

Highlights

Natural Gas Production in Texas

Texas leads the nation in natural gas production, holding around 23 percent of the nation’s natural gas reserves. Natural gas is used for heating, generating electricity and making transportation fuel. It is also a raw material found in plastics, medicines, fertilizers and dyes. According to the U.S. Department of Energy, 22 percent of energy consumption in America comes from natural gas.

Natural gas in Texas was first discovered as a by-product of oil. As oil production and exploration increased, gas production began to rise, peaking in 1972 with a total of 9.6 trillion cubic feet produced annually in Texas. Texas has maintained a steady level of natural gas production with the help of the discovery of major natural gas fields. Texas natural gas production levels have also been maintained by an increasing number of production wells, which are now at an all-time high. Today many of the new exploration and production activities in Texas involve natural gas rather than oil.



Most of the natural gas production in the U.S. is concentrated around Texas and the Gulf of Mexico. A study by the U.S. Energy Information Administration (EIA), Oil and Gas Journal and World Oil showed that the U.S. contains 3 percent of the world’s total natural gas reserves. Of this 3 percent, nearly half of the production occurs in Texas and Louisiana..

The EIA found that between 2004 and 2009 the number of natural gas production plants in Texas decreased (contrary to the national increase) while the average capacity per plant increased. Texas has a total of 163 natural gas production plants with an average of 19.7 billion cubic feet of natural gas produced per day, making it the state with the largest processing capacity in the nation.

Source: <http://stateimpact.npr.org/texas/tag/natural-gas-production-in-texas/>

Data

- November Natural Gas Futures Contract (as of Nov. 2), NYMEX at Henry Hub closed at \$3.554 per million British thermal units (MMBtu)
- November Light, Sweet Crude Oil Futures Contract (as of Nov. 2), NYMEX at Cushing closed at \$84.86 per U.S. oil barrel (Bbl.) or approximately \$13.51 per MMBtu

Last week: U.S. HDD higher than normal

For the week beginning 10/28/12 and ending 11/3/12, heating degree days (HDD) were lower than normal for Texas and the U.S. For the heating season (1/1/12 to 12/31/12), cumulative heating degree days were 5% above normal for the U.S..

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 11/02/12	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	51	-42	281	-17%
Austin	32	9	69	-999%
DFW	29	-8	98	-999%
El Paso	18	-32	46	-62%
Houston	24	1	40	-999%
SAT	23	0	55	-999%
Texas**	36	4	89	-999%
U.S.**	73	9	288	-5%

* 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 3,908 Bcf

For the week ending 10/26/2012 working gas in storage increased from 3,843 Bcf to 3,908 Bcf. This represents a net increase of 65 Bcf from the previous week.. Stocks were 136 Bcf higher than last year at this time and 259 Bcf above the 5-year average of 3,649 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 10/26/12	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	2,091	2,057	34	2.4%
West	540	532	8	10.4%
Producing	1,277	1,254	23	14.2%
Lower 48 Total	3,908	3,843	65	7.1%

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

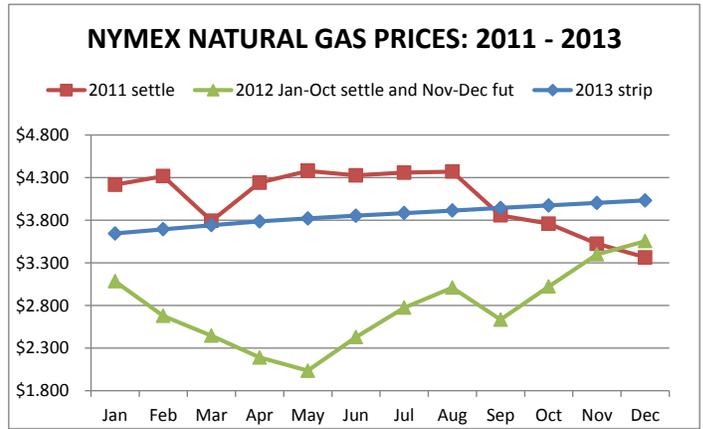
Last week: U.S. gas rig count up 8

The gas rig count for the U.S. was up 8 when compared to the prior week and down 483 when compared to 12 months ago. The total rig count for the U.S. was down 26 for the week and down 226 when compared to 12 months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 11/2/2012	+/- prior week	Year ago	+/- year ago
Texas	840	-20	919	-79
U.S. gas	424	8	907	-483
U.S. oil	1373	-35	1112	261
U.S. total	1800	-26	2026	-226
Canada	383	13	476	-93

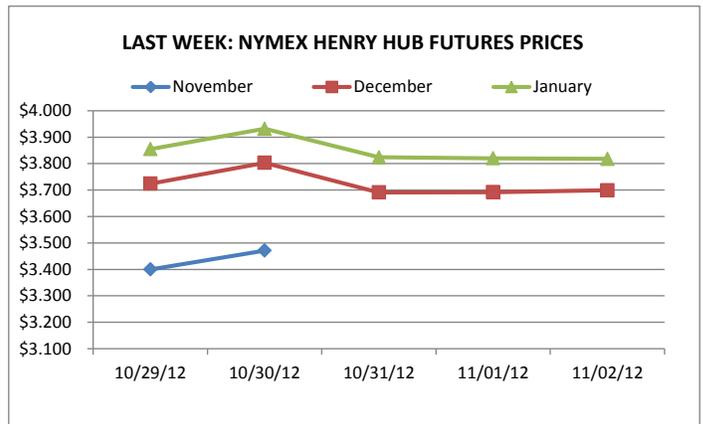
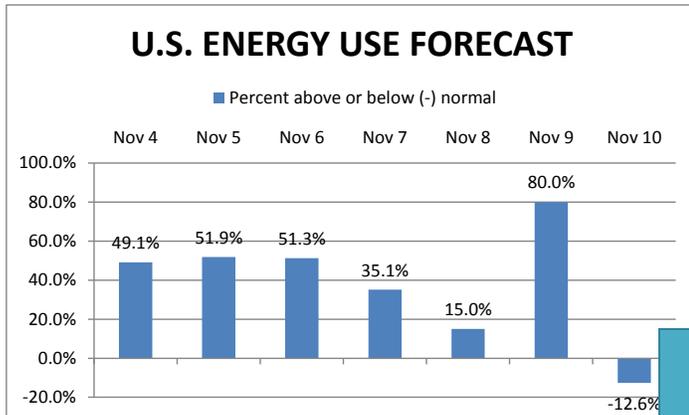
Numbers are excerpted and not meant to be totaled



This week: U.S. energy use predominately up

U.S. energy use is strongly above normal throughout the bulk of the week. However, the lowest day's energy use is 12.6% below 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



NATURAL GAS PRICE SUMMARY AS OF 11/2/2012

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg
US November futures				
NYMEX	\$3.554	\$0.154	-\$0.205	\$3.515

Gary M. Torrent Ph.D.
 a natural gas analyst in the Market Oversight
 Section of the Gas Services Division,
 is editor of Natural Gas Trends.
 Comments on this publication may be directed to
 Dr. Torrent at 512.463.7395
 or gary.torrent@rrc.state.tx.us

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