

April 13, 2015

Natural Gas Trends

Highlights

US gas production down so far in April

Since the beginning of April, Bentek estimates that US production has averaged roughly 72.6 Bcf/d, 5.5 Bcf/d more than production during the same period a year ago but 0.5 Bcf/d less than levels seen during a ramp-up at the end of March. US dry gas production jumped 1 Bcf/d from first half of March to the second half, rising from a 71.9 Bcf/d average during the first half to the 72.9 Bcf/d average during the second, with every region reporting production gains. The 1.0-Bcf/d jump occurred primarily in the Northeast and Texas, where production in both areas climbed 0.3 Bcf/d, but production also made gains in the Mid-continent Producing region, the Rockies and in the Southeast.

The gains in the Northeast were concentrated in Ohio and West Virginia in contrast to previous increased, which were mainly in northeastern Pennsylvania. The Ohio and West Virginia gains fed into the Rockies Express Pipeline, which provided an additional outlet for regional gas. Production during the last seven days of March climbed to an average of 73.1 Bcf/d, which rivaled the mid-December highs when production reached the highest levels on record. However, once the calendar flipped to April, the beginning of storage injection season, there was a noticeable production decline that has continued in place

Decreases in several regions

All regions except the Southwest and Rockies have declined to date this April compared with the final week of March. The Northeast is leading the way, averaging roughly 19.6 Bcf/d since April 1 or 0.2 Bcf/d less than the last week of March, while the Midcontinent Producing region and Texas are trailing their end-of-March averages by about 0.15 Bcf/d each. The decline in the Northeast is concentrated in the northeastern Pennsylvania dry gas producing area, where weakening across several systems, most notably Transcontinental Gas Pipeline, has brought regional production down.

Production declines typically happen at the beginning of April. During the first few days of April 2014, production declined nearly 0.9 Bcf/d compared with the previous seven-day average, but then recovered. It took roughly seven to 14 days for production to fully recover to levels seen at the end of March. A similar pattern may occur again this year.

Currently, weak gas demand combined with a slow start to the injection season has inhibited production growth. Once storage fields across the country flip from withdrawals to injections, additional gas will make its way into storage, removing constraints on further production growth.

Bentek expects storage facilities, particularly those in the Northeast, to flip to injections in the coming days, and that should help return Northeast and US production levels to near their respective end-of-March averages.

Source: Platts Gas Daily

Data

- May 2015 Natural Gas Futures Contract (as of April 10), NYMEX at Henry Hub closed at \$2.511 per million British thermal units (MMBtu)
- May 2015 Light, Sweet Crude Oil Futures Contract WTI (as of April 10), closed at \$51.64 per U.S. oil barrel (Bbl.) or approximately \$8.90 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 4/5/15 and ending 4/11/15, heating degree days (HDD) were lower than normal (warmer) on average for the week and lower than normal (warmer) 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 4/11/15	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	30	-51	3623	-11%
Austin	5	-9	1960	20%
DFW	14	-9	2357	2%
El Paso	0	-31	2001	-20%
Houston	3	-11	1460	-3%
SAT	0	-14	1487	-4%
Texas**	9	-14	2024	4%
U.S.**	81	-13	4121	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 1,476 Bcf

For the week ending 4/3/2015 working gas in storage increased from 1,461 Bcf to 1,476 Bcf. This represents an increase of 15 Bcf from the previous week. Stocks were 651 Bcf higher than last year at this time and 173 Bcf below the 5 year average of 1649Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/3/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	504	522	-18	-26.3%
West	355	348	7	30.5%
Producing	617	591	26	-11.1%
Lower 48 Total	1,476	1,461	15	-10.5%

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 three for the week and down 85 when compared to twelve months ago. The total rig count for the U.S. was down 40 from last week and down 843 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

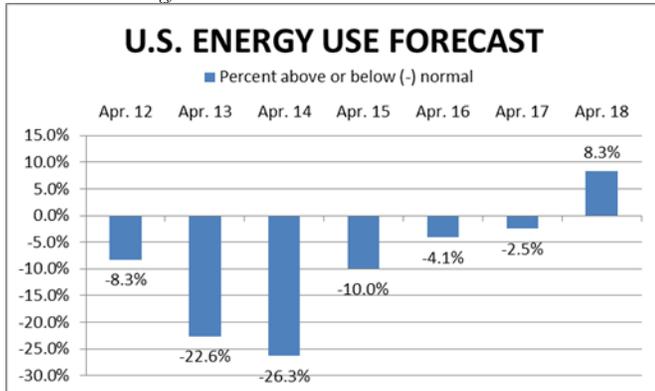
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/10/2015	+/- prior week	Year ago	+/- year ago
Texas	427	-29	884	-457
U.S. gas	225	3	310	-85
U.S. oil	760	-42	1517	-757
U.S. total	988	-40	1831	-843
Canada	99	-1	212	-113

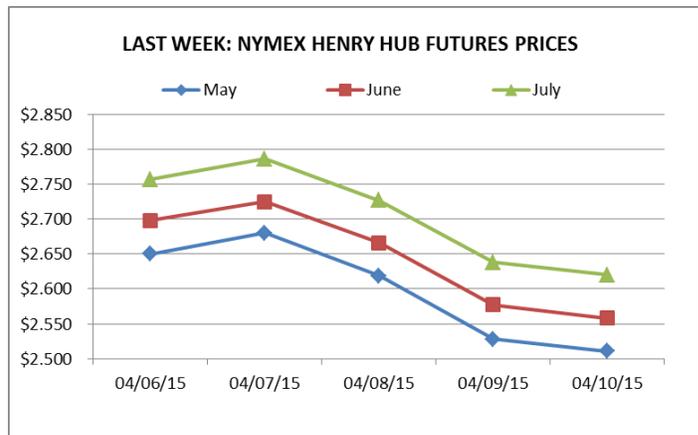
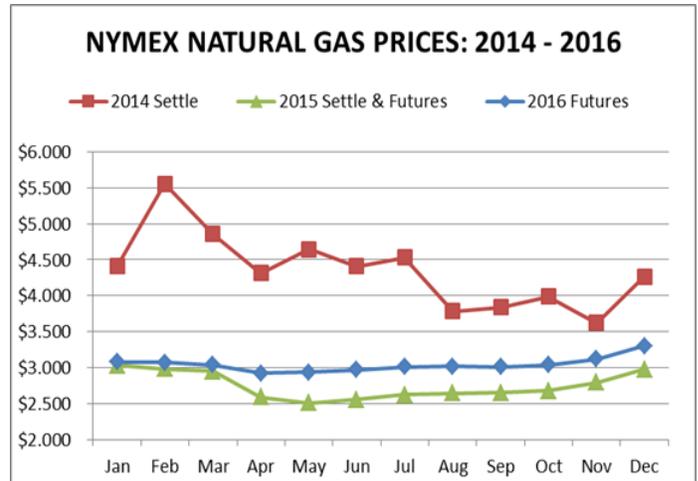
This week: U.S. energy varies this week

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



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



NATURAL GAS PRICE SUMMARY AS OF 4/10/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	\$2.511	-\$0.202	-\$2.344	\$2.749