

December 15, 2008

Natural Gas Trends

Highlights

According to the Energy Information Administration's (EIA's) December 9, 2008 *Short-Term Energy Outlook*, the current global economic slowdown is now projected to be more severe and to last longer than previously expected, leading to more declines in global energy demand and further reductions in energy prices. EIA's current *Outlook* includes:

- **Spot prices, natural gas.** The Henry Hub natural gas spot price is expected to average \$9.17 per Mcf in 2008 and \$6.25 per Mcf in 2009, compared to the average spot price of \$7.17 per Mcf in 2007. In November, the Henry Hub spot price averaged \$6.87 per Mcf - about 53% of the June average of \$13.07 per Mcf. The July to November price declines are a reversal of consecutive increases in natural gas average spot prices from October 2007 through June 2008. EIA attributes declines in natural gas prices to the weak economy, increased supplies, and the influence of lower oil prices.
- **Spot prices, crude oil.** Due to the decline in global petroleum demand, the annual average West Texas Intermediate spot price of crude oil is projected to average \$100 per barrel in 2008 and \$51 per barrel in 2009. The 2007 average price per barrel was \$72.
- **Consumption.** Total U.S. natural gas consumption is expected to increase by .5% in 2008 and to remain flat in 2009. EIA anticipates modest increases in consumption in the residential and commercial sectors in 2008 and 2009. In 2009, industrial sector consumption is expected to decline 2.4%.
- **Production.** Total U.S. marketed natural gas production is projected to increase 5.4% in 2008 and .9% in 2009. Annual average onshore production for the Lower 48 states is projected to increase 9.1% for 2008 and .9% for 2009. Federal Gulf of Mexico production is projected to increase 1.8% in 2009 but, due to the impact of hurricanes, is projected to decline 14.5% in 2008.
- **Imports.** U.S. imports of liquefied natural gas (LNG) are less than half of what they were a year ago because of strong global demand for LNG and lower relative prices in the U.S. for natural gas. LNG imports are expected to total 360 Bcf in 2008 and 400 Bcf in 2009, compared to 771 Bcf imported to the U.S. in 2007.

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

Data

- January Natural Gas Futures Contract (December 12) NYMEX at Henry Hub closed at \$5.488.
- January Light, Sweet Crude Oil Futures Contract (December 12) NYMEX at Cushing closed at \$46.28 per Bbl. or approximately \$7.37 per MMBtu.

Heating Degree Days

From 12/7/08 through 12/13/08, Texas and the U.S. experienced cooler than normal weather. For the heating season (7/1/08 to present), cumulative heating degree days are **1% above normal for Texas** and normal (0%) for the U.S. Source: NOAA (www.cpc.ncep.noaa.gov)

Heating Degree Days (HDD) Week ending 12/13/08

City or Region	Week Total HDD	Week HDD +/- from Normal *	Year-to-date Total HDD	YTD, % +/- from Normal *
Amarillo	150	-42	1041	-16 %
Austin	99	+13	433	+11 %
DFW	93	-29	440	-24 %
El Paso	127	-10	589	-19 %
Houston	97	+19	341	-6 %
San Antonio	74	-8	289	-23 %
Texas**	105	+6	504	+1 %
U.S.**	183	+7	1238	0 %

* 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 Dips Below 3.3 Tcf

U.S. working gas in underground storage was 3,291 Bcf for the week ending 12/5/08, a decrease of 67 Bcf from the prior week. A year ago, estimated U.S. gas storage was 3,336 Bcf. The prior five-year average for this week was 3,181 Bcf. Working gas in storage this week in the producing region (which includes Texas) was 955 Bcf compared to the five-year average of 930 Bcf. Source: EIA (www.eia.doe.gov)

U. S. Working Gas in Storage (Bcf) Week ending 12/5/08

Region	This Week	Last Week	Change	Current Δ from 5-Year Avg. (%)
East	1871	1929	-58	+2.0 %
West	465	466	-1	+11.8 %
Producing	955	963	-8	+2.7 %
Lower 48 Total	3291	3358	-67	+3.5 %

