

December 1, 2008

# Natural Gas Trends

## Highlights

Standard and Poor's Rating Service recently released a report co-authored by Certified Financial Analyst (CFA) Andrew Watt and Suzana Zayed and titled "How Will President-Elect Barack Obama's Policies Affect Energy Firms?" The report asserts that:

- Oil and gas producers active in Texas' Barnett shale formation and in the Bakken shale formation (located in Canada, Montana, and North Dakota) are likely to be immediate beneficiaries of the new administration's energy policies. Fort Worth – based XTO Energy and Houston-based EOG Resources are mentioned as likely beneficiaries.
- The new administration's ambitious energy policy agenda may, initially, take a back seat to the need to facilitate an economic recovery in the U.S., particularly in the housing, auto, and financial sectors. A focus on revitalizing the overall economy will benefit oil and gas companies through improved economic conditions.
- A lack of adequate infrastructure is one of the biggest obstacles to increasing energy supplies; if large infrastructure projects receive a capital infusion and are completed, the new administration will be better able to implement its energy plan.
- The 2% tax cut awarded to the energy industry in 2004 may be eliminated. If so, the new administration may use the resulting tax revenue to fund alternative energy development.
- Offshore leases in the Gulf of Mexico may be revamped to provide more cash to the government.
- Given the weak economy, plunging oil and gas prices, and limited availability of capital, it is unlikely the new administration will use a windfall profits tax to fund alternative energy development.

Sources: Platts *Gas Daily* and ThaiPR.net

Maps of the Bakken and Barnett shale formations can be found at [www.geology.com](http://www.geology.com).

## Data

- January Natural Gas Futures Contract (November 26) NYMEX at Henry Hub closed at \$6.878.
- January Light, Sweet Crude Oil Futures Contract (December 3) NYMEX at Cushing closed at \$57.04 per Bbl. or approximately \$7.45 per MMBtu.

### Heating Degree Days

From 11/23/08 through 11/29/08, Texas experienced much warmer than normal weather and the U.S. experienced cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree-days are **7% below normal for Texas** and 3% below normal for the U.S. Source: NOAA ([www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov))

*Heating Degree-Days (CDD) Week ending 11/29/08*

City or Region	Week Total CDD	Week, CDD +/- from Normal *	Year-to-date Total CDD	YTD, % +/- from Normal *
Amarillo	132	-34	712	-18 %
Austin	54	-11	223	-3 %
DFW	60	-36	226	-36 %
El Paso	82	-32	364	-22 %
Houston	24	-35	151	-31 %
San Antonio	21	-41	133	-40 %
Texas**	52	-27	288	-7 %
U.S.**	156	7	877	-3 %

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

### U.S. Gas Storage Level Drops Below 3.4 Tcf

U.S. working gas in underground storage was 3,358 Bcf for the week ending 11/28/08, a decrease of 64 Bcf from the prior week. A year ago, estimated U.S. gas storage was 3,465 Bcf. The prior five-year average for this week was 3,289 Bcf. Working gas in storage this week in the producing region (which includes Texas) was 963 Bcf compared to the five-year average of 959 Bcf. Source: EIA ([www.eia.doe.gov](http://www.eia.doe.gov))

*U. S. Working Gas in Storage (Bcf) Week ending 11/28/08*

Region	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East	1929	1990	-61	+1.6 %
West	466	467	-1	+7.9 %
Producing	963	965	-2	+0.4 %
Lower 48 Total	3358	3422	-64	+2.1 %

**U. S. Gas Rig Count at 1443**

The U.S. **gas rig** count was down 68 to 1,443 and was down 20 when compared to 1,463 rigs a year ago. The U.S. **total** rig count was down 75 to 1,866 yet was up 43 when compared to 1,823 rigs a year ago.

Source: Baker Hughes, Inc.

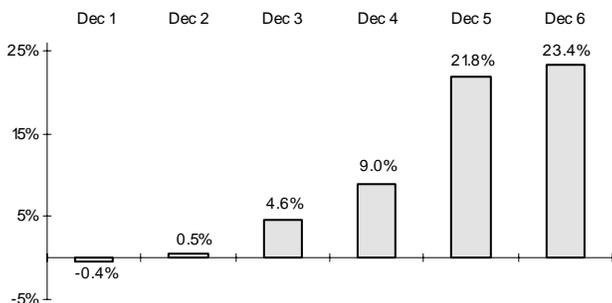
**Baker Hughes Rotary Rig Count (11/26/08)**

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1866	-75	1823	+43
Gas	1443	-68	1463	-20
Oil	412	-7	354	+58
Texas	890	+5	872	+18
North America	2272	-69	2204	+68

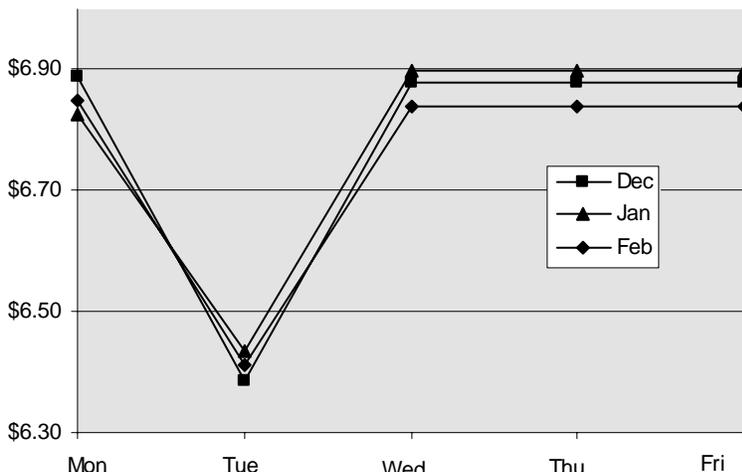
**Dominion Energy Use Forecast for U.S.**

Significantly higher than normal energy use is forecasted for the U.S. late in the 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

**U.S. Energy Use Forecast**

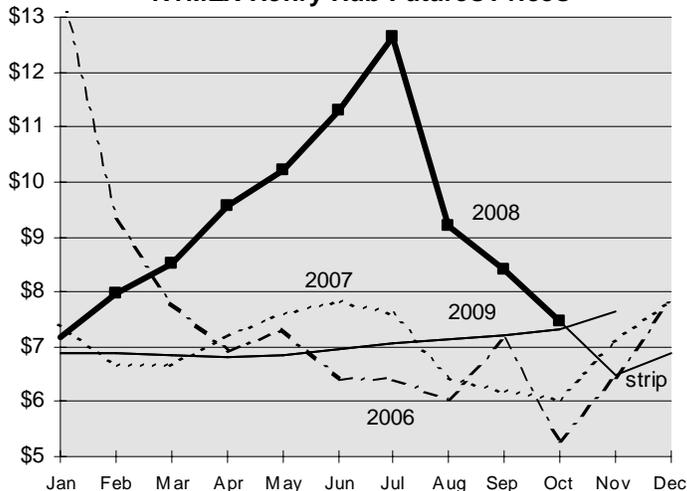


**NYMEX Natural Gas Price Movement 11/24 - 11/28**



The Thanksgiving holiday occurred on 11/27/08 and 11/28/08; thus, the 11/26/08 gas price is shown on those days, above.

**NYMEX Henry Hub Futures Prices**



**Gas Price Summary 11/26/08**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
<b>U.S. (December Futures)</b>				
NYMEX	\$6.878	\$0.398	-\$0.234	\$7.130