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RAILROAD COMMISSION OF TEXAS
Gas Services Division
Market Oversight Section

September 15, 2008

Natural Gas Trends

Highlights

According to the Energy Information Administration's (EIA's) September 9, 2008 *Short-Term Energy Outlook*:

- **Spot prices, natural gas**. The Henry Hub natural gas spot price is expected to average $9.71 per Mcf in 2008 and $8.55 per Mcf in 2009, significantly higher than the average spot price of $7.17 per Mcf in 2007. In August, the Henry Hub spot price averaged $8.49 per Mcf, a decline of $2.96 below the $11.45 July average and a decline of $4.58 below the $13.07 June average. The July and August price declines are a reversal of consecutive increases in natural gas average spot prices from October 2007 through June 2008. EIA attributes the price declines to increasing production, mild temperatures, and lower oil prices.
- **Spot prices, crude oil**. The West Texas Intermediate spot price of crude oil is projected to average $116 per barrel in 2008 and $126 per barrel in 2009, far above the $72 average price per barrel in 2007.
- **Consumption**. Total U.S. natural gas consumption is expected to increase by 2.7 percent in 2008 and by 2.2 percent in 2009. EIA anticipates increases in consumption in every sector in both years, with the strongest projected growth from residential and commercial customers in 2008 and from natural gas-fired electric power generation in 2009. Industrial sector consumption is expected to increase by 1.6 percent in 2008 and by 1.4 percent in 2009. EIA acknowledges that fragile economic conditions in the U.S. add uncertainly to the forecast.
- **Production**. Total U.S. marketed natural gas production is expected to increase 7.8 percent in 2008 and 3.8 percent in 2009, with significant growth in production in Texas and Wyoming of 16% and 12%, respectively, for the first 6 months of 2008 relative to year-ago levels. Production in the Gulf region is down while production in the Lower-48 non-Gulf regions is up.
- **Imports**. Liquefied natural gas (LNG) imports are projected to remain low because natural gas customers in Asia and Europe are willing to pay higher prices for LNG imports than U.S. customers. LNG imports are expected to total 350 Bcf in 2008 and 450 Bcf in 2009, much lower than the 771 Bcf imported in 2007.

For the full 42-page forecast, visit www.eia.doe.gov.

Data

- October Natural Gas Futures Contract (September 12) NYMEX at Henry Hub closed at $7.366.
- October Light, Sweet Crude Oil Futures Contract (September 12) NYMEX at Cushing closed at $101.18 per Bbl. or approximately $16.11 per MMBtu.

Cooling Degree Days

Texas had slightly cooler than normal weather during the week ending September 13, while the U.S. experienced a slightly warmer than normal week. For the cooling season (1/1/08 to present), cumulative cooling degree-days are **10% above normal for Texas** and 7% below normal for the U.S. Source: NOAA

Cooling Degree-Days (CDD) *Week ending 09/13/08*

City or Region	Week Total CDD	Week, CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	21	-26	1279	+2
Austin	130	+18	2650	+25
DFW	115	+15	2886	+16
El Paso	55	-27	2096	+3
Houston	121	+16	2749	+15
San Ant.	136	+24	2950	+17
Texas**	96	-2	2375	+10
U.S.**	44	+2	1138	-7

* A plus (+) value = warmer than normal; a minus (-) value = cooler than normal.
** State and U.S. degree-days are population-weighted by NOAA.

U.S. Gas Storage Level Increases by 58 Bcf

U.S. working gas in underground storage was 2,905 Bcf for the week ending September 5, an increase of 58 Bcf from the prior week. A year ago, estimated U.S. gas storage was 3,051 Bcf. The prior five-year average for this week was 2,823 Bcf. Working gas in storage this week in the producing region (which includes Texas) was 795 Bcf compared to the five-year average of 813 Bcf. Source: EIA

U. S. Working Gas in Storage (Bcf) *Week ending 09/05/08*

Region	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East	1723	1676	+47	**+5.8**
West	387	378	+9	**+1.6**
Producing	795	793	+2	**-2.2**
Lower 48 Total	2905	2847	+58	**+2.9**

