

## Summary

**Natural Gas:** The NYMEX prompt-month contract increased \$0.25/MMBtu to \$3.55/MMBtu last week. The NYMEX prompt-month contract traded as low as \$3.15/MMBtu last week. The 12-month NYMEX strip price increased \$0.22/MMBtu to \$4.73/MMBtu. Last week, the Henry Hub cash price decreased \$0.01/MMBtu to \$3.30/MMBtu.

**Storage:** The EIA storage inventory for the week ending April 24 rose 82 Bcf to 1.823 Tcf. The market had expected a build of 66 to 95 Bcf. The storage level is 335 Bcf above the five-year average and 464 Bcf more than the same period in 2008.

**Weather:** This week, most of the U.S. will be warmer than normal except for the northwestern section of the U.S. The National Weather Service forecasts that the southern half of the U.S. will be warmer than normal and the northern half of the U.S. will be normal to cooler than normal in the six- to 10-day and the eight- to 14-day time frames.

**Imports:** Send out volumes last week from LNG terminals totaled about 1.6 Bcfd, which was 0.5 Bcfd more than the same time a year ago. Canadian imports last week were 6.1 Bcfd, which was 2.0 Bcfd less than last year.

**E&P:** The total U.S. oil and gas rig count decreased by 10 last week to 945 rigs. The rig count has dropped 53 percent (1,086 rigs) since the peak in September. The Canadian rig count increased by 2 to 67 rigs.

**Electricity:** Electricity generation for the week ending April 25 was 2.8 percent higher than the prior week and 4.5 percent lower than a year ago. Year-to-date electricity usage is 3.5 percent lower than last year.

**Petroleum:** The NYMEX WTI prompt-month contract settled at \$53.20/Bbl at the end of last week, up \$1.65/Bbl for the week. The

spread between the prompt-month contract and the 12<sup>th</sup>-month contract widened slightly during the week from \$9.63/Bbl to \$10.05/Bbl on Friday. Brent crude settled at \$52.85/Bbl at the end of last week. The U.S. average gasoline price decreased 1 cent last week to \$2.05 per gallon.

For the week ending April 24, crude oil inventories increased by 4.1 MMBbls, distillate inventories increased 1.8 MMBbls, and gasoline inventories decreased by 4.7 MMBbls. The increase in crude oil and distillate inventories was much larger than expected while the decrease in gasoline inventories was unexpected. At 374.7 MMBbls, U.S. crude inventories are at a 19 year high. Cushing stockpiles rose by 221 MBbls to 29.763 MMBbls last week. U.S. refinery utilization decreased 0.7 percent to 82.7 percent.

### Highlights

- NYMEX natural gas contract traded as low as \$3.15/MMBtu
- U.S. crude oil inventories at a 19 year high
- U.S. GDP declined 6.1 percent in the 1<sup>st</sup> quarter

### Topic Report

- April 2009 Highlights

Compared to last year, the EIA estimates that the four-week rolling average U.S. gasoline demand was down 0.5 percent, distillate fuel demand was down 10.5 percent and jet fuel demand was down 11.8 percent. Total products supplied to the U.S. market were down by 6.8 percent. Petroleum consumption is down to 18.4 MMBpd, the lowest level since May 1999. Crude oil inventories are at the highest level since 1990.

Oil and refined product inventories at Europe's largest port, Rotterdam, are at record levels and the port may be nearing capacity. Tankers have been diverted or are waiting outside of the port until capacity becomes available.

**Economy:** The U.S. GDP contracted by a larger than expected 6.1 percent in the first quarter. U.S. GDP has declined for three consecutive quarters which had not happened in 34 years. The decline was due in part to drops in exports, business spending and inventories. At some point, inventories will reach a level where production will have to increase to meet demand.

Consumer spending, which makes up 70 percent of the economy, increased 2.2 percent in the first quarter. Personal income fell 0.3 percent from February to March and the savings rate as a percentage of disposable income rose 4.2 percent. U.S. auto sales in April fell to the lowest level in nearly 30 years.

Year-over-year U.S. home prices fell 18.6 percent in February. However, that was the first month in the last 40 months where the year-over-year drop was less than the previous month. California's housing market is showing some signs of improvement as the inventory of unsold homes fell to a 5 month supply in March.

