

June 13, 2016

Natural Gas Trends

Highlights

Maintenance cuts offshore Gulf production

Offshore Gulf of Mexico gas production has declined significantly over the past week, but the 0.7 Bcf/d drop, which has been largely in the Mississippi and Louisiana offshore areas, appears to be mainly a result of platform and producer maintenance rather than any impacts from Tropical Storm Colin in the Eastern Gulf. Total US offshore production has dropped to 3.2 Bcf/d from a May average of 3.9 Bcf/d and a 2016 peak of 4.1 Bcf on May 4.

In the Louisiana Offshore, the recent production declines have been largely on Discovery Pipeline, which posted a production drop on June 2 to 231 MMcf/d from 571 MMcf/d. Since June 2, Discovery supply has averaged only 185 MMcf/d, or nearly 318 MMcf/d less than the 30-day average. Maintenance on the Lucius/Hadrian production facility along Discovery's Keathley Canyon Connector to Junction Platform segment has been the main cause of the drop. Discovery said the maintenance was scheduled to end Sunday, but total scheduled volumes for Monday remained low at 216 MMcf/d. Flows on the pipeline segment increased to 72 MMcf/d Monday after averaging 36 MMcf/d from Thursday through Saturday.

In the Mississippi Offshore, receipts on Destin Pipeline from the Mississippi Canyon 254 Delta House facility also have declined. Beginning on Friday receipts from Delta House dropped from 258 MMcf/d to 2 Mcf/d and remained at that level through Monday, well below the 30-day average of 232 MMcf/d. Destin declined to provide any details, and no maintenance notices have been posted by the pipeline regarding Delta House. Destin also has upcoming maintenance scheduled this week (June 7-11) on its 24-inch-diameter line that will shut-in five receipt points that have averaged 53 MMcf/d over the last 30 days. The production declines at Destin and Discovery total about 550 MMcf/d compared to the 30-day average.

US output down 1.8 Bcf/d from year-to-date average

Meanwhile, Henry Hub prices have made strong gains over the last week, climbing to \$2.32 for the June 7 gas day compared to \$1.77 on May 30. US production has been weak at 70.6 Bcf/d this month to date compared with nearly 71 Bcf/d last month, 71.4 Bcf/d in April and a peak of 73.8 Bcf/d on February 19.

Recent declines, however, have not all been caused by the massive slow-down in drilling over the last year. Flooding in Texas and the Southeast, and maintenance in the Gulf have contributed to recent production declines. Tropical Storm Colin, however, is likely to have a negative impact on Southeast gas demand this week rather than on production. The storm is expected to bring significant rainfall and potential damage to power infrastructure Tuesday in Florida, Georgia and the Carolinas. Source: Platts Gas Daily

Data

- July 2016 Natural Gas Futures Contract (as of June 10) NYMEX at Henry Hub closed at \$2.556 per million British thermal units (MMBtu)
- July 2016 Light, Sweet Crude Oil Futures Contract WTI (as of June 10), closed at \$49.07 per U.S. oil barrel (Bbl.) or approximately \$8.46 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 6/5/16 and ending 6/11/16, cooling degree days (CDDs) were higher than normal (warmer) on average for the week and for the year to date for most of the Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/11/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	71	15	174	-9%
Austin	104	-4	654	-9%
DFW	116	15	585	15%
El Paso	149	41	599	18%
Houston	106	-1	720	-2%
SAT	104	-6	773	1%
Texas**	98	0	681	6%
U.S.**	51	9	260	16%

* A minus (-) value is cooler than normal; a plus (+) value is warmer 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 2,972 Bcf

For the week ending 6/03/2016 working gas in storage increased from 2,907 Bcf to 2,972 Bcf. This represents an increase of 65 Bcf from the previous week. Stocks were 660 Bcf higher than last year at this time and 722 Bcf above the 5 year average of 2,250 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/03/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	559	537	22	14.1%
Midwest	679	655	24	38.0%
Mountain	183	178	5	39.7%
Pacific	307	304	3	13.3%
South Central	1,244	1,233	11	43.5%
Lower 48 Total	2,972	2,907	65	32.1%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count up for the week

