

June 24, 2013

Natural Gas Trends

Highlights

EPA backs off fracking-pollution link in Wyoming

The Environmental Protection Agency on Thursday backed off its effort to link groundwater contamination in rural Wyoming to hydraulic fracturing in a nearby gas field, saying it was turning the investigation of the matter over to state officials.

EPA said in a statement that Wyoming would take the lead in examining the source of pollution in water wells outside Pavillion, which the federal agency itself has been trying to identify for the past four years.

In a preliminary report on its investigation released in December 2011, EPA linked the source of contamination to fracking – drawing an outcry from industry officials and state lawmakers. EPA drilled two deep test wells in the area to determine the source of the pollution, but its efforts were roundly criticized as sloppy and unscientific.

EPA responded to the criticisms by agreeing to do further investigation before it issued a final report and having its findings peer-reviewed – but that plan has apparently been abandoned.

In its statement Thursday, EPA said that “a source of those constituents has not been determined. ...Efforts to evaluate potential migration pathways from deeper gas production zones to shallower domestic water wells in the Pavillion gas field are inconclusive.”

The Wyoming Department of Environmental Quality and the Wyoming Oil and Gas Conservation Commission will continue the scientific investigation, with the support of the EPA, an effort that is expected to conclude by September 30, 2014.

“It is in everyone’s best interest – particularly the citizens who live outside of Pavillion – that Wyoming and the EPA reach an unbiased, scientifically supportable conclusion,” Governor Matt Mead said Thursday.

Representatives of the E&P industry were quick to cheer EPA’s turnaround. “Today’s announcement reaffirms that state regulators have the expertise on natural gas operations and are best positioned to oversee our industry. Once again, after several years of review, EPA has decided, as it did in Pennsylvania and Texas, that the states effectively regulate energy development,” said Marty Durbin, president and CEO of America’s Natural Gas Alliance.

“America needs to know EPA is employing appropriate scientific methods for its water quality testing,” Erik Milito, a spokesman for the American Petroleum Institute, said in a statement. “EPA has to do a better job because another fatally flawed water study could have a big impact on how the nation develops its massive energy resources.”

Source: Platts Gas Daily

Data

- July 2013 Natural Gas Futures Contract (as of June 21), NYMEX at Henry Hub closed at \$3.771 per million British thermal units (MMBtu)
- August 2013 Light, Sweet Crude Oil Futures Contract WTI (as of June 21), closed at \$93.69 per U.S. oil barrel (Bbl.) or approximately \$16.15 per MMBtu

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

For the week beginning 6/16/13 and ending 6/22/13, cooling degree days (CDD) were higher than normal (cooler) for Texas and for the US. www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/22/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	86	13	497	65%
Austin	147	26	898	-1%
DFW	124	10	745	8%
El Paso	168	45	990	42%
Houston	141	23	976	6%
SAT	147	24	1046	0%
Texas**	129	18	851	5%
U.S.**	55	1	326	7%

* A minus (-) value is cooler than normal; a plus (+) value is warmer 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 2,438 Bcf

For the week ending 6/14/2013 working gas in storage increased from 2,347 Bcf to 2,438 Bcf. This represents an increase of 91 Bcf from the previous week. Stocks were 559 Bcf lower than last year at this time and 47 Bcf below the 5 year average of 2,485 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/14/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,085	1,025	60	-8.0%
West	420	409	11	11.7%
Producing	933	913	20	0.3%
Lower 48 Total	2,438	2,347	91	-1.9%

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

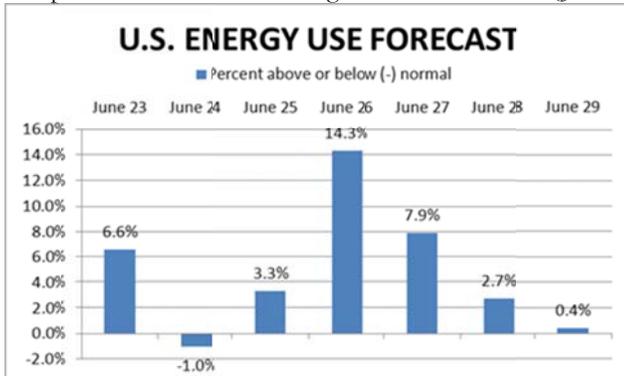
Last week: U.S. gas rig count decreasing

The gas rig count for the U.S. was down four when compared to the prior week and was down 192 when compared to twelve months ago. The total rig count for the U.S. was down twelve for the week and down 207 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

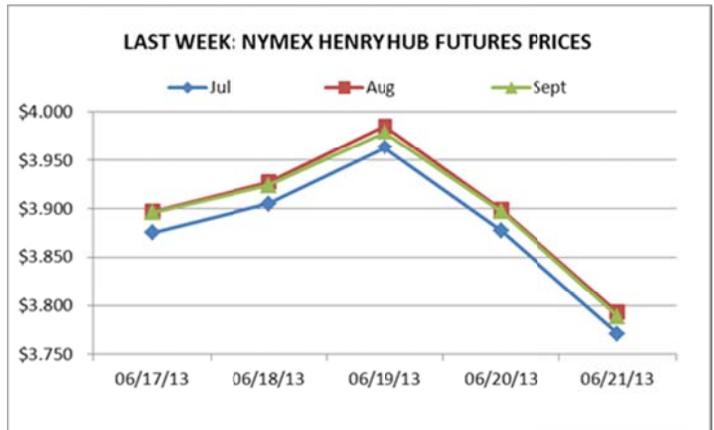
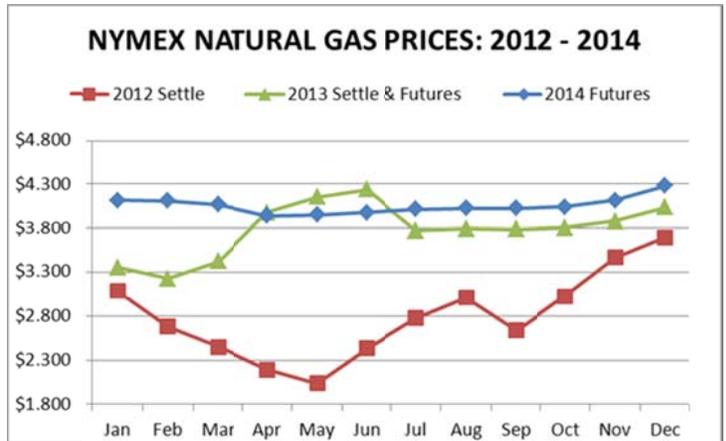
BAKER HUGHES ROTARY RIG COUNT				
	As of 6/21/2013	+/- prior week	Year ago	+/- year ago
Texas	843	-3	938	-95
U.S. gas	349	-4	541	-192
U.S. oil	1405	-8	1421	-16
U.S. total	1759	-12	1966	-207
Canada	197	21	238	-41

This week: U.S. energy use above normal

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



NATURAL GAS PRICE SUMMARY AS OF 6/21/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$3.771	\$0.038	\$0.997	\$3.935