

two days and that it will impose strict limitations on deliveries and receipts for gas flowing north through Vernal.

Prices at Northwest's south of Green River station took a hit, falling nearly 15 cents to average in the mid-\$3.10s. But Northwest's Wyoming Pool climbed almost 25 cents to average in the upper \$3.50s, about flat to Kern River Gas Transmission at the Opal, Wyoming, plant, which made similar gains. Cheyenne Hub prices picked up more than 15 cents.

Western Canada prices showed a little more strength as Westcoast Energy station 2 in British Columbia gained more than 20 cents and AECO-NIT in Alberta rose more than 15 cents. Sumas, Washington, gained nearly 15 cents.

Noting persistent 100-degree temperatures in Arizona and forecasts for week-end highs near 100 in California's inland valleys, one Western trader said "the weather is starting to be more of a [factor]. I think you're going to see more generation loads kick in."

Southern California prices generally gained almost 20 cents, while Malin, Oregon, picked up almost a quarter. Pacific Gas and Electric city-gate prices rose nearly 20 cents as liquidity declined sharply.

In the production basins, El Paso in the Permian Basin rose more than 15 cents to average in the mid-\$4.00s, almost 5 cents above El Paso-San Juan, which gained more than 10 cents. — *Market Staff Reports*

Bentek: Midcontinent pipeline boom to shake up basis

The combination of declining production and new takeaway pipeline capacity should boost Midcontinent spot gas prices later this year and create a dramatic longer-term shift in regional basis values, according to a report Tuesday from Bentek Energy.

Gulf Crossing and Midcontinent Express have come online within the last month, providing total capacity of 3 Bcf/d, and Rockies Express Pipeline's East leg could begin moving gas from the Midwest region eastward earlier than expected, Bentek suggested in the report.

REX is scheduled to reach Midwestern Gas Transmission by late May barring further construction delays, allowing REX gas to reach Lebanon and Clarington, Ohio, months before the REX pipeline reaches those areas itself.

The relief valve that network of pipelines is creating will cause major changes in basis relationships, Bentek said, noting that excess gas has been steadily streaming into the Midcontinent and Upper Midwest due to several large pipeline expansions.

Imports into the Midcontinent from the Rocky Mountains have increased from 2.9 Bcf/d in 2007 to 4.3 Bcf/d in 2009, largely due to the REX-West pipeline. Imports from the Southeast and Gulf Coast have shown a similar trend in just the past year, increasing to 4.1 Bcf/d from 3.2 Bcf/d, the report said.

That trend should continue, according to Bentek analyst Bernadette Molinar. "The Fayetteville and Haynesville shales are still going strong because production costs are so cheap there, sending lots of gas along the new laterals into the Midcontinent," she said.

Outside of the Fayetteville, the economics of production in the rest of the US have not weathered the economic downturn well as overall demand has declined. Rig counts in the Midcontinent have dropped almost 50% in a year, and Bentek forecasts regional production to drop around 12% by the end of 2011 based on the consultancy's own survey of production plants, active rig counts, initial production per well, decline rates and other factors.

"We are seeing a bubble fill up in the Gulf, because pipes aren't built out of the Gulf to the Northeast because there's no demand," Molinar said, adding that gas is finally moving out of Oklahoma to the Southeast via Gulf Crossing. "We could see some downward pressure on Henry Hub, and basis may flatten. Panhandle basis may actually lift; that's where the pressure is."

The real impact on prices and basis relationships will become evident when the

Worst of Texas E&P downturn not over, alliance's report says

The current oil and gas industry downturn, which some analysts call the worst since the 1980s, is likely to get worse before it gets better, the Texas Alliance of Energy Producers said Monday in unveiling its latest Texas Petroindex.

"Five months into this cycle, deep negatives in oil and gas wellhead prices, the rig count, drilling permits and production values suggest that the current recessionary trend will continue to pick up steam in the coming months," alliance economist Karr Ingham said in a statement.

He noted that the Baker Hughes count of active drilling rigs in Texas dropped to 445 in March from 574 in February and 881 in March 2008 — a year-over-year decline of about 50%.

"Considering the depth and rapidity of the slowdown, there's no reason to believe it will be shorter than the past two economic cycles chronicled by the TPI" in 1997-99 and 2001-02, Ingham said.

If so, that would place recovery "well into 2010," he said, even assuming a rebound in the US economy later this year and a subsequent increase in demand for energy commodities.

"As the downward cycle picks up steam in the coming months, it will not be possible for the industry to escape without losing a significant number of jobs," Ingham said. "Ultimately, Texas oil and gas production will decline, possibly curtailing energy supplies just as demand is beginning to respond to economic recovery. In such a scenario, at that point, energy prices may well skyrocket."

The first Texas exploration-and-production industry recession chronicled by TPI lasted 19 months, from November 1997 through June 1999. The second downturn lasted about 12 months, from August 2001 to August 2002.

— Starr Spencer

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REQUEST FOR INFORMATION

AmerenUE, headquartered in St. Louis, is Missouri's largest electric utility and provides electric service to approximately 1.2 million customers across central and eastern Missouri, including the greater St. Louis area.

For its resource planning purposes, AmerenUE is requesting expressions of interest from parties that may be interested in selling combined cycle natural gas fired plants that are at least 250 MW in size, either currently operating or that will be operational by June 1, 2010, in the Midwest Independent Transmission System Operator, Inc. (MISO) market. Based on its review of the information received, AmerenUE may follow up with a formal RFP if there are enough projects of interest to AmerenUE.

Please contact AmerenUE at the email LMBarnes@ameren.com by May 21, 2009 if you are interested in discussing further.