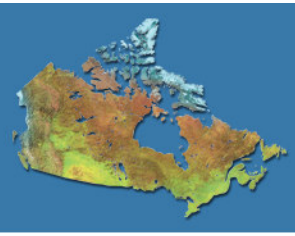


Canadian Natural Gas

›› Monthly Market Update

November 2007

›› Natural Gas Division
Petroleum Resources Branch
Energy Sector

Foreword

The *Canadian Natural Gas: Monthly Market Update* is a monthly working paper prepared by the Natural Gas Division of Natural Resources Canada.

Structure and Format of the Report

This six page report provides the most recently available data on natural gas prices and on key fundamentals affecting prices.

To the right is an Executive Summary, which provides a brief, up-to-date overview of natural gas market fundamentals. For those interested in reading ahead, the remainder of the report consists of graphs, with limited text and comments associated with each. The text provides a short description of the natural gas market fundamental, followed by a simple comparative analysis (i.e., year-over-year or month-over-month) of the data contained within the figure.

Beginning in January 2005, this report has been formatted in landscape orientation to be more easily read on a computer screen.

Sources

Various sources are used in developing this report, including Statistics Canada, Canadian Enerdata, Daily Oil Bulletin, the National Energy Board and GLJ Energy Publications. *Data is subject to revision.*

If you have any comments, suggestions or questions please contact Ryan Creighton at 992-1023, or by email at rcreight@nrcan.gc.ca

Executive Summary

The chart below depicts year-over-year percentage changes (given the most recently available month of data) in natural gas prices, heating degree days (weather), natural gas domestic sales and exports, imports, storage, drilling, and natural gas production.

Natural Gas Market Fundamental	Percentage Change	
	+	-
Prices		14%
Heating Degree Days (HDDs)		7%
Production		1%
Sales	1%	
Exports	10%	
Imports	36%	
Storage	32%	
Drilling		17%

PRICES: CDN $5.48/GJ in November 2007; a decrease of 14%

HDDs: 101 in September 2007; an decrease of 7%

PRODUCTION: 472 Bcf in September 2007; a decrease of 1%

SALES: 149 Bcf in September 2007; an increase of 1%

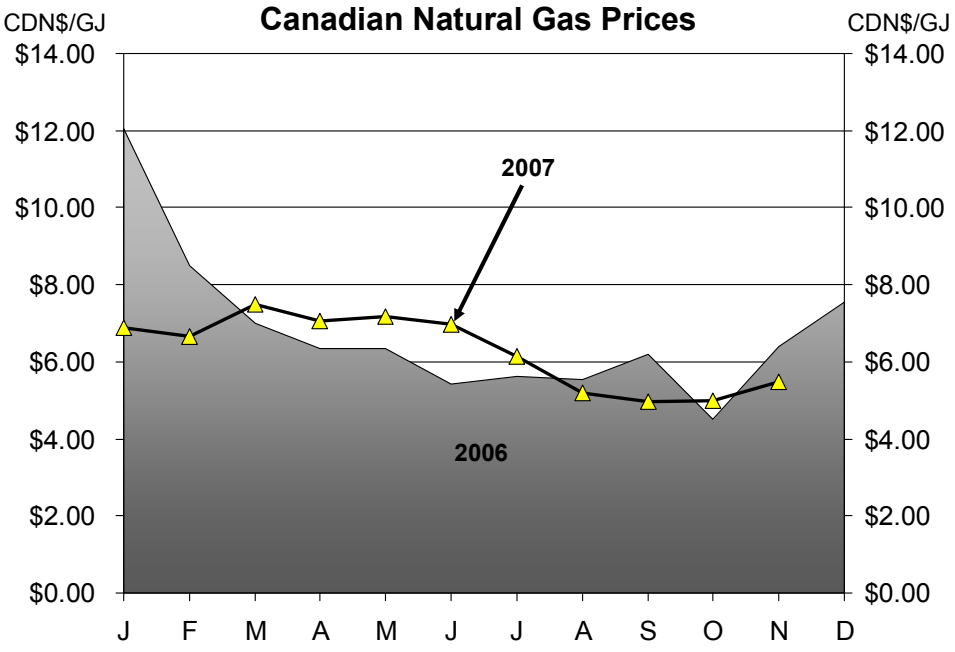
EXPORTS: 314 Bcf in September 2007; an increase of 10%

