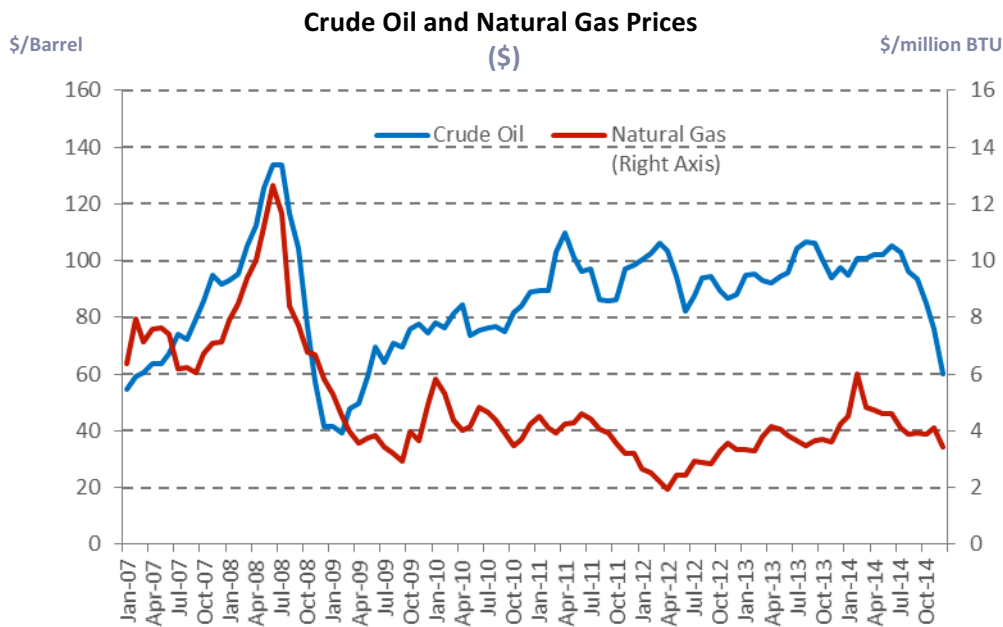


About this Reference Document

This document helps you understand and interpret a particular economic indicator that is part of the larger *Outlook for the Texas Economy*. Note that all data, charts, and explanations presented are from prior reports and thus are not current. Your feedback is always appreciated. Send comments and suggestions to info@recenter.tamu.edu.

Dr. Luis Torres and Wayne Day



Source: U.S. Energy Information Administration received from Thomson Reuters

Monthly prices are calculated by the Energy Information Administration (EIA) from daily data received by Thomson Reuters by taking an unweighted average of the daily closing spot prices for a given product over the specified period. Spot prices are the price for a one-time open market transaction for immediate delivery of a specific quantity of product at a specific location where the commodity is purchased "on the spot" at current market rates.

Crude Oil prices are for West Texas Intermediate (WTI - Cushing). This is a crude stream produced in Texas and southern Oklahoma that serves as a reference or "marker" for pricing a number of other crude streams and which is traded in the domestic spot market at Cushing, Oklahoma. Crude Oil is defined as a mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities.

Natural gas prices are based on delivery at the Henry Hub in Louisiana. Official daily closing prices are determined at 2:30 p.m. from the trading floor of the New York Mercantile Exchange

(NYMEX) for a specific delivery month. Natural gas is specified as a gaseous mixture of hydrocarbon compounds, the primary one being methane.

Oil prices have plunged since the fourth quarter of 2014 as a result of expanding world oil supply and changes in expectations for future supply and demand as global oil supply is expected to outpace demand in 2015. The United States continues to be a primary driver of supply growth while world consumption growth in 2015 will come in lower than previously expected as a consequence of sluggish worldwide economic growth, causing a fall in the demand for oil.

Winter heating is a major source of natural gas demand and unusually high or low temperatures significantly impact the supply-demand balance causing prices to be volatile during fall and winter months. Despite unstable prices, U.S. natural gas production continues to grow at a steady pace, suppressing the effect on natural gas prices.

Source: U.S. Energy Information Administration received from Thomson Reuters
http://www.eia.gov/dnav/pet/TblDefs/pet_pri_spt_tbldef2.asp