

# BURNERTIP

SUPPLY › SERVICE › SATISFACTION ›

www.EnergyUSA.com

SEPTEMBER | 2008

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## GAS FACTS IN BRIEF

➤ Sept Settlement Price	\$8.394
➤ Current October Trading	\$7.33
➤ Winter Strip '08-'09	\$8.249
➤ Summer Strip '09	\$8.327
➤ One Year Strip	\$8.188
➤ Gas Drilling Rig Count:	
UP 51 To 1,606 Rigs (All Time HIGH)	
➤ Gas Storage Levels:	
Net Injection to 2,757 Bcf	
74.5% Full (vs. 3,703 Bcf)	

## A COUNTERINTUITIVE AUGUST!

**A Cat 3 Hurricane churns through the middle of the GOM oil patch and the October front month price drops. Go figure!** Of course, what would September be without the ongoing threat of tropical weather. Just as Gustav winds down dumping lots of rain across Louisiana and Arkansas, three more storms are lined up in the Atlantic waiting to take his place as the lead story on CNN. Tropical Storm Hanna is still projected to move up the East Coast and impact land as a strong Cat 2 or weak Cat 3 storm. Tropical Storm Ike is already exhibiting classic hurricane behavior and could be the next big threat to the GOM. Tropical Storm Josephine just exited the African coast and features an impressive tropical wave. Gustav prompted shut-in of 95.4% of the natural gas production in the GOM—or just over 7 BCF per day. This is roughly 11% of the average daily demand in the US. Experts are predicting minimal damage to GOM systems and expect much of the production to be back online quickly.

So, what happened during August? After bouncing off of a \$9.35 ceiling for most of the first week of trading as the prompt month, prices began to fall. First, into the high \$8's with a quick attempt to rebound back into the \$9's. Then, the low to mid \$8's seemed to be the new floor. Finally, mid-month, prices broke through \$8. Following a brief rally back into the low to mid \$8's, another retreat to the high \$7's ensued. As the month came to a close, the Gustav threat created a rally that pushed prices back into the low \$8's, finally closing at \$8.394. During the month, September dropped about \$.85 while the winter also dropped \$.72, finishing at \$9.354.

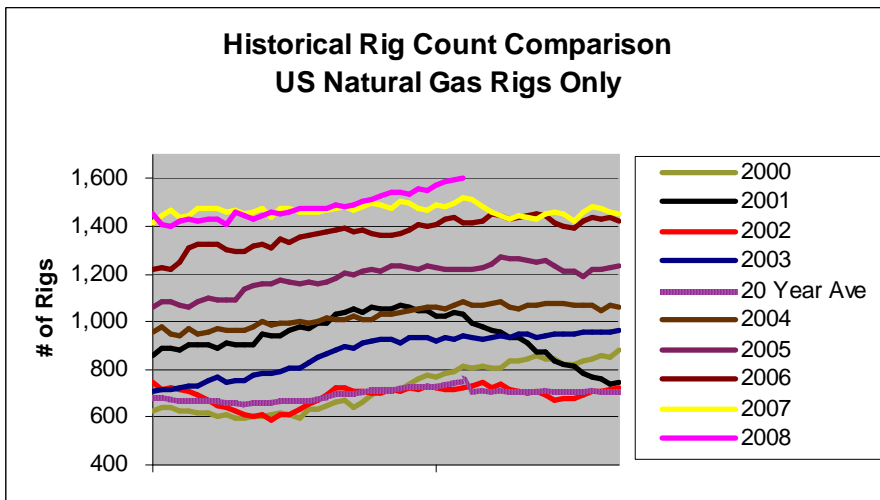
Next week begins the EnergyUSA Fall Road Show. Visit page 3 for more details on the meetings or visit [www.energyusa.com](http://www.energyusa.com) to sign up. With the wild volatility of the market, a series of storms on the horizon, bulging storage levels, record drilling activity and flat demand, you owe it to yourself and to your company to attend one of these 2-hour sessions. No bull, just good strategic information on the market, on the green movement and on conservation. Pick a location and we will see you there!

