

January 23, 2012

# Natural Gas Trends

## Highlights

### EIA's SHORT-TERM ENERGY OUTLOOK

According to the Energy Information Administration's (EIA's) January 10, 2012 Short-Term Energy Outlook:

**Spot prices, natural gas.** EIA projects a Henry Hub natural gas average spot price of \$3.53 and \$4.14 per million British thermal units (MMBtu) in 2012 and 2013, respectively. The price per MMBtu averaged \$4 in 2011, \$4.39 in 2010, \$5.50 in 2009, \$9.13 in 2008, and \$7.17 in 2007.

**Spot prices, crude oil.** EIA expects the price of West Texas Intermediate (WTI) crude oil to average about \$100 per barrel in 2012. The WTI crude oil spot price per barrel averaged about \$95 in 2011, \$79 in 2010, \$62 in 2009, \$100 in 2008, and \$72 in 2007.

**Consumption.** EIA expects U.S. natural gas consumption to average 68.2 billion cubic feet per day (Bcf/d) in 2012, a projected increase of 2% over 2011 consumption. While consumption increases are expected from all customer sectors, the largest consumption increase (0.7 Bcf/d) is expected from the electric power sector.

**Production.** EIA expects U.S. marketed natural gas production to rise by 2.2% in 2012 and 1% in 2013. Total marketed U.S. natural gas production increased by 7.4% in 2011, by 4.4% in 2010, by 3.7% in 2009, and by 5.9% in 2008.

**Imports and exports.** EIA expects gross pipeline imports of natural gas to decline by 4.1% in 2012, as increased U.S. production displaces Canadian sources. Gross pipeline exports are expected to increase by 4.5%.

Liquefied natural gas (LNG) imports are expected to decline by 26% in 2012. A small amount of LNG will be imported in 2012 and 2013 to fulfill contractual obligations or to provide additional supply during cold snaps and supply disruptions. U.S. imports of LNG totaled about 431 Bcf in 2010, 452 Bcf in 2009, 352 Bcf in 2008, and 771 Bcf in 2007.

Source: <http://www.eia.doe.gov/emeu/stco/pub/contents.html>

*In 2011, total marketed U.S. natural gas production grew by an estimated 4.5 Bcf/d (7.4%), the largest year-over-year increase in history.*

## Data

- February Natural Gas Futures Contract (as of Jan 20), NYMEX at Henry Hub closed at \$2.343 per million British thermal units (MMBtu)
- February Light, Sweet Crude Oil Futures Contract (as of Jan 20), NYMEX at Cushing closed at \$98.46 per U.S. oil barrel (Bbl.) or approximately \$15.68 per MMBtu

### Last week: Texas, U.S. HDD lower than normal

For the week beginning 1/15/12 and ending 1/21/12, heating degree days (HDD) were lower than normal for Texas and the U.S. For the heating season (7/1/11 to 6/30/12), cumulative heating degree days were 14% below normal for Texas and 13% below normal for the U.S.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 1/21/2012	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	126	-84	2139	-11%
Austin	60	-49	958	-2%
DFW	86	-61	1173	-15%
El Paso	80	-64	1440	-7%
Houston	30	-68	657	-26%
SAT	41	-64	731	-22%
Texas**	64	-58	1000	-14%
U.S.**	201	-8	2056	-13%

\* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDD are calculated.

\*\* State and U.S. degree days are population-weighted by NOAA.

### Last week: U.S. natural gas storage at 3,290 Bcf

For the week ending 1/13/12, U.S. working gas in storage decreased from 3,377 to 3,290 Bcf, compared to 2,751 Bcf in storage a year ago and compared to an average of 2,724 Bcf in storage during the 5-year period from 2007 to 2011. Working gas in storage in the producing region (which includes Texas) declined from 1,179 to 1,164 Bcf.

Source: [www.eia.doe.gov](http://www.eia.doe.gov)

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/13/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,693	1,754	-61	+ 15.2%
West	433	444	-11	+ 18%
Producing	1,164	1,179	-15	+ 31.1%
Lower 48 Total	3,290	3,377	-87	+ 20.8%

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

**Last week: U.S. gas rig count down 11 to 780**

The gas rig count for the U.S. was down 11 when compared to the prior week and down 126 when compared to 12 months ago. The U.S. total rig count was up 21 from the prior week, and up 295 when compared to 12 months ago.

