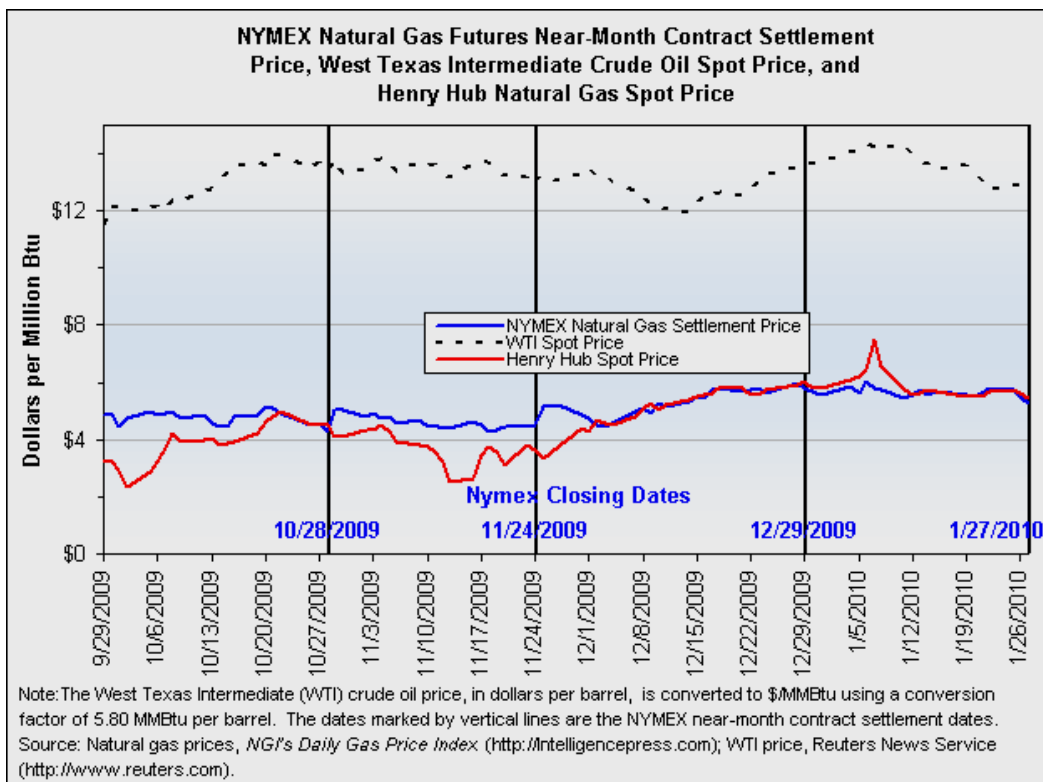


**PRICES**

At the NYMEX, the February 2010 contract ended trading on Wednesday at \$5.274 per MMBtu. Yesterday was the February contract’s expiration date, or last day of trading. Wednesday’s closing price dropped about 22 cents from the previous Wednesday’s price of \$5.496 per MMBtu. This price was the lowest during its tenure as the near-month contract. Since becoming the near-month on December 30, the February contract fell about 44 cents overall. In the last 2 days of trading, the contract’s price fell about 45 cents, falling about 8 percent from Monday. During the week, the 12-month strip (the average of the 12 contracts from February 2010 to January 2011) dropped by about 22 cents, from \$5.82 per MMBtu to \$5.60 per MMBtu.

**Natural gas prices fell at most market locations, with the exception of most locations in the Midcontinent and Rocky Mountains.** At most market locations, prices hit their high for the week on Monday, January 25, likely the result of colder weather during the report week. Frigid temperatures also likely led to a jump in natural gas demand on Tuesday, according to Bentek Energy LLC. However, after spiking on Monday and Tuesday, most prices fell below levels recorded on January 20. The price at the Henry Hub rose as high as \$5.76 per MMBtu on Monday, before falling to a closing price of \$5.42 per MMBtu on Wednesday. Price declines over the week were moderate, ranging from 1 cent to 16 cents. Prices across the country on Wednesday ranged between \$5.24 per MMBtu at the Texas Eastern South Texas trading point and \$6.15 per MMBtu at the Iroquois Zone 2 trading point in the Northeast.



