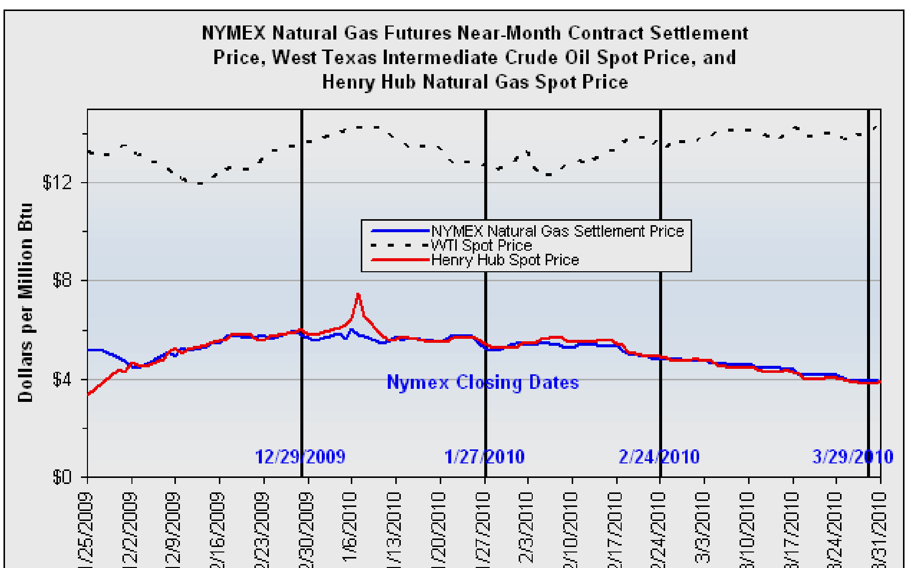
Natural Gas Weekly Update

April 1, 2010

PRICES

At the NYMEX, the May 2010 natural gas contract settled at $3.869 per MMBtu. The May contract fell about 7 percent from its price on Wednesday, March 24, of $4.154 per MMBtu. The May contract became the near-month contract on March 30, after the April contract expired on March 29 at $3.842 per MMBtu. During its tenure as the near-month contract, the April contract fell almost 93 cents, or about 19 percent. The closing price of the April contract was the lowest price of a near-month contract since September 28, 2009. However, 1 year ago, the April 2009 contract closed slightly lower, at $3.631 per MMBtu. The 12-month strip (the average of the 12 contracts between May 2010 and April 2011) dropped from $4.795 per MMBtu to $4.642 per MMBtu, a decrease of about 15 cents or 3 percent.

Spot prices ranged between $3.61 per MMBtu and $4.49 per MMBtu, with the highest prices generally in the Northeast United States, with an exception at the Pacific Gas & Electric (PG&E) pricing point in California. Prices in the Northeast generally remained higher than elsewhere in the country throughout the report week, though still posting a decline. Yesterday, for example, the highest price in the Northeast was at the Iroquois Zone 2 pricing point on the border of New York and Connecticut. Prices at this location ended trading at $4.42 per MMBtu on Wednesday, about 49 cents higher than the Henry Hub spot price. Similarly, at Transcontinental Pipeline's Zone 6 pricing point for delivery into New York City, prices settled at $4.25 per MMBtu yesterday. In some areas of Maine, Vermont, New Hampshire, and New York, temperatures for the week averaged in the upper 30s, while average temperatures in the rest of the Northeast were in the 40s, according to data from the National Oceanic and Atmospheric Administration. While these temperatures are slightly warmer than normal, households in the Northeast were likely still using natural gas for heating during the report week. While prices in the Northeast were generally higher than the rest of the lower 48 States, the PG&E Citygate in California was a notable exception. This spot price began the report week at $4.52 per MMBtu , declining to $4.49 per MMBtu yesterday.



Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

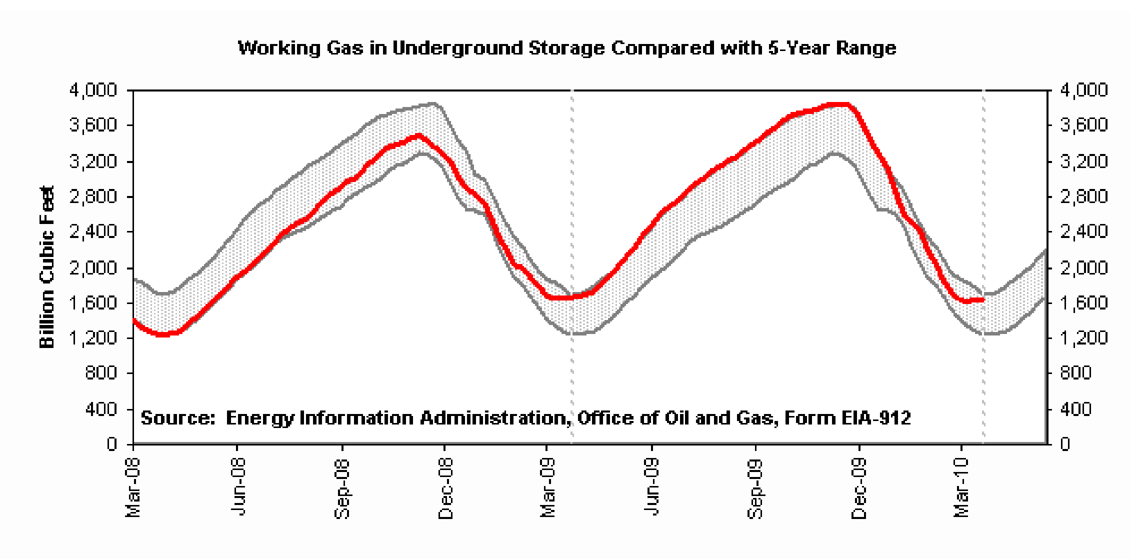
STORAGE

Working natural gas in storage rose to 1,638 Bcf as of Friday, March 26, according to EIA's Weekly Natural Gas Storage Report (see Storage Figure). The implied net injection was 12 Bcf, compared with last year's net change of 0 Bcf and the 5-year (2005-2009) average withdrawal of 27 Bcf for the report week. Warming temperatures in most regions of the lower 48 States and sustained natural gas production likely contributed to the implied net injection during the report week. Working gas inventories are currently 160 Bcf above the 5-year average level and 16 Bcf below last year's level at this time.

Temperatures were generally warmer than normal in most Census Divisions in the lower 48 States during the week ended March 25. Based on the National Weather Service's degree-day data, temperatures in the lower 48 States during the week ended March 25 were, on average, about 3 degrees warmer than normal and 2 degrees warmer than last year. The New England and Middle Atlantic Census Divisions were particularly warm, where temperatures were 9 and 10 degrees warmer than normal, respectively. However, temperatures in the West South Central, East South Central, and Mountain Census Divisions were 6, 1, and 3 degrees colder than normal, respectively.

All Volumes in Bcf	Current Stocks 03/26/10	One-Week Prior Stocks 03/19/10	Implied Net Change from Last Week	Estimated Prior 5-Year (2005-2009) Average	Percent Difference from 5 Year Average
East Region	753	760	-7	664	13.4
West Region	289	285	4	226	27.9
Producing Region	596	581	15	588	1.4
Total Lower 48	1,638	1,626	12	1,478	10.8

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.

OTHER MARKET TRENDS

DOE Confirms Existence of Resource-Quality Gas Hydrate in the Gulf of Mexico. In a report issued on March 30, the U.S. Department of Energy's Office of Fossil Energy confirmed that gas hydrate occurs in high saturations within reservoir-quality sands in the Gulf of Mexico. This finding is the initial result of an expedition that the National Energy Technology Laboratory conducted in May 2009. Gas hydrate is a solid substance comprised of natural gas in combination with water. Gas hydrate is thought to exist in great abundance in nature and has the potential to be a significant new energy source to meet future energy needs, according to the Office of Fossil Energy. Prior to this expedition, there was little documentation that gas hydrate occurred in resource-quality accumulations in U.S. waters. More information is available here: http://fossil.energy.gov/news/techlines/2010/10010-Hydrate_Expedition_Results_Availab.html and here:

http://www.netl.doe.gov/technologies/oil-gas/FutureSupply/MethaneHydrates/JIPLegII-IR/

Natural Gas Consumption Reaches a Record in January. Delivered volumes of natural gas rose to 85.4 Bcf per day in January, according to the *March 2010 Natural Gas Monthly* (NGM). EIA released the March NGM on March 29, which includes data through January 2010. Natural gas consumption in January 2010 increased 14 percent from December 2009, reaching its highest average daily rate recorded in any month, over more than 37 years of data. While consumption increased across sectors, there was a substantial increase in residential consumption of 6.6 Bcf per day or 27 percent from December 2009. Volumes of natural gas delivered to commercial and industrial customers also were relatively high for January, at 16.6 Bcf per day and 20.2 Bcf per day, respectively. Commercial consumption was at its highest recorded level for the month of January, though in other months consumption has been higher. Industrial consumption was at its highest level since February 2008. An increase in U.S. heating degree-days (HDDs) was one of the drivers of the increase in consumption. HDDs rose to 931 in January, 81 HDDs above the 5-year (2005-2009) average of 850 for the month. This January, HDDs increased by 62 from the previous month. Wellhead prices rose from $4.44 per thousand cubic feet (Mcf) in December to $5.14 per Mcf in January. Prices rose across sectors, with the price for industrial consumers showing the most notable increase, rising from $5.97 per Mcf in December to $6.89 in January. At the end of January, working natural gas in storage totaled 2,319 Bcf, which exceeded the 5-year average of 2,189 Bcf by about 6 percent.

NATURAL GAS TRANSPORTATION UPDATE

Normal Pipeline Conditions Exist.

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