IMPORTS: 31 Bcf in September 2007; an increase of 36%

STORAGE: 591 Bcf in November 2007; an increase of 32%

DRILLING: 1,270 in November 2007; a decrease of 17%

Figure 1

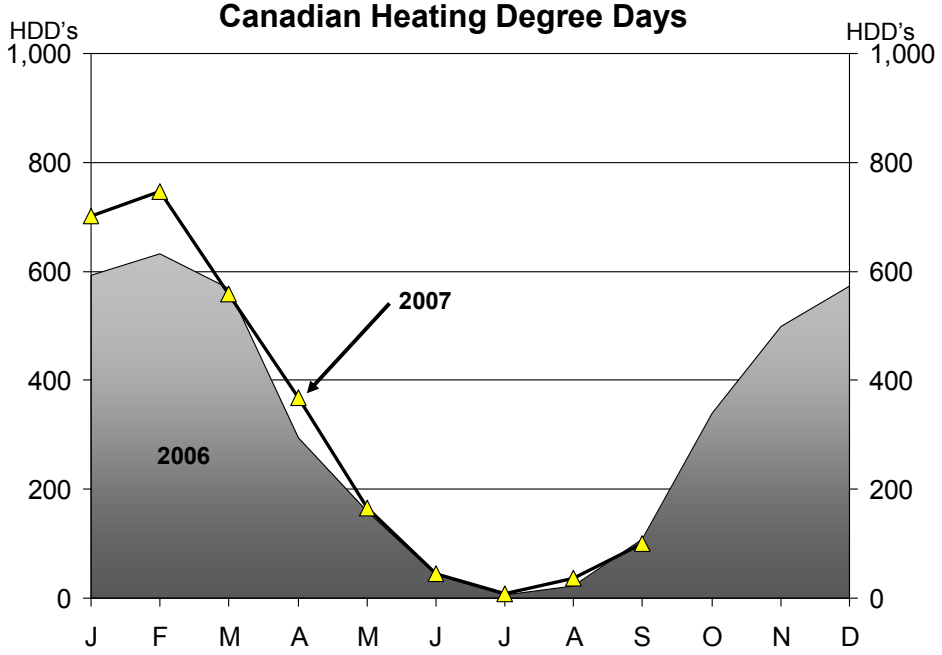


Source: GLJ Energy Publications **Note:** Canadian price is the Alberta price at the AECO hub.

Figure 1 illustrates the price of natural gas at the major Canadian pricing point – the Intra-Alberta market. The price is for gas delivered under a 30-day contract. The Intra-Alberta market is formed by gas delivered to pipelines in Alberta. Gas changes hands via Nova Inventory Transfers (NIT), exchanges at the AECO storage hub, or sales facilitated by the Natural Gas Exchange (NGX). This is a commodity price – a wholesale price in the producing area. Consumer (or "burner tip") prices will also include pipeline transmission and distribution costs, which vary across Canada. Natural gas is commonly measured in gigajoules (GJ) or cubic metres. A gigajoule is an energy unit, which equates to about 27 cubic metres of natural gas.

Canadian natural gas commodity prices were CDN $5.48/GJ in November 2007, 10% higher than the previous month and 14% lower than November 2006.

