

September 15, 2014

Natural Gas Trends

Highlights

EIA reports another big build to storage

The streak of well above-average storage builds this summer continued Thursday with the Energy Information Administration reporting US natural gas storage inventories increased by 92 Bcf to 2.801 Tcf with eight weeks left in the storage season.

Most analysts predicted a build between 81 Bcf and 85 Bcf for the week ended September 5. The net injection was above consensus expectations of a build between 81 Bcf and 85 Bcf. EIA in the corresponding week last year reported a 64-Bcf injection, while the five-year average is a 60-Bcf build. In reaction, the October NY-MEX gas futures contract lost 13.1 cents, or 3%, quickly Thursday, closing at \$3.823/MMBtu. The injection was well above the 64 Bcf reported at the same time last year and well above the 60 Bcf five-year average.

To hit the 3.5 Tcf mark before the start of the winter season, storage injections will need to average just over 87 Bcf/week for the rest of the shoulder season, a number of analysts had no doubt could be reached. BNP Paribas analyst Teri Viswanath thinks even larger builds are in the cards for the coming weeks, including some triple digits builds.

“Historically, the highest seasonal stock builds typically occur at the point where cumulative heating degree days begin to outpace cooling degree days,” Viswanath said. “This event might occur as early as the week of September 26. Accordingly, prices might once again test the season-to-date lows (\$3.75/MMBtu) as the stock build accelerates over the course of the next several weeks.”

“I think the holiday weekend has a bigger impact than what we anticipated,” Jeff Moore, a supply and demand analyst with Platts’ Bentek unit, said Thursday. “The miss was concentrated in the producing region from our end, suggesting there was lower power demand during the week than what our sample of storage injections suggested,” Moore said. “We saw power come off pretty hard in our sample, but the injection was still a surprise.”

Gas production, primarily from the Marcellus Shale “is overwhelming any demand response,” Gelber & Associates market analyst Aaron Calder said. “With coal at \$5.68/MMBtu the question is: how much production is going to be in the market.”

After this week’s 92 Bcf build, the 490 Bcf deficit to the year-ago level shrank to 443 Bcf, while the 518 Bcf deficit to the five-year average of 3,264 fell to 463 Bcf. EIA reported a 60-Bcf injection in the East to 1.522 Tcf, compared with 1.640 Tcf a year ago, a 12 Bcf injection in the West to 438 Bcf, compared with 507 Bcf a year ago, and a 20 Bcf injection in the producing region to 841 Bcf, compared to 1.097 Tcf a year ago.

Total inventories now are 215 Bcf below the five-year average of 1.737 Tcf in the East, 38 Bcf below the five-year average of 476 Bcf in the West and 211 Bcf below the five-year average of 1.052 Tcf in the producing region.

Source: Platts Gas Daily

Data

- October 2014 Natural Gas Futures Contract (as of September 12), NYMEX at Henry Hub closed at \$3.857 per million British thermal units (MMBtu)
- October 2014 Light, Sweet Crude Oil Futures Contract WTI (as of September 12), closed at \$92.27 per U.S. oil barrel (Bbl.) or approximately \$15.91 per MMBtu

Last week: Texas warmer than normal

For the week beginning 9/7/14 and ending 9/13/14, 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 9/13/14	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	33	-14	1434	16%
Austin	114	2	2401	-3%
DFW	100	0	2489	10%
El Paso	68	-14	2387	17%
Houston	124	19	2510	5%
SAT	128	16	2858	13%
Texas**	101	3	2284	1%
U.S.**	46	4	1128	5%

* 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 2,801 Bcf

For the week ending 9/5/2014 working gas in storage increased from 2,709 Bcf to 2,801 Bcf. This represents an increase of 92 Bcf from the previous week. Stocks were 443 Bcf lower than last year at this time and 463 Bcf below the 5 year average of 3,264 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 9/5/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,522	1,462	60	-12.4%
West	438	426	12	-8.0%
Producing	841	821	20	-20.1%
Lower 48 Total	2,801	2,709	92	-14.2%

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 two for the week and down 63 when compared to twelve months ago. The total rig count for the U.S. was up six from last week and up 163 when compared to twelve months ago. The total rig count include both oil and natural gas rotary rigs.

