

November 4, 2013

Natural Gas Trends

Highlights

Dingell blasts delays in pipeline safety regulations

Nearly two years after President Obama signed a new pipeline safety bill into law, the former chairman of the House Energy and Commerce Committee said new regulations are “taking far too long” and regulators may be unable to keep pace with pipeline growth. In a letter sent to Transportation Secretary Anthony Foxx on Wednesday, Representative John Dingell, Democrat-Michigan, wrote that a natural gas pipeline explosion in Rosston, Oklahoma and an oil pipeline spill in North Dakota earlier this month underscored the need for the new regulations.

DOT has not issued any pipeline safety rulemakings since August 2011 when it announced it was reviewing gas transmission pipeline regulations, Dingell wrote. “As oil and gas exploration and production continue to grow in the Bakken, Marcellus and eagle Ford shale fields, more and more pipelines will be needed to take advantage of these domestic sources of energy,” he wrote. “The rapid growth of pipelines serving shale oil and gas production and the continued degradation of existing pipelines likely will outpace your department’s ability to develop and oversee new and existing requirements.”

The law signed in January 2012 – motivated largely by the 2010 pipeline explosion in San Bruno, California, that killed eight people and destroyed dozens of homes – expands DOT’s pipeline safety review authority and calls for several new studies. But in his letter, Dingell argued that DOT’s Pipeline and Hazardous Materials Safety Administration appears to have done little to meet the law’s requirements and said it is unclear when new regulations on pipeline testing, data gathering and shut-off valves may be completed. “The lack of action on this front is not only disturbing to a public that is concerned about the safety of our quickly growing system of pipelines, but it is also unsettling to the industry, which has no certainty as to what the rules will be going forward,” Dingell wrote. Dingell asked Foxx a series of questions on the status of these requirements in the letter and requested a response before the end of 2013.

A DOT spokesman did not immediately respond to a request for comment Thursday.

Source: Platts Gas Daily

Data

- December 2013 Natural Gas Futures Contract (as of November 1), NYMEX at Henry Hub closed at \$3.513 per million British thermal units (MMBtu)
- December 2013 Light, Sweet Crude Oil Futures Contract WTI (as of November 1), closed at \$94.61 per U.S. oil barrel (Bbl.) or approximately \$16.31 per MMBtu

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

For the week beginning 10/23/13 and ending 11/2/13, cooling degree days (CDD) were higher than normal (warmer) for the week and the year to date for both Texas and for the U.S.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 11/2/13	*Week CDD + / - from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	3	3	1808	35%
Austin	42	17	3007	3%
DFW	15	6	2910	14%
El Paso	5	4	2722	21%
Houston	35	8	3135	12%
SAT	63	36	3441	16%
Texas**	37	17	2834	9%
U.S.**	8	2	1321	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 3,779 Bcf

For the week ending 10/25/2013 working gas in storage increased from 3,741 Bcf to 3,779 Bcf. This represents an increase of 38 Bcf from the previous week. Stocks were 120 Bcf lower than last year at this time and 58 Bcf above the 5 year average of 3,721 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 10/25/13	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,964	1,947	17	-4.4%
West	552	549	3	9.5%
Producing	1,263	1,245	18	8.8%
Lower 48 Total	3,779	3,741	38	1.6%

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

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

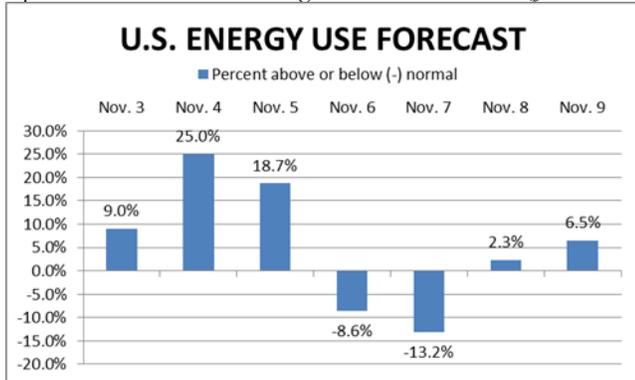
The gas rig count for the U.S. was down 16 compared to the prior week and down 64 when compared to twelve months ago. The total rig count for the U.S. was up four for the week and down 58 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

Source: Baker Hughes

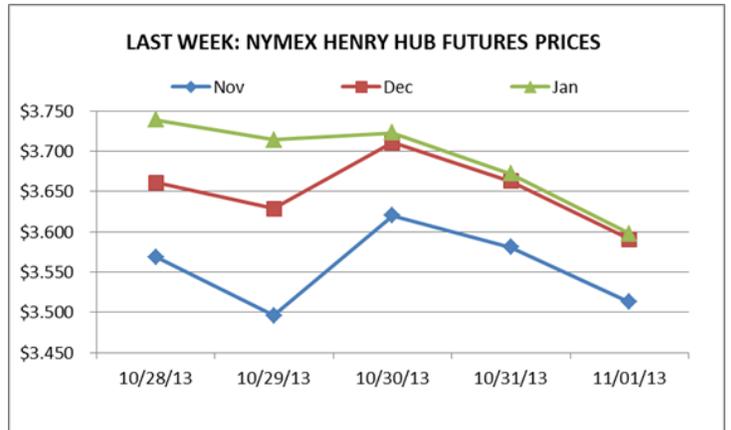
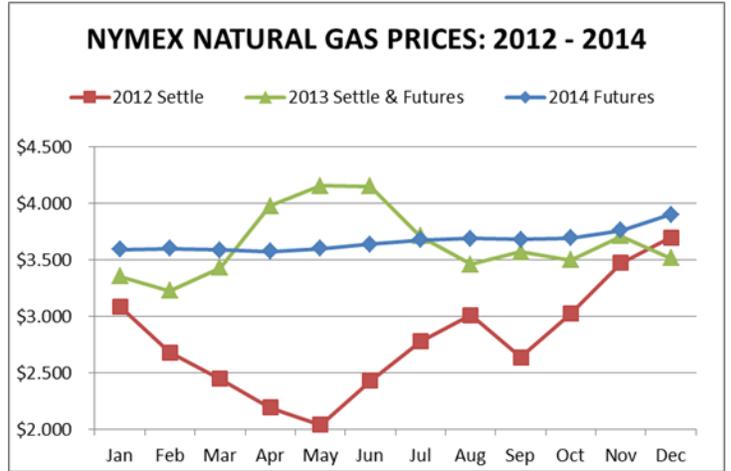
BAKER HUGHES ROTARY RIG COUNT				
	As of 11/01/2013	+/- prior week	Year ago	+/- year ago
Texas	821	9	840	-19
U.S. gas	360	-16	424	-64
U.S. oil	1376	19	1373	3
U.S. total	1742	4	1800	-58
Canada	394	-10	383	11

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-November and the futures prices for the remaining months of 2013.



NATURAL GAS PRICE SUMMARY AS OF 11/1/2013

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US December futures				
NYMEX	\$3.513	-\$0.194	-\$0.183	\$3.632