

June 30, 2014

Natural Gas Trends

Highlights

Colorado orders injection well shut near quake site

The Colorado Oil and Gas Conservation Commission said Tuesday it directed Denver-based High Sierra Water Services to stop disposing oil and gas wastewater into one of its Weld County injection wells while the commission tries to determine if the well is tied to recent seismic activity recorded nearby, including a 2.6-magnitude earthquake on Monday.

High Sierra agreed to a 20-day halt to wastewater injection “as a cautionary step the COGCC believes necessary to gather and further analyze more information,” the regulator said in a statement.

The commission’s action marks the first time a stoppage of an injection well used for disposing of wastewater from oil and gas operations has been ordered because of nearby seismic activity, COGCC director Matt Lepore said in an interview Tuesday.

Lepore said the COGCC would use the 20-day break in well injections to further analyze the situation and to determine what action to take.

“We’ll see what we see when we’re not injecting for 20 days. I think we’ll make an effort to look again at baseline historical data, beyond November of 2013, then we’ll evaluate all of that data and make a decision where we go,” he said.

The company, which agreed to COGCC’s request and shut the well down on Monday, did not immediately return Platts’ calls for comment.

The regulator will have several possible options at the end of the stoppage, Lepore said.

“We can start injecting again. We can put different parameters on the injections. We can decide that we need more than 20 days to evaluate it. There are a lot of directions we could go. We’ll certainly have a lot more information at the end of 20 days,” he said.

Numerous studies have connected the injection of fluids into the earth with subsequent incidences of seismic activity. Several energy-producing states, including Oklahoma, Texas and Ohio have begun to look into the potential role that injection wells play in causing seismic disturbances.

Lepore said reports of oil and gas injection wells – known as Class II Underground Injection Control wells – being connected to seismic activity are rare in Colorado, although from time to time other types of problems have arisen with the wells.

“There was a situation several years ago, when the commission did direct an injection well to stop operation because it was alleged to be affecting a hot spring operation in the vicinity,” he said.

The COGCC based its decision on research by a team of University of Colorado seismologists, who began investigating the area around the injection well near the town of Greeley after a 3.4-magnitude earthquake was recorded in the area on May 31, Lepore said.

Actions the regulators will undertake over the shutdown period will include: “evaluation of baseline, historical seismic activity; continued coordination with the CU team; coordination with the U.S. Geological Survey and Colorado Geological Survey; evaluation of other disposal wells in the area; and a detailed review of data associated with the well in question, including further examination of injection rates, pressures and volumes,” according to the COGCC statement.

The well, labeled by the company as C4A, is located east of the Greeley-Weld County Airport. It was permitted by COGCC in March 2013 and injections began in April 2013.

Source: Platts Gas Daily

Data

- July 2014 Natural Gas Futures Contract (as of June 27), NYMEX at Henry Hub closed at \$4.409 per million British thermal units (MMBtu)
- July 2014 Light, Sweet Crude Oil Futures Contract WTI (as of June 27), closed at \$105.74 per U.S. oil barrel (Bbl.) or approximately \$18.23 per MMBtu

Last week: Texas warmer than normal

For the week beginning 6/22/14 and ending 6/28/14, cooling degree days (CDD) were higher than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/28/14	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	71	-9	483	30%
Austin	117	-9	921	-9%
DFW	106	-19	960	20%
El Paso	168	42	1065	32%
Houston	119	-2	1032	1%
SAT	127	1	1214	14%
Texas**	108	-9	905	-1%
U.S.**	65	5	393	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 CDDs 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 1,829 Bcf

For the week ending 6/20/2014 working gas in storage increased from 1,719 Bcf to 1,829 Bcf. This represents an increase of 110 Bcf from the previous week. Stocks were 690 Bcf lower than last year at this time and 822 Bcf below the 5 year average of 2,651 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/20/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	858	790	68	-30.8%
West	315	298	17	-24.1%
Producing	656	631	25	-34.1%
Lower 48 Total	1,829	1,719	110	-31.0%

