

March 4, 2013

Natural Gas Trends

Highlights

US natural gas output to continue to grow in 2014, according to Bentek

While some other analysts and environmental groups contend US shale gas production is a bubble that will soon burst, Bentek Energy believes the country's natural gas output will grow in 2013-2014, analyst Ryan Smith said Thursday.

"There are a lot of shops out there that are saying production is going to decline. We take a contrary point of view," he said.

US dry gas production growth will persist despite the fact gas-directed rig counts are down 1,054 rigs (72%) from the September 2009 peak, Bentek said in its 2013-2014 Outlook on Natural Gas Production.

Bentek, a unit of Platts, said it also expects 2013 and 2014 gas production to increase by a cumulative 5.4 Bcf/d. The growth will result from new gas gathering systems in areas constrained by a lack of infrastructure, producers taking advantage of higher returns from liquids and oil-rich plays that produce associated gas, and improving rig efficiencies.

US Lower 48 natural gas production falls 1.1% TO 72.7 Bcf/d in December, according to EIA

Natural gas output in the US Lower 48 states fell 1.1%, or 830,000 Mcf/d, in December compared with November, the US Energy Information Administration said Thursday in its monthly gas gross production report.

Total US Lower 48 gas production in December was 72.7 Bcf/d, compared with a revised 73.53 Bcf/d in November.

This constitutes a year-on-year increase from the 72.08 Bcf/d reported in December 2011, a 0.86% increase.

Louisiana had the largest volume decrease at 3.1%, or 240,000 Mcf/d, as some operators reported shut-ins. New Mexico declined 3.9%, or 140,000 Mcf/d, mainly because of cold weather.

Texas and the Gulf of Mexico posted decreases of 0.9%, or 190,000 Mcf/d, and 2.9%, or 120,000 Mcf/d, respectively, as several operators reported shut-ins.

Total US production in December was at 82.57 Bcf/d, down 0.7% from a revised 83.19 Bcf/d in November. This marks a 0.6% increase from the 82.06 Bcf/d reported in December 2011.

Data

- April 2013 Natural Gas Futures Contract (as of Mar. 1), NYMEX at Henry Hub closed at \$3.456 per million British thermal units (MMBtu)
- April 2013 Light, Sweet Crude Oil Futures Contract WTI (as of Mar. 1), closed at \$90.68 per U.S. oil barrel (Bbl.) or approximately \$15.63 per MMBtu

Last week: Texas and U.S. cooler than normal

For the week beginning 2/23/13 and ending 3/02/13, heating degree days (HDD) were higher than normal (cooler) for Texas and the US.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/2/13	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	192	+39	2904	-15%
Austin	100	+40	1350	-7%
DFW	117	+28	1628	-21%
El Paso	120	+33	1966	-10%
Houston	78	+20	960	-28%
SAT	78	+21	1018	-27%
Texas**	103	+30	1410	-18%
U.S.**	170	+7	3203	-7%

* 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 2,229 Bcf

For the week ending 2/22/2013 working gas in storage decreased from 2,400 Bcf to 2,229 Bcf. This represents a decrease of 171 Bcf from the previous week. Stocks were 307 Bcf lower than last year at this time and 308 Bcf above the 5 year average of 1,921 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/22/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	999	1,108	-109	7.7%
West	355	367	-12	25.9%
Producing	875	925	-50	23.1%
Lower 48 Total	2,229	2,400	-171	16.0%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

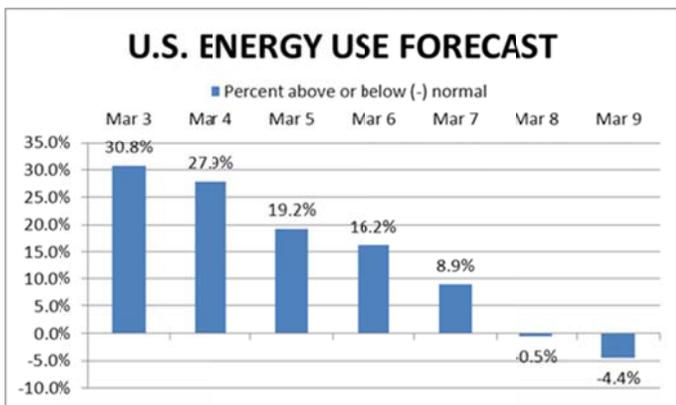
Last week: U.S. gas rig count down 8

The gas rig count for the U.S. was down 8 when compared to the prior week and down 271 when compared to 12 months ago. The total rig count for the U.S. was down 4 for the week and down 232 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

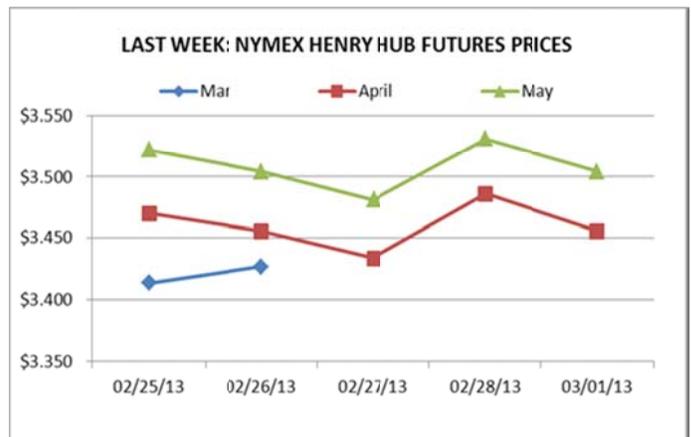
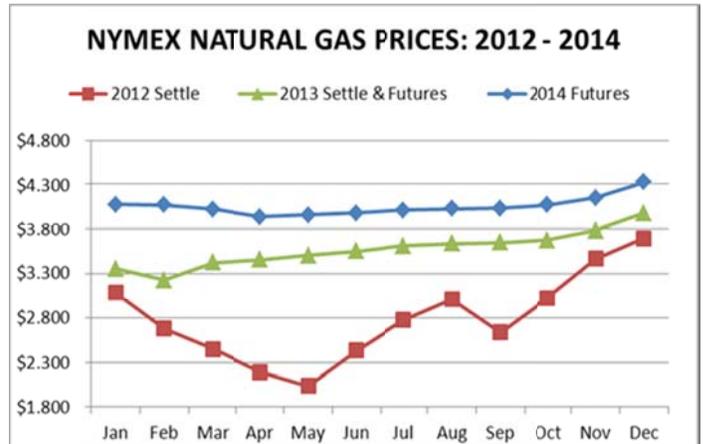
BAKER HUGHES ROTARY RIG COUNT				
	As of 3/01/2013	+/- prior week	Year ago	+/- year ago
Texas	841	-2	926	-85
U.S. gas	420	-8	691	-271
U.S. oil	1333	4	1293	40
U.S. total	1757	-4	1989	-232
Canada	655	-7	681	-26

This week: U.S. energy use above normal

U.S. energy use is predicted to be above below early and below normal late in the 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



2013 prices. Natural gas prices for 2013, shown below in green, are the NYMEX settlement prices for January-March and the futures prices for the remaining months of 2013.



Last week: Basis ranged from -\$0.06 to -\$0.12 cents

Gas basis at key Texas hub markets is shown below and at right as the spot market cash price minus the Henry Hub as of last Friday. Source: Platt's Gas Daily

