

November 10, 2014

Natural Gas Trends

Highlights

Cold snap coming; maybe hint of last winter

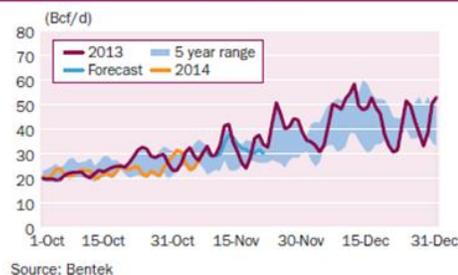
A cold front moving into the eastern half of the United States this week is expected to send natural gas demand to just below its highest levels of the season, hinting at a repeat of the frigid winter of 2013. Total U.S. demand during the weekend is expected to average 69.2 Bcf/d, 3 Bcf/d higher than the previous seven-day average and just below its seasonal high of 71.4 Bcf/d on November 1. Colder weather moving into the East will continue to push demand above 80 Bcf/d by the end of the week, drawing on storage inventories and unofficially announcing the arrival of winter.

The Northeast and Midwest saw largely normal conditions during October, with temperatures averaging just 0.4 degrees above the normal monthly average of 54.9 degrees Fahrenheit. Weather during October 2013 also fell close to historical levels, averaging 55.5 degrees. The streak of mild weather ended as calendars flipped forward, falling more than 7 degrees from the last week of October to the first week of November. Increasing residential and commercial demand in the Northeast and Midwest are the biggest contributors to the overall jump in total US demand as mercury levels fall. During the first week of November, these regions saw temperatures fall an average of 1.6 degrees below normal levels, with temperatures in Boston and Chicago dipping below 40 degrees during the week.

Temperatures will continue to drop and fall even further below normal, averaging 5.2 degrees below historical levels in the East over the next two weeks but 2.6 degrees higher than 2013 levels. November 2013 fell just below normal levels until the last 10 days of the month, when Midwest and Northeast temperatures averaged more than 8 degrees below normal, sending regional natural gas demand to fresh five-year highs. Demand in the Northeast and Midwest has yet to set a fresh five-year high over the past two months and current forecasts make it unlikely fresh highs will be reached over the next two weeks. Regional demand will trend near the upper bound of historical demand, with current Bentek models projecting demand to fall 10% below its five-year highs and over 25% above its five-year lows. Even with the Northeast production at all-time highs of 17.5 Bcf/d month-to-date, 2.5 Bcf/d above November 2013 levels, imports from Canada and other regions will increase to fill demand with the arrival of winter.

Source: Platts Gas Daily

Northeast and Midcon demand



Data

- December 2014 Natural Gas Futures Contract (as of November 7), NYMEX at Henry Hub closed at \$4.412 per million British thermal units (MMBtu)
- December 2014 Light, Sweet Crude Oil Futures Contract WTI (as of November 7), closed at \$80.54 per U.S. oil barrel (Bbl.) or approximately \$13.56 per MMBtu

Last week: Texas warmer than normal

For the week beginning 11/2/14 and ending 11/8/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 11/8/14	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	81	-29	259	-38%
Austin	33	2	45	-999%
DFW	49	0	77	-29%
El Paso	50	-14	55	-68%
Houston	21	-9	31	-999%
SAT	12	-18	17	-999%
Texas**	37	-3	77	-31%
U.S.**	101	-2	428	-14%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 3,571 Bcf

For the week ending 10/31/2014 working gas in storage increased from 3,480 Bcf to 3,571 Bcf. This represents an increase of 91 Bcf from the previous week. Stocks were 238 Bcf lower than last year at this time and 261 Bcf below the 5 year average of 3,832 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 10/31/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,956	1,913	43	-5.2%
West	498	490	8	-5.7%
Producing	1,117	1,077	40	-10.0%
Lower 48 Total	3,571	3,480	91	-6.8%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up for the week

The gas rig count for the U.S. was up ten for the week and down nine when compared to twelve months ago. The total rig count for the U.S. was down four from last week and was up 171 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

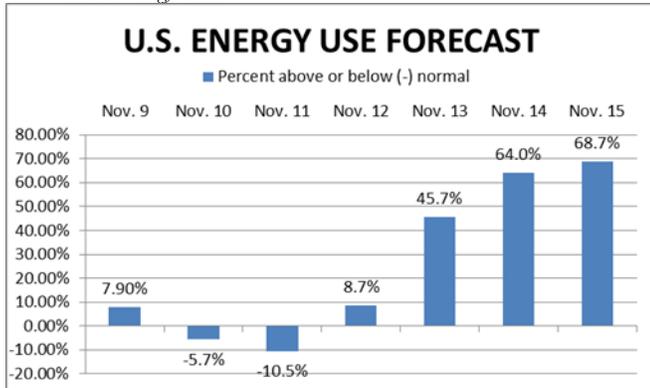
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 11/07/2014	+/- prior week	Year ago	+/- year ago
Texas	906	5	834	72
U.S. gas	356	10	365	-9
U.S. oil	1568	-14	1383	185
U.S. total	1925	-4	1754	171
Canada	410	-19	378	32

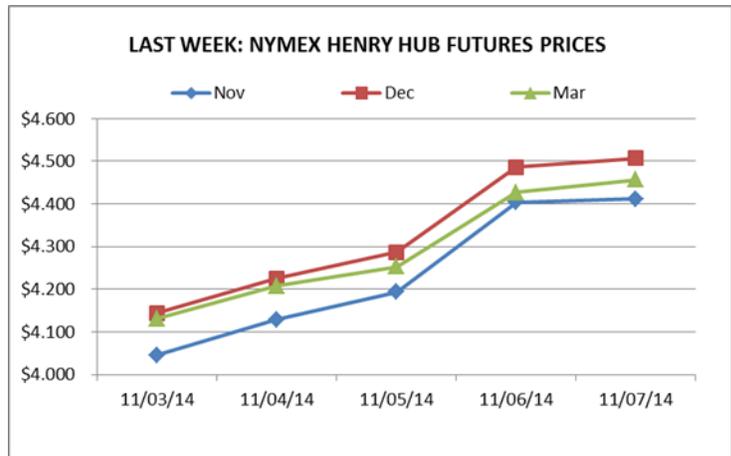
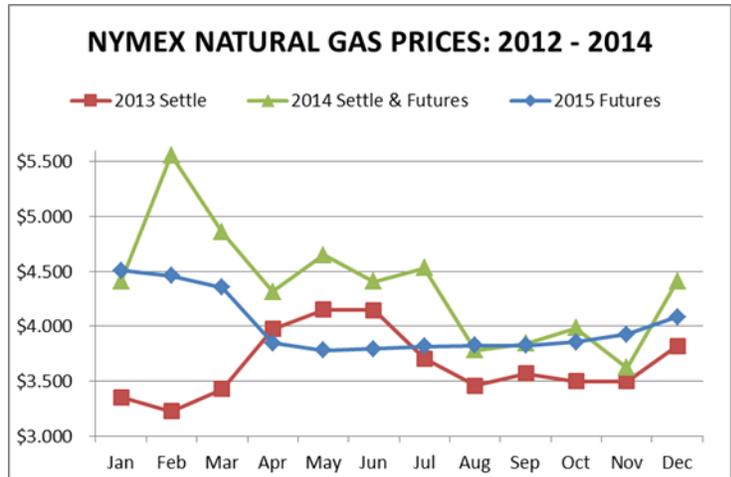
This week: U.S. energy varies widely

U.S. energy use is predicted to vary this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-Nov. and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 11/07/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Dec. futures				
NYMEX	\$4.412	\$0.539	\$0.594	\$4.016