Figure 2

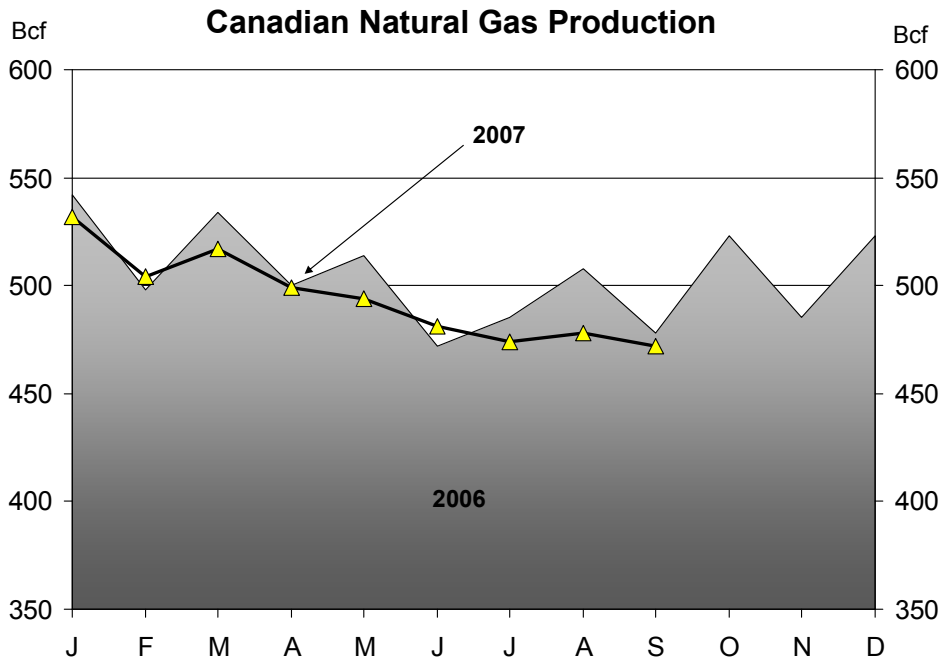


Source: Statistics Canada

Figure 2 shows Canadian heating degree days (HDDs), which are a measure of how cold it is. The more HDDs in any season, the greater is natural gas demand for space heating. If the winter is unusually cold, demand will respond accordingly and natural gas prices will tend to be stronger. However, if the winter is mild, demand will be weaker, which will tend to moderate prices.

In September 2007, there were 101 HDDs, 7% less than September 2006. Temperatures in September 2007 were 16% warmer than normal.

Figure 3

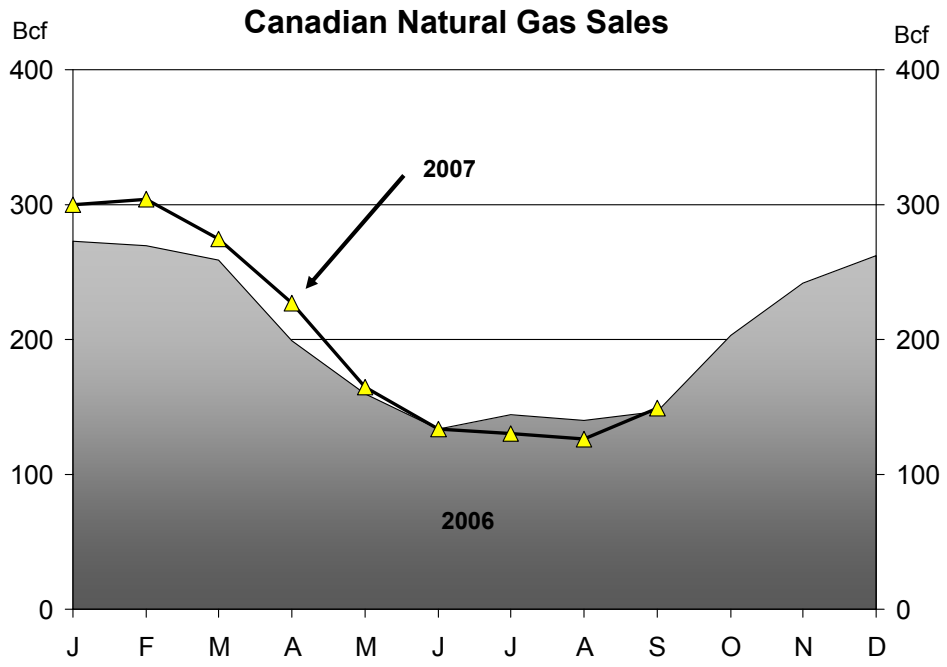


Source: Statistics Canada **Note:** Most recent month is a preliminary figure.

