

October 28, 2013

Natural Gas Trends

Highlights

Gulf sale could include Mexican-border acreage

The federal government has proposed a March 2014 lease sale in the Central Gulf of Mexico that could be the first to award gas- and oil-rich blocks along the maritime border with Mexico.

The Bureau of Ocean Energy management said it would offer 7,508 blocks over 39.4 million acres for exploration in the Gulf's Central Planning Area on March 19. Like prior lease sales, blocks located in the 1.4-mile buffer zone along the Mexican border will be offered, but the bids will not be opened unless a transboundary treaty is ratified by the US as expected.

The treaty, which would allow US companies to enter into production agreements with Mexico's state-owned Pemex, has been agreed on and ratified by the Mexican Senate. Both houses of the US Congress have passed legislation to approve the agreement, but differing language in the two bills still need to be clarified. Congress is expected to approve a final version by year's end.

US officials estimate that up to 172 million barrels of oil and 304 Bcf of gas could be extracted from the 1.5 million acres in the trans-boundary area. Lease Sale 231 would be the second held in the Central Planning Area under the current 2012-2017 leasing plan and the fourth overall in the plan. The auction would offer all unleased acres in the planning area off the coasts of Louisiana, Mississippi and Alabama.

"The Central Gulf of Mexico is one of the most prospective and productive basins in the world, and this proposed sale continues the administration's all-of-the-above strategy to increase safe and responsible domestic energy production," Tommy Beaudreau, BOEM's director, said in a statement Friday.

BOEM awarded 307 leases from the last March's Central Gulf lease sale for a value of \$1.2 billion. BOEM threw out 13 high bids totaling \$15.6 million it said were "insufficient to provide the public with fair market value for the tracts." Those tracts will be re-offered next March.

The prior Central Gulf auction, Lease Sale 227, resulted in the awarding of 307 leases covering 1.7 million acres.

Source: Platts Gas Daily

Natural gas key to CO2 emissions drop in 2012: EIA

Increased use of natural gas for power generation was a key factor in total US carbon dioxide emissions dropping 3.8% in 2012 to their lowest level since 1994, the Energy Information Administration said.

The US emitted 5,290 million metric tons of CO2 into the atmosphere in 2012, compared to 5,498 MMT, in 2011 and 5,262 MMT in 1994, the Monday report said.

Natural gas prices averaged \$2.66/Mcf in 2012, EIA said, the lowest in a decade. In response, power plants switched from coal to gas in large numbers, with gas generating 311.8 billion more kWh and coal generating 215.2 kWh less than in 2011, EIA said.

"The increase in natural gas-fired generation, while coal-fired generation decreased, substantially reduced the carbon intensity of electricity generation in 2012," EIA said.

Source: Platts Gas Daily

Data

- December 2013 Natural Gas Futures Contract (as of October 25), NYMEX at Henry Hub closed at \$3.812 per million British thermal units (MMBtu)
- December 2013 Light, Sweet Crude Oil Futures Contract WTI (as of October 25), closed at \$97.85 per U.S. oil barrel (Bbl.) or approximately \$16.87 per MMBtu

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

For the week beginning 10/20/13 and ending 10/26/13, cooling degree days (CDD) were lower than normal (cooler) for the week but higher than normal year to date for both Texas and for the US.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 10/26/13	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	0	0	1805	12%
Austin	6	-29	2965	3%
DFW	4	-12	2895	14%
El Paso	7	0	2717	21%
Houston	12	-21	3100	11%
SAT	24	-13	3378	15%
Texas**	17	-9	2797	8%
U.S.**	6	-2	1314	10%

* 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 3,741 Bcf

For the week ending 10/18/2013 working gas in storage increased from 3,654 Bcf to 3,741 Bcf. This represents an increase of 87 Bcf from the previous week. Stocks were 115 Bcf lower than last year at this time and 77 Bcf above the 5 year average of 3,664 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 10/18/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,947	1,897	50	-3.9%
West	549	545	4	10.2%
Producing	1,245	1,212	33	9.3%
Lower 48 Total	3,741	3,654	87	2.1%

