

**February 17, 2014**

**Natural Gas Trends**

**Highlights**

**EIA hikes gas price, storage pull projections**

Continuing cold weather throughout the country prompted the Energy Information Administration to ramp up several of its gas price and demand forecasts Tuesday. In the latest short-term energy outlook, EIA added 51 cents to its month-ago estimate for spot gas prices at Henry Hub, setting the new first-quarter target at \$4.59/MMBtu. The second-quarter price estimate was increased by 25 cents to \$3.92/MMBtu, while the full-year 2014 estimate was hiked 28 cents to \$4.17/MMBtu. Also attributable to the cold winter was a significant increase in the agency's expectations for first-quarter demand, up 2.2 Bcf/d to 88.68 Bcf/d. The full-year 2014 estimate went from 69.63 Bcf/d in the January report to 70.24 Bcf/d, a hefty increase of roughly 610,000 Mcf/d.

"Very cold temperatures in early January led to new record-high withdrawals of natural gas from storage in a season already characterized by larger-than-normal storage withdrawals," said the report. "Several more days of brutal cold came in the following weeks of January," with gas withdrawals exceeding 200 Bcf in three different weeks, it added. For the second month in a row, EIA reduced the end-of-March working gas inventory estimate to reflect very high withdrawals. "EIA now projects inventories will end this heating season at 1.331 Tcf, the lowest end-of-season level since 2008." Inventories on January 31 totaled 1.92 Tcf, 0.78 Tcf below the level at the same time a year ago and 0.56 Tcf below the previous five-year average.

As for price, the February gas futures contract expired at \$5.56/MMBtu, which was a four-year high, EIA noted. "Pipeline constraints in the Northeast often lead to price increases during times of high winter demand," it explained, adding that "last month, spot market prices in the Northeast were routinely in the double digits, with New York prices settling in the \$90/MMBtu range on several days in January."

EIA now expects residential gas prices to average \$10.16/Mcf this winter, up 41 cents/Mcf (4.2%) from the last heating season. "Last winter, natural gas consumers spent an average of \$603 on their heating bills. This season, consumers can expect to spend \$649 on natural gas heating for the winter months, a 7.7% increase."

On the supply side, EIA expects marketed gas production to grow at an average rate of 2.2% in 2014 and 1.2% in 2015.

"Rapid Marcellus Shale production growth is causing natural gas forward prices in the Northeast to fall even with or below Henry Hub prices outside of peak-demand winter months," said the report. "Consequently, some drilling activity may move away from the Marcellus back to Gulf Coast plays such as the Haynesville and Barnett, where prices are closer to the Henry Hub spot price."

EIA said Gulf of Mexico production will increase by 1.7% in 2014 before falling 2.3% in 2015. Meanwhile, "liquefied natural gas imports have declined over the past several years because higher prices in Europe and Asia are more attractive to sellers than the relatively low prices in the United States," EIA noted, adding that several companies are planning US LNG export facilities, with the first slated to come online in late 2015.

Growing US production has replaced gas pipeline imports from Canada, while exports to Mexico have increased, the report said. "EIA expects these trends will continue through 2015," it said, projecting net imports of 3.5 Bcf/d in 2014 and 2.6 Bcf/d in 2015, which would be the lowest level since 1987.

Source: Platts Gas Daily

**Data**

- March 2014 Natural Gas Futures Contract (as of February 14), NYMEX at Henry Hub closed at \$5.214 per million British thermal units (MMBtu)
- March 2014 Light, Sweet Crude Oil Futures Contract WTI (as of February 14), closed at \$100.30 per U.S. oil barrel (Bbl.) or approximately \$17.29 per MMBtu

**Last week: Texas cooler than normal**

For the week beginning 2/9/14 and ending 2/15/14, heating degree days (HDD) were higher than normal (cooler) for the week and the year to date for most Texas cities shown and for the US. Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/15/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	193	14	3110	1%
Austin	111	27	1723	31%
DFW	147	30	2049	11%
El Paso	43	-66	1727	-13%
Houston	107	28	1414	18%
SAT	76	-4	1273	1%
Texas**	125	29	1801	17%
U.S.**	223	35	3199	4%