## HISTORIC GAS PRICE CHART

RED TREND LINE—LINEAR GREEN TREND LINE - VOLATILITY WEIGHTED



# BAKER HUGHES DRILLING RIG COUNT



Change	
Sep-08	1,606
Sep-07	1,523
Change	83
% Change	5%

vs. Last Month	
Sep-08	1,606
Aug-08	1,555
Change	51
% Change	3%

## INDUSTRY TERMS

*It is that time of the year. This month— just a bit about tropical storms.*

The terms "hurricane" and "typhoon" are regionally specific names for a strong "tropical cyclone". A tropical cyclone is the generic term for a non-frontal synoptic scale low-pressure system over tropical or sub-tropical waters with organized convection (i.e. thunderstorm activity) and definite cyclonic surface wind circulation. Once the tropical cyclone reaches winds of at least 17 m/s (34 kt, 39 mph) they are typically called a "tropical storm" and assigned a name. If winds reach 33 m/s (64 kt, 74 mph), then they are called:

**"hurricane"** (the North Atlantic Ocean, the Northeast Pacific Ocean east of the dateline)

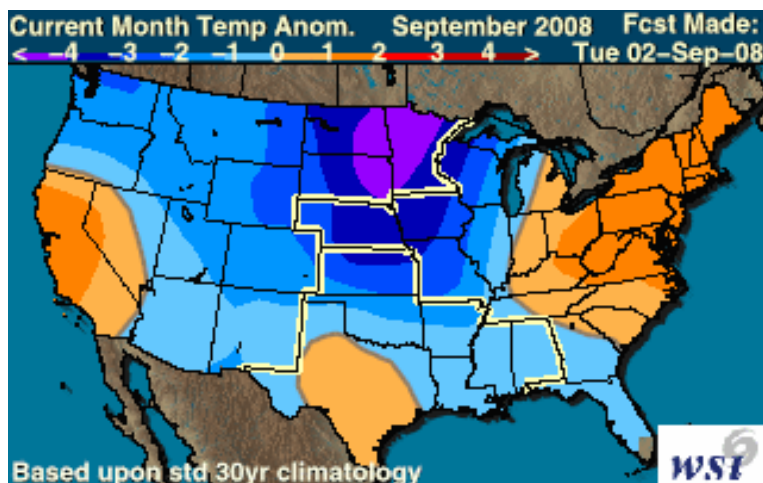
**"typhoon"** (the Northwest Pacific Ocean west of the dateline)

Storm surge is the onshore rush of sea or lake water caused by the high winds associated with a landfalling hurricane and secondarily by the low pressure of the storm. Tidal surge is often mis-used to describe storm surge, but storm surge is independent of the usual tidal ebb and flow. In some inlets, rapid changes in sea level due to the tides will cause a tidal surge to move in to or out of the inlet independent of the weather.

## ENERGY EQUIVALENTS

- 1 CF of natural gas = 1,000 Btu
- 1 Ccf (100 CF) gas = 100,000 Btu
- 1 Therm = 100,000 Btu
- 10 Therms = 1 Dekatherm
- 1 DTH = 1,000,000 Btu = 1 MMBtu
- 1 Mcf = 1 Dekatherm
- 1BCF = 1 billion CF of natural gas
- 1 Gallon of #2 fuel oil = 140,000 Btu
- 1 Gallon of Propane = 91,500 Btu
- 1 kWh electricity = 3,413 Btu
- 293 kWh electricity = 1,000,000 Btu
- 1 Gallon Ethanol = 76,100 Btu
- 1 Bushel Corn = 314,000 Btu

**WSI**  
**SEPTEMBER 2008**  
**FORECAST**



## FALL ROAD SHOW NEWS

### IN CONCERT WITH YOU

Demystify daunting energy market trends  
Button up your budget for the winter

**Last Chance to Sign Up.  
Visit [www.energyusa.com](http://www.energyusa.com)  
NOW!**

# ENERGY AGENTS

## ON TOUR 08

**EnergyUSA**  
A NiSource Company

### 7:30 8:00 AM BACKSTAGE BREAKFAST

Enjoy a casual coffee & snacks with your energy agents.

### 8:00 10:00 AM IN CONCERT WITH YOU

The ENERGY AGENTS deliver three top hits just in time for winter!

**Energy Unbarrelled:** An open look at energy trends, market behavior, & forecasts with market intelligence on prices, drivers, supply, demand, drilling, weather, and more.

*Rich vocals, subtle undertones clearly articulated mesmerizing!*

**In Harmony:** Reducing your carbon footprint. Going green. Conserving energy. Familiar lyrics take on new meaning as they power-up your green initiative. An EnergyUSA premier in '08, featuring the EnergyUSA GoZero program. Find out what audiences are raving about!

*A breakthrough performance!*

**Hands on the Wheel:** A thought-provoking, highly imaginative flagship piece! Artful exchanges lead you through uncharted territory. Choose your energy sources, manage your risk, leverage trends, protect your bottom line can you do it all? This is the ultimate energy management strategy jam session.

