

February 18, 2008

# Natural Gas Trends

## Highlights

- The average wellhead price of natural gas is projected to average \$7.08, \$6.70, \$6.67, and \$7.18 per Mcf for the 1st, 2nd, 3rd, and 4th quarters of 2008, respectively, according to the EIA's February 2008 "Short-Term Energy Outlook." The wellhead price of natural gas is projected to average \$6.38 for 2007, \$6.91 for 2008, and \$7.08 for 2009.
- According to the EIA, the Henry Hub spot price of natural gas is projected to average \$8.18, \$7.68, \$7.41 and \$8.07 per Mcf for the 1st, 2nd, 3rd, and 4th quarters of 2008, respectively. The Henry Hub spot price of natural gas is projected to average \$7.17 for 2007, \$7.83 for 2008, and \$7.93 for 2009.
- According to the EIA, the West Texas Intermediate spot price of crude oil is projected to average \$89.32, \$89.00, \$85.50 and \$82.00 per Mcf for the 1st, 2nd, 3rd, and 4th quarters of 2008, respectively. The WTI spot price of crude oil is projected to average \$72.32 for 2007, \$86.46 for 2008, and \$81.67 for 2009.
- According to the EIA, total U.S. marketed natural gas production is expected to increase by 2.2 percent in 2008 and by 0.8 percent in 2009. Projected growth in 2008 is primarily due to the start-up of new deepwater supply infrastructure in the Gulf of Mexico and continued production growth from unconventional reserve basins in the lower-48 onshore region. Imports of liquefied natural gas (LNG) are projected to total 788 billion cubic feet (bcf) for 2008, a 1.8-percent increase over 2007. This reflects a downward revision from the January Outlook due to the expectation of continued demand strength in Asia and Western Europe, which compete with the United States for marginal LNG supplies, and uncertainty about supply projects set to come online in late 2008 and early 2009.
- Exxon Mobil Corporation and Fairbanks Natural Gas LLC (FNG) today announced a long-term contract to supply Alaska North Slope gas to FNG customers in Interior Alaska. ExxonMobil Gas & Power Marketing Company will supply natural gas to a new liquefaction plant at Prudhoe Bay to be built and owned by Polar LNG, LLC, an affiliate of Fairbanks Natural Gas. FNG will truck the LNG nearly 500 miles from the North Slope to its Fairbanks distribution system. FNG owns and operates two LNG storage and regasification facilities in Fairbanks.

## Data

- March Natural Gas Futures Contracts (Feb 15) NYMEX at Henry Hub closed at \$8.660.
- March Light, Sweet Crude Oil Contracts (Feb 15) NYMEX at Cushing closed at \$95.50 per Bbl. or approximately \$15.21 per MMBtu.

### Heating-Degree Days

Texans experienced warmer than normal weather for the week ending February 16. For the heating season (01/01/07 to present), heating degree-days in **Texas are 13 percent below normal**. Overall, the U.S. experienced cooler than normal weather for the week. (Source: NOAA)

**Table 1: Heating Degree-Days (CDD) Week 02/16/08.**

City or Region	Week Total HDD	Week, HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	172	-6	2712	-13
Austin	71	-11	1384	+5
DFW	83	-33	1439	-23
El Paso	86	-22	1740	-13
Houston	32	-45	923	-24
San Ant.	34	-45	992	-22
Texas**	63	-32	1351	-13
U.S.**	201	+15	2863	-7

\* 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 120 Bcf

Working gas in underground storage was 1,942 Bcf, a decrease of 120 Bcf from the prior week, for the week ending February 8. A year ago, estimated U.S. gas storage was 2,125 Bcf. The prior five-year average for this week is 1,833 Bcf. Working gas in storage in the producing region, which includes Texas, was 643 Bcf, compared to the five-year average of 571 Bcf. In the east region gas storage was 1,072 Bcf, compared to the five-year average of 1,001 Bcf. In the west region storage was 227 Bcf, compared to the five-year average of 261 Bcf. (Source: Energy Information Administration.)

**Table 2: U. S. Working Gas in Storage (Bcf) Week 02/08/07.**

	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East Region	1072	1138	-66	+7.1
West Region	227	254	-27	-13.0
Producing Region	643	670	-27	+12.6
Lower 48 Total	1942	2062	-120	+5.9

**U. S. Gas Rig Count at 1428**

The U.S. gas rig count increased by 4 this week to 1428 down from 1473 gas rigs a year ago. The U.S. total rig count increased by 18 to 1773 up from 1746 rigs a year ago.

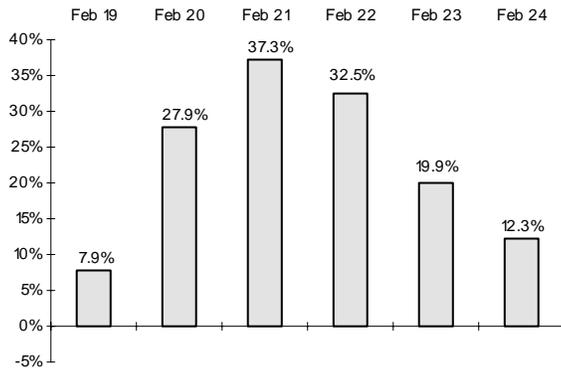
**Baker Hughes Rotary Rig Count (02/15/08)**

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1783	+18	1746	+27
Gas	1428	+4	1473	-45
Oil	339	+15	267	+72
Texas	875	+3	814	+61
North America	2405	+52	2382	+23

**Dominion Energy Use Forecast**

Above 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.

**U.S. Energy Use Forecast**

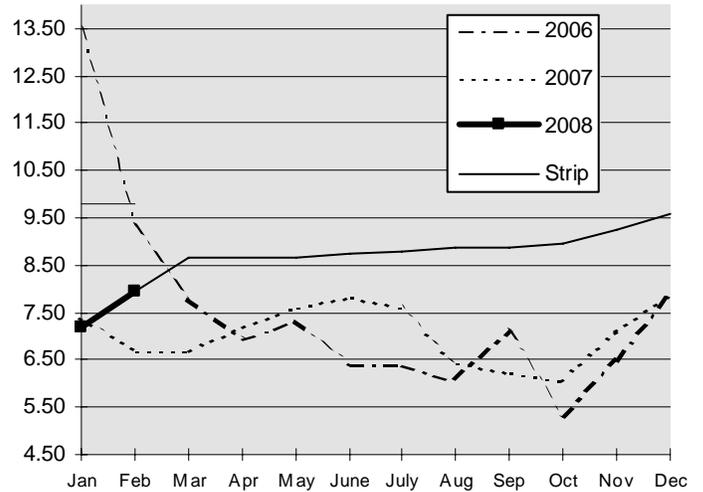


**Gas Price Summary**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
<b>U.S (March Futures)</b>				
NYMEX	\$8.660	\$0.359	\$1.983	\$9.058

2/15/2008

**NYMEX Henry Hub Futures Prices**



**NYMEX NG Price Movement 2/11 - 2/15**