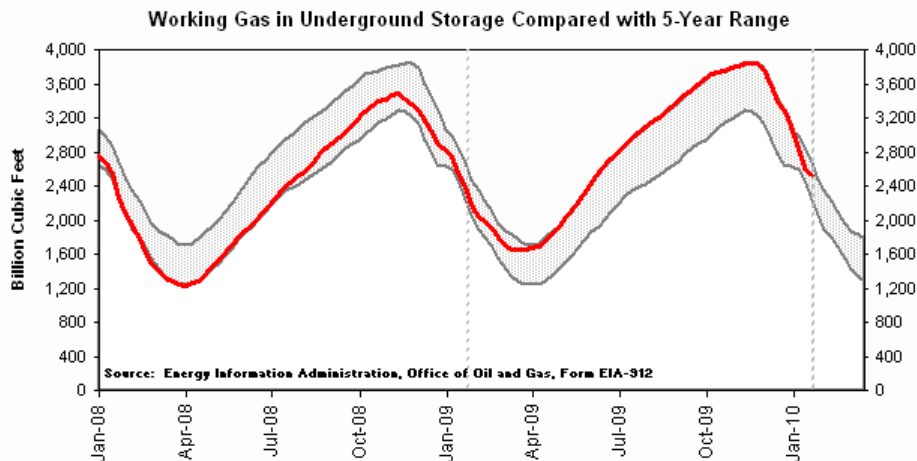
## STORAGE

Working gas in storage decreased to 2,521 Bcf as of Friday, January 22, according to EIA's Weekly Natural Gas Storage Report Weekly Natural Gas Storage Report (WNGSR) (see Storage Figure). The implied net withdrawal of 86 Bcf was about 50 percent lower than last year's net withdrawal of 184 Bcf and the 5-year average (2005-2009) of 179 Bcf for the report week. Warmer-than-normal temperatures likely contributed to the below-normal rate of withdrawals during the report week. Working gas inventories are 120 Bcf higher than year-ago levels and 6 Bcf above the 5-year average. During the week ending January 15, working gas in storage fell below the 5-year average for the first time since February 6, 2009. However, natural gas stocks once again exceed 5-year average levels by significant margins for this time of year, although inventories in the East Region remain slightly below the 5-year average.

**Temperatures were generally warmer than normal in most Census Divisions in the lower 48 States during the week ended January 21, 2010.** Based on the National Weather Service's degree-day data, temperatures in the lower 48 States during the week were significantly warmer than both normal and year-ago levels throughout the lower 48 States. On average, heating degree-days were 20 percent below normal and 31 percent below last year's level. Each of the nine Census Divisions in the lower 48 States reported heating degree-days falling between 4 and 42 percent below normal, suggesting weaker-than-normal heating demand for natural gas. On average, heating degree-days were 20 percent below normal and 31 percent below last year's level in the lower 48 States.

	Current Stocks 01/22/10	One-Week Prior Stocks 01/15/10	Implied Net Change from Last Week	Estimated Prior 5-Year (2005-2009) Average	Percent Difference from 5 Year Average
<b>All Volumes in Bcf</b>					
<b>East Region</b>	1,334	1,401	-67	1,348	-1.0
<b>West Region</b>	380	396	-16	320	18.8
<b>Producing Region</b>	807	810	-3	765	5.5
<b>Total Lower 48</b>	2,521	2,607	-86	2,434	3.6

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.