*Their most focused & ambitious work. Rewarding!*

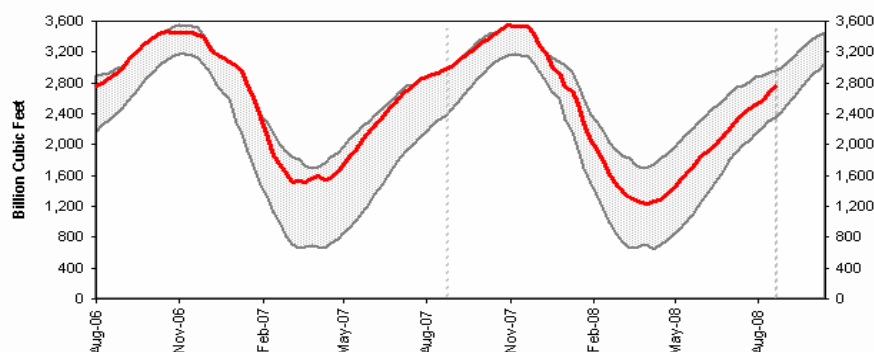
### Tour Dates and Locations

Merrillville, IN	Tuesday Sep 9 - Merrillville Courtyard
Chicago, IL	Wednesday Sep 10 - Oak Brook Residence Inn
South Bend, IN	Thursday Sep 11 - St. Mary's Inn
Fort Wayne, IN	Friday Sep 12 - Fort Wayne Marriott
Indianapolis, IN	Monday Sep 15 - Indianapolis Marriott North
Cincinnati, OH	Tuesday Sep 16 - Blue Ash Courtyard
Columbus, OH	Wednesday Sep 17 - Courtyard Easton Center
Cleveland, OH	Thursday Sep 18 - Residence Inn Independence
Detroit, MI	Friday Sep 19 - Detroit Courtyard Novi
Pittsburgh, PA	Tuesday Sep 23 - Pittsburgh Courtyard Airport

Visit [www.energyusa.com](http://www.energyusa.com) to sign up!

## GAS STORAGE LEVELS

Working gas in storage was 2,757 Bcf as of Friday, August 22, 2008, according to EIA estimates. This represents a net increase of 102 Bcf from the previous week. Stocks were 200 Bcf less than last year at this time and 71 Bcf above the 5-year average of 2,686 Bcf. At 2,757 Bcf, total working gas is within the 5-year historical range.



## GAS SUPPLY FACTS

CME Group, Inc., announced on August 22 that it has completed its acquisition of NYMEX Holdings, Inc. According to the company, this acquisition will allow it to expand its product offerings and will provide customers around the world with access to all major benchmark asset classes. The new portfolio of product offerings will include interest rates, equity indices, foreign exchange, energy, agricultural commodities, as well as metals. The acquisition created a company with approximately \$2.7 billion in annual revenue (2007) and average trading volume of 14.2 million contracts per day, based on the first 2 quarters of 2008. CME Group operates the Chicago Mercantile Exchange, the electronic exchange Globex, and the Chicago Board of Trade.

## DAVE'S PAGE

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Gustav Update: We dodged a speeding bullet this Labor Day weekend. While causing lots of fear, angst and large scale electric outages, preliminary reports show Hurricane Gustav caused minimal damage to the oil and natural gas infrastructure in the Gulf of Mexico. Mandatory evacuations in many coastal Louisiana parishes significantly curtailed gas processing capacity over the weekend, but plants that have electric power should be back on line this week. The Minerals Management Service reported yesterday afternoon ( 09-01-08) that 87 % of the manned platforms in the Gulf (626 out of 717) and 83 % of the production rigs ( 100 out of 121) were evacuated due to the storm. 95.4 % of the natural gas production in the Gulf of Mexico (7.06 BCF/day) was shut-in for safety and environmental reasons. Production from undamaged facilities will be brought back on line very quickly and the cumulative loss of production should be less than 30 BCF.

The summer of 2008 will long be remembered as the year of records. Michael Phelps shattered Mark Spitz's super-human record of 7 gold medals, Usain Bolt electrified fans at the Bird's Nest, winning gold and setting new world records in the men's 100m, 200m and 4 x 100m relay and natural gas prices plummeted nearly 35 % over the course of less than a month. It's been an incredible summer!!!!

