

June 22, 2015

Natural Gas Trends

Highlights

Natural gas stocks rise 89 Bcf to 2.433 Tcf

US natural gas in storage increased 89 Bcf to 2.433 Tcf for the week that ended June 12, the US Energy Information Administration said Thursday. The net injection was below consensus expectations of an injection between 91 Bcf and 95 Bcf. EIA in the corresponding week last year reported a 112-Bcf injection, while the five-year average is an 87-Bcf injection. As a result, the 753-Bcf surplus to the year-ago level fell to 730 Bcf, while the 44-Bcf surplus to the five-year average of 2,387 Tcf rose to a surplus of 46 Bcf. "This implies a somewhat larger jump in summer air-conditioning demand than the week-to-week change in temperatures suggested," Citi Futures analyst Tim Evans said. "This tightening of the background supply/demand balance suggests smaller injections going forward as well."

Possibly because of a National Weather Service long-term forecast calling for below-normal temperatures across most of the US in July, the NYMEX July natural gas futures contract price fell 7.8 cents to settle at \$2.777/MMBtu.

William Featherston, UBS Investment Research managing director for oil and gas equities, noted that last week's weather was 21% warmer than the same period in 2014 and 1% warmer than the five-year average for the week. "Over the last month, the weather-adjusted S/D [balance] has been 0.7 Bcf/d under-supplied vs. last year but 2.4 Bcf/d oversupplied vs. the 5-year average," Featherston said in an email to investors. "We estimate the oversupplied weather-adjusted S/D balance has storage on track to reach 4.1 Tcf (above the 5-year average of 3.8 Tcf) by the November 1 start of winter, implying limited upside (and perhaps downward risk) to gas prices through the injection season."

EIA reported a 59-Bcf injection in the East to 1 Tcf, compared with 780 Bcf a year ago; an 8-Bcf injection in the West to 430 Bcf, compared with 296 Bcf a year ago; and a 22-Bcf injection in the Producing region to 1.003 Tcf, compared with 627 Bcf a year ago. Total inventories now are 102 Bcf below the five-year average of 1.102 Tcf in the East, 52 Bcf above the five-year average of 378 Bcf in the West and 96 Bcf above the five-year average of 907 Bcf in the Producing region. Total inventories now are 102 Bcf below the five-year average of 1.102 Tcf in the East, 52 Bcf above the five-year average of 378 Bcf in the West and 96 Bcf above the five-year average of 907 Bcf in the Producing region.

"Although the injection from the salt-dome facilities was below recent averages, the injection was still above historic norms for this time of year, pushing their total inventory to 395 Bcf, which is roughly 40 Bcf below all-time highs," said Jeffrey Moore, analyst at Bentek Energy, a unit of Platts. "The injection pace within the salts will likely continue to slow down and flip to withdrawals within the next several weeks, buoyed by increased demand and slowing supplies."

Source: Platts Gas Daily

Data

- July 2015 Natural Gas Futures Contract (as of June 19), NYMEX at Henry Hub closed at \$2.816 per million British thermal units (MMBtu)
- July 2015 Light, Sweet Crude Oil Futures Contract WTI (as of June 19), closed at \$59.61 per U.S. oil barrel (Bbl.) or approximately \$10.28 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 6/14/15 and ending 6/20/15, cooling degree days (CDD) were lower than normal (cooler) on average for the week but higher than normal (warmer) 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 6/20/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	64	-6	240	-14%
Austin	95	-23	762	-12%
DFW	118	3	650	-1%
El Paso	144	23	774	17%
Houston	115	-1	1026	16%
SAT	113	-8	976	6%
Texas**	108	0	812	4%
U.S.**	69	18	360	25%

* 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.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 2,433Bcf

For the week ending 6/12/2015 working gas in storage increased from 2,344 Bcf to 2,433 Bcf. This represents an increase of 89 Bcf from the previous week. Stocks were 730 Bcf higher than last year at this time and 46 Bcf above the 5 year average of 2,387 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/12/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,000	941	59	-9.3%
West	430	422	8	13.8%
Producing	1,003	981	22	10.6%
Lower 48 Total	2,433	2,344	89	1.9%

