

December 9, 2013

Natural Gas Trends

Highlights

162-Bcf Storage draw sets November record

Propelled by freezing temperatures across much of the country, storage operators pulled a hefty 162 Bcf from inventories last week, an all-time November record, the Energy Information Administration reported Thursday. The pull, which left 3.614 Tcf in storage, outpaced the previous record of 148 Bcf recorded for the week ending November 24, 2000. The withdrawal was well above consensus expectations between 139 and 143 Bcf, the year-ago draw of 62 Bcf and the five-year average was 41 Bcf. As a result, the 100 Bcf deficit to the year-ago level doubled to 200 Bcf, while the 17 Bcf surplus to the five year ago average of 3.718 Tcf flipped to a 104 Bcf deficit.

The storage report sent NYMEX prices racing higher as the January gas futures contract gained 17.2 cents (GD 12/06). Jeff Moore, storage analyst at Platts unit Bentek Energy, said weather was an overarching factor, with Bentek noting that total population-weighted heating degree days in Texas soared from 20 to 171 week over week, leading to a significant withdrawal in the producing region.

US demand peaked at more than 103 Bcf/d on Sunday, November 24, "the highest single-day demand the country has seen in the month of November since Bentek's estimates started in 2005," Moore notes. "There are only three other occasions where we witnessed a triple-digit pull in November," said BNP Paribas analyst Teri Viswanath. While the market has been in a mindset of supply security so far this winter, the storage report "has the market re-thinking how much supply they will have at the end of the [heating] season."

Although cold weather is set to return this weekend, the current week has seen mostly normal weather across the country, she noted. As a result, next week's report is likely to reflect a withdrawal about half the size, Viswanath added. "For the next week, I'd expect withdrawals to drop significantly," Moore concurred. "The weather moved out of the producing region and the cold snap that's currently over the West really only hit for two of the days during the storage week."

Noting that most predictions were roundly off their mark for this week, independent analyst Stephen Smith said it's the time of year that intersects fall and winter storage models, when weather extremes can wreak havoc with estimates. "When you have something like this, it's not just a question of degree days, but where they are, that can throw off a model," Smith said. "If, for instance, you have very cold weather dipping into the South, that's an area where you tend to have higher gas use for generation, and that can impact the gas vs. coal split."

"Also, you have to wonder whether the recent freeze-offs in the Permian Basin might not be quantified as well as we'd like to see, and that might be influencing" storage, Smith said. "Some companies have said it might take weeks to figure out the damage caused by the ice we saw last week." Bentek's data shows that just a little over 1 Bcf/d was likely lost to freeze-offs in the Permian, making it perhaps one factor, but certainly not the most important, in the large storage withdrawal, Moore said.

Inventories now are 158 Bcf below the five-year average of 2.019 Tcf in the East, 22 Bcf above the five-year storage average of 508 Bcf in the West and 32 Bcf above the five-year average of 1.191 Tcf in the producing region.

Source: Platts Gas Daily

Data

- January 2014 Natural Gas Futures Contract (as of December 6), NYMEX at Henry Hub closed at \$4.114 per million British thermal units (MMBtu)
- January 2014 Light, Sweet Crude Oil Futures Contract WTI (as of December 6), closed at \$97.65 per U.S. oil barrel (Bbl.) or approximately \$16.84 per MMBtu

Last week: Texas cooler than normal

For the week beginning 12/1/13 and ending 12/7/13, heating degree days (HDD) were higher than normal (cooler) for the week and year to date for both Texas and the US.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 12/07/13	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	222	41	1060	-1%
Austin	85	8	410	30%
DFW	125	14	526	10%
El Paso	98	-31	479	-22%
Houston	69	-1	317	7%
SAT	70	-4	298	-3%
Texas**	98	7	486	18%
U.S.**	160	-5	1073	-1%