A confluence of bearish market forces sent sky-high natural gas

prices careening lower just after the 4th of July holiday. We've seen an amazing 100 % retracement of prices since the bull run that began in late January '08. Let's take a look at some of the factors that caused this precipitous drop in prices:

- Domestic Supply Drilling Boom - The old adage "the best cure for high prices is high prices" certainly seems to apply here. Domestic natural gas production was up 8.8 percent in the first five months of this year compared with the same period last year, a growth rate not seen since 1959. Leading the way has been eye-popping growth in the shale basins located in the Texas, Louisiana and Pennsylvania ( e.g., Barnett Shale region near Fort Worth, Texas). Improvements in technology, such as horizontal drilling and hydraulic fracturing, have increased shale production to nearly 5.2 BCF/day, accounting for nearly 10 percent of the nation's supply. By comparison, the prolific Gulf of Mexico region produces approximately 7.4 BCF/day of supply.

- Storage Inventories – Unusually mild summer temperatures coupled with strong supply have caused inventories to swell. Storage stocks were at 2757 BCF for the week ending 08-22-08, 71 BCF ahead of the 5-year average and only 200 BCF behind last year. Storage operators have to inject approximately 80 BCF/week over the next 10 weeks to surpass last year's record high level of 3545 BCF. Barring any major supply disruptions, industry experts expect storage to be in the range of 3500 to 3550 BCF (~ 90% full) by the start of this winter.

- Weak U.S. Economy – The U.S. economy continues to languish. Income tax refunds and rebates checks helped stimulate consumer spending in 2Q08 (higher than expected annual growth rate of 3.3 %), but the outlook is bleak for the balance of this year.

GDP growth for 3Q08 is expected to be only 1.2 %, followed by a feeble 0.3 % in 4Q08. Other factors weighing heavily on the economy are slowdowns in Japan, China and Europe, will likely hurt U.S. exports, a key factor that has kept the economy from falling into a recession. In addition, the extremely weak housing market will continue to plague the financial sector. On a personal note, nearly 30 % of the homes on my street are currently in foreclosure or for sale (4 out of 14). Anyone interested in moving to the metro Detroit area?

If natural gas prices move much lower, we'll need to keep a close eye on the supply numbers (i.e, rig count and shut-ins) and fuel switching from coal to natural gas in the power generation sector. For conservative and moderate risk buyers, now is an opportune time to get ahead of the market and focus on longer-term hedging strategies (e.g., 2 to 3 years out) for some portion of your requirements. The NYMEX forward curve is extremely flat, with the 2-year, 3-year and 4-year NYMEX strips all trading below \$ 8.60.

As market focus shifts from summer to winter, be prepared to take swift action to execute your natural gas purchasing plans. As we've seen time and time again, this market behaves irrationally at times and trying to pick a bottom or top can be extremely painful. We encourage you to work closely with your EnergyUSA Territory Manager to design and implement sound strategies to achieve your natural gas budgetary goals in 2009 and beyond. Let the games begin !!!!

## ABOUT ENERGYUSA

EnergyUSA is a wholly owned subsidiary of NiSource, Inc. NiSource is the largest natural gas energy company east of the Rocky Mountains. We own, operate and maintain a complete natural gas portfolio including storage, pipeline transportation and distribution to nearly 4 million customers.

EnergyUSA offers a full line of commodity and energy management products primarily focused on larger commercial and industrial customers in the Mid-western and Eastern areas of the country.

We value our relationships with customers and place high emphasis on customer satisfaction, service and education.



Through this highly popular program, EnergyUSA customers can choose to offset the carbon dioxide (CO<sub>2</sub>) emissions that result from their natural gas use by adding a contribution of \$0.25 per dekatherm to their monthly bill. Energy USA passes 100% of those donations on to The Conservation Fund's Go Zero carbon sequestration program. The Conservation Fund's Go Zero program makes it simple for individuals, corporations, or even entire communities to measure their CO<sub>2</sub> emissions and then offset those emissions by planting trees.



## TRADESHOW UPDATE

### Upcoming EnergyUSA Tradeshow Events

We are planning an active fall season. If attending any of these events, stop by our exhibit.

**September 29—ISBA—Indianapolis, IN**

**October 7—CES Exhibition—Cleveland, OH**

**October 15,16—Pennsylvania School Show—Hershey, PA**

**October 20,21—MHEC - Bloomington, IN**

**October 22—UPC—Sharonville, OH**

**November 5—Midwest Healthcare—Indianapolis, IN**

**November 9—OSBA—Columbus, OH**

**February 24/25, 2009—OH Energy Conference—Columbus, OH**

**March 4, 2009—EUSA Spring Energy Conference—South Bend, IN**