

June 2, 2008

# Natural Gas Trends

## Highlights

- The National Oceanic and Atmospheric Administration (NOAA) has released its 2008 hurricane season forecast for the Atlantic region. According to the forecast, there is a 90-percent chance of a near or above normal hurricane season this year. NOAA is predicting a 60- to 70-percent chance of 12 to 16 named storms in the Atlantic region, compared with 14 named storms last year. Of the named storms, 6 to 9 are expected to become hurricanes and 2 to 5 are expected to become major hurricanes, compared with last year, when 6 of the storms became hurricanes, 2 of which became major hurricanes of Category 3 strength or higher. During an average season, there are about 11 named storms. Factors contributing to this year's hurricane outlook are the continuing multi-decadal signal (the combination of ocean and atmospheric conditions that have spawned increased hurricane activity since 1995) and the anticipated lingering effects of La Niña. The hurricane season begins in June and lasts until late November.
- Atmos Energy Corporation last week announced a non-binding open season for services at its proposed Fort Necessity salt-dome natural gas storage project in Franklin Parish, Louisiana. Atmos Pipeline and Storage, LLC, which is wholly owned by Atmos Energy Holdings, Inc., a wholly owned subsidiary of Atmos Energy Corporation, plans to develop the facility to provide initially up to 15 Bcf of working gas storage in three underground caverns. Pending regulatory approval, the first cavern is projected to go into full commercial operation by early 2011. The other two caverns are expected to enter service by 2012 and 2014.
- The Dow Chemical Company announced last week that on June 1 it will raise the price of all of its products by up to 20 percent – depending on their exposure to rising energy, feedstock and transportation costs – and will review all terms to all customers. Andrew N. Liveris, Dow chairman and CEO, said the sweeping price increases and reviews are essential as Dow attempts to mitigate the extraordinary rise in energy and related raw material costs. “Our first quarter feedstock and energy bill leapt a staggering 42 percent year over year, and that trajectory has continued, with the cost of oil and natural gas climbing ever higher. The new level of hydrocarbons and energy costs is putting a strain on the entire value chain and is forcing difficult discussions with customers about resetting the value proposition for our products.”

## Data

- July Natural Gas Futures Contracts (May 30) NYMEX at Henry Hub closed at \$11.703.
- July Light, Sweet Crude Oil Futures Contracts (May 30) NYMEX at Cushing closed at \$127.35 per Bbl. or approximately \$20.28 per MMBtu.

### Cooling-Degree Days

Texas experienced warmer than normal weather for the week ending May 31. For the cooling season (01/01/08 to present), cooling degree-days in Texas are **9 percent above normal**. Overall, the U.S. experienced cooler than normal weather for the week. (Source: NOAA)

**Table 1: Cooling Degree-Days (CDD) Week 05/31/08.**

City or Region	Week Total CDD	Week, CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	57	+21	156	+42
Austin	125	+34	599	+8
DFW	128	+47	591	+66
El Paso	105	+21	418	+22
Houston	120	+29	710	+23
San Ant.	141	+46	840	+40
Texas**	115	+32	541	+9
U.S.**	31	-1	158	-3

\* A + value = warmer than normal; a - value = cooler than normal.

\*\* State and U.S. degree-days are population-weighted.

### U.S. Gas Storage Level Increases by 87 Bcf

Working gas in underground storage was 1,701 Bcf, an increase of 87 Bcf from the prior week, for the week ending May 23. A year ago, estimated U.S. gas storage was 2,022 Bcf. The prior five-year average for this week is 1,709 Bcf. Working gas in storage in the producing region, which includes Texas, was 622 Bcf, compared to the five-year average of 602 Bcf. In the east region gas storage was 845 Bcf, compared to the five-year average of 844 Bcf. In the west region storage was 234 Bcf, compared to the five-year average of 263 Bcf. (Source: Energy Information Administration.)

