

June 23, 2008

Natural Gas Trends

Highlights

- According to the EIA's recent article concerning natural gas customer choice programs, in 2007, participation in natural gas choice programs reached a record high of 4.6 million out of approximately 35 million residential natural gas customers with access to choice programs. Six States accounted for 90 percent of the residential choice customers in 2007. Georgia by far has the most residents who purchase their gas from local marketers, accounting for 38 percent of the total.
- Working gas in storage totaled 1,943 Bcf as of Friday, June 13, which is about 2.6 percent below the 5-year average inventory level for the report week, according to EIA's *Weekly Natural Gas Storage Report*. During the week, the implied net injection of 57 Bcf was 37 percent less than both the 5-year average and last year's injection, both of which were 90 Bcf. As of June 13, stocks were 376 Bcf lower than last year's level and 52 Bcf lower than the 5-year average. Despite working gas levels below historical levels for this time of year, temperatures and uncertainty about price trends may have contributed to the below-average injection. During the report week, temperatures in the Lower 48 States were above normal everywhere but in the Mountain Census Division, based on degree-day data from the National Weather Service. Temperatures were especially severe in the regions along the Gulf Coast, with average daily temperatures in excess of 80 degrees. Temperatures also were significantly above normal in the New England and Middle Atlantic Census Divisions, which recorded significant space cooling demand. This likely contributed to the 38-Bcf injection in the East Region, sharply contrasting with the 59-Bcf 5-year average net injection for this region and last year's addition of 60 Bcf. The difference between spot and futures prices for delivery next winter also may be contributing to lower-than-normal injections as it is well below the level of last year. Given the uncertainty surrounding spot and futures price trends, operators may be less aggressive than normal in filling storage at present.
- According to *Platts Gas Daily*, analysts at Goldman Sachs last week forecasted Henry Hub spot natural gas prices to average \$12.80 per MMBtu over the summer and peak at \$13.80 this winter before declining to \$10.00 per MMBtu next June.

Data

- July Natural Gas Futures Contracts
(June 20) NYMEX at Henry Hub closed at \$12.994.
- July Light, Sweet Crude Oil Futures Contracts
(June 20) NYMEX at Cushing closed at \$134.62 per Bbl. or approximately \$21.44 per MMBtu.

Cooling-Degree Days

Texans experienced warmer than normal weather for the week ending June 21. For the cooling season (01/01/08 to present), cooling degree-days in **Texas are 17 percent above normal**. Overall, the U.S. experienced warmer than normal weather for the week. (Source: NOAA)

Table 1: Cooling Degree-Days (CDD) Week 06/21/08.

City or Region	Week Total CDD	Week, CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	72	0	423	+45
Austin	136	+16	1036	+17
DFW	145	+29	1049	+56
El Paso	166	+44	860	+27
Houston	144	+27	1138	+26
San Ant.	150	+28	1299	+38
Texas**	128	+18	931	+17
U.S.**	54	+2	340	+14

* 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 57 Bcf

Working gas in underground storage was 1,943 Bcf, an increase of 57 Bcf from the prior week, for the week ending June 13. A year ago, estimated U.S. gas storage was 2,319 Bcf. The prior five-year average for this week is 1,995 Bcf. Working gas in storage in the producing region, which includes Texas, was 667 Bcf, compared to the five-year average of 668 Bcf. In the east region gas storage was 997 Bcf, compared to the five-year average of 1,024 Bcf. In the west region storage was 279 Bcf, compared to the five-year average of 303 Bcf. (Source: Energy Information Administration.)

Table 2: U. S. Working Gas in Storage (Bcf) Week 06/13/08.

	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East Region	997	959	+38	-2.6
West Region	279	267	+12	-7.9
Producing Region	667	660	+7	+0.1
Lower 48 Total	1943	1886	+57	-2.6

U. S. Gas Rig Count at 1514

The U.S. gas rig count increased by 10 this week to 1514 up from 1495 gas rigs a year ago. The U.S. total rig count increased by 5 to 1906 up from 1771 rigs a year ago.

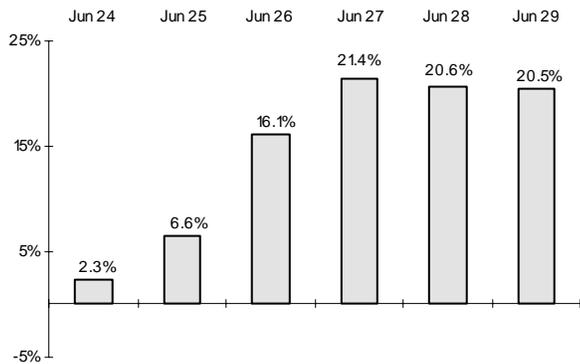
Baker Hughes Rotary Rig Count (06/20/08)

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1906	+5	1771	+135
Gas	1514	+10	1495	+19
Oil	384	-5	271	+113
Texas	916	-13	825	+91
North America	2165	+34	1976	+189

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.

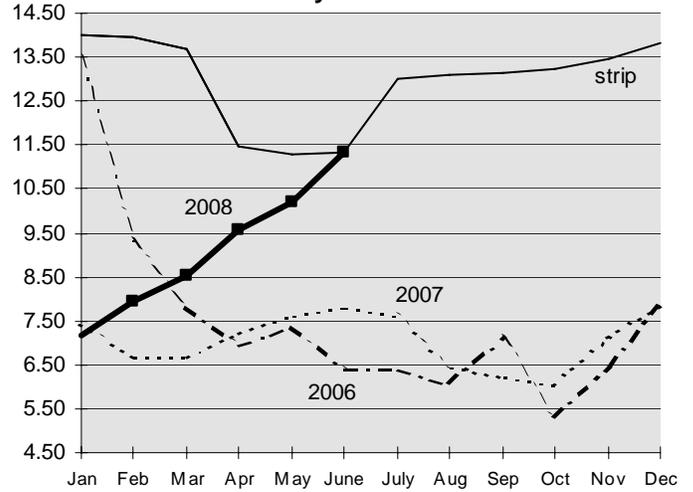
U.S. Energy Use Forecast



Gas Price Summary

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S (July Futures)				
NYMEX	\$12.994	\$0.369	\$5.374	\$12.957

NYMEX Henry Hub Futures Prices



NYMEX NG Price Movement 6/16 - 6/20

