

May 20, 2013

Natural Gas Trends

Highlights

US natural gas supply, demand set records in 2012: US FERC staff

The year 2012 was one for the record books, with US natural gas production reaching an all-time high and average gas demand hitting 70 Bcf/d, the highest level on record, staff at the US Federal Energy Regulatory Commission said Thursday. At the same time, natural gas prices fell to a 10-year low last year, with the spot price at Henry Hub averaging \$2.74/MMBtu, down 31% from 2011, staff said at the commission's monthly meeting.

"Contributing to the price decrease was a 5% growth in US natural gas production, a 10% drop in residential and commercial natural gas demand due to one of the warmest winters on record in the first quarter of 2012, and high storage levels," staff said. Natural gas demand for power generation grew to a record 25 Bcf/d in 2012, a 21% increase from 2011, FERC staff said. "For the first time ever, natural gas used for power generation was greater than the combined residential and commercial gas demand." Pipeline exports of gas to Mexico increased 24% in 2012 and exports of Marcellus shale gas to Canada started in the last half of the year, staff said.

In response to a question from Commissioner John Norris, staff said exports to Mexico are on par with the capacity of Cheniere Energy's Sabine Pass liquefied natural gas export project under construction in Louisiana. "When I look at exports to Mexico, 1.7 Bcf/d is very close to Cheniere's 2 Bcf/d export capacity," Omar Cabrales of FERC's Office of Enforcement said. "Low natural gas prices have been largely responsible for relatively low electricity prices since the beginning of 2009, but lower electric demand as a result of continued weak economic activity and energy efficiency were also contributors," staff said. Electricity sales dropped by 1.7% in 2012 compared to 2011, staff said.

"Demand was down across the nation due to three primary factors: a decrease in residential demand, lack of demand growth in the commercial and industrial sectors, and increased energy efficiency," according to FERC staff.

<http://www.eia.gov/naturalgas/weekly/>

Data

- June 2013 Natural Gas Futures Contract (as of May 17), NYMEX at Henry Hub closed at \$4.055 per million British thermal units (MMBtu)
- June 2013 Light, Sweet Crude Oil Futures Contract WTI (as of May 17), closed at \$96.02 per U.S. oil barrel (Bbl.) or approximately \$16.56 per MMBtu

Last week: Texas on par for statewide normal

For the week beginning 5/12/13 and ending 5/18/13, heating degree days (HDD) were normal for Texas but lower (colder) for the US. www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 5/18/13	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	0	-22	3727	-13%
Austin	0	0	1656	0%
DFW	0	-2	2039	-14%
El Paso	0	0	2184	-14%
Houston	0	0	1185	-22%
SAT	0	0	1204	-23%
Texas**	2	0	1790	-10%
U.S.**	34	-3	4270	-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 1,964 Bcf

For the week ending 5/10/2013 working gas in storage increased from 1,865 Bcf to 1,964 Bcf. This represents an increase of 99 Bcf from the previous week. Stocks were 694 Bcf lower than last year at this time and 83 Bcf below the 5 year average of 2,047 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 5/10/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	811	756	55	-11.5%
West	357	344	13	16.7%
Producing	796	765	31	-3.5%
Lower 48 Total	1,964	1,865	99	-4.1%

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

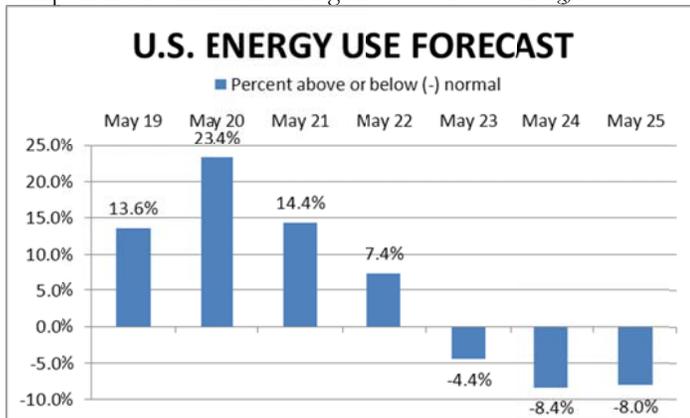
Last week: U.S. gas rig count up 4

The gas rig count for the U.S. was up 4 when compared to the prior week and down 246 when compared to 12 months ago. The total rig count for the U.S. was up five for the week and down 217 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

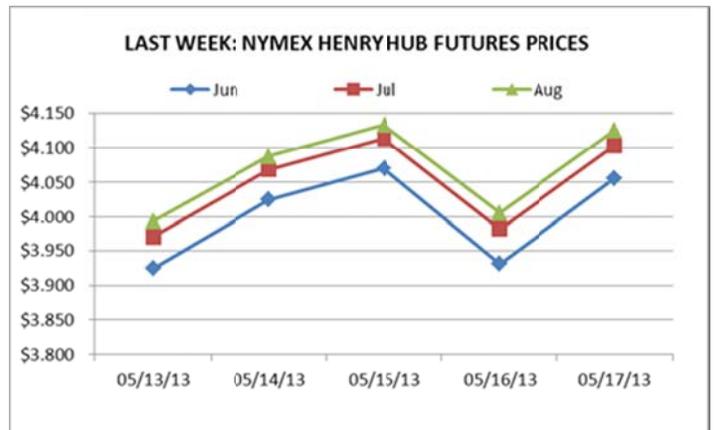
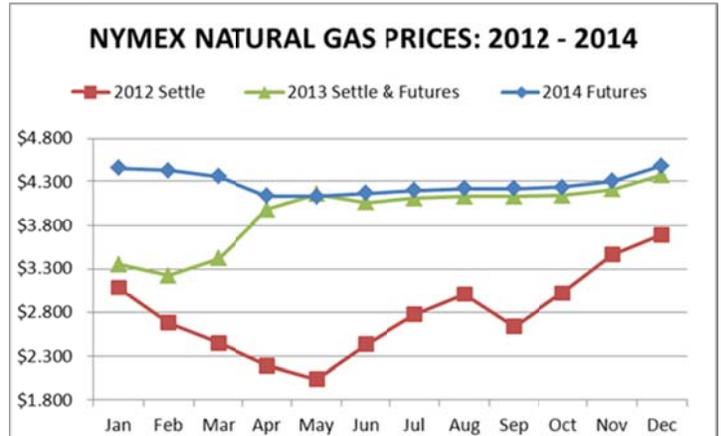
BAKER HUGHES ROTARY RIG COUNT				
	As of 5/17/2013	+/- prior week	Year ago	+/- year ago
Texas	837	-1	934	-97
U.S. gas	354	4	600	-246
U.S. oil	1408	-4	1382	26
U.S. total	1769	5	1986	-217
Canada	123	5	123	0

This week: U.S. energy use above normal

U.S. energy use is predicted to be above normal early in the week, declining to below normal mid-week through the end of 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-May and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 5/17/2013

This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US June futures

NYMEX	\$4.055	\$0.145	\$1.626	\$4.100
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