



NEWS

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Winter Natural Gas Markets to Remain Relatively Stable, NGSA Says

(Washington) ... Wholesale natural gas customers this winter can expect a relatively stable natural gas market, the Natural Gas Supply Association (NGSA) said today in its annual Winter Outlook.

Due to a projected slightly warmer-than-normal winter, a flat economy and moderate growth in both natural gas demand and supply, NGSA expects to see flat market pressure on natural gas prices this heating season. The Washington-based association does not predict wholesale or retail natural gas prices.

NGSA examines five factors in making its assessment: the economy, weather, gas supply, storage, and gas demand. This winter, NGSA anticipates the economy will continue its low level growth. Publicly available data indicate there will be flat pressure on natural gas prices relative to last winter.

Weather is always a wild card. The National Oceanographic and Atmospheric Administration (NOAA) is forecasting a slightly warmer than normal winter for the forthcoming winter, although still colder than the past two warm winters, based on a 30-year average. The forecast also anticipates a moderate level of hurricane activity in the remaining hurricane season this year, according to hurricane experts. As a result, the weather will likely put upward pressure on the natural gas market.

"U.S. rig counts and natural gas completions continue at a high pace," said NGSA Chairman Chris Conway. "This is evidence of the huge investments being made by both the major and independent natural gas producers to sustain and increase U.S. natural gas production both onshore and offshore."

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U.S. natural gas rig activity in August averaged 1,473 compared with 1,342 rigs this time last year, an increase of 10 percent, according to an NGSa commissioned analysis by ICF International. There are continued high rig counts in both tight gas and shale gas plays, along with the startup of Gulf of Mexico deepwater fields. The increased rig activity is expected to lead to another increase in annual gas well completions, to a record 30,500 gas wells from 29,000 wells completed in 2006, an increase of five percent. Lower-48 natural gas production is projected to increase to 51.3 billion cubic feet per day (Bcf/d) from 50.7 Bcf/d, a 1.2 percent increase compared to last year's heating season.

Based on the supply fundamentals, NGSa anticipates flat pressure on the market due to this season's downward trend in imports will be offset by the upward trend in domestic natural gas production.

With respect to storage, NGSa anticipates another record inventory level. Last winter the industry entered the heating season with natural gas inventories at an all-time record of 3,445 Bcf. This season, with expected annual storage capacity additions of 104 Bcf and injections in the summer so far averaging 65 Bcf per week, storage is expected to enter the winter heating season at 3,520 Bcf. NGSa expects this inventory level to put downward pressure on the wholesale market.

Natural gas demand for this winter is projected to increase 278 Bcf or 1.8 percent, according to Energy Ventures Analysis, Inc. (EVA). This expectation compared to last winter's slightly warmer than normal weather, will result in natural gas demand for both residential and commercial consumers to be nearly 168 Bcf or 3.2 percent above that for last winter. "Although this winter is anticipated to be slightly warmer than normal, it is expected to be cooler than either of the last two winters, which were two of the warmest on record," said Conway, who is also marketing chief of ConocoPhillips. Offsetting some of the weather related increase in demand is consumer conservation and the lack of recovery in the industrial sector. NGSa anticipates that the modest increase in demand will result in flat winter-to-winter price pressure.

NGSa continues to caution the nation and policymakers not to become complacent due to continued flat economic pressure on U.S. natural gas markets. "Producers have shown their strong long-term commitment to the natural gas market through huge levels of investment, and federal lawmakers need to make the tough decisions to provide the country the comfort and convenience of natural gas that consumers have come to expect." Conway said.

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NGSA represents integrated and independent companies that produce and market natural gas in the United States. NGSa is actively involved in pursuing regulatory and legislative issues that affect the association's members. Established in 1965, NGSa encourages expanded use of natural gas and supports regulatory and legislative actions that foster competitive markets.