Figure 3 illustrates total Canadian natural gas sales. Sales include all natural gas sold to residential and commercial users (for space and water heating, cooking, etc), industries and electricity generating units in Canada. The totals do not include consumption by the natural gas industry itself (e.g., pipeline compressor fuel).

Natural gas sales to Canadian consumers in September 2007 were 472 Bcf, 1% lower than September 2006.

Figure 4



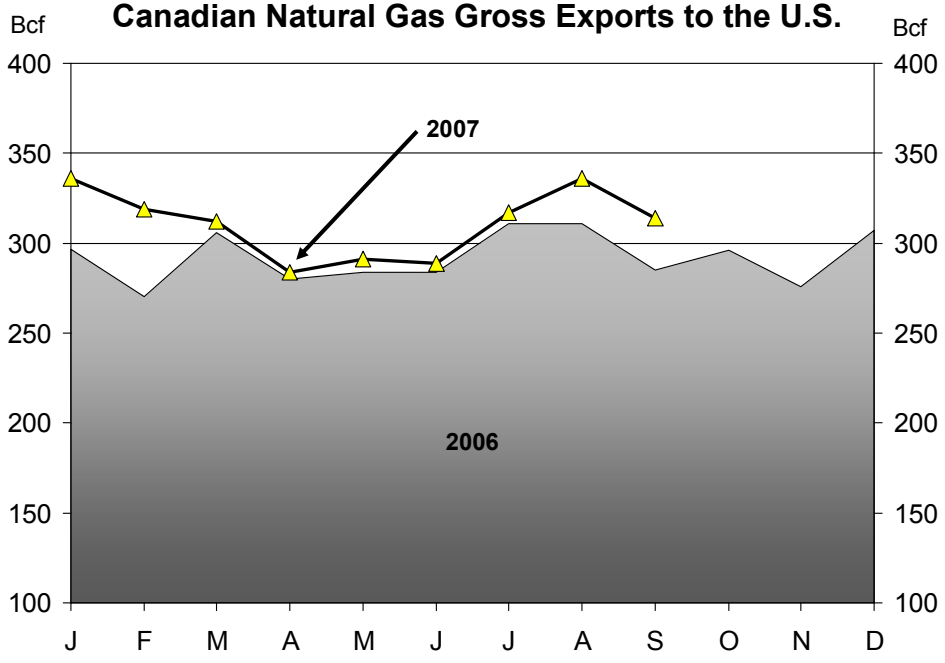
Source: Statistics Canada **Note:** Most recent month is a preliminary figure.

Figure 4 shows marketable natural gas production in Canada. Marketable natural gas is the gas available for consumption after processing and excludes producer or plant uses.

Marketable natural gas production for September 2007 was 149 Bcf, nearly of 1% more than September 2006.

Figure 5

Canadian Natural Gas Gross Exports to the U.S.



