

December 28, 2015

# Natural Gas Trends

## Highlights

### Gas storage volume drops 32 Bcf to 3.814 Tcf

US natural gas in storage dropped 32 Bcf to 3.814 Tcf in the week ended December 18, the US Energy Information Administration said Thursday. Although the EIA's estimate was more than most expected, it was low for this time of year. And it caused the gap to widen between the current storage total and the five-year average. In the same week last year, the EIA reported a 52-Bcf withdrawal, while the five-year average is a 121-Bcf decrease. As a result, stocks were 561 Bcf higher than the year-ago level of 3.253 Tcf, and 411 Bcf more than the five-year average of 3.403 Tcf.

The East region, which registered an 18-Bcf withdrawal this time last year, showed no net change in the EIA's estimate. And South Central actually added gas in both salt and nonsalt storage facilities. Every region is also stocked higher than this time last year and the five-year average. The Midwest posted a larger-than-expected drawdown. "I think that many in the market likely undershot the magnitude of the withdrawal in the Midwest region, which has continuously caught several participants off-guard since the change to the five-region format because of the poor visibility of activity in the region," said Mitch DeRubis, a quantitative modeling analyst with Bentek Energy, a unit of Platts. "So far, the region has really showed unexpected strength and has been the toughest region to model for most." The 0-Bcf drawdown in the East kept its stocks at 894 Bcf, compared to 778 Bcf last year; a 15-Bcf withdrawal in the Midwest to 1.051 Tcf, compared to 905 Bcf last year; a 5-Bcf withdrawal in the Mountain region to 98 Bcf, compared to 166 Bcf last year; a 15-Bcf withdrawal in the Pacific to 346 Bcf, compared to 333 last year; and a 3-Bcf injection in the South Central Region to 1.325 Tcf, compared to 1.070 Tcf last year. Total inventories now are 73 Bcf above the five-year average of 821 Bcf in the East, 106 Bcf above the five-year average of 945 Bcf in the Midwest, 5 Bcf above the five-year average of 193 Bcf in the Mountain region, 26 Bcf above the five-year average of 320 in the Pacific, and 201 Bcf above the five-year average of 1.124 Tcf in the South Central region. Even through the withdrawal was larger than expected, prices didn't move much, and futures analysts don't expect it to until cold weather strikes the eastern half of the US.

If analysts' gas storage predictions for the last two weeks of the year hold true, this year looks to end with one of the highest volumes in history. A combined drawdown of only 144 Bcf for the weeks ending December 24 and 31 is all that's expected, according to Platts Bentek's Supply and Demand Daily. That means 2015 ends the year with 3.670 Tcf of gas still left in the ground. Although EIA's estimated under the new five-region model only stretch back to 2010, 2015 looks to finish with 153 Bcf more than any other year. The closest was 2012 when year-end storage totals struck 3.517 Tcf. Winter 2012 was also one of the warmest winters in recent history. Source: Platts Gas Daily

## Data

- January 2015 Natural Gas Futures Contract (as of December 24), NYMEX at Henry Hub closed at \$2.029 per million British thermal units (MMBtu)
- February 2016 Light, Sweet Crude Oil Futures Contract WTI (as of December 24), closed at \$38.10 per U.S. oil barrel (Bbl.) or approximately \$6.57 per MMBtu

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

For the week beginning 12/20/15 and ending 12/26/15, heating degree days (HDDs) were lower than normal (warmer) on average for the week and 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 12/26/15	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	154	-52	1210	-25%
Austin	27	-73	403	-29%
DFW	27	-112	455	-45%
El Paso	86	-61	733	-27%
Houston	8	-83	263	-50%
SAT	8	-89	282	-49%
Texas**	31	-84	449	-36%
U.S.**	118	-78	1188	-25%

\* 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 3,814 Bcf

For the week ending 12/18/2015 working gas in storage decreased from 3,846 Bcf to 3,814 Bcf. This represents a decrease of 32 Bcf from the previous week. Stocks were 160 Bcf higher than last year at this time and 306 Bcf above the 5 year average of 3,403 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 12/18/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	894	894	0	8.9%
Midwest	1,051	1,066	-15	11.2%
Mountain	198	203	-5	2.6%
Pacific	346	361	-15	8.1%
South Central	1,325	1,322	3	17.9%
Lower 48 Total	3,814	3,846	-32	12.1%