**Table 2: U. S. Working Gas in Storage (Bcf) Week 05/23/08.**

	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East Region	845	797	+48	+0.1
West Region	234	222	+12	-11.0
Producing Region	622	595	+27	+3.3
Lower 48 Total	1701	1614	+87	-0.5

**U. S. Gas Rig Count at 1479**

The U.S. gas rig count decreased by 14 this week to 1479 down from 1484 gas rigs a year ago. The U.S. total rig count decreased by 12 to 1877 up from 1774 rigs a year ago.

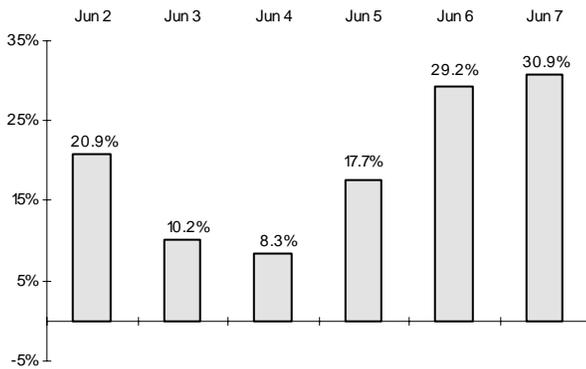
**Baker Hughes Rotary Rig Count (05/30/08)**

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1877	-12	1774	+103
Gas	1479	-14	1484	-5
Oil	390	+4	288	+102
Texas	921	-14	843	+78
North America	2053	+12	1910	+143

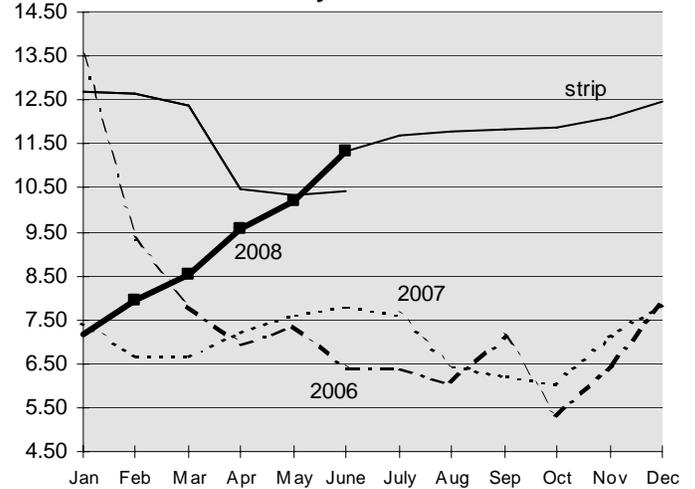
**Dominion Energy Use Forecast**

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.

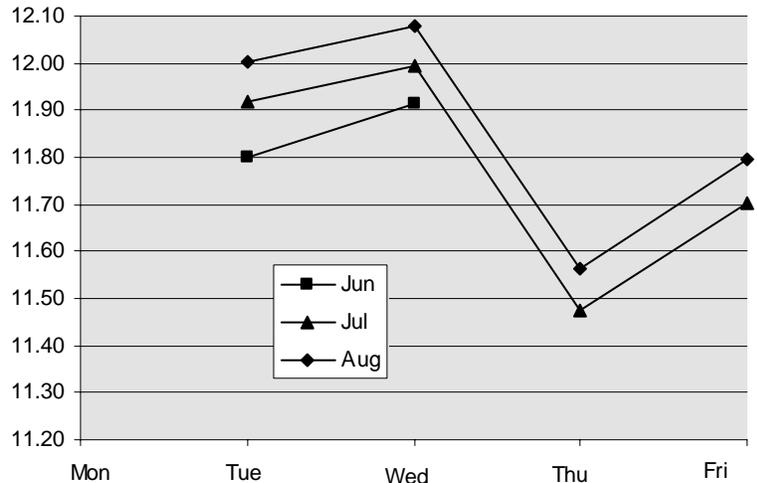
**U.S. Energy Use Forecast**



**NYMEX Henry Hub Futures Prices**



**NYMEX NG Price Movement 5/26 - 5/30**



**Gas Price Summary**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
<b>U.S (July Futures)</b>				
NYMEX	\$11.703	-\$0.278	\$4.083	\$0.000

5/30/2008