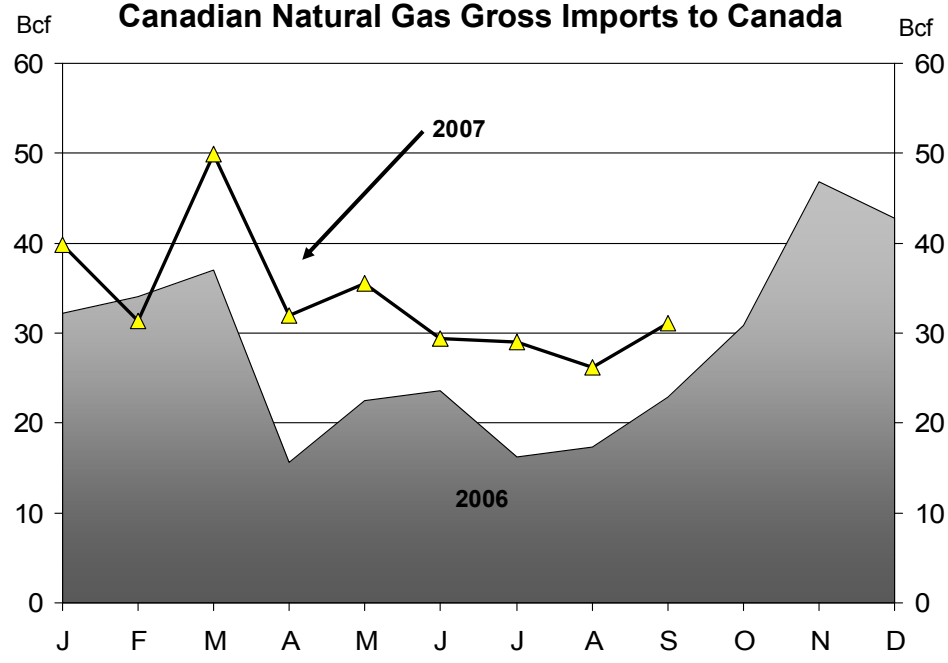
Source: National Energy Board

Figure 5 illustrates natural gas exports to the U.S. Canadian natural gas requirements are met entirely by domestic sources, as Canada produces natural gas in excess of what is required for domestic consumption. In comparison, the U.S. consumes more natural gas than it produces, therefore natural gas imports are required to make up the difference. Typically, Canada exports between 50 and 60 per cent of its gas production.

In September 2007, natural gas exports to the U.S. were 314 Bcf, 10% higher than September 2006.

Figure 6

Canadian Natural Gas Gross Imports to Canada



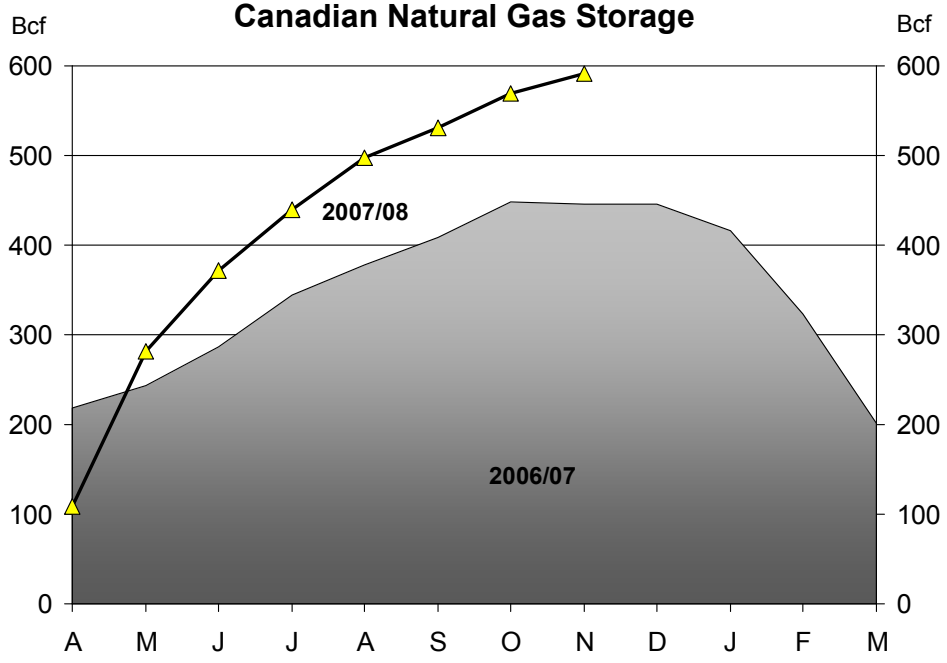
Source: National Energy Board

Figure 6 illustrates natural gas imports to Canada. Most natural gas is imported into Canada through major import points in southern Ontario. Imports into southern Ontario will likely rise in the future, as the province purchases more gas from the rest of North America due to flat production in the Western Canadian Sedimentary Basin. Presently, import volumes are significantly less than export volumes, and Canada remains a net exporter of natural gas.