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 88 when compared to twelve months ago. The total rig count for the U.S. was down two from last week and down 1001 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

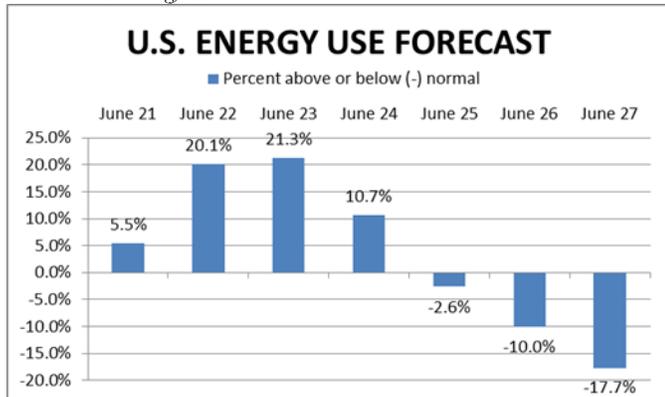
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/19/2015	+/- prior week	Year ago	+/- year ago
Texas	363	0	889	-526
U.S. gas	223	2	311	-88
U.S. oil	631	-4	1545	-914
U.S. total	857	-2	1858	-1001
Canada	136	9	265	-129

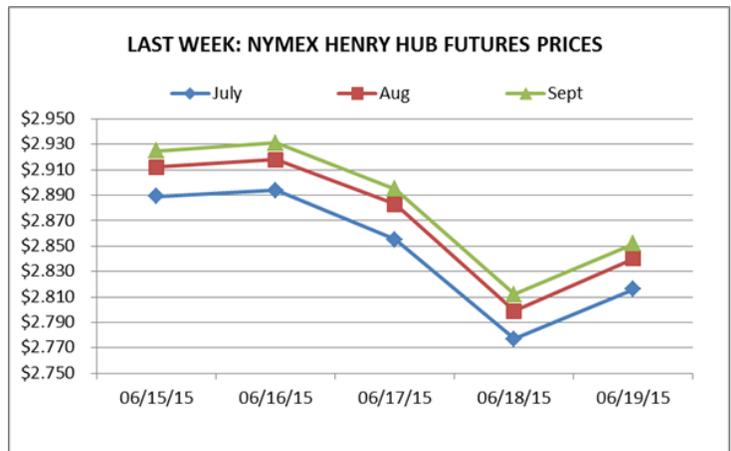
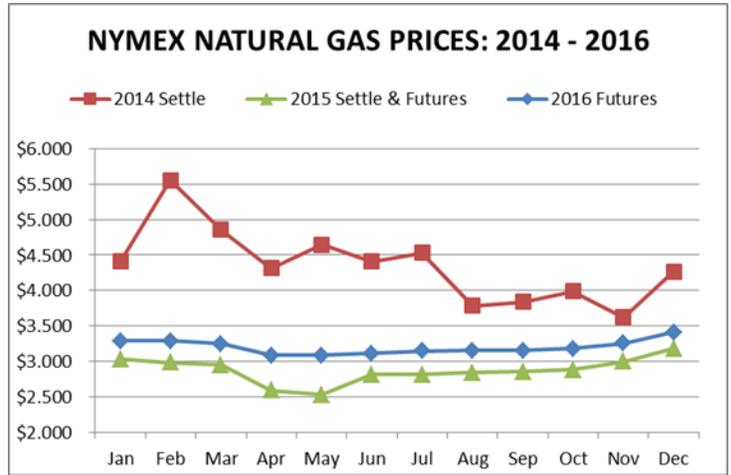
This week: U.S. energy varies this week

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.-June and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 6/19/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$2.816	\$0.066	-\$2.039	\$2.873