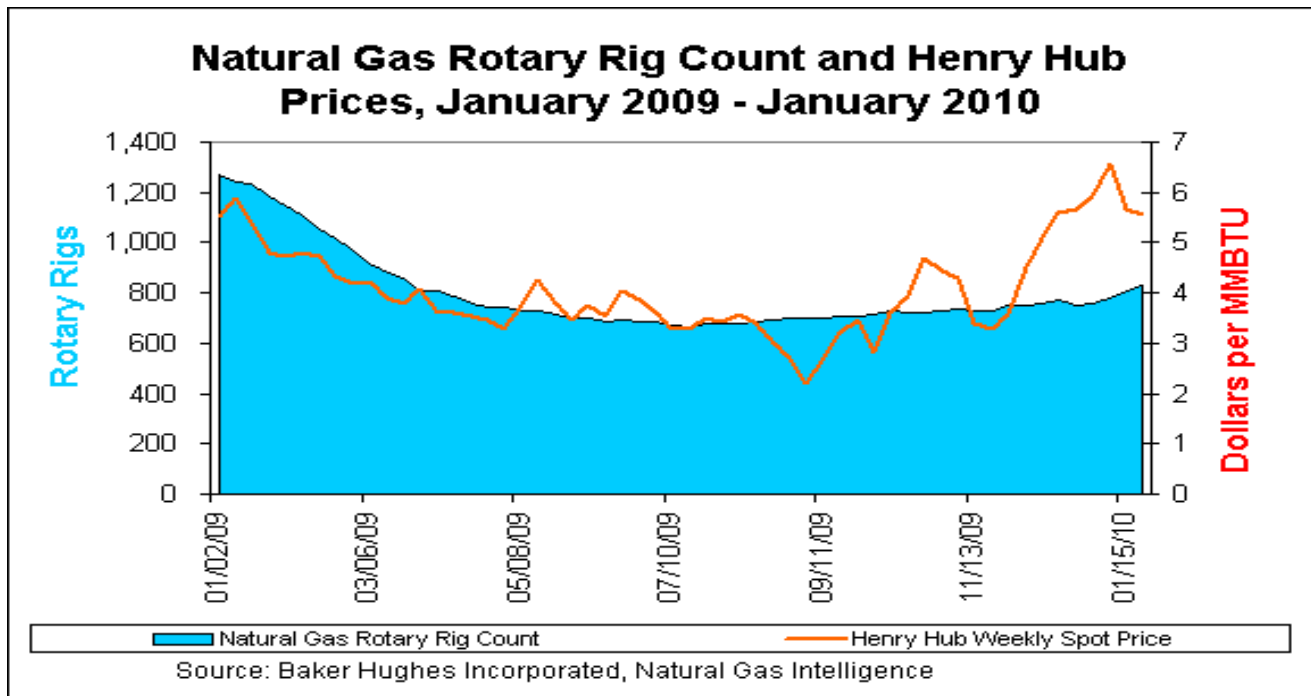
Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2003 through 2007. Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

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## OTHER MARKET TRENDS

**Natural Gas Rotary Rig Count Rises to 833.** The natural gas rotary rig count was 833 as of January 22, an increase of 22 rigs from the previous week, according to data Baker Hughes Incorporated released. This week marked the third consecutive double-digit increase. In the past 3 weeks, rigs have risen by a total of 74. Rigs now are 30 percent below their level at this time in 2009. In the past, the natural gas rig count has lagged the Henry Hub weekly price by several weeks or more, but this relationship has been less apparent in recent months (see figure below). Horizontal rigs (including both oil and natural gas) also have shown relatively strong increases in the last 3 weeks, increasing by 16 to 627 as of January 22. At 627, horizontal rigs are at their highest count since November 21, 2008, and are close to their maximum of 650, reached on October 31, 2008. Horizontal rigs have displayed a mostly increasing pattern over the last several months. Although vertical rigs (also including both oil and natural gas) have also generally risen, their numbers have oscillated. Compared with 1 year ago, horizontal rigs are 12 percent higher, while vertical rigs are 34 percent lower.



## NATURAL GAS TRANSPORTATION UPDATE



Normal Pipeline Conditions Exist.