Natural Gas Market Indicators
American Gas Association

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Reported Prices – equity markets took a dip in early February as did oil and natural gas commodity prices. West Texas Intermediate crude fell to $58 by February 13 and Brent was at $62 dollars after brushing $70 earlier. Henry Hub futures for natural gas, which had been traded at more than $3.60 on January 29 with the market fresh off the New Year's cold spell and looking ahead at February, then fell below $3 during two straight weeks of warmer-than-normal temperatures for the lower-48, as measured by heating degree days. As of February 13, gas prices have failed to find additional support and are now trading near $2.60 per MMBtu.

Weather – warmer-than-normal temperatures prevailed for the last week of January and the first of February in the lower-48 states, though temperatures turned colder once again. The week ending February 10 was 0.5 percent colder than normal for the US with warmer temperatures South and West offset by colder temperatures in the East. Despite the cold snap in early January, HDDs have been 6.1 percent lower (warmer) than normal cumulatively since October. The warmest area of the country has been the Mountain and Pacific regions this winter, based on heating degree days. October, November, December (2017), and January 2018 were all warmer than normal by a little or a lot, as the winter heating season has progressed.

Working Gas in Underground Storage – EIA announced a 119 Bcf withdrawal from storage for the week ending February 2, which was slightly stronger than the consensus estimate, as reported by S&P Global, but bearish compared with the 142 Bcf withdrawal posted for the same week last year. For the week ending February 9, EIA announced a 194 Bcf withdrawal from storage. At 1,884 Bcf, working gas inventories are now below 2 Tcf for the first time since 2015 though remain above the five-year minimum.

Natural Gas Production – final EIA monthly data made shows that in November 2017, for the sixth consecutive month, dry gas production increased year over year from the prior year. Closer to present, preliminary data from S&P global shows that domestic natural gas dry production in 2018 is 6.6 Bcf per day higher in Feburary than the same period in 2017. Dry gas volumes consistently touch 78 Bcf according to S&P Global Platts, and EIA sees about 80 Bcf per day developing regularly by the end of this year.

Shale Gas **–** new-well gas production per drilling rig continues to increase in every major shale basin, according to the EIA Drilling Productivity Report. The Eagle Ford is set to see the largest incremental change from February to March 2018, but the Appalachian basin still produces the most gas per rig. The same report shows an increase in drilled-but-uncompleted (DUC) wells from December 2017 to January 2018. The number of DUCs in natural gas regions (Appalachia and Haynesville) is down 6 percent year over year with decreases in Appalachia partially offsetting increases in the Haynesville.

In liquids-rich regions, the number of DUCs has increased 50 percent since last year even as drilled- and completed-well counts have grown as well.

Rig Count – rig counts took a hit for the week ending February 9 as oil shed 13 and gas gave up 4. As has been the case for some time, oil rigs dominate the activity comprising 80 percent of the total. Both oil- and gas-directed rigs are up from year-ago levels. For oil in particular, which is 34 percent higher than this time in 2017, higher activity reflects the stronger price environment for crude oil. Regionally, the Hayneville has added the most rigs in percentage terms at 61 percent increase since last year. The Permian, however, has added the most rigs in absolute terms with 136 more rotary rigs in operation compared with 2017, an increase of 45 percent.

Pipeline Imports and Exports – imports from Canada averaged about 5 Bcf per day during February, with about 3 Bcf per day into the West, 1.5 Bcf per day into the Midwest, and the remainder flowing into Northeast markets. On the export side of the ledger, US is flowing about 4.5 Bcf per day of gas to Mexico with 3.9 Bcf per day of which coming out of Texas. Overall pipeline exports to Mexico are up 11 percent over 2017.

LNG Markets – according to Platts, the average price for LNG spot cargoes to Japan rose to $11 per MMBtu in January, the highest since December 2014. UK National Balancing Point prices are currently $7 per MMBtu. Back in the US, sendout of natural gas from imported LNG into the Northeast continues at a pace of about 0.5 Bcf per day. In the southeast, feedgas to Sabine Pass has averaged 3.2 Bcf per day in February, which is nearly 60 percent higher than this time last year.

Natural Gas Market Summary – by the end of January, the market looked ahead toward February and saw reason to move upward as prices hit $3.60 per MMBtu for prompt-month futures. This rally proved short-lived as temperatures remained at or above normal. Today, with March contracts for gas calling for $2.60, the dollar discount from only weeks prior reflects the strong position of gas supples. Production remains consistently robust at 77 Bcf per day. Imports from Canada and northeast LNG imports supplement supplies. And storage, even at it has fallen below 2 Tcf for the first time since 2015, is still above the five-year minimum for this time. Winter is not over yet, but only weeks after the gas industry marked the single-largest daily throughput in history, the market is giving a collective shrug.