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

Last week: U.S. gas rig count up for the week

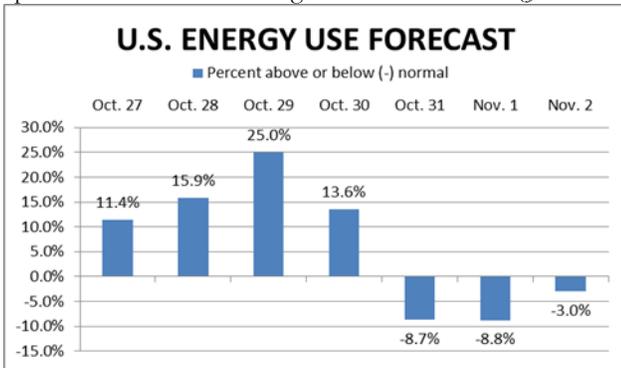
The gas rig count for the U.S. was up four compared to the prior week and down 40 when compared to twelve months ago. The total rig count for the U.S. was down one for the week and down 88 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

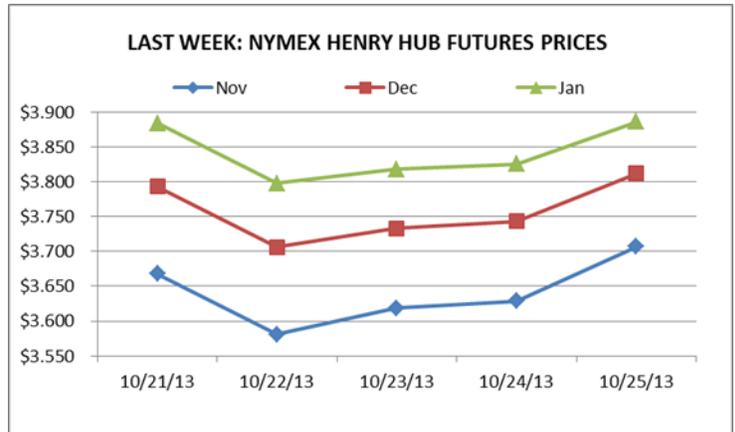
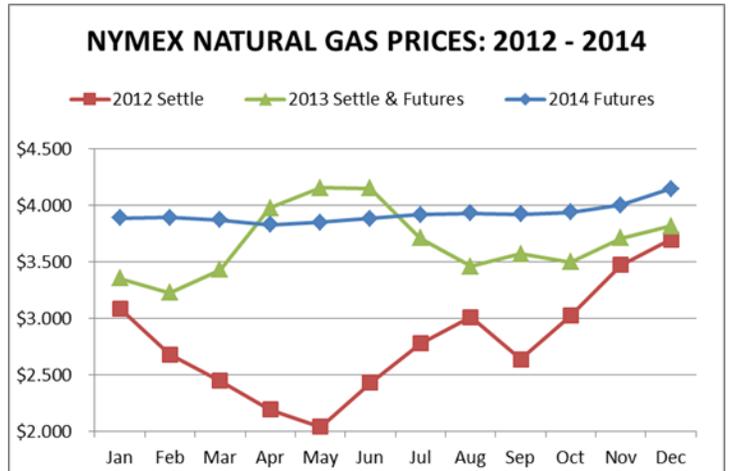
BAKER HUGHES ROTARY RIG COUNT				
	As of 10/25/2013	+/- prior week	Year ago	+/- year ago
Texas	812	-5	860	-48
U.S. gas	376	4	416	-40
U.S. oil	1357	-4	1408	-51
U.S. total	1738	-1	1826	-88
Canada	404	16	370	34

This week: U.S. energy use above normal

U.S. energy use is predicted to be above normal most of this 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-October and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 10/25/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US November futures				
NYMEX	\$3.707	-\$0.057	\$0.236	\$3.869