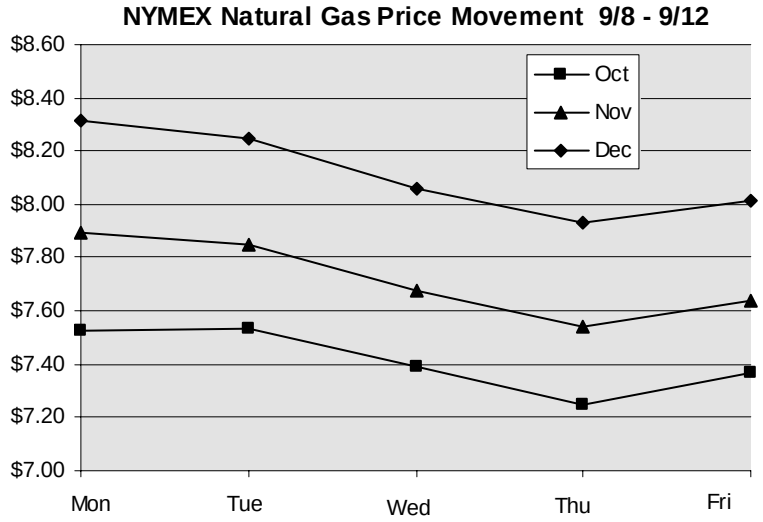
Bill Geise, Director, Gas Services Division
Mark Evarts, Director, Market Oversight Section

U. S. Gas Rig Count at 1606

The U.S. **gas rig** count increased by 20 this week to 1606 and was up 123 when compared to 1483 gas rigs a year ago. The U.S. **total** rig count increased by 18 this week to 2031, up 244 when compared to 1787 rigs a year ago.

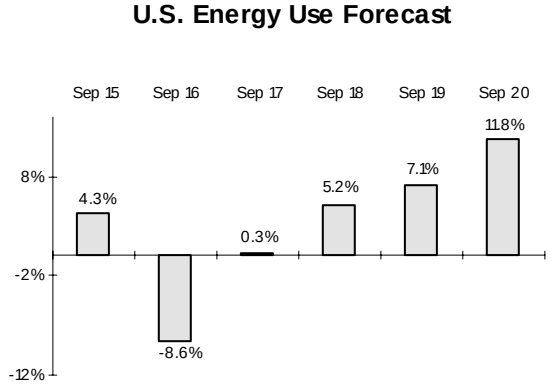
Baker Hughes Rotary Rig Count (09/12/08)

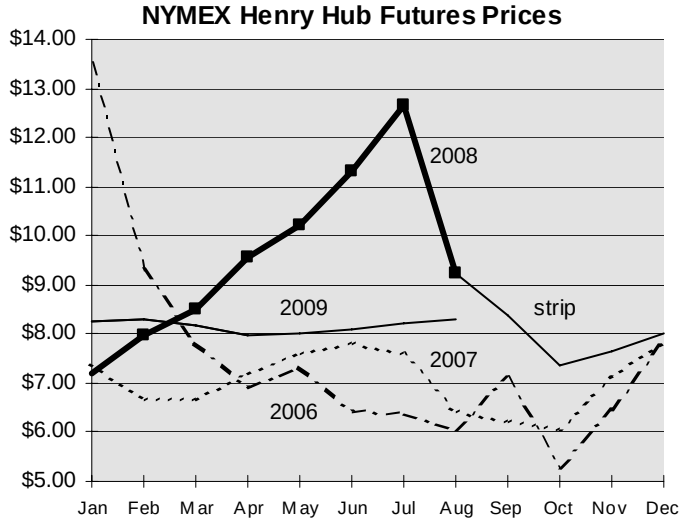
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	2031	+18	1787	+244
Gas	1606	+20	1483	+123
Oil	413	-3	298	+115
Texas	949	+11	829	+120
North America	2464	+33	2151	+313



Dominion Energy Use Forecast for U.S.

Above normal energy use is forecasted for the week, with the exception of Tuesday, according to the Dominion Energy Index. The index forecasts total U.S. residential energy usage, a component of which is natural gas.





Gas Price Summary 9/12/08

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. October Futures)				
NYMEX	$7.366	-$0.083	$1.160	$8.054

	+/- Last	+/- Last	12-Month