Natural Gas Market Indicators

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Reported Prices – after reaching July highs, West Texas and Brent crude oil prices are down $2 for the second half of the month to $58 and $65 per barrel, respectively, over US-China trade talks and the potential economic impacts that could reduce demand for crude. At the same time, Henry Hub shows a steady falling trend in natural gas prices, currently trading at $2.23 per MMBtu for next-month delivery.

Weather – a nationwide heatwave struck the US the week beginning July 14, with cooling degree days ending 32.4 percent higher (warmer) than normal according to data from NOAA. On July 19, the US set a record for natural gas power generation reaching 44.6 Bcf per day, an impressive value showing strong demand amid hot temperatures. The following week, temperatures cooled slightly and so did demand. For the week ending July 27, power generation dropped to 37.0 Bcf per day to support normal, comfortable temperatures. In aggregate, every region of the lower-48, except the Mountain region, has been warmer than normal.

Working Gas in Underground Storage – the recent heatwave in the middle of July has moderated U.S. gas inventories injections. After a net increase of 36 Bcf for the week ending July 19, natural gas storage inventories sit at 2,569 Bcf. Stocks are now 13.2 percent greater than inventories from the same week last year and 5.6 below the five-year average.

Natural Gas Production – following Hurricane Barry, US lower-48 natural gas production was relatively flat for the second half of July, averaging 88.4 Bcf per day for the month-to-date average. According to S&P Global Platts, on July 28, Appalachian production hit a daily record high of 32.4 Bcf while total US production broke its previous record once again, reaching 89.4 Bcf per day on July 30.

Shale Gas – for the first time, a Japanese company has bought a gas producer in the US. The Japanese natural gas distributor Osaka Gas announced on July 29 the purchase of US shale player Sabine Oil and Gas Corp, in a $610 million deal. Osaka Gas decided to buy the whole corporation after Sabine was producing more volume than expected and generating stable cash flow, according to a company spokesperson and reported by Reuters. Amid this deal, the bigger picture shows low natural gas prices that reflect the strong shale supplies from Appalachian and Permian basins. According to S&P Global, the low prices have prompted gas producers to plan to cut future production growth to conserve cash.

Rig Count – while North American rigs operating rose by nine in Canada last week, they decreased by eight in the US to 1,048, 102 fewer than this same week last year. Of the eight rigs not in operation for the week ending July 26, three were targeting oil and five drilling for gas. Gas-directed drilling is down to 174, which is 17 fewer than one year ago, and oil operations are down 85 to 776 rigs. The Williston

Basin saw the greatest decrease in operating rigs, falling 15 percent from the week prior and 18 percent compared to 2018.

Pipeline Imports and Exports – imports from Canada are down 16 percent year to date from 2018 as imports into the Midwest are lagging by 10 percent from last year's volumes in July. The West is contributing to the deficit as well, importing 16 percent per day less than July of 2018. Pipeline exports to Mexico are up 8 percent this July compared with the same month last year. Now at 5.3 Bcf per day, total US exports to Mexico have been driven by volumes to Texas, accounting for the majority of the gains.

LNG Markets – on July 22, the Sempra-led Cameron LNG facility told FERC that it has finished testing and asked for authorization to begin commercial operation. The authorization, approved four days later, was significant for the LNG industry, as the fourth major US LNG terminal to enter commercial service. For the time being, feedgas deliveries to the terminal remain at zero as final preparations and facility inspections are made, but Cameron will likely see an increase of flows as soon as inspections are completed. At the same time, total US LNG feedgas volumes hit record highs on July 19, tying the record of 6.4 Bcf per day set four days earlier. Export volumes from Sabine Pass push back up after Hurricane Barry to 3.7 Bcf per day.

Natural Gas Market Summary – the US reached a new all-time high for domestic dry natural gas production at 88.9 Bcf on July 27. That record was broken on July 29 with 89.3 Bcf produced. Then, one day later, an estimated 89.4 Bcf of dry gas was produced, according to preliminary data from S&P Global Platts. Successive record-breaking has been the trend as US natural gas production continues to ratchet up during 2019. As production volumes were breaking records in July, natural gas to power generation climbed as high as 44.6 Bcf per day on July 19—the largest volume of natural gas-directed toward power generation on a single day. July and August are known as the "dog days of summer," and this year the hottest periods have tended to cover nearly the whole country. Only the Mountain region in aggregate has been cooler than normal this summer. A draw-back in weekly storage injections and net outflows have joined higher production to meet the increase in summer power burn demand. All of this while prices trade below $2.20 per MMBtu at Henry Hub.