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 three for the week but was down 39 when compared to twelve months ago. The total rig count for the U.S. was up fifteen from last week and up 125 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

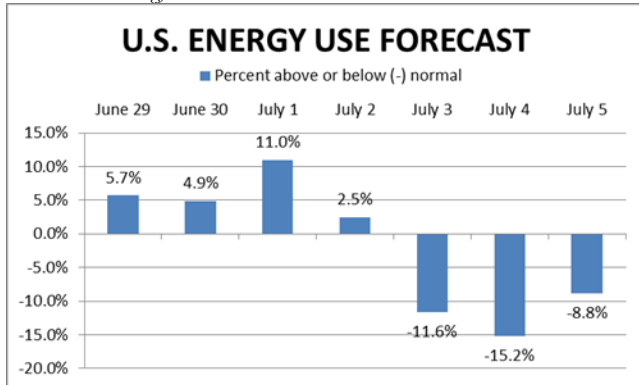
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/27/2014	+/- prior week	Year ago	+/- year ago
Texas	889	0	832	57
U.S. gas	314	3	353	-39
U.S. oil	1558	13	1390	168
U.S. total	1873	15	1748	125
Canada	236	-29	206	30

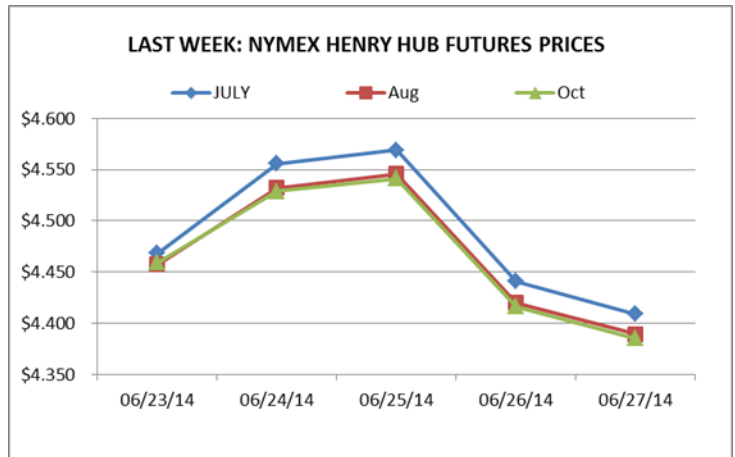
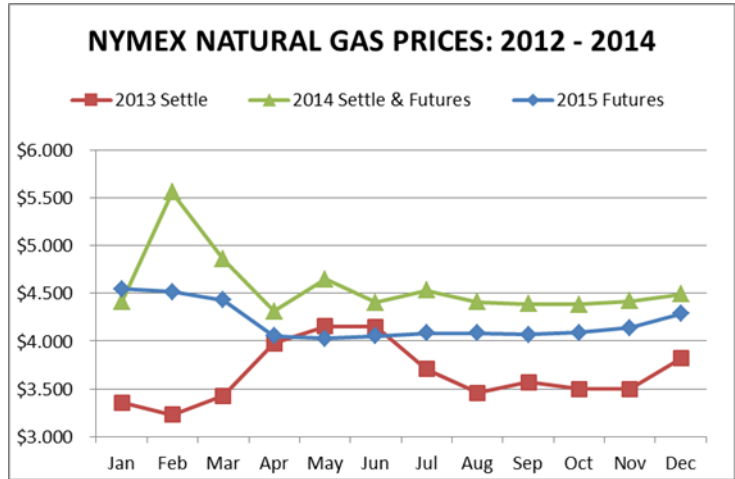
This week: U.S. energy use varies

U.S. energy use is predicted to vary 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



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-June and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 6/27/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Aug. futures				
NYMEX	\$4.409	-\$0.122	\$0.950	\$4.316