In September 2007, natural gas imports to Canada were 31 Bcf, 36% higher than September 2006.

Figure 7

Canadian Natural Gas Storage



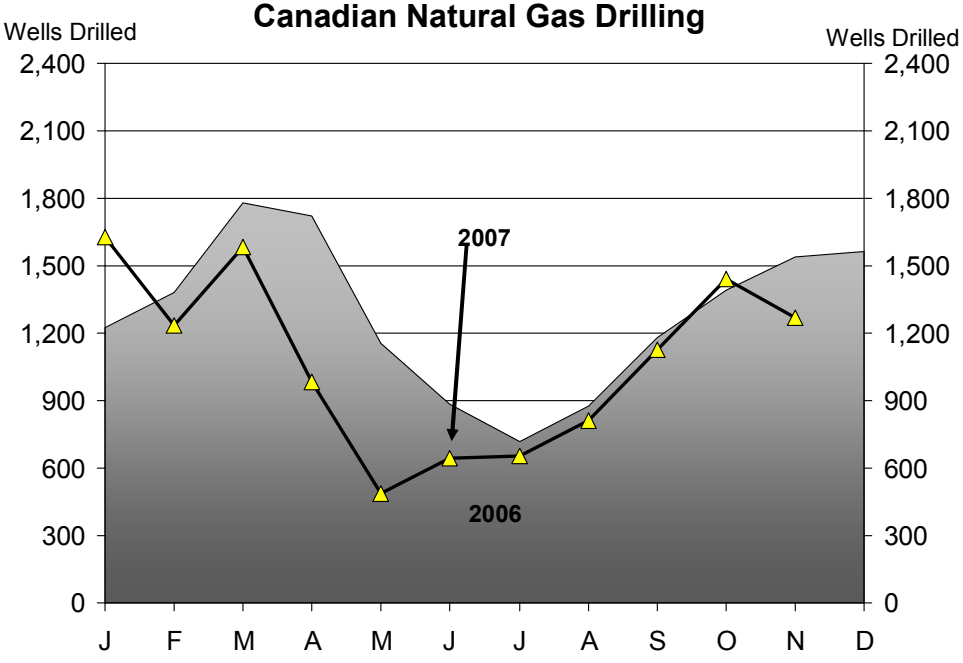
Source: Canadian Enerdata

Figure 7 indicates natural gas storage levels in Canada. The amount of gas in storage generally follows a seasonal pattern. In the summer, when natural gas demand is low, gas is injected into storage. Storage volumes peak in the fall. In winter, volumes are drawn down, reaching a low point in the spring.

Canadian natural gas storage inventories increased 22 Bcf during the month of October 2007. Storage levels at the beginning November 2007 were 591 Bcf, 32% higher than the year prior.

Figure 8

Canadian Natural Gas Drilling



Source: Daily Oil Bulletin

Figure 8 depicts the number of natural gas well completions in Canada. There is a time-lag between drilling a gas well and starting production, due to the work necessary to connect the new well to the pipeline grid. Drilling is therefore a good indicator of future natural gas supply.

There were 1,270 natural gas wells drilled in November 2007, an decrease of 17% from the November 2006.

Bibliography and Data Sources

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4. *Drilling Highlights*, Daily Oil Bulletin website: www.dailyoilbulletin.com
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7. *Natural Gas Export Statistics*, National Energy Board website: www.neb-one.gc.ca