Some economic indicators are pointing to a bottom of the economic cycle. The Economic Cycle Research Institute said that its leading indicators have turned up convincingly. The ECRI thinks that the economy will start to grow in the fall. Initial jobless claims unexpectedly dropped last week. The four-week average peaked in early April and has dropped for three consecutive weeks. Manufacturing indices last week showed that the sector is shrinking at a slower pace.

The yield on the 10-year U.S. Treasury rose to 3.17 percent last week, the highest rate this year. The Federal Reserve had been buying Treasuries to keep interest rates low, but the amount of buying disappointed the market last week. The rate increase was also due to positive signs in the economy and a large government debt offering planned for this week.

## Topic Report: April 2009 Highlights

This topic report highlights events that occurred in April. In most cases, these events were not major headlines but were part of developing trends that affect the energy industry.

**Natural Gas:** The CEO of Cheniere, an LNG regasification company, said that LNG will try to come to the U.S. this summer, but underground storage might fill by August or September.

The EIA estimated that U.S. natural gas production in February was about 700 MMcfd higher than January. Production had been flat for the prior three months.

Bentek said that pipelines west of the Henry Hub are nearing capacity because of new pipelines delivering gas from the shale plays in the Midcontinent.

Russia's Sakhalin II LNG project has shipped its first cargo. The capacity of the facility is 1.3 Bcfd.

Gazprom said that it expects Russian gas production to drop by 10 percent for the next 4 to 5 years to provide a floor for natural gas prices.

Colorado State University forecasts an average hurricane season in 2009.

**E&P:** The U.S. Federal Appeals Court asked the Department of the Interior to reconsider its 2007 to 2012 offshore leasing plan with more emphasis on environmental protection.

The U.S. Department of Interior reported that the U.S. may have as many as 115 billion barrels of recoverable oil in offshore waters.

**Electricity:** The EIA forecasts that gas-fired power generation will increase 1.6 percent in 2009 while coal-fired power generation will decline 3.2 percent.

The president of NRG said that low natural gas prices have caused natural gas-fired power plants to displace coal-fired plants, especially in the Northeast.

The Wall Street Journal reported that cyberspies have installed programs that could be used to disrupt the U.S. power grid.

The FERC chairman said that the U.S. might not need any more coal or nuclear power plants because of less expensive alternatives.

The EPA plans to repeal an air permit granted to a new coal-fired power plant in New Mexico.

**Petroleum:** BP's chief economist expects global spare oil production capacity to reach 6 MMBpd by year end.

Kuwait added an additional 200 MBpd of production capacity in March.

The International Energy Agency (IEA) noted that 2 MMBpd of oil production capacity due online in 2009 will be deferred due to the ongoing economic crisis and subsequent oil price collapse.

China and Kazakhstan have signed an oil-for-loan deal. It is similar to the deals done with Brazil, Russia and Venezuela earlier this year.

Petrochina plans to increase its oil storage capacity in China by 3 MMBbls by 2010.

Asia reported lower demand figures for March. China's oil imports fell 5.5 percent while Japan's oil imports fell 18.4 percent to the lowest levels in 20 years.

The U.S. vice president warned Israel to not carry out military strikes against Iran's nuclear facilities.

China unveiled a number of alternative-fueled cars at a

Shanghai auto show. Many of the cars were battery-powered and priced at affordable levels for rural residents.

Tata Motors has begun producing a four-passenger automobile priced at US\$2,500 in India. It should produce 200,000 cars per year next year.

Aventine, another U.S.-based ethanol producer, filed for Chapter 11 bankruptcy protection.

Dow Jones Newswire reported that countries under an OPEC quota produced 225 MBpd less oil in March than in February.

**Economy:** The Congressional Budget Office reported that the U.S. is operating under its capacity by 7 percent, which could take \$1 trillion out of the U.S. economy over one year.

The Federal Reserve Beige Book noted that U.S. contraction has slowed in several regional economies in March, indicating that the recession could be stabilizing.

Bank of America reported a surge in credit losses and has set aside more funds for loan losses.

The American Association of State Highway and Transportation Officials reported that bids for transportation projects are 15 to 30 percent less than anticipated. Projects will be awarded this summer.

Thomson Reuters reported that S&P 500 earnings in the first quarter are on track to be 35 percent lower than a year ago. Earnings have declined for seven consecutive quarters.

China's manufacturing rose for the first time in March as a result of the government's \$585 billion stimulus package. China had a record number of auto sales in March.

ENERGY STATISTICS AT A GLANCE