The gas rig count for the U.S. was up three for the week and down 136 when compared to twelve months ago. The total rig count for the U.S. was up six compared to last week and down 445 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

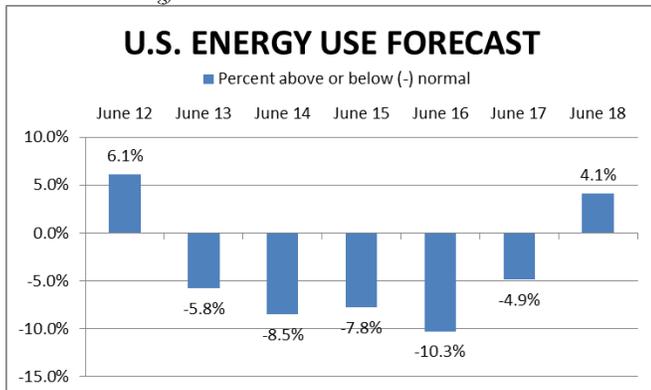
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/10/2016	+/- prior week	Year ago	+/- year ago
Texas	178	2	363	-185
U.S. gas	85	3	221	-136
U.S. oil	328	3	635	-307
U.S. total	414	6	859	-445
Canada	65	24	127	-62

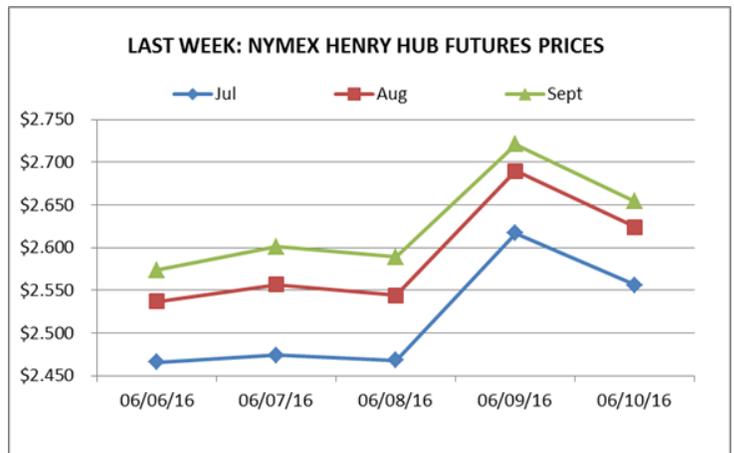
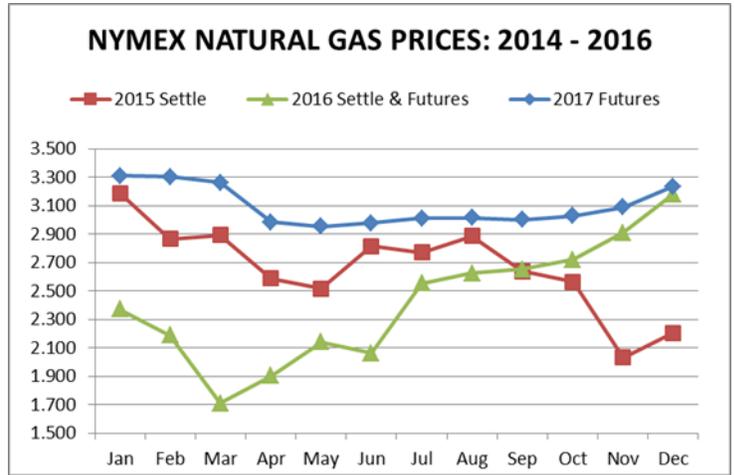
This week: U.S. energy use varies

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



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan-June, and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 6/10/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$2.556	\$0.158	-\$1.172	\$2.664