

October 06, 2014

Natural Gas Trends

Highlights

Storage hits 3.1 Tcf on record September build

A build of 112 Bcf, the first triple-digit injection since July and a new record for September, lifted US natural gas storage inventories to 3.1 Tcf for the week ended September 26, with only one month left in the traditional restocking season, the Energy Information Administration said Thursday. The 112-Bcf injection was the largest ever recorded for a week ending in September and surpassed analysts' expectations that were in the 105 to 107 Bcf range. The build was well above the 85 Bcf five-year average and the 99 Bcf reported a year earlier. "The only other weeks that rival it for a similar time period are the September 23, 2011, and the October 7, 2011, storage weeks, which were 111 Bcf and 112 Bcf, respectively," said Jeff Moore, storage analyst at Platts unit Bentek Energy. As a result, the deficit to the five-year average of 3.499 Tcf fell to 399 Bcf, or 11.4%. The deficit to last year's inventory of 3.473 Tcf fell to 373 Bcf or 10.7%.

Looking ahead, some analysts are already predicting a similar build in next week's EIA report. "Demand remains low because of the shoulder season, so another triple-digit injection is likely for next week's number, putting us above 3.2 Tcf for the first week in October," said Bentek's Moore. "This will certainly help us get closer to 3.6 Tcf when it's all said and done, but it's unlikely we'll get there by the end of October." "The size of the recent injections is more due to a lack of demand rather than another surge of supply, although production is still increasing," noted Gelber & Associates Senior Market Analyst Aaron Calder. "The fear-based purchasing last week pushed prices higher and ensured that demand for natural gas would diminish. This large injection is a direct result of last week's rally and next week will be more of the same." "There's not much heating demand in the market and there won't be for another few weeks," Calder said. "Natural gas has to compete with coal for the little cooling demand that exists, a competition that it is destined to lose based on relative pricing."

IAF Advisors analyst Kyle Cooper said his forecast for fall peak storage remains in the 3.55-Tcf range. Smith pegged his range at 3.5 to 3.6 Tcf, with the peak being reached likely around the second week of November. "The question in people's minds is the winter ahead. I'm probably going to pull up my degree-day numbers a bit, given what is now likely to be a weak El Nino" in the winter weather mix, according to independent analyst Stephen Smith.

Most analysts expect storage inventories to reach 3.4 to 3.5 Tcf by the end of October, with a few more injections into November as the supply/demand balance allows. The gas industry has so far refilled 2.278 Tcf, or an average of 87.6 Bcf/week, since the end of March after a series of polar vortexes pushed stocks down to 822 Bcf. In order to reach 3.5 Tcf by the end of October, another 400 Bcf must be injected, or 80 Bcf on average over the next five reporting weeks.

Fall inventories have peaked above 3.8 Tcf on average over the last five years, according to EIA's records. In order to achieve that level, which most analysts view as unlikely, the industry would have to inject 100 Bcf each week through mid-November. Instead, analysts at the American Gas Association and elsewhere have said that the industry is likely to supplement storage with growing gas production out of prolific shale plays, in the Northeast in particular. Bentek pegged US dry gas production at 69 Bcf/d on Thursday, and at an average of 67.3 Bcf/d for the year to date, up 2.7 Bcf/d from 64.6 Bcf/d on average this time last year.

EIA on Thursday reported a 68-Bcf injection in the East to 1.714 Tcf, compared with 1.792 Tcf a year ago; an 8-Bcf injection in the West to 453 Bcf, compared with 528 Bcf a year ago; and a 36-Bcf injection in the Producing region to 933 Bcf, compared with 1.153 TCF a year ago. Total inventories are now 172 Bcf below the five-year average of 1.886 Tcf in the East, 44 Bcf below the five-year average of 497 Bcf in the West, and 183 Bcf below the five-year average of 1.116 Tcf in the Producing region.

