

April 15, 2013

Natural Gas Trends

Highlights

According to the U.S. Energy Information Administration's April Short-Term Energy Outlook:

Natural gas spot prices averaged \$3.81 per MMBtu at the Henry Hub in March 2013, up nearly 48 cents from the \$3.33 per MMBtu average seen the previous three months. EIA expects the Henry Hub price will increase from an average of \$2.75 per million Btu in 2012 to \$3.52 per MMBtu in 2013 and \$3.60 per MMBtu in 2014.

Projected natural gas marketed production is projected to increase from 69.1 Bcf/d in 2012 to 69.3 Bcf/d in 2013, and 69.4 Bcf/d in 2014. Onshore production increases slightly over the forecast period, while federal Gulf of Mexico production declines.

Natural gas pipeline gross imports, which have declined over the past five years, are projected to remain near their 2012 level over the forecast period. Liquefied natural gas (LNG) imports are expected to remain at minimal levels of less than 0.5 Bcf/d in both 2013 and 2014.

EIA expects that natural gas consumption will average 70.3 Bcf/d and 70.1 Bcf/d in 2013 and 2014, respectively. Forecasts for closer-to-average winter temperatures in 2013 and 2014 (compared with the record-warm temperatures in 2012) will lead to increases in natural gas used for residential and commercial space heating. The projected increase in natural gas prices contributes to a decline in natural gas used for electric power generation from 25.0 Bcf/d in 2012 to 22.9 Bcf/d in 2013 and 22.8 Bcf/d in 2014.

Following years of strong growth, pipeline capacity additions slowed in 2012. While additions were limited, more than half were located in the Northeast, where capacity constraints often create bottlenecks and price imbalances. Of the 367 miles of new pipeline added in 2012, 245 miles were in the Northeast. The two largest projects in 2012, the Appalachian Gateway Project and the Sunrise Project, both move natural gas from production areas in the Marcellus Shale to northeastern consuming regions.

www.eia.gov/forecasts/steo/report/natgas.cfm

Data

- May 2013 Natural Gas Futures Contract (as of Apr. 12), NYMEX at Henry Hub closed at \$4.222 per million British thermal units (MMBtu)
- May 2013 Light, Sweet Crude Oil Futures Contract WTI (as of Apr. 12), closed at \$91.29 per U.S. oil barrel (Bbl.) or approximately \$15.74 per MMBtu

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

For the week beginning 4/7/13 and ending 4/13/13, heating degree days (HDD) were higher than normal (cooler) for Texas and lower than normal (warmer) for the US.

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 4/13/13	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	81	3	3472	-15%
Austin	24	10	1593	-2%
DFW	28	7	1941	-17%
El Paso	18	-11	2136	-14%
Houston	11	-3	1144	-24%
SAT	9	-4	1166	-25%
Texas**	27	5	1687	-14%
U.S.**	76	-14	3990	-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 1,673 Bcf

For the week ending 4/5/2013 working gas in storage decreased from 1,687 Bcf to 1,673 Bcf. This represents a decrease of 14 Bcf from the previous week. Stocks were 804 Bcf lower than last year at this time and 66 Bcf below the 5 year average of 1,739 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/5/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	646	662	-16	-12.5%
West	337	330	7	27.2%
Producing	690	695	-5	-6.3%
Lower 48 Total	1,673	1,687	-14	-3.8%

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

Last week: U.S. gas rig count down 2

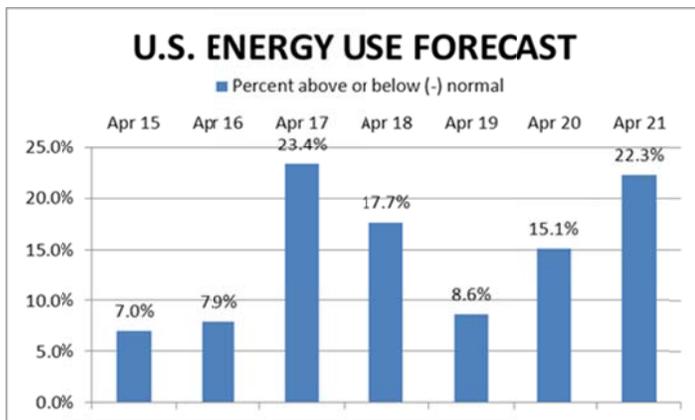
The gas rig count for the U.S. was down 2 when compared to the prior week and down 247 when compared to 12 months ago. The total rig count for the U.S. was down 33 for the week and down 179 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/12/2013	+/- prior week	Year ago	+/- year ago
Texas	848	23	916	-68
U.S. gas	377	2	624	-247
U.S. oil	1387	30	1322	65
U.S. total	1771	33	1950	-179
Canada	156	-50	164	-8

Numbers are excerpted and not meant to be totaled

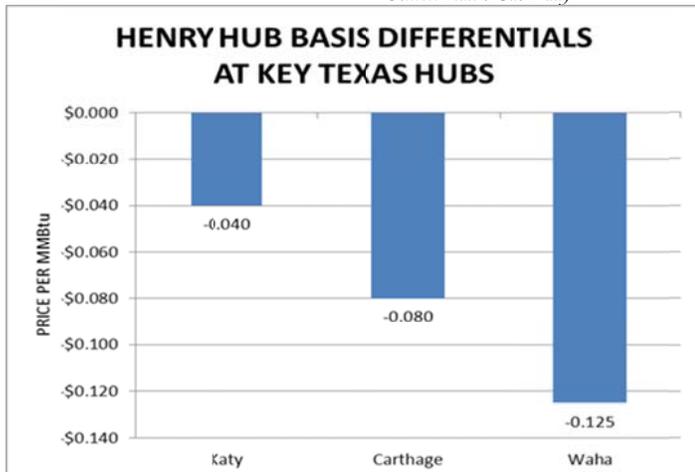
This week: U.S. energy use above normal

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 \$0.040 to -\$0.125 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.

