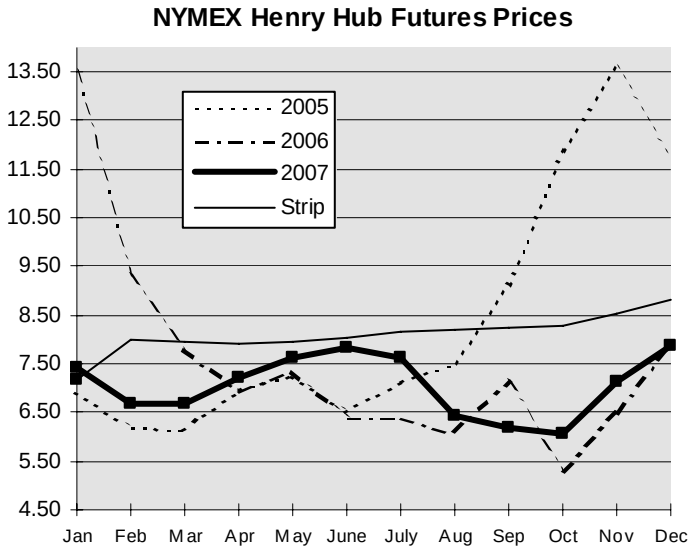
Stephen Pitner, Director, Gas Services Division
Bill Geise, Director, Market Oversight Section

U. S. Gas Rig Count at 1422

The U.S. gas rig count increased by 21 this week to 1422 down from 1440 gas rigs a year ago. The U.S. total rig count increased by 15 to 1747 up from 1699 rigs a year ago.

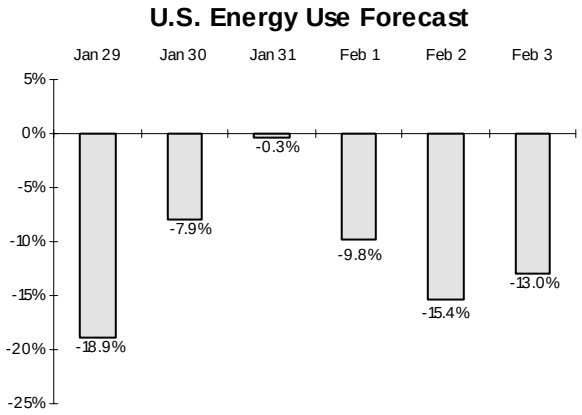
Baker Hughes Rotary Rig Count (01/25/08)

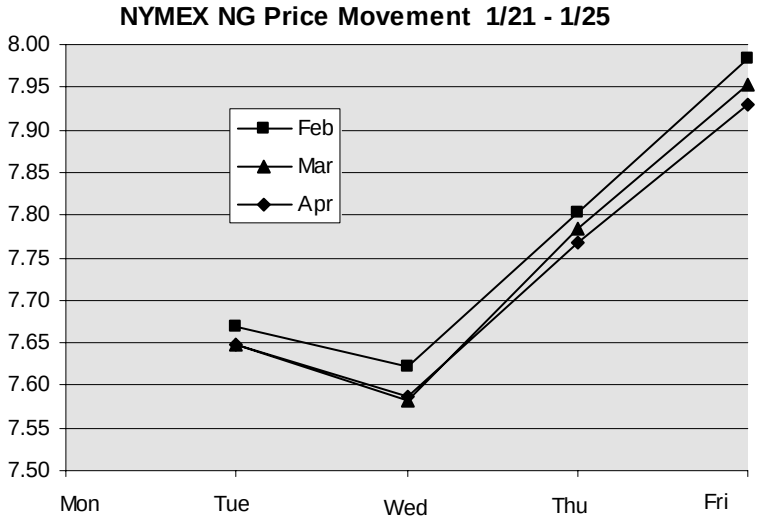
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1747	+15	1699	+48
Gas	1422	+21	1440	-18
Oil	318	-5	255	+63
Texas	851	-3	796	+55
North America	2329	+37	2363	-34



Dominion Energy Use Forecast

Below normal energy use early throughout the week is forecast for the U.S., according to the Dominion Energy Index. The energy index forecasts total U.S. residential energy usage, a component of which is natural gas.





Gas Price Summary

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S (February Futures)				
NYMEX	$7.983	-$0.010	$1.306	$8.262

1/25/2008