Source: Platts Gas Daily

Data

- November 2014 Natural Gas Futures Contract (as of October 3), NYMEX at Henry Hub closed at \$4.039 per million British thermal units (MMBtu)
- November 2014 Light, Sweet Crude Oil Futures Contract WTI (as of October 3), closed at \$89.74 per U.S. oil barrel (Bbl.) or approximately \$15.47 per MMBtu

Last week: Texas warmer than normal

For the week beginning 9/28/14 and ending 10/4/14, 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 10/4/14	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	14	-5	1497	13%
Austin	75	1	2647	-4%
DFW	84	30	2764	12%
El Paso	58	18	2567	16%
Houston	93	23	2790	5%
SAT	106	31	3181	14%
Texas**	74	16	2519	2%
U.S.**	27	6	1220	6%

* 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 3,100 Bcf

For the week ending 9/26/2014 working gas in storage increased from 2,988 Bcf to 3,100 Bcf. This represents an increase of 112 Bcf from the previous week. Stocks were 373 Bcf lower than last year at this time and 399 Bcf below the 5 year average of 3,499 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 9/26/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,714	1,646	68	-9.1%
West	453	445	8	-8.9%
Producing	933	897	36	-16.4%
Lower 48 Total	3,100	2,988	112	-11.4%

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 eight for the week and down 48 when compared to twelve months ago. The total rig count for the U.S. was down nine from last week and was up 166 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

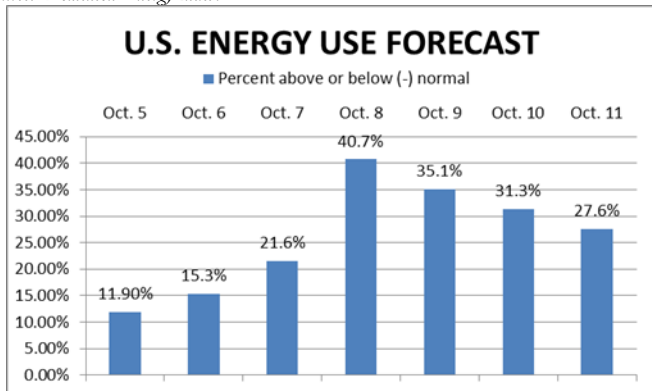
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 10/03/2014	+/- prior week	Year ago	+/- year ago
Texas	895	0	830	65
U.S. gas	330	-8	378	-48
U.S. oil	1591	-1	1372	219
U.S. total	1922	-9	1756	166
Canada	430	1	361	69

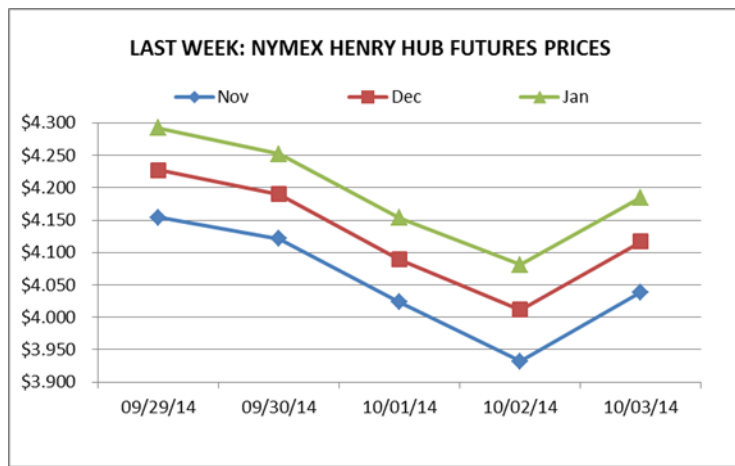
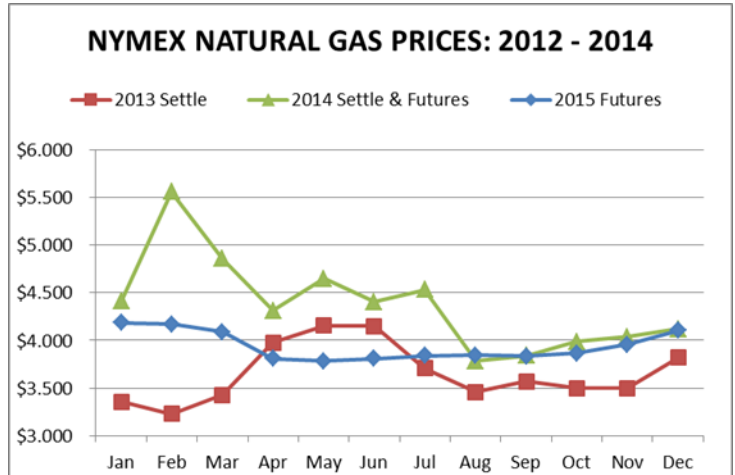
This week: U.S. energy above normal

U.S. energy use is predicted to be above normal most for 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 10/03/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Nov. futures				
NYMEX	\$4.039	\$0.055	\$0.541	\$3.954