

July 1, 2013

Natural Gas Trends

Highlights

Industry gets access to DOE hurricane center

There are many reasons why officials from the oil and gas industry are not normally invited into the Department of Energy's emergency operations center when hurricanes roar through the Gulf of Mexico, threatening drilling rigs and shutting in production. For example, giving industry officials that kind of access could foster concerns that the companies are illegally colluding with each other or with the government to release crude from the DOE-managed Strategic Petroleum Reserve, the US' emergency stockpile of oil.

But in a first-ever departure from that longstanding policy, a key DOE official said Thursday that for this year's hurricane season, the department has invited representatives from at least six major oil and gas trade groups to come to DOE's Emergency Response Center in Washington when hurricanes threaten operations in the Gulf. William Bryan, DOE's deputy assistant secretary for infrastructure security and energy restoration, said the department hopes the unprecedented initiative will allow it to be more effective in staving off the types of fuel delivery problems and other glitches that have been associated with previous hurricanes.

In an interview on the sidelines of a multi-agency meeting in Washington on preparations for the 2013 hurricane season, Bryan said six oil and gas trade groups have agreed to send representatives to the response center.

They're going to be an information conduit for us," Bryan said. "Having them there... is going to be very valuable."

Bryan said the groups are the American Petroleum Institute; the International Liquid Terminals Association; the Petroleum Marketers of America; and the American Fuel and Petrochemical Manufacturers. Bryan emphasized several times during Thursday's meetings that DOE will take great care to ensure that its new approach will not violate a law called the Federal Advisory Committee Act, of FACA, which prohibits the government from soliciting certain types of business-sensitive information and/or advice from private companies. Bryan also stressed that DOE's initiative will not put oil, gas and power companies at risk of violating US antitrust laws, which prohibit businesses from colluding with each other to influence commodity prices or the supply and demand factors of a particular market, among other things.

DOE's new hurricane-related outreach to the energy industry comes as the National Oceanic and Atmospheric Administration is predicting an active season for hurricanes and other tropical storms in the Gulf of Mexico this year. Kathryn Sullivan, NOAA's acting administrator, said at Thursday's multi-agency meeting that her agency intends to provide the oil, gas and power sectors with "environmental intelligence that is actionable" as they prepare for the 2013 hurricane season that began June 1.

"The real message in the outlook is that it's time to get ready for hurricanes in the Atlantic Basin," Sullivan said.

Source: Platts Gas Daily

Data

- August 2013 Natural Gas Futures Contract (as of June 28), NYMEX at Henry Hub closed at \$3.565 per million British thermal units (MMBtu)
- August 2013 Light, Sweet Crude Oil Futures Contract WTI (as of June 28), closed at \$97.99 per U.S. oil barrel (Bbl.) or approximately \$16.89 per MMBtu

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

For the week beginning 6/23/13 and ending 6/29/13, cooling degree days (CDD) were higher than normal (warmer) for Texas and for the US. www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/29/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	132	51	629	64%
Austin	167	41	1065	3%
DFW	161	35	906	11%
El Paso	173	47	1163	41%
Houston	164	42	1140	10%
SAT	167	40	1178	9%
Texas**	150	33	1001	8%
U.S.**	83	22	408	11%

* 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 2,533 Bcf

For the week ending 6/21/2013 working gas in storage increased from 2,438 Bcf to 2,533 Bcf. This represents an increase of 95 Bcf from the previous week. Stocks were 522 Bcf lower than last year at this time and 31 Bcf below the 5 year average of 2,564 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/21/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,143	1,085	58	-7.2%
West	433	420	13	11.6%
Producing	957	933	24	1.4%
Lower 48 Total	2,533	2,438	95	-1.0%

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

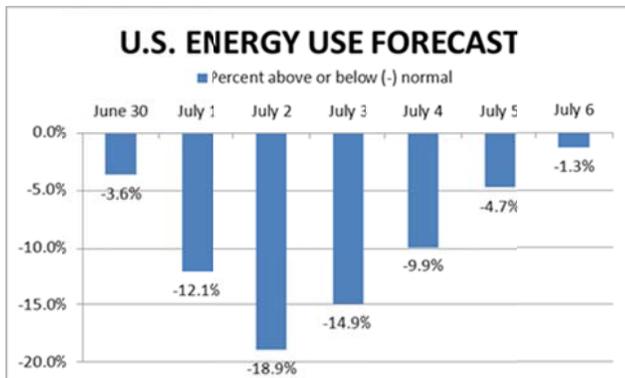
Last week: U.S. gas rig count decreasing

The gas rig count for the U.S. was up four when compared to the prior week but was down 181 when compared to twelve months ago. The total rig count for the U.S. was down eleven for the week and down 211 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs. Source: Baker Hughes

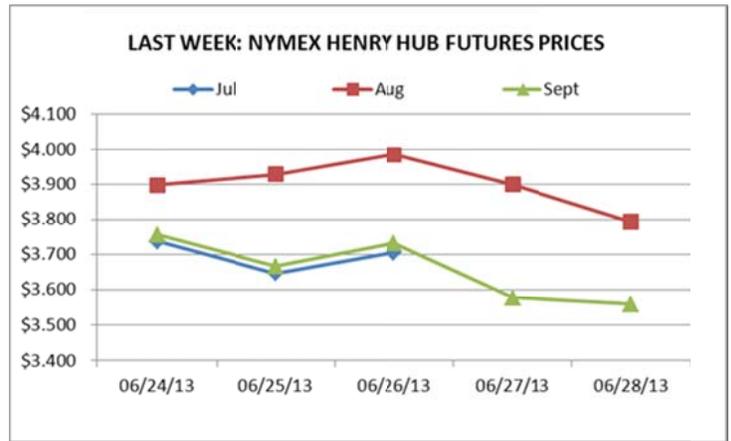
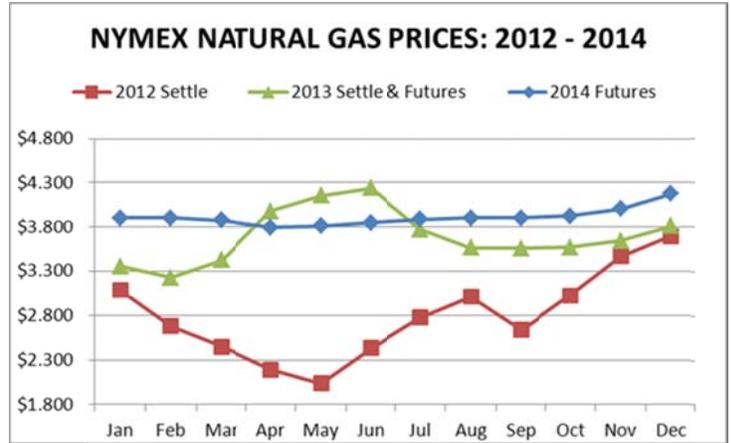
BAKER HUGHES ROTARY RIG COUNT				
	As of 6/28/2013	+/- prior week	Year ago	+/- year ago
Texas	832	-11	929	-97
U.S. gas	353	4	534	-181
U.S. oil	1390	-15	1421	-31
U.S. total	1748	-11	1959	-211
Canada	206	9	261	-55

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 6/28/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US August futures				
NYMEX	\$3.565	-\$0.206	\$0.791	\$3.764