

**March 23, 2015**

# Natural Gas Trends

## Highlights

### Gas rigs plummet to all-time low: Baker Hughes

The number of US rigs drilling for natural gas slipped to 242 for the week ended Friday, an all-time low, according to Baker Hughes data. That's down 15 from the previous week and down about 85% from an all-time peak of 1,606 gas rigs in September 2008. The only other time the gas-directed rig count has been so low, since Baker Hughes began keeping track in 1987, was March 1992. Rigs drilling for oil fell 41 to 825. The overall rig count declined 56 to 1,069, the 15<sup>th</sup> consecutive week of declines and the lowest number of oil and gas rigs since October 2009, Baker Hughes data showed.

Yet despite the fact that the gas-directed rig count is roughly a sixth of what it was in 2008, production is expected to continue growing. According to projections from Platts unit Bentek Energy, US dry gas production will average 72.7 Bcf/d in March and 73.2 Bcf/d for the full year of 2015, up from 68.5 Bcf/d in 2014. By comparison, production averaged 54.1 Bcf/d in 2008, when the rig count was at its highest, Bentek data showed. The rapid growth in production despite a falling rig count largely reflects the phenomenal gains in efficiency that oil and gas producers have made over the past few years, thanks to well optimization techniques such as multi-well pad drilling.

On a basin level, gas-directed rigs in the Barnett Shale of Texas and Louisiana slipped to three from four, down from as many as 18 in 2014, while gas rigs in the Fayetteville Shale of Arkansas slid from nine to seven. Gas rigs in Ohio's Utica Shale fell from 24 to 22, while Haynesville rigs were steady at 33, Baker Hughes data showed. The number of rigs drilling for gas in the Marcellus Shale, a prolific gas-rich basin underlying parts of Pennsylvania and West Virginia, actually rose by six, from 63 to 69. Though a number of major Marcellus producers, including Chesapeake Energy and Cabot Oil & Gas, have said they plan to curtail production or idle rigs in the play this year, it remains arguably the most economical gas play in the US.

Source: Platts Gas Daily

## Data

- April 2015 Natural Gas Futures Contract (as of March 20), NYMEX at Henry Hub closed at \$2.786 per million British thermal units (MMBtu)
- April 2015 Light, Sweet Crude Oil Futures Contract WTI (as of March 20), closed at \$45.72 per U.S. oil barrel (Bbl.) or approximately \$7.88 per MMBtu

### Last week: Texas warmer than normal last week

For the week beginning 3/15/15 and ending 3/21/15, heating degree days (HDD) were lower than normal (warmer) on average for the week but higher than normal (cooler) for the year to date for most Texas cities shown.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/21/15	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	93	-25	3507	-7%
Austin	19	-14	1934	23%
DFW	24	-28	2316	4%
El Paso	41	-17	1986	-16%
Houston	1	-31	1451	1%
SAT	5	-25	1478	-1%
Texas**	27	-20	1980	6%
U.S.**	106	-24	3823	0%

\* 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 1,467 Bcf

For the week ending 3/13/2015 working gas in storage decreased from 1,512 Bcf to 1,467 Bcf. This represents a decrease of 45 Bcf from the previous week. Stocks were 507 Bcf higher than last year at this time and 225 Bcf below the 5 year average of 1692 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/13/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	581	618	-37	-21.7%
West	338	339	-1	24.7%
Producing	548	555	-7	-19.3%
Lower 48 Total	1,467	1,512	-45	-13.3%

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

**Last week: U.S. gas rig count down for the week**

The gas rig count for the U.S. was down 15 for the week and down 84 when compared to twelve months ago. The total rig count for the U.S. was down 56 from last week and down 734 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

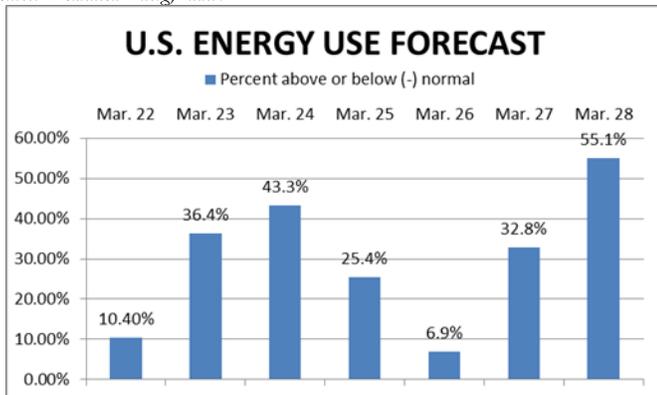
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 3/13/2015	+/- prior week	Year ago	+/- year ago
Texas	465	-36	858	-393
U.S. gas	242	-15	326	-84
U.S. oil	825	-41	1473	-648
U.S. total	1069	-56	1803	-734
Canada	140	-80	389	-249

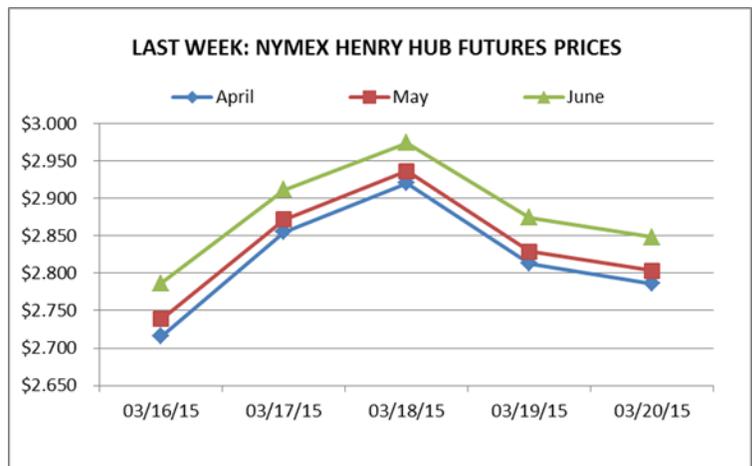
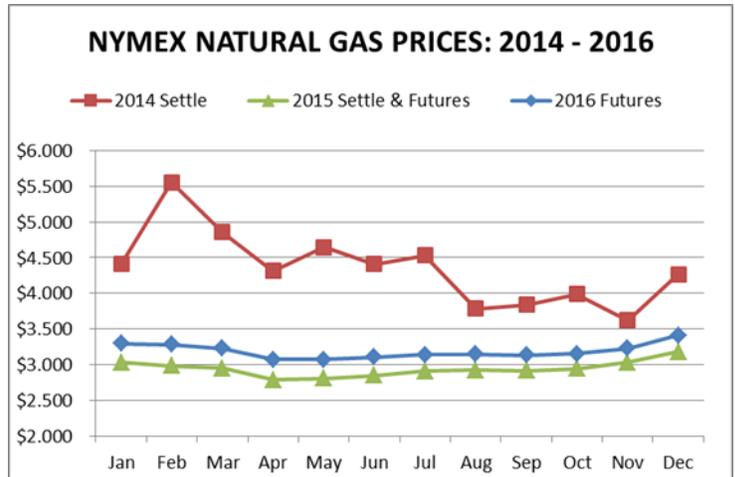
**This week: U.S. energy above average this week**

U.S. energy use is predicted to be above average 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



2015 prices. Natural gas prices for 2015, shown below in green, are the NYMEX settlement prices for Jan.-Mar. and futures prices for the remainder of the year.



**NATURAL GAS PRICE SUMMARY AS OF 3/20/2015**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US April futures				
NYMEX	\$2.786	-\$0.053	-\$2.069	\$2.942