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 six for the week and down 178 when compared to twelve months ago. The total rig count for the U.S. was down nine compared to last week and down 1140 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

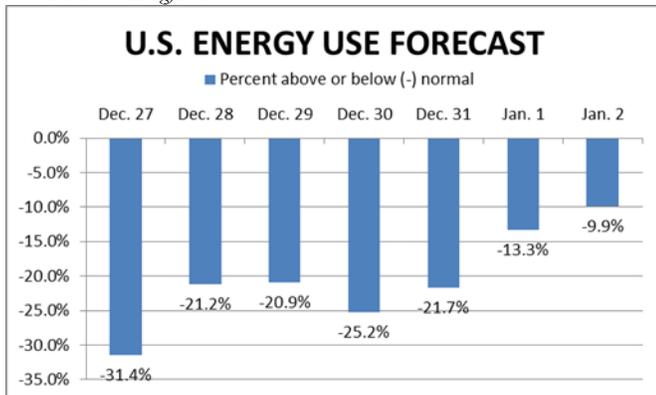
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/23/2015	+/- prior week	Year ago	+/- year ago
Texas	319	-1	852	-533
U.S. gas	162	-6	340	-178
U.S. oil	538	-3	1499	-961
U.S. total	700	-9	1840	-1140
Canada	126	-36	256	-130

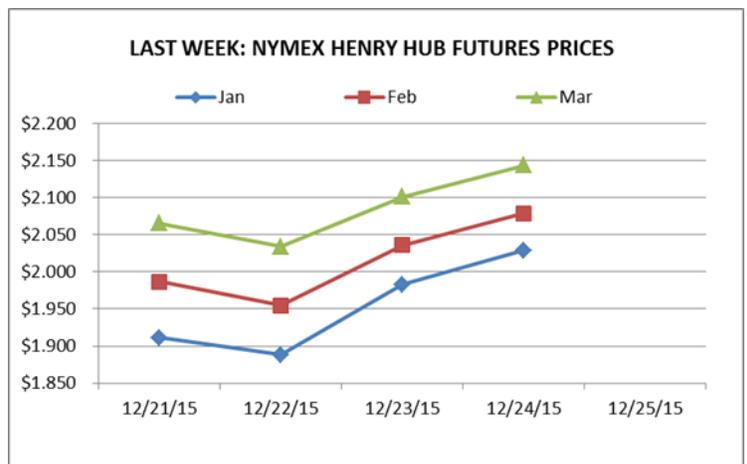
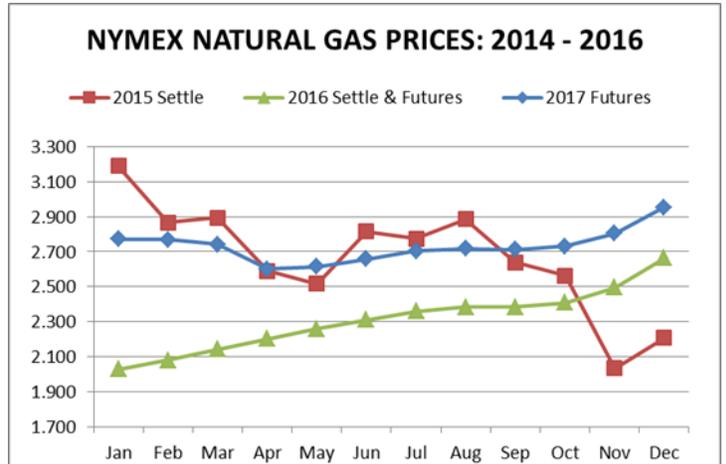
**This week: U.S. energy below average this week**

U.S. energy use is predicted to be below 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



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX futures prices for the year.



**NATURAL GAS PRICE SUMMARY AS OF 12/24/2015**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US January futures				
NYMEX	\$1.911	\$0.144	-\$1.817	\$2.664