

January 13, 2014

Natural Gas Trends

Highlights

Storage pull above average. Record next week?

A 157-Bcf gas storage pull for the week ending January 3 was higher than most analysts expected, leaving 2.817 Tcf in storage as the market awaits a potentially record-breaking drawdown in next week's report. Consensus expectations for Thursday's report called for a withdrawal between 148 and 152 Bcf. A year earlier, EIA reported a 191-Bcf withdrawal, while the five-year average is 131 Bcf. As a result, the 562-Bcf deficit to the year-ago level narrowed to 528 Bcf, while the 289-Bcf deficit to the five-year average of 3.132 Tcf rose to 315 Bcf. Thursday's data was "interesting in the sense that the producing region withdrew much more than expected considering both our sample of activity from facilities and our supply and demand estimates for the region," said analyst Jeff Moore at Platts unit Bentek Energy. "Demand definitely rose within the region week-over-week, and it appears that the New Year's holiday had less of an impact than Christmas."

Despite the somewhat bullish draw, "the market shrugged off the report and focused instead on the warm-up in temperatures ahead," said BNP Paribas analyst Teri Viswanath. She also said the drop-off in recent prices seems premature given that there is more than half of the heating season ahead and that with the storage deficit, it's likely that the refill season will commence at "a very low starting point."

Looking ahead, next week's EIA report could include the biggest withdrawal on record, some analysts indicated, influenced by the polar vortex that brought sub-zero weather to much of the country this week. "The numbers will certainly be in the same order of magnitude" as the record 285-Bcf withdrawal set a month ago, said independent analyst Stephen Smith. "I've never seen, on the [demand and weather data] scrapes, anything like it. What we won't get this time that we saw in December will be a significant freeze-off effect" in the production area.

Moore said next week's storage data "will be very telling to demand responses, because unlike the previous record-setting week in December, the bulk of the cold hit the largest market areas such as Chicago and the Northeast." "The big question is how additional production will impact the East region's withdrawal, as this level of cold hasn't hit the region since production in the Marcellus really ramped up," he added. "The Midwest doesn't have as significant of growth in production through, so there are still huge storage withdrawals possible and likely. Regardless, I definitely wouldn't be surprised if the announcement next week breaks the 285-Bcf record we saw a few weeks ago."

In Thursday's release, EIA reported a 98-Bcf withdrawal in the East to 1.403 Tcf, compared to 1.702 Tcf a year ago, a 17-Bcf draw in the West to 395 Bcf, compared with 482 Bcf a year ago, and a 42-Bcf draw in the producing region to 1.019 Tcf, compared with 1.161 Tcf a year ago. Inventories now are 239 Bcf below the five-year average of 1.642 Tcf in the East, 35 Bcf below the five-year average of 430 Bcf in the West and 40 Bcf below the five-year average of 1.059 Tcf in the producing region.

Source: Platts Gas Daily

Data

- February 2014 Natural Gas Futures Contract (as of January 10), NYMEX at Henry Hub closed at \$4.053 per million British thermal units (MMBtu)
- February 2014 Light, Sweet Crude Oil Futures Contract WTI (as of January 10), closed at \$92.72 per U.S. oil barrel (Bbl.) or approximately \$15.99 per MMBtu

Last week: Texas cooler than normal

For the week beginning 1/5/14 and ending 1/11/14, 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

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 1/11/14	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	226	16	2071	-1%
Austin	126	15	1072	31%
DFW	161	11	1313	12%
El Paso	140	-7	1205	-10%
Houston	108	10	861	15%
SAT	103	-2	805	2%
Texas**	133	9	1150	17%
U.S.**	226	18	2104	2%

* 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 2,817 Bcf

For the week ending 1/3/2014 working gas in storage decreased from 2,974 Bcf to 2,817 Bcf. This represents a decrease of 157 Bcf from the previous week. Stocks were 528 Bcf lower than last year at this time and 315 Bcf below the 5 year average of 3,132 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/3/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,403	1,501	-98	-14.6%
West	395	412	-17	-8.1%
Producing	1,019	1,061	-42	-3.8%
Lower 48 Total	2,817	2,974	-157	-10.1%