* 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 3,614 Bcf

For the week ending 11/29/2013 working gas in storage decreased from 3,776 Bcf to 3,614 Bcf. This represents a decrease of 162 Bcf from the previous week. Stocks were 200 Bcf lower than last year at this time and 105 Bcf below the 5 year average of 3,718 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 11/29/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,861	1,939	-78	-7.8%
West	530	546	-16	4.3%
Producing	1,223	1,291	-68	2.7%
Lower 48 Total	3,614	3,776	-162	-2.8%

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 eight compared to the prior week and down 42 when compared to twelve months ago. The total rig count for the U.S. was up twelve for the week and down 25 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

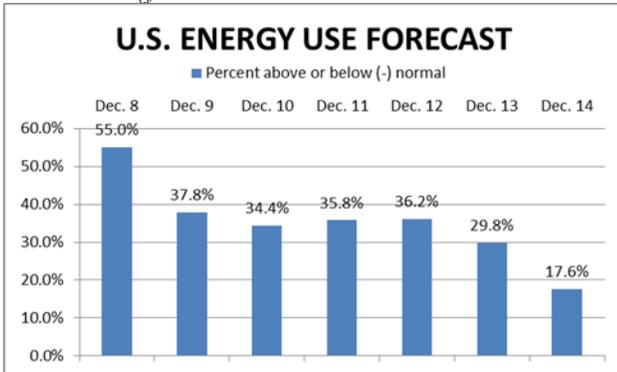
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 12/06/2013	+/- prior week	Year ago	+/- year ago
Texas	842	8	853	-11
U.S. gas	375	8	417	-42
U.S. oil	1397	6	1382	15
U.S. total	1775	12	1800	-25
Canada	402	17	406	-4

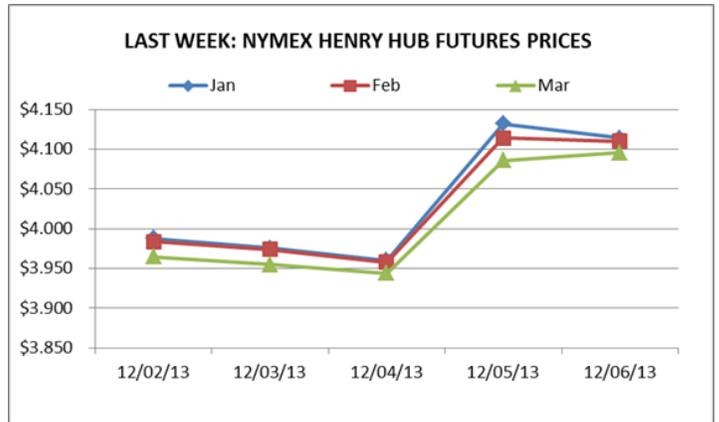
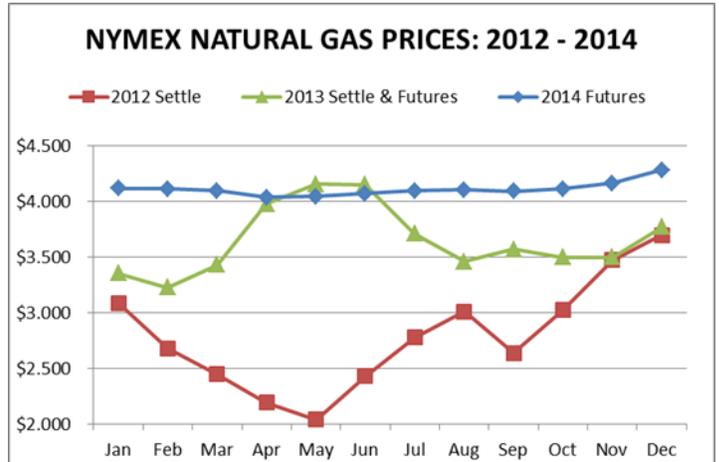
This week: U.S. energy use varies

U.S. energy use is predicted to be above normal 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-December.



NATURAL GAS PRICE SUMMARY AS OF 12/06/2013

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

NYMEX	\$4.114	\$0.219	\$0.760	\$4.109
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