

December 1, 2014

Natural Gas Trends

Highlights

Outsized 162-Bcf storage draw ties record

A 162-Bcf withdrawal came in above most expectations and tied the November weekly record, leaving stocks at 3.432 Tcf for the week ended November 21, the Energy Information Administration said Wednesday. The report was released a day early due to the Thanksgiving Holiday. The net withdrawal was well above consensus expectations of a pull between 148 Bcf and 152 Bcf, as storage was drawn upon during a period of unusual cold last week. The draw also tied the all-time November record set in the week ended November 29, 2013. "Even more impressive, this year's record withdrawal came a full nine days earlier in the month," said Aaron Calder, senior market analyst at Gelber & Associates. The report prompted a brief runup in the January NYMEX gas futures contract, but it was short-lived as the contract retreated to negative territory by the close as traders instead focused on warmer weather expected in December.

The withdrawal was well above historical averages. Last year at this time, EIA reported a 17-Bcf draw, while the five-year-average pull is 6 Bcf. As a result, the deficit to historical levels also rose. Inventories now sit at a 346 Bcf, or 9.2% deficit, to 3.778 Tcf last year, and at a 400 Bcf, or 10.4%

deficit, to the five-year average of 3.832 Tcf. EIA reported an 89-Bcf withdrawal in the East to 1.864 Tcf, compared with 1.941 Tcf a year ago, an 18-Bcf draw in the West to 477 Bcf, compared with 547 Bcf a year ago, and a 55-Bcf draw in the Pro-

Estimated working gas in storage (in Bcf)			
(week ending November 21)			
	This Week	Last Week	Change
Consuming Region East	1,864	1,953	-89
Consuming Region West	477	495	-18
Producing Region	1,091	1,146	-55
Total U.S.	3,432	3,594	-162
	This Week	Prior 5-Year	
	Last Yr.	Average	
Consuming Region East	1,941	2,047	
Consuming Region West	547	529	
Producing Region	1,290	1,257	
Total U.S.	3,778	3,832	

Source: Energy Information Administration

ducing region to 1.091 Tcf, compared with 1.290 Tcf a year ago.

The East region pull was a surprise with its 89 Bcf draw, marking the second-largest November withdrawal on record for that region, said Jeff Moore, storage analyst at Platts unit Bentek Energy. The largest-ever recorded November draw in the East was 95 Bcf, set in the week ended November 24, 2000, Moore explained. "As more and more fields flipped to withdrawals during the week, it's likely that storage was relied on heavily in the [East]," Moore said. "The Producing region announced a smaller-than-expected withdrawal than our models showed, possibly because the East region relied so heavily on storage and local production that it allowed for less reliance on storage than expected."

Withdrawals were driven higher last week by heating demand as an early and unusually cold polar air mass blanketed key consuming regions. US demand set a new November record last week – rising by more than 20 Bcf/d from the previous week to average 91.1 Bcf/d, according to Bentek. Residential/commercial demand accounted for most of the gain, rising 15.7 Bcf/d week-over-week, with power demand accounting for 3.3 Bcf/d. Despite besting the monthly demand record by more than 3 Bcf/d, "we still only matched the largest withdrawal on record for the month of November," Moore noted. "Even though we saw some pretty significant freeze-offs from the weather, we're still averaging well above year-ago levels for production."

Total storage inventories now are 183 Bcf below the five-year average of 2.047 Tcf in the East, 52 Bcf below the five-year average of 529 Bcf in the West and 166 Bcf below the five-year average of 1.257 Tcf in the Producing region.

Source: Platts Gas Daily

Data

- December 2014 Natural Gas Futures Contract (as of November 26), NYMEX at Henry Hub closed at \$4.355 per million British thermal units (MMBtu)
- January 2015 Light, Sweet Crude Oil Futures Contract WTI (as of November 28), closed at \$66.15 per U.S. oil barrel (Bbl.) or approximately \$11.41 per MMBtu

Last week: Texas warmer than normal

For the week beginning 11/23/14 and ending 11/29/14, heating degree days (HDD) were lower than normal (warmer) for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 11/29/14	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	124	-42	776	-10%
Austin	63	-2	338	48%
DFW	78	-18	418	19%
El Paso	105	-9	351	-25%
Houston	46	-13	247	13%
SAT	46	-16	247	11%
Texas**	69	-10	372	20%
U.S.**	139	-10	902	0%

