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RAILROAD COMMISSION OF TEXAS
Gas Services Division
Market Oversight Section

November 17, 2008

Natural Gas Trends

Highlights

According to the Energy Information Administration's (EIA's) November 12, 2008 *Short-Term Energy Outlook*, the "recent dramatic deterioration" in the economic growth forecast for the United States and the rest of the world has led to significant changes in this *Outlook's* assumptions, as follows:

- **Spot prices, natural gas**. The Henry Hub natural gas spot price is expected to average $9.25 per Mcf in 2008 and $6.82 per Mcf in 2009, compared to the average spot price of $7.17 per Mcf in 2007. In October, the Henry Hub spot price averaged $6.94 per Mcf - about 53% of the June average of $13.07 per Mcf. The July-October price declines are a reversal of consecutive increases in natural gas average spot prices from October 2007 through June 2008. EIA attributes recent declines in natural gas prices to the slowing economy, to continued growth in natural gas supplies, and to the influence of decreasing oil prices.
- **Spot prices, crude oil**. The West Texas Intermediate spot price of crude oil is projected to average $101 per barrel in 2008 and $63.50 per barrel in 2009, compared to the $72 average price per barrel in 2007.
- **Consumption**. Total U.S. natural gas consumption is expected to increase by 1.1% in 2008 and to fall by .2% in 2009. EIA anticipates modest increases in consumption in the residential and commercial sectors in 2008 and 2009; however, EIA expects a 2.2% decrease in industrial sector consumption in 2009.
- **Production**. Total U.S. marketed natural gas production is expected to increase 6% in 2008 and 2% in 2009. For 2008, federal Gulf-of-Mexico production is expected to decrease by 14.8%, however, due to shut-ins caused by hurricanes and related infrastructure repairs. In 2009, production is expected to increase by 2.7%.
- **Imports**. Liquefied natural gas (LNG) imports are less than half of what they were a year ago because of strong global demand for LNG, supply constraints, and lower relative prices in the U.S for natural gas. LNG imports are expected to total 350 Bcf in 2008 and 410 Bcf in 2009, compared to 771 Bcf imported in 2007. As new global LNG capacity is brought online in 2009, U.S. LNG imports could grow, particularly during the April-September storage injection season.

For the complete forecast, visit www.eia.doe.gov.

Data

- December Natural Gas Futures Contract (November 14) NYMEX at Henry Hub closed at $6.312.
- December Light, Sweet Crude Oil Futures Contract (November 14) NYMEX at Cushing closed at $57.04 per Bbl. or approximately $9/08 per MMBtu.

Cooling Degree Days

Texas and the U.S. experienced nearly normal weather during the week ending November 15. For the cooling season (1/1/08 to present), cumulative cooling degree-days are **3% above normal for Texas** and 6% above normal for the U.S. Source: NOAA (www.cpc.ncep.noaa.gov)

Cooling Degree-Days (CDD) *Week ending 11/15/08*

City or Region	Week Total CDD	Week, CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	0	0	1343	0
Austin	18	+4	3002	+2 %
DFW	4	-3	3318	+29 %
El Paso	0	0	2276	+1 %
Houston	17	+1	3152	+11 %
San Antonio	34	+20	3454	+15 %
Texas**	13	+1	2696	+3 %
U.S.**	5	+1	1272	+6 %

* 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 Nears 3.5 Tcf

U.S. working gas in underground storage was 3,467 Bcf for the week ending November 7, an increase of 62 Bcf from the prior week. A year ago, estimated U.S. gas storage was 3,405 Bcf. The prior five-year average for this week was 3,350 Bcf. Working gas in storage this week in the producing region (which includes Texas) was 965 Bcf compared to the five-year average, also 965 Bcf. Source: EIA (www.eia.doe.gov)

U. S. Working Gas in Storage (Bcf) *Week ending 11/7/08*

Region	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East	2041	2010	+31	+4.9 %
West	461	457	+4	+5.0 %
Producing	965	938	+27	0.0%
Lower 48 Total	3467	3405	+62	+3.5 %