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 fifteen compared to the prior week and down 77 when compared to twelve months ago. The total rig count for the U.S. was up three for the week and down seven when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

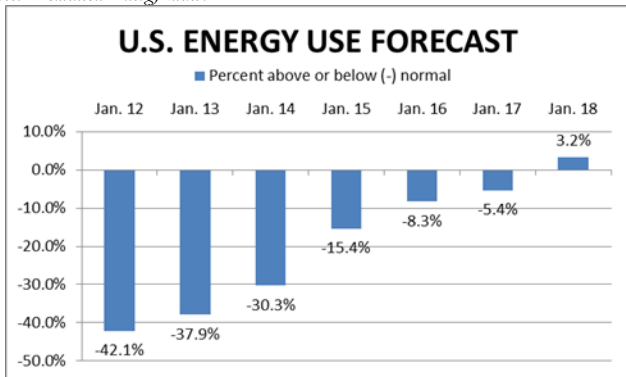
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 1/10/2014	+/- prior week	Year ago	+/- year ago
Texas	825	-7	824	1
U.S. gas	357	-15	434	-77
U.S. oil	1393	15	1323	70
U.S. total	1754	3	1761	-7
Canada	477	195	531	-54

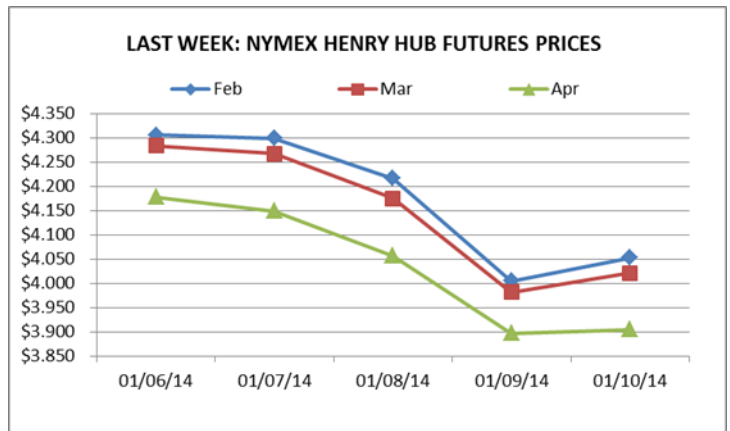
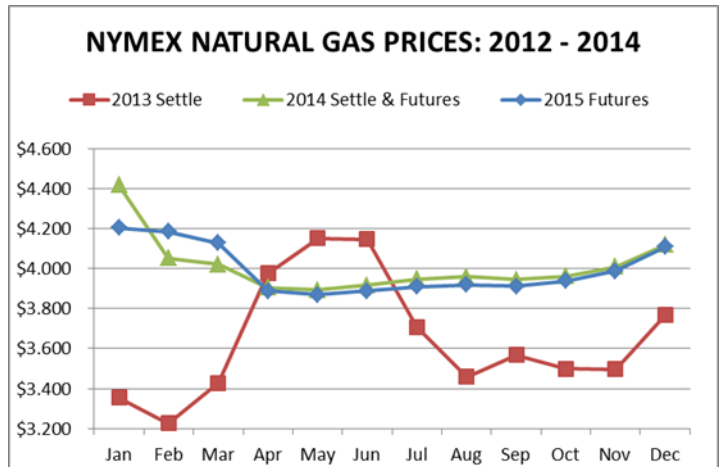
This week: U.S. energy use varies

U.S. energy use is predicted to be below normal for most of 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 January and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 1/10/2014

This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
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US February futures

NYMEX	\$4.053	-\$0.251	\$0.827	\$3.995
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