\* 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 1,686 Bcf**

For the week ending 2/7/2014 working gas in storage decreased from 1,923 Bcf to 1,686 Bcf. This represents a decrease of 237 Bcf from the previous week. Stocks were 863 Bcf lower than last year at this time and 631 Bcf below the 5 year average of 2,317 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/7/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	814	920	-106	-27.9%
West	259	301	-42	-24.5%
Producing	613	702	-89	-27.5%
Lower 48 Total	1,686	1,923	-237	-27.2%

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 fourteen compared to the prior week and down 84 when compared to twelve months ago. The total rig count for the U.S. was down seven for the week but up two when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

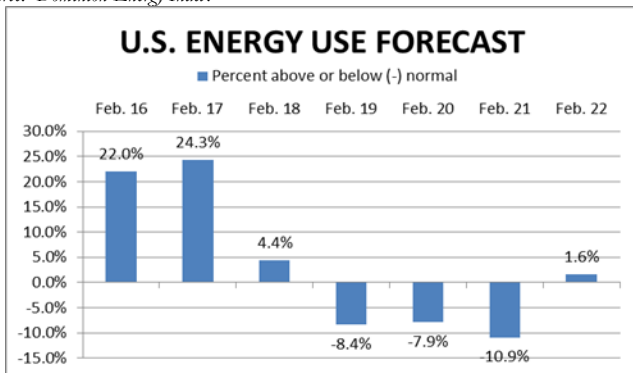
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/14/2014	+/- prior week	Year ago	+/- year ago
Texas	840	-5	838	2
U.S. gas	337	-14	421	-84
U.S. oil	1423	7	1337	86
U.S. total	1764	-7	1762	2
Canada	624	3	651	-27

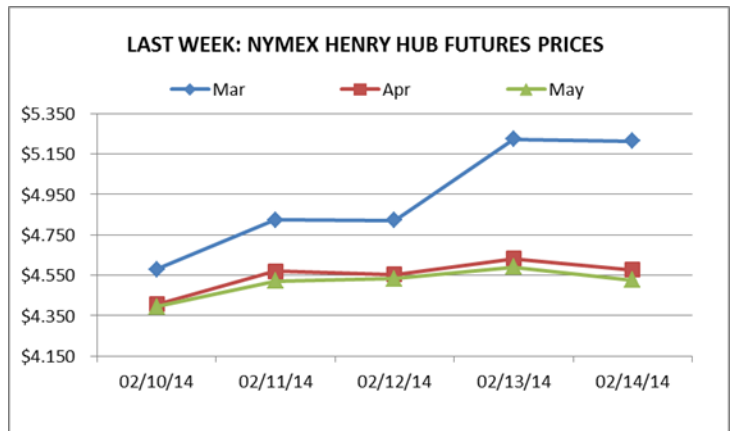
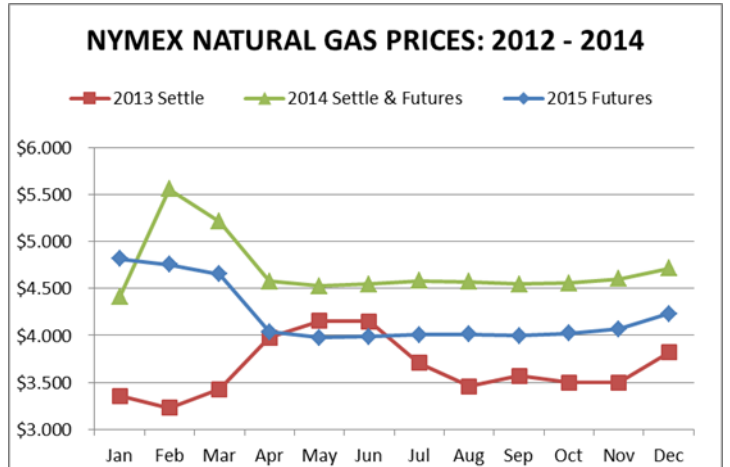
**This week: U.S. energy use varies**

U.S. energy use is predicted to be above normal early in the week dropping to below normal later in the 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.-Feb. and futures prices for the remainder of the year.



**NATURAL GAS PRICE SUMMARY AS OF 2/14/2014**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$5.214	\$0.439	\$1.787	\$4.734