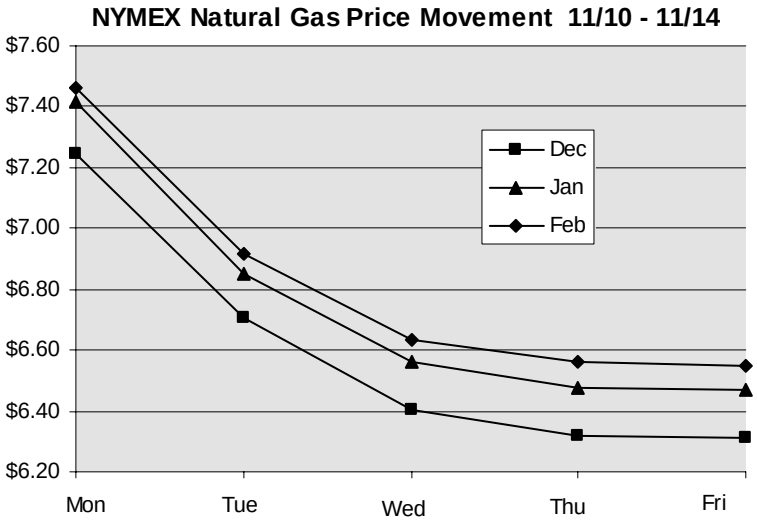
Bill Geise, Director, Gas Services Division
Mark Evarts, Director, Market Oversight Section

U. S. Gas Rig Count at 1498

The U.S. **gas rig** count was down 41 this week to 1,498 yet was up 43 when compared to 1,455 rigs a year ago. The U.S. **total** rig count was down 51 this week to 1,941 yet was up 144 when compared to 1,797 rigs a year ago. Source: Baker Hughes, Inc.

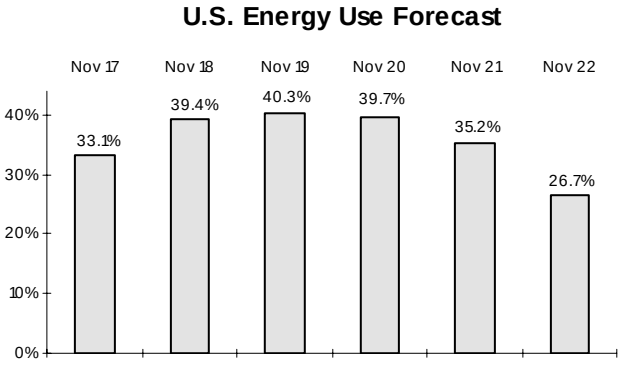
Baker Hughes Rotary Rig Count (11/14/08)

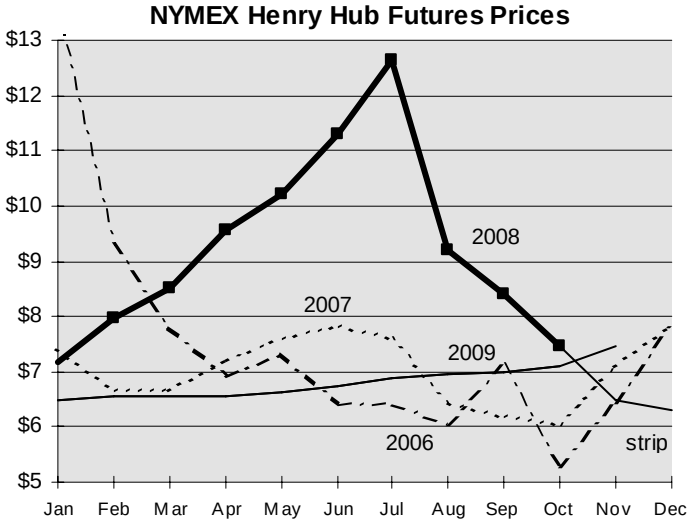
	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1941	-51	1797	+144
Gas	1498	-41	1455	+43
Oil	429	-13	337	+92
Texas	899	-23	857	+42
North America	2359	-78	2153	+206



Dominion Energy Use Forecast for U.S.

Significantly higher than normal energy use is forecasted for the U.S. this week, according to the Dominion Energy Index, as shown below. The index forecasts total U.S. residential energy usage, a component of which is natural gas. Source: Dominion Energy Index





Natural Gas Trends will not be published on November 24, 2008. The December 1, 2008 issue of Natural Gas Trends will be published later than usual.

Gas Price Summary 11/14/08

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (December Futures)				
NYMEX	$6.312	-$0.445	-$0.800	$6.760