

March 18, 2013

Natural Gas Trends

Highlights

Energy Information Administration's Short-Term Energy Outlook.

Natural gas storage working inventories ended February 2013 at an estimated 2.08 trillion cubic feet (Tcf), about 0.36 Tcf below the level at the same time a year ago but still 0.27 Tcf greater than the 5-year average (2008-12). EIA expects the Henry Hub natural gas spot price, which averaged \$2.75 per million British thermal units (MMBtu) in 2012, will average \$3.41 per MMBtu in 2013 and \$3.63 per MMBtu in 2014. Current options and futures prices imply that the lower and upper bounds for the 95-percent confidence interval for June 2013 contracts at \$2.79 per MMBtu and \$4.67 per MMBtu, respectively.

EIA expects that the Brent crude oil spot price, which averaged \$112 per barrel in 2012 and rose to \$119 per barrel in early February 2013, will average \$108 per barrel in 2013 and \$101 per barrel in 2014. The projected discount of West Texas Intermediate (WTI) crude oil to Brent, which increased to a monthly average of more than \$20 per barrel in February 2013, will average \$16 per barrel in 2013 and \$9 per barrel in 2014, as planned new pipeline capacity lowers the cost of moving mid-continent crude oil to the Gulf Coast refining centers.

U.S. crude oil production exceeded an average level of 7 million barrels per day (bbl/d) in November and December 2012, the highest volume since December 1992. EIA estimates that U.S. total crude oil production averaged 6.5 million barrels per day (bbl/d) in 2012, an increase of 0.8 million bbl/d from the previous year. Projected domestic crude oil production is expected to average 7.3 million bbl/d in 2013 and 7.9 million bbl/d in 2014.

Total U.S. liquid fuels consumption fell from 20.8 million bbl/d in 2005 to 18.6 million bbl/d in 2012. EIA expects total consumption to rise slightly over the next two years to an average of 18.7 million bbl/d in 2014, driven by increases in distillate fuel and liquefied petroleum gas consumption, with little change in gasoline and jet fuel consumption.

The weekly U.S. average regular gasoline retail price fell in early March for the first time since mid-December. The March 11 average was \$3.71 per gallon, down \$0.07 per gallon from February 25. EIA expects that lower crude oil prices will result in monthly average regular gasoline prices staying near the February average of \$3.67 per gallon over the next few months, with the annual average regular gasoline retail price declining from \$3.63 per gallon in 2012 to \$3.55 per gallon in 2013 and \$3.38 per gallon in 2014. Energy price forecasts are highly uncertain and the current values of futures and options contracts suggest that prices could differ significantly from this forecast.

<http://www.eia.gov/forecasts/steo/>

Data

- April 2013 Natural Gas Futures Contract (as of Mar. 15), NYMEX at Henry Hub closed at \$3.872 per million British thermal units (MMBtu)
- April 2013 Light, Sweet Crude Oil Futures Contract WTI (as of Mar. 15), closed at \$93.45 per U.S. oil barrel (Bbl.) or approximately \$16.11 per MMBtu

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

For the week beginning 3/10/13 and ending 3/16/13, heating degree days (HDD) were lower than normal (warmer) for Texas and the US.

61°ℱ: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 3/16/13	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	93	-35	3090	-16%
Austin	48	+9	1455	-6%
DFW	53	-7	1742	-21%
El Paso	54	-12	2056	-12%
Houston	43	+5	1049	-26%
SAT	30	-6	1088	-26%
Texas**	52	-2	1522	-17%
U.S.**	131	-9	3503	-6%

* 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 1,938 Bcf

For the week ending 3/8/2013 working gas in storage decreased from 2,083 Bcf to 1,938 Bcf. This represents a decrease of 145 Bcf from the previous week. Stocks were 440 Bcf lower than last year at this time and 198 Bcf above the 5 year average of 1,740 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/8/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	830	922	-92	4.8%
West	339	344	-5	28.4%
Producing	769	817	-48	12.4%
Lower 48 Total	1,938	2,083	-145	11.4%

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

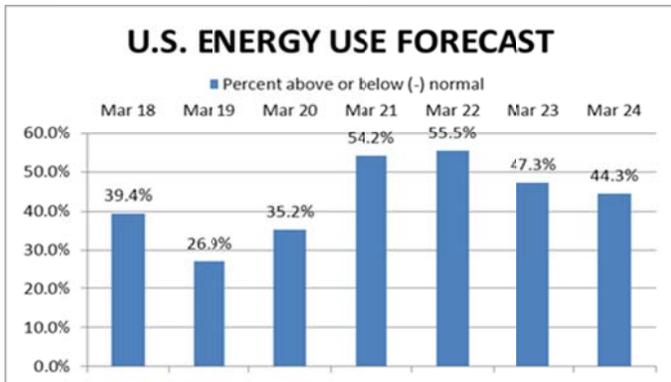
Last week: U.S. gas rig count up 24

The gas rig count for the U.S. was up 24 when compared to the prior week and down 232 when compared to 12 months ago. The total rig count for the U.S. was up 24 for the week and down 208 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 3/15/2013	+/- prior week	Year ago	+/- year ago
Texas	838	3	926	-88
U.S. gas	431	24	663	-232
U.S. oil	1341	0	1317	24
U.S. total	1776	24	1984	-208
Canada	503	-77	517	-14

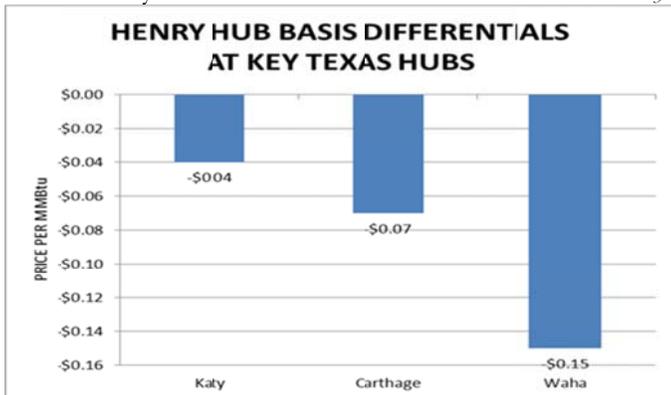
This week: U.S. energy use above normal

U.S. energy use is predicted to be above normal throughout 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



Last week: Basis ranged from -\$0.04 to -\$0.15 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



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.

