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RAILROAD COMMISSION OF TEXAS
Oversight and Safety Division
Market Oversight Section

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Natural Gas Trends

Highlights

US rig count weekly declines now in single-digits

The Baker Hughes US rig counts continued to decline this week, albeit still more slowly and into the single-digits on Friday as crude teetered barely below $60/barrel and the industry appeared more hopeful of some measure of recovery in second-half 2015.

For the week ended May 15, a total of 660 oil rigs were working in US basins, down by eight from the week before and down 59% from a recent peak of 1,609 rigs in mid-October 2014, according to the latest data supplied by oilfield service provider baker Hughes. A total of 223 gas rigs were active, up two from the previous week but down 32% from the same week in 2014.

The total US rig count was 888, down by six total rigs and down 54% from the recent late-September peak of 1,931 rigs. The NYMEX front month crude futures contract on Friday settled at $59.69/barrel, down 19 cents. "I am still predicting a bottom in late June," Oppenheimer analyst James Schumm told Platts on Friday. But a trough might be even nearer, R.T. Dukes, research director-Lower 48 upstream for Wood Mackenzie, said during a press briefing earlier Friday on industry on Lower 48 industry trends. "We think we're really close to the bottom" of rig-count declines, Dukes said. He added the current rig count is likely just 50 to 100 rigs off the bottom depending on how oil prices, which have inched up in recent weeks, perform in the coming few months. "We could be there really soon – in the next couple of weeks, instead of the next couple of months," he said. Moreover, with a 15%-20% savings in costs, industry is more competitive than a year ago, he added.

This was borne out anecdotally in oil company presentations at the 2015 Citi Global Energy and Utilities conference in Boston this week, where CEOs showcased still-growing drilling efficiencies and touted lower costs. All these add up to a lower breakeven cost for oil resource plays. Doug Lawler, CEO of big independent Chesapeake Energy, said at the gathering that capital efficiency "has allowed us to… improve the profitability of the company." "We're demonstrating 40-60% capital improvements that frankly I haven't seen" from competitors, Lawler said during a presentation in webcast remarks.

And Billy Helms, executive vice president of E&P for big independent EOG Resources, said he expects $65/b crude oil could be a level where the company begins to complete its bank of wells drilled but not completed.

A number of oil companies have deliberately taken advantage of price concessions granted by oilfield service equipment and services suppliers to drill but not produce them into a lower-price oil market which was seen this year in the $40s/b and lower $50s/b range. "When [oil] prices rise, E&P companies will look to complete these wells, whereas in the past they would have added rigs," Schumm said. The backlog of uncompleted wells could lead to a "more sluggish rig count recovery in the second half of the year."

Meanwhile, for specific US basins, Baker Hughes data showed a four-rig decline in the Permian Basin of West Texas and New Mexico this week to 233, down 57% from the mid-November peak of 546. The Eagle Ford gained three rigs this week to 108 rigs, but that is still down 51% from the late-October peak of 219.

Source: Platts Gas Daily

Data

- June 2015 Natural Gas Futures Contract (as of May 15), NYMEX at Henry Hub closed at $3.016 per million British thermal units (MMBtu)
- June 2015 Light, Sweet Crude Oil Futures Contract WTI (as of May 15), closed at $59.69 per U.S. oil barrel (Bbl.) or approximately $10.29 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 5/10/15 and ending 5/16/15, cooling degree days (CDD) were lower than normal (cooler) on average for the week but higher than normal (warmer) on average for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)

City or Region	Total CDD for week ending 5/16/15	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	4	-11	39	-999%
Austin	55	-13	332	-11%
DFW	38	-16	226	14%
El Paso	26	-26	230	25%
Houston	91	21	499	28%
SAT	70	-3	447	10%
Texas**	59	0	363	10%
U.S.**	27	9	129	28%

-999 = Normal Less Than 100 or Ratio Incalculable

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

Last week: U.S. natural gas storage at 1,897 Bcf

For the week ending 5/08/2015 working gas in storage increased from 1,786 Bcf to 1,897 Bcf. This represents an increase of 111 Bcf from the previous week. Stocks were 752 Bcf higher than last year at this time and 38 Bcf below the 5 year average of 1,935 Bcf.