Source: Baker Hughes

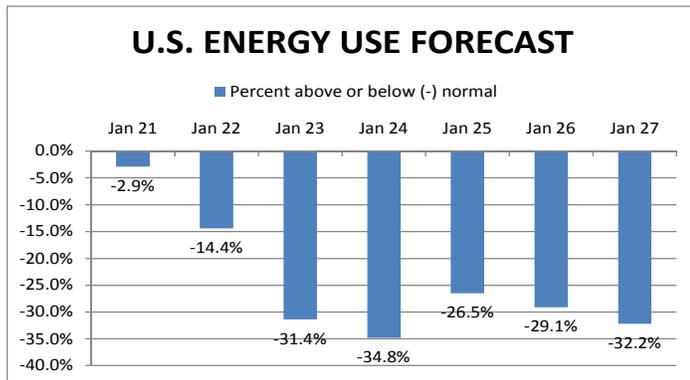
BAKER HUGHES ROTARY RIG COUNT				
	As of 1/20/12	+/- prior week	Year ago	+/- year ago
Texas	923	-2	741	+ 182
U.S. gas	780	-11	906	- 126
U.S. oil	1223	+ 32	798	+ 425
U.S. total	2008	+ 21	1713	+ 295
Canada	654	+ 43	621	+ 33

Numbers are excerpted and not meant to be totaled

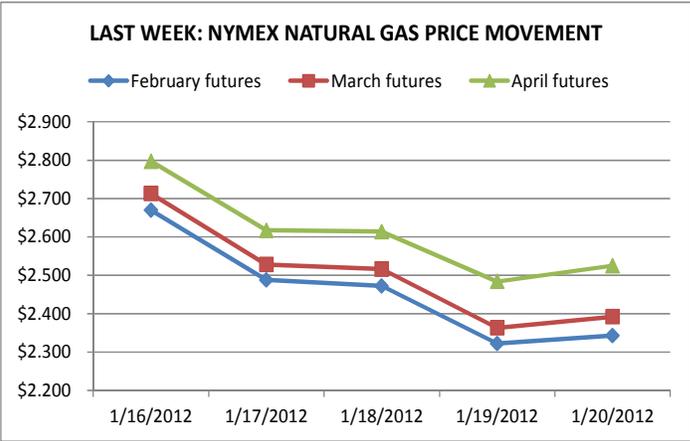
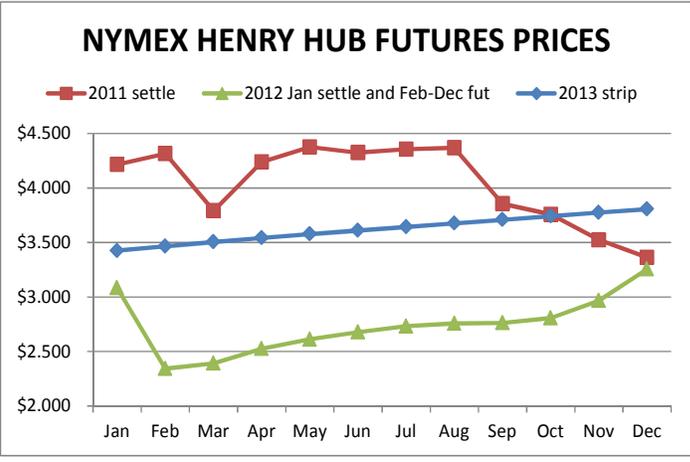
**This week: U.S. energy use lower than normal**

U.S. energy use is forecasted to be lower than normal, 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



**Strip prices.** Natural gas strip prices for 2013, shown below in blue, are the average of daily settlement prices of the next twelve months of futures contracts for natural gas.



**NATURAL GAS PRICE SUMMARY AS OF 1/20/12**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US February futures				
NYMEX	\$2.343	-\$0.327	-\$1.973	\$2.768

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