

March 31, 2008

Natural Gas Trends

Highlights

- Cheniere Energy, Inc. announced last week that the Celestine River LNG vessel has departed from the Nigeria LNG terminal fully laden with her first cargo of liquefied natural gas. She will arrive at the Sabine Pass LNG terminal around April 12, 2008 and deliver the cargo for Sabine Pass's "cool down" process, which cools the terminal to its normal operating temperature. The Federal Energy Regulatory Commission granted Cheniere's request to accept cargoes for testing on March 14, 2008. "After several years of development and construction, we are very excited to receive our cool down cargo on our own ship. We hope this marks the beginning of a long relationship with Nigeria LNG, a dominant LNG producer in the Atlantic Basin," said Chairman and CEO Charif Souki. Sabine Pass LNG will be the largest LNG receiving terminal in North America by regasification capacity at 4 Bcf/d and will have 16.8 Bcf of LNG storage capacity with two berths capable of handling the largest LNG vessels.
- According to the EIA's *Natural Gas Year-In-Review 2007*, increased natural gas supply led to decreases in all end-use natural gas prices, with the exception of the electric power sector. The annual average wellhead price of \$6.39 per thousand cubic feet (Mcf) was slightly below the \$6.40 per Mcf in 2006. Marketed production increased during the year, with the highest jump occurring onshore, mostly in the Rocky Mountain Region and the Barnett Shale, which offset the sixth annual decline in Gulf of Mexico production. While marketed production increased in 2007, there was a slowdown in rigs drilling. The higher level of natural gas production was supported by the continued development of pipeline mileage and capacity. Natural gas imports increased in 2007 by 7.7 percent to 3,729 Bcf, with more than half the increase coming from LNG imports. As prices decreased and natural gas supply increased, natural gas consumption increased by 6.2 percent to 23 trillion cubic feet, which was the first increase since 2004. Natural gas consumption in 2007 increased between 2.1 and 9.9 percent in all sectors. Natural gas markets were characterized by lower natural gas price volatility during the year, which at 61.6 percent was the lowest level since 2002.

Data

- May Natural Gas Futures Contracts (Mar 28) NYMEX at Henry Hub closed at \$9.800.
- May Light, Sweet Crude Oil Contracts (Mar 28) NYMEX at Cushing closed at \$105.62 per Bbl. or approximately \$16.82 per MMBtu.

Heating-Degree Days

Texas experienced cooler than normal weather for the week ending March 29. For the heating season (01/01/07 to present), heating degree-days in **Texas are 12 percent below normal**. Overall, the U.S. experienced cooler than normal weather for the week. (Source: NOAA)

Table 1: Heating Degree-Days (HDD) Week 03/29/08.

City or Region	Week Total HDD	Week, HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	90	-14	3492	-11
Austin	23	-2	1721	+7
DFW	31	-8	1794	-21
El Paso	26	-21	2098	-14
Houston	15	-9	1148	-22
San Ant.	5	-17	1174	-23
Texas**	53	+16	1713	-11
U.S.**	123	+8	3770	-5

* 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 36 Bcf

Working gas in underground storage was 1,277 Bcf, a decrease of 36 Bcf from the prior week, for the week ending March 21. A year ago, estimated U.S. gas storage was 1,517 Bcf. The prior five-year average for this week is 1,244 Bcf. Working gas in storage in the producing region, which includes Texas, was 494 Bcf, compared to the five-year average of 456 Bcf. In the east region gas storage was 607 Bcf, compared to the five-year average of 588 Bcf. In the west region storage was 176 Bcf, compared to the five-year average of 200 Bcf. (Source: Energy Information Administration.)

Table 2: U. S. Working Gas in Storage (Bcf) Week 03/21/07.

	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East Region	607	640	-33	+3.2
West Region	176	183	-7	-12.0
Producing Region	494	490	+4	+8.3
Lower 48 Total	1277	1313	-36	+2.7

U. S. Gas Rig Count at 1447

The U.S. gas rig count increased by 14 this week to 1447 down from 1472 gas rigs a year ago. The U.S. total rig count increased by 24 to 1808 up from 1749 rigs a year ago.

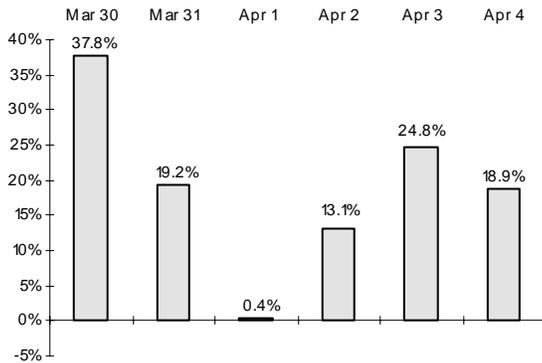
Baker Hughes Rotary Rig Count (03/28/08)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1808	+24	1749	+59
Gas	1447	+14	1472	-25
Oil	350	+9	271	+79
Texas	881	+2	824	+57
North America	1979	-133	1898	+81

Dominion Energy Use Forecast

Above normal energy use 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.

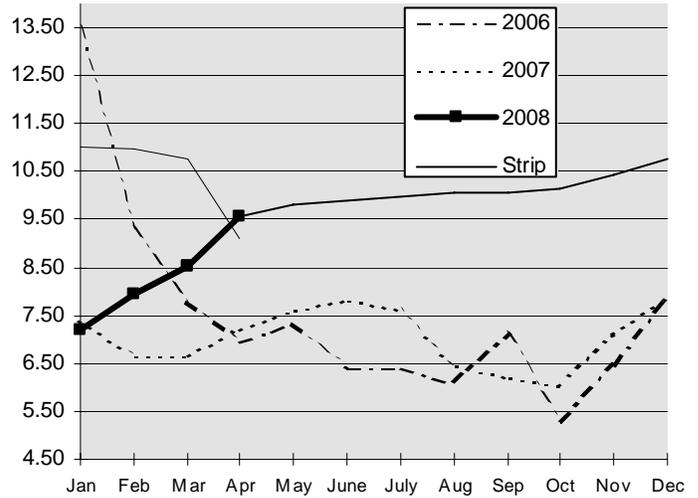
U.S. Energy Use Forecast



Gas Price Summary

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S (May Futures)				
NYMEX	\$9.800	\$0.660	\$2.189	\$10.244

NYMEX Henry Hub Futures Prices



NYMEX NG Price Movement 3/24 - 3/28