U. S. Gas Rig Count Drops to 1379

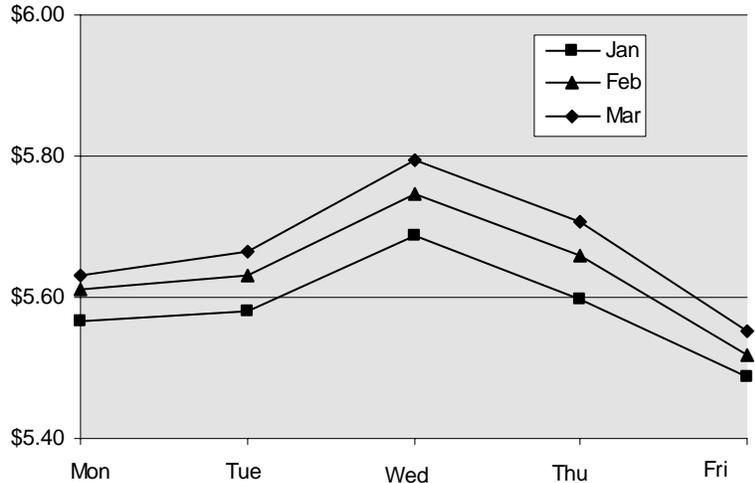
The U.S. **gas rig** count was down 49 to 1,379 for the week and was down 98 when compared to 1,477 rigs a year ago. The U.S. **total rig** count was down 62 to 1,790 and was down 34 compared to 1,824 rigs a year ago.

Source: Baker Hughes, Inc.

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

	This Week	+/- Last Week	Year Ago	+/- Year Ago
U.S.	1790	-62	1824	-34
Gas	1379	-49	1477	-98
Oil	401	-12	342	+59
Texas	828	-24	885	-57
North America	2180	-76	2243	-63

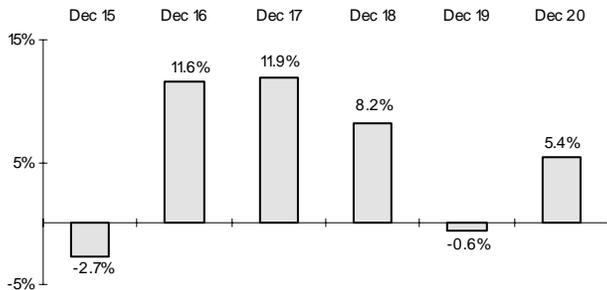
NYMEX Natural Gas Price Movement 12/8 - 12/12



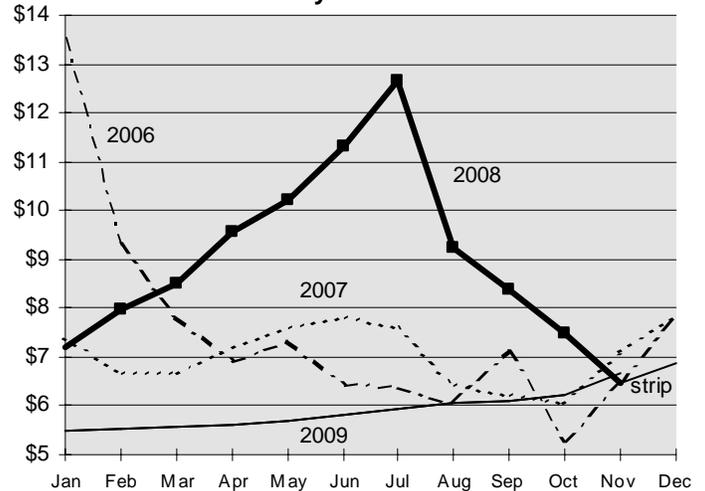
Dominion Energy Use Forecast for U.S.

Except for Monday and Friday, 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

U.S. Energy Use Forecast



NYMEX Henry Hub Futures Prices



Gas Price Summary 12/12/08

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
U.S. (January Futures)				
NYMEX	\$5.488	-\$0.254	-\$1.624	\$5.981

Notice: For those who rely upon NOAA data pertaining to heating degree days and cooling degree days, NOAA's website recently indicated that certain data corruptions were detected and have been corrected back to 2002.