* 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 3,432 Bcf

For the week ending 11/21/2014 working gas in storage decreased from 3,594 Bcf to 3,432 Bcf. This represents a decrease of 162 Bcf from the previous week. Stocks were 346 Bcf lower than last year at this time and 400 Bcf below the 5 year average of 3,832 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 11/21/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,864	1,953	-89	-8.9%
West	477	495	-18	-9.8%
Producing	1,091	1,146	-55	-13.2%
Lower 48 Total	3,432	3,594	-162	-10.4%

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 eleven for the week and down 23 when compared to twelve months ago. The total rig count for the U.S. was down twelve from last week but up 154 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

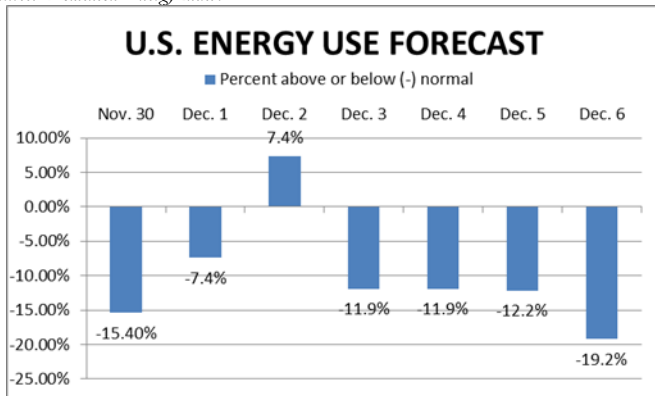
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 11/26/2014	+/- prior week	Year ago	+/- year ago
Texas	901	-5	834	67
U.S. gas	344	-11	367	-23
U.S. oil	1572	-2	1391	181
U.S. total	1917	-12	1763	154
Canada	438	4	385	53

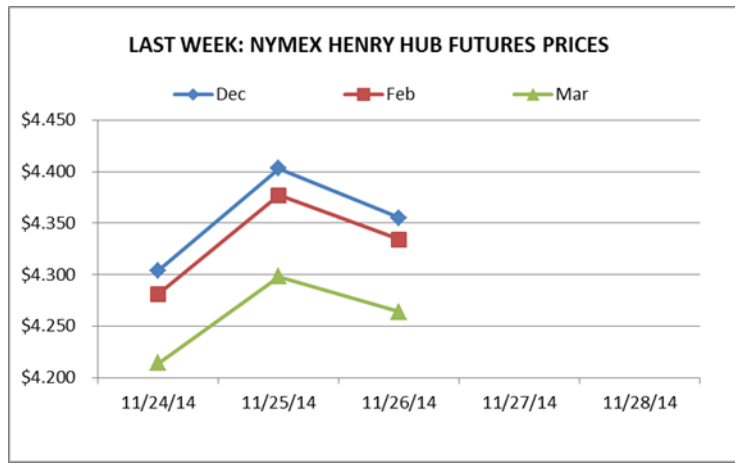
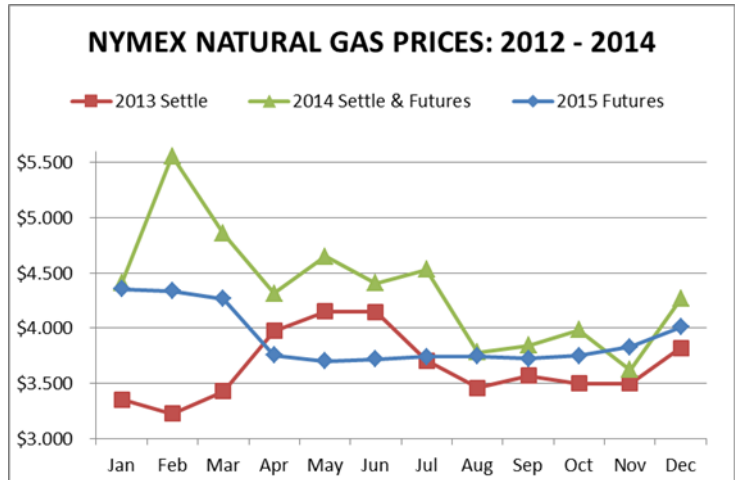
This week: U.S. energy use varies

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.-Nov. and futures prices for the remainder of the year.



* Data is unavailable for Nov. 27-28 due to the Thanksgiving Holiday.

NATURAL GAS PRICE SUMMARY AS OF 11/28/2014

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US Jan. futures				
NYMEX	\$4.355	\$0.089	-\$1.202	\$3.947