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

U.S. WORKING GAS IN STORAGE

Region	Week ending 5/08/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	687	628	59	-17.9%
West	376	368	8	22.1%
Producing	834	790	44	5.7%
Lower 48 Total	1,897	1,786	111	-2.0%

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 two for the week and down 103 when compared to twelve months ago. The total rig count for the U.S. was down 6 from last week and down 973 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

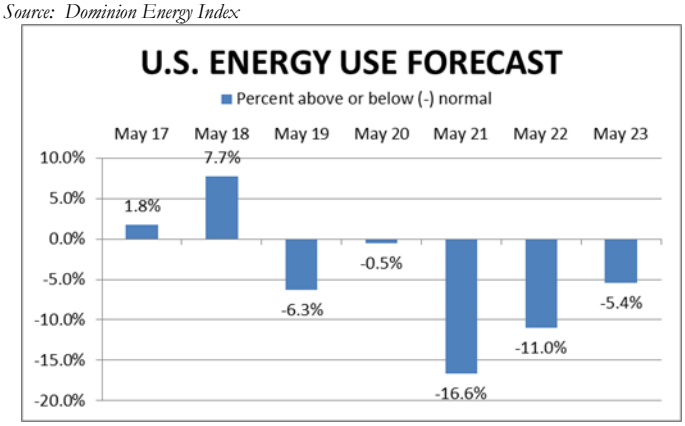
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/15/2015	+/- prior week	Year ago	+/- year ago
Texas	373	-6	891	-518
U.S. gas	223	2	326	-103
U.S. oil	660	-8	1531	-871
U.S. total	888	-6	1861	-973
Canada	77	2	153	-76

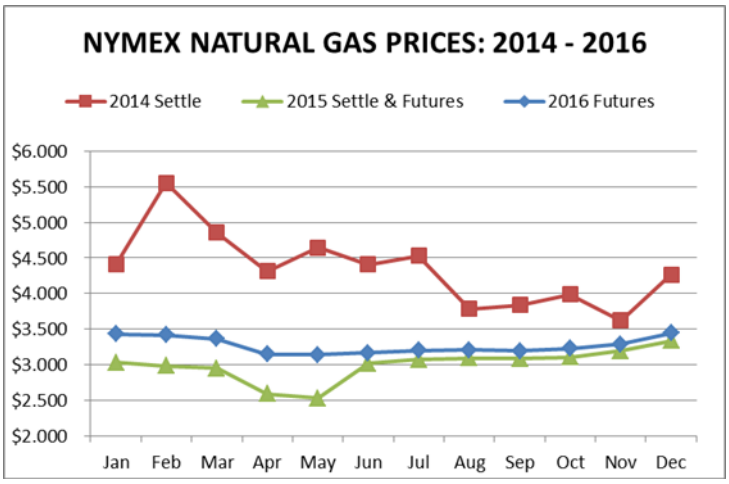
This week: U.S. energy varies this week

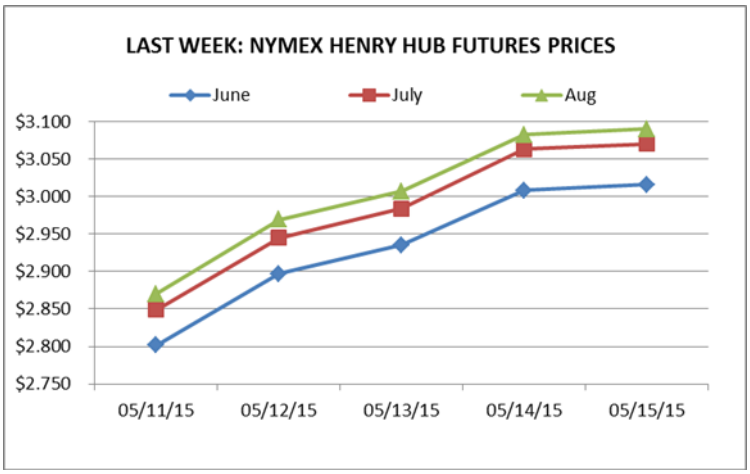
U.S. energy use is predicted to be above average this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



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





NATURAL GAS PRICE SUMMARY AS OF 5/15/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	$3.016	$0.136	-$1.839	$2.998