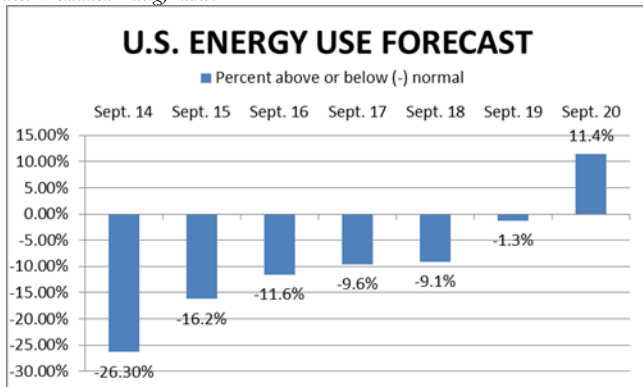
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 9/12/2014	+/- prior week	Year ago	+/- year ago
Texas	905	-2	850	55
U.S. gas	338	-2	401	-63
U.S. oil	1592	8	1361	231
U.S. total	1931	6	1768	163
Canada	405	-9	380	25

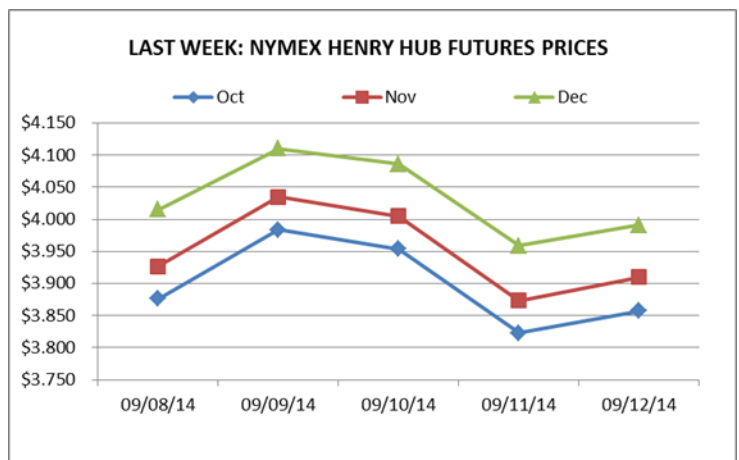
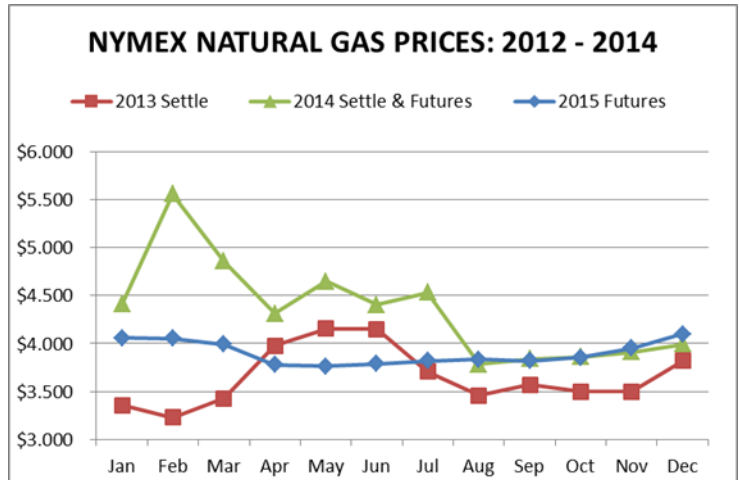
This week: U.S. energy below normal

U.S. energy use is predicted to be below 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



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



NATURAL GAS PRICE SUMMARY AS OF 9/12/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Oct. futures				
NYMEX	\$3.857	\$0.064	\$0.290	\$3.887