

April 8, 2013

Natural Gas Trends

Highlights

In the News: Marketed natural gas production in the Gulf of Mexico federal offshore region falls to 6% of national total in 2012.

Continuing a long-term trend of decline, the contribution of marketed production of natural gas from the Gulf of Mexico federal offshore region accounted for 6.0 percent of total U.S. marketed natural gas production (4.2 billion cubic feet per day (Bcf/d) in 2012, according to data published in the Energy Information Administration's (EIA) Natural Gas Monthly. In contrast, in the period from 1997 to 2007, marketed production from these same waters provided, on average, over 20 percent (11.7 Bcf/d), of U.S. marketed production.

Among the contributing factors to this decline:

- Increasing amounts of domestic, on-shore production, primarily from shale gas and tight oil formations. In 2012, nearly 40 percent (over 26 Bcf/d according to Lippman Consulting, Inc.) of U.S. dry natural gas production came from production in shale plays, increasing over 20-fold from 2000 levels. In 2012, the two most productive shale plays were the Haynesville play in Louisiana and Texas, and the Marcellus play in Pennsylvania. In the Marcellus play, despite reduced drilling activity, production increased by almost 70 percent in 2012 over year-ago levels. Increased drilling in tight oil plays like the Eagle Ford play in Texas has contributed to increased associated natural gas production.

- Relatively low natural gas prices. Low natural gas prices in recent years have diminished the economic incentive for off-shore natural gas-directed drilling. However, relatively high crude oil prices continue to support oil-directed drilling and the production of associated gas, particularly in deep waters. New large deepwater projects directed toward liquids development are projected to reverse the decline in natural gas production from the Gulf of Mexico in 2015, according EIA's Annual Energy Outlook 2013 Early Release.

Data

- May 2013 Natural Gas Futures Contract (as of Apr. 5), NYMEX at Henry Hub closed at \$4.125 per million British thermal units (MMBtu)
- May 2013 Light, Sweet Crude Oil Futures Contract WTI (as of Apr. 5), closed at \$92.70 per U.S. oil barrel (Bbl.) or approximately \$15.98 per MMBtu

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

For the week beginning 3/31/13 and ending 4/6/13, heating degree days (HDD) were higher than normal (cooler) for Texas and for the US.

61°F: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 4/6/13	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	97	7	3391	-15%
Austin	34	16	1569	-3%
DFW	49	20	1913	-17%
El Paso	9	-28	2118	-14%
Houston	29	11	1133	-24%
SAT	24	8	1157	-25%
Texas**	41	12	1660	-14%
U.S.**	114	12	3914	-4%

* 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 1,687 Bcf

For the week ending 3/29/2013 working gas in storage decreased from 1,781 Bcf to 1,687 Bcf. This represents a decrease of 94 Bcf from the previous week. Stocks were 779 Bcf lower than last year at this time and 37 Bcf below the 5 year average of 1,724 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/29/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	662	710	-48	-10.3%
West	330	334	-4	25.5%
Producing	695	737	-42	-4.0%
Lower 48 Total	1,687	1,781	-94	-2.1%

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

Last week: U.S. gas rig count down 14

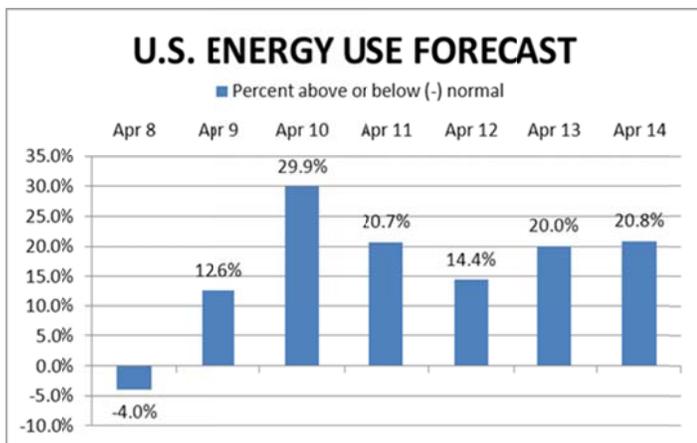
The gas rig count for the U.S. was down 14 when compared to the prior week and down 272 when compared to 12 months ago. The total rig count for the U.S. was down 10 for the week and down 241 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/5/2013	+/- prior week	Year ago	+/- year ago
Texas	825	2	923	-98
U.S. gas	375	-14	647	-272
U.S. oil	1357	3	1329	28
U.S. total	1738	-10	1979	-241
Canada	206	-40	187	19

Numbers are excerpted and not meant to be totaled

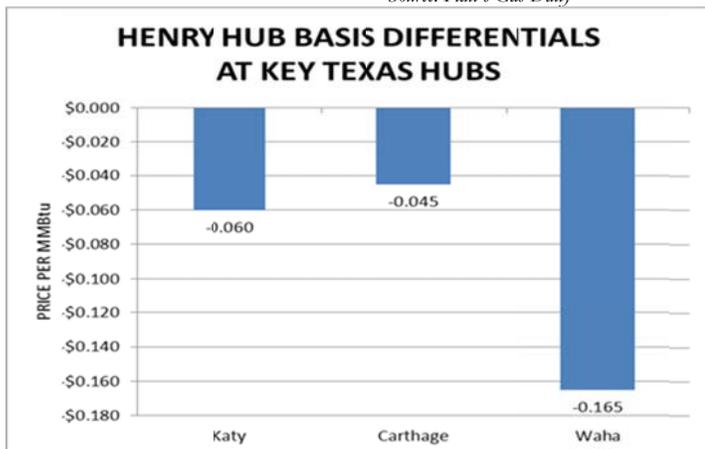
This week: U.S. energy use above normal

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



Basis ranged from \$0.045 to -\$0.165 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-April and the futures prices for the remaining months of 2013.

