

June 3, 2013

Natural Gas Trends

Highlights

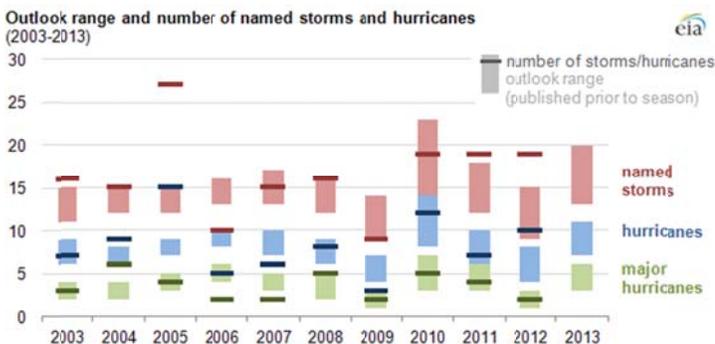
Hurricane effects on oil and natural gas production depend on storm trajectory, strength

Hurricane season started June 1 and government weathercasters say there is a 70% chance of 13-20 named storms in the Atlantic Basin, of which 7-11 may strengthen to hurricanes and with 3-6 of those becoming major hurricanes characterized by wind categories 3, 4 and 5.

The National Oceanic and Atmospheric Administration's (NOAA) Climate Prediction Center released its forecast of summer storms last week. NOAA's forecast focuses on the number of storms but not their location or trajectory. For oil and natural gas production, the severity of any disruption largely depends on both the strength and location of the storms. Storm disruptions to oil and natural gas production in the U.S. portion of the Gulf of Mexico (GOM) and along the Gulf Coast have declined in recent years because of regional shifts in where production takes place; there are now greater levels of production taking place at inland basins, which are generally less affected by storms.

For example, in 1997, 26% of the nation's national gas was produced in the federal Gulf of Mexico; in 2012, that number was 6%. The GIM share of crude oil production has also declined, from 26% in 2007-11 to 19% last year. The likelihood of storms making landfall somewhere in the United States increases sharply during hyperactive seasons, when the Accumulated Cyclone Energy (ACE) index exceeds 165% of its 1981-2010 median value. For 2013, there is a 70% chance that the ACE range will be 120%-205% of this median, according to NOAA.

EIA plans to issue a supplement on the 2013 hurricane season in conjunction with the June edition of the Short-Term Energy Outlook.



<http://www.eia.gov/todayinenergy/detail.cfm?id=11491>

Data

- July 2013 Natural Gas Futures Contract (as of May 31), NYMEX at Henry Hub closed at \$3.984 per million British thermal units (MMBtu)
- July 2013 Light, Sweet Crude Oil Futures Contract WTI (as of May 31), closed at \$91.97 per U.S. oil barrel (Bbl.) or approximately \$15.86 per MMBtu

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

For the week beginning 5/26/13 and ending 6/1/13, cooling degree days (CDD) were lower than normal (cooler) for Texas and for the US. www.cpc.ncep.noaa.gov

City or Region	Total CDD for week ending 6/1/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	86	48	970	-24%
Austin	121	28	535	-26%
DFW	107	24	402	-42%
El Paso	124	38	529	-6%
Houston	129	36	592	-38%
SAT	126	30	640	-25%
Texas**	110	26	513	-29%
U.S.**	44	11	181	-26%

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 2,141 Bcf

For the week ending 5/24/2013 working gas in storage increased from 2,053 Bcf to 2,141 Bcf. This represents an increase of 88 Bcf from the previous week. Stocks were 664 Bcf lower than last year at this time and 88 Bcf below the 5 year average of 2,229 Bcf.

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

Region	Week ending 5/24/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	810	857	-47	-10.8%
West	380	268	112	14.1%
Producing	851	828	23	-2.9%
Lower 48 Total	2,141	2,053	88	-3.9%

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

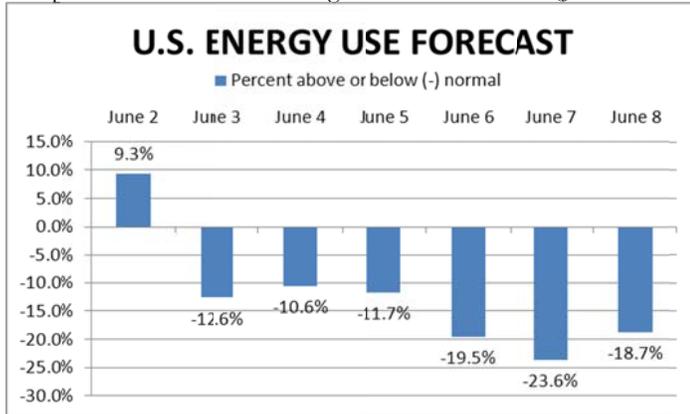
Last week: U.S. gas rig count level

The gas rig count for the U.S. showed no change when compared to the prior week and was down 234 when compared to twelve months ago. The total rig count for the U.S. was up nine for the week and down 209 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

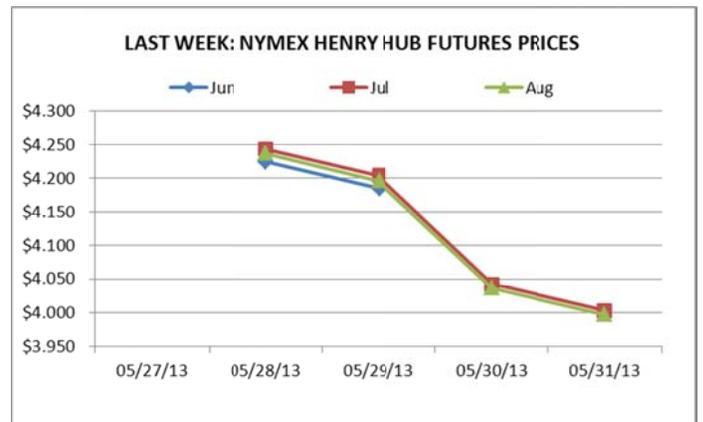
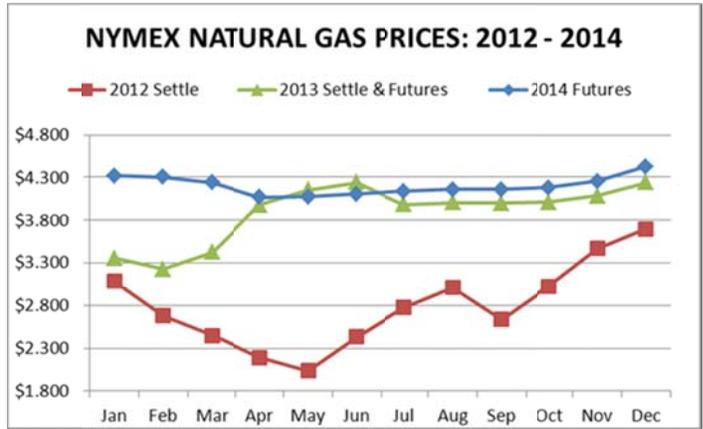
BAKER HUGHES ROTARY RIG COUNT				
	As of 5/31/2013	+/- prior week	Year ago	+/- year ago
Texas	843	3	932	-89
U.S. gas	354	0	588	-234
U.S. oil	1410	8	1386	24
U.S. total	1771	9	1980	-209
Canada	145	14	156	-11

This week: U.S. energy use above normal

U.S. energy use is predicted to be below normal for most 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.



*May 27 was Memorial Day

NATURAL GAS PRICE SUMMARY AS OF 5/31/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$3.984	-\$0.253	\$1.210	\$4.118