

ENERGY CENTRAL PROFESSIONAL

Second Quarter Natural Gas Forecast Issued by R. W. Beck, Inc.

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Today management consulting and engineering firm R. W. Beck, Inc. issued the second quarter 2005 update to its natural gas price forecast. The updated forecast's annual average price at Henry Hub for 2005 is \$6.40 per MMBtu -- an increase of about 13 percent over the firm's first quarter forecast of \$5.68. The higher forecasted prices are driven by too high oil prices and production not meeting previous expectations.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20030429/RWBECKLOGO>)

"January prices behaved close to R. W. Beck's expectations, but the return of world crude oil prices to around \$50 per barrel caused us to look even more closely at the relationship between natural gas and oil prices," according to Catherine Elder, leader of R. W. Beck's Natural Gas & Fuels practice. Elder says, "In retrospect, we think natural gas prices could be higher and that the high storage inventory that prevailed over most of the winter helped keep prices lower than what they otherwise might have been."

Other factors contributed to the forecast of higher near-term prices. Withdrawals from storage turned out to have been higher than normal, even after adjusting for winter, which was 6.5 percent milder than normal. Also, although the gas-directed rig count continues to increase, production from new wells is still being offset by declines from existing wells. Elder explains, "Production per well remains lower than forecast and the large inventory in storage made up the difference. Our notion of when new supply increases production is pushed further out a bit."

Over the long-term, the second quarter update to the forecast is not substantially different from first quarter. Real prices continue to decline from 2006 through 2010-2011 as the market rationalizes and production increases. Post 2011, prices gradually increase to reach approximately \$4.50 per MMBtu by 2024.

A Quick Summary of the second quarter natural gas forecast is available via download at R. W. Beck's Web site <http://www.rwbeck.com/energyforecasts> .

Founded more than 60 years ago, R. W. Beck (<http://www.rwbeck.com>) is a technically-based management consulting and engineering firm providing services to both public and private sectors in the areas of energy and water/waste resources.

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