Natural Gas Market Indicators

November 26, 2019

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Reported Prices – despite the cold start to the winter, prices for natural gas have gravitated back to the mid-$2 range as colder weather forecasts have moderated. Henry Hub futures are trading at $2.44 per MMBtu as of November 26. On the oil side of pricing, crude oil rose on Tuesday, November 26, as optimism returned to US-China trade talks. Brent crude is trading at $64 per barrel, while West Texas Intermediate is slightly above $58 per barrel.

Weather – after a colder-than-normal beginning of November, heating degree days pulled back with a 4.7 percent warmer-than-normal week ending November 22. In aggregate, heating degree days are 6.8 percent higher than normal (colder) for the period extending back to the beginning of October 2019. For the week ending November 22, all regions saw temperatures warmer than the 2018–2019 heating degree day season. The West South Central region saw the most significant shift to warmer weather for the week at 40.4 percent warmer than this time last year.

Working Gas in Underground Storage – natural gas storage refills continued for the majority of November but then flipped with a vengeance. Storage stocks posted a strong 94 Bcf withdrawal for the week ending November 15 after reaching 3,732 Bcf of total inventory. Working gas in storage now sits at 3,638 Bcf, which positions inventories 1.6 percent below the 5-year average and 16.2 percent above last year at this time.

Natural Gas Production – total lower-48 production surged to 93.2 Bcf per day consistently on November 22, 23, and 24, setting a record and held that level for three days. This production record surpasses the previous record of 92.9 Bcf per day set on November 1. Domestic natural gas production year-to-date in 2019 compared to January 1 through November 26, 2018, is running 6.8 Bcf per day higher than one year ago. Daily dry gas production has clocked in at 92.4 Bcf per day, which is also 5.3 Bcf per day higher than November 2018.

Rig Count – the combined oil and natural gas rig count in the United States totaled 803 for the week ending November 22, down three from a week ago, and 276 lower than values seen during the same period in 2018. Pulling down the count was a drop in oil-directed rigs, which registered at 671 for the week. Gas directed rigs remained stable at 129 rigs for the week. Up north, Canadian rigs totaled 137, a gain of three rigs in operation from the previous week.

Shale Gas – according to the latest *Drilling Productivity Report* from the US Energy Information Administration, steady shale growth is projected through the end of 2019. Nationwide, gas production across the major shale basins is projected to reach 85.2 Bcf per day in December. For the month, the EIA expects the Permian Basin will hit another record for gas production at 16.5 Bcf per day, as reported by S&P Global. Other regions are expected to see slower, but consistent, growth. The EIA projects Bakken shale gas will surpass 3.1 Bcf per day; Niobrara gas production will reach nearly 5.6 Bcf per day, and Haynesville gas will exceed 12 Bcf per day in December.

Pipeline Imports and Exports – pipeline natural gas import volumes from Canada are up from this time last year with current monthly volumes at 4.0 Bcf per day, compared to 3.5 Bcf per day in November of 2018. Year-to-date averages have been 4.4 Bcf per day, which is 0.7 Bcf per day lower when compared to the 11 months of 2018 of 5.1 Bcf per day. On the southern border, pipeline exports to Mexico have been strong in 2019 and are now 5.1 Bcf per day year-to-date, which is 0.5 Bcf per day higher than the same period in 2018.

LNG Markets – Freeport LNG received authorization from the Federal Energy Regulatory Commission on November 21 to start commercial operations on the first train of the Texas export facility. November 21 saw a series of other significant decisions on LNG projects. Besides the Freeport LNG approval, FERC granted Natural Gas Act certificate orders to four LNG project exports—three terminals proposed in the Brownsville, Texas area, an expansion of Cheniere Energy's Corpus Christi LNG terminal, and full-construction approval on the small feedgas TransCameron Pipeline, according to S&P Global. The US now has six LNG terminals authorized for commercial operations. Currently, LNG export feedgas year-to-date is running 67 percent higher than 2018 at 5.5 Bcf per day.

Natural Gas Market Summary – increased production and lower natural gas prices have helped support an overall demand increase during November of 1.4 Bcf per day above November 2018. For the same period, volumes to power generation are up 1.8 Bcf per day; industrial demand is up 0.1 Bcf per day; residential-commercial consumption is now 0.5 Bcf per day lower. Exports to Mexico and LNG feedgas remain stronger than ever, up 0.4 Bcf per day compared to this month last year. Meanwhile, supplies are increasing. Record levels of production flowing into the market have more than offset declines in Canadian imports for the year. The first recorded net withdrawal of working gas from storage in mid-November offers an analytical signal that the winter heating season is upon us. However, market pricing is telling us that a strong supply picture is still dominating the supply-demand balance with inventories at highs and sustained, stable, and record levels of production. Amid these various records, we see a market rationalization for $2.44 per MMBtu prices at Henry Hub. This Thanksgiving, we are thankful for all that natural gas has helped provide to millions of Americans!