

February 1, 2016

Natural Gas Trends

Highlights

EIA estimates first 200-Bcf pull of the season

Storage stocks posted the largest drop of the heating season, surpassing most analysts' expectations and despite some mild weather forecasts moving forward, futures inched upwards. US natural gas in storage fell 211 Bcf to 3,086 Tcf in the week ended January 22, the US Energy Information Administration announced Thursday. The net withdrawal exceeded predictions in a survey of analysts who called for a withdrawal of 204 Bcf to 208 Bcf. It was also the first time during this heating season the withdrawal surpassed both the drawdown reported on this week last year and the five-year average. In the corresponding week last year, the EIA reported a 112-Bcf withdrawal, while the five-year average is a 170-Bcf decrease. Still, stocks remain 530 Bcf higher than the year-ago level of 2,556 Tcf, and 432 Bcf more than the five-year average of 2.654 Tcf.

Stocks remain higher than the five-year average in all five storage regions and more than last year at this time in every region except the Pacific. "The withdrawal of 211 Bcf was above the general consensus of analysts' expectations, but the difference was much smaller than the large surprises we've seen over the past several weeks," said Mitch DeRubis, a quantitative modeling analyst with Bentek Energy, a unit of Platts. "Our forecast saw offsetting errors in the East/Midwest region that resulted in a net-mill of 1 Bcf. The Pacific region also came in 1 Bcf lower than our expectation. The largest difference in our forecast versus the EIA announcement was in the South Central region, where we called the risk appropriately to the high side, but made a somewhat conservative estimate this week as a large withdrawal from the Southern Star system may have led to an overestimation bias for our models in the region."

And even though the bullish withdrawal helped narrow the gap between current and historical levels, there might not be another withdrawal this large for the rest of the year. "With current weather outlooks, this is likely the strongest withdrawal we will experience all winter and the only withdrawal over 200 Bcf," De Rubis said. The NYMEX March natural gas futures contract price actually lost ground early but rallied to gain 5 cents to \$2.20/MMBtu by late afternoon. But no futures top \$3 until January 2018. "While the draw was moderately above the consensus forecast it was still within the range of expectations and may not fully offset the forecast for milder temperatures going forwards," said Tim Evans, futures specialists with Citi Futures, in a note. "To some extent, this minor bullish surprise may be the market's best opportunity to move higher for at least the next few weeks. Failure to rally would underscore the downside vulnerability, with traders concluding that winter is effectively over, banking on the seasonal warming trend to limit storage withdrawals over the balance of the season."

Source: Platts Gas Daily

Data

- March 2016 Natural Gas Futures Contract (as of January 29), NYMEX at Henry Hub closed at \$2.298 per million British thermal units (MMBtu)
- March 2016 Light, Sweet Crude Oil Futures Contract WTI (as of January 29), closed at \$33.62 per U.S. oil barrel (Bbl.) or approximately \$5.80 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 1/24/15 and ending 1/30/16, heating degree days (HDDs) were lower than normal (warmer) on average for the week and for the year to date for all Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 1/30/16	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	128	-74	2182	-18%
Austin	90	-13	970	-12%
DFW	90	-52	1114	-29%
El Paso	118	-17	1468	-15%
Houston	66	-26	718	-29%
SAT	77	-21	763	-28%
Texas**	87	-29	1024	-22%
U.S.**	176	-29	2153	-18%

* 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 3,086 Bcf

For the week ending 1/22/2016 working gas in storage decreased from 3,297 Bcf to 3,086 Bcf. This represents a decrease of 211 Bcf from the previous week. Stocks were 530 Bcf higher than last year at this time and 432 Bcf above the 5 year average of 2,654 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/22/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	695	758	-63	12.1%
Midwest	811	879	-68	16.0%
Mountain	164	170	-6	4.5%
Pacific	273	281	-8	6.6%
South Central	1,143	1,209	-66	24.0%
Lower 48 Total	3,086	3,297	-211	16.3%

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 6 for the week and 198 when compared to twelve months ago. The total rig count for the U.S. was down 18 compared to last week and down 924 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

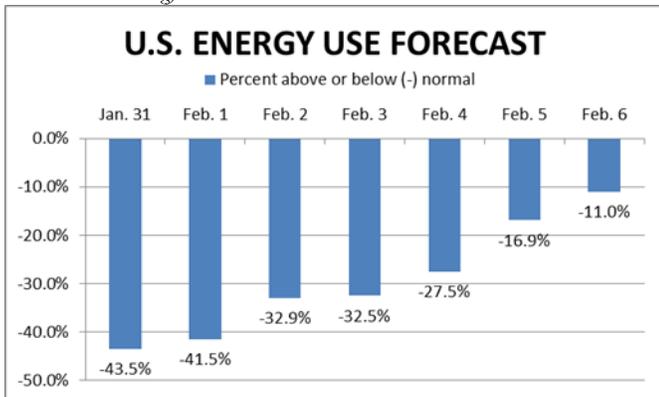
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 1/29/2016	+/- prior week	Year ago	+/- year ago
Texas	281	-13	695	-414
U.S. gas	121	-6	319	-198
U.S. oil	498	-12	1223	-725
U.S. total	619	-18	1543	-924
Canada	231	-19	394	-163

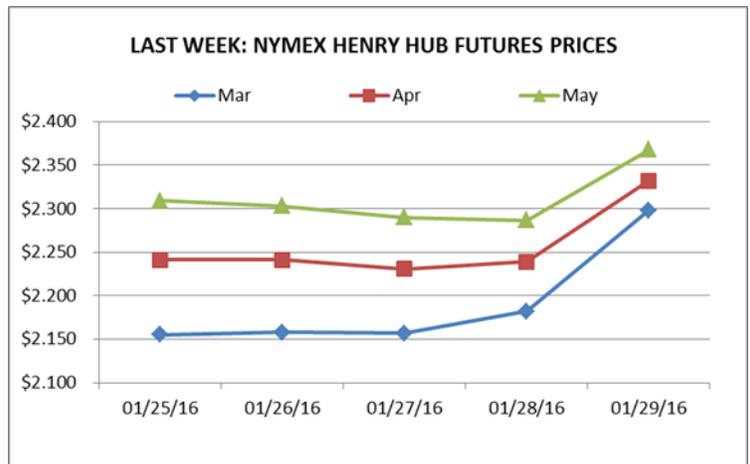
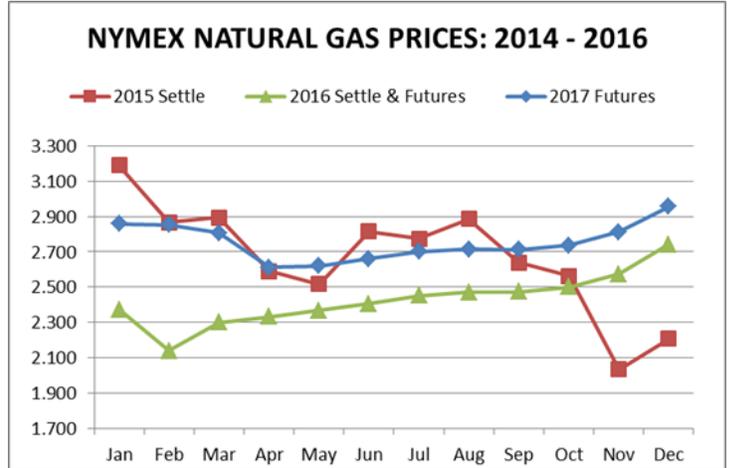
This week: U.S. energy below average this week

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 settlement prices for Jan. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 1/29/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$2.298	\$0.159	-\$1.430	\$2.664