

# Natural Gas Market Indicators



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**Reported Prices** – oil prices have advanced again with Brent crude at \$61.52 per barrel and domestic WTI just above \$57, creating a four and one-half dollar spread between the two markers. Natural gas prompt-month prices have huddled near \$3 per MMBtu recently but are now trading at about \$3.11. No major price movements yet, even with the kick-off of the traditional winter heating season, November 1 – March 31.

**Weather** – in September, the National Oceanographic and Atmospheric Administration (NOAA) outlook predicted warmer-than-normal conditions for October through December across much of the country. Through the first full week of November that forecast was largely fulfilled. However, compared to last year this year's heating degree day totals have been a little funky. This year's data has been as much as 75 percent colder than last year as a cold snap descended across much of the Eastern US but still 16 percent warmer than normal overall since October 1. Heating degree days for the week ending November 11, 2017, however, were 10.8 percent higher (colder) than normal but as noted above cumulative HDDs are still 16.7 lower (warmer) than normal since October. If the cold snap persists, this could quickly revert back toward more normal cumulative totals.

**Working Gas in Underground Storage** – inventories made one more push upward with net injections posted for the week ending November 3. The build of 15 Bcf brought working gas stocks to 3,790 Bcf, which is 5.5 percent behind 2016 and 1.8 percent below the five-year average. However, cold weather across much of the US will likely reverse flows as storage inventories begin to be utilized to meet heating demand.

**Natural Gas Production** – domestic natural gas production set another record on November 4 with production reaching above 76 Bcf per day. It seems, frankly, as if it happens at least once per week that dry gas production, according to Platts, jumps above 76 Bcf daily and a new record is set. Most of the production increases are located in the Northeast Utica and Marcellus plays. In addition, daily production of natural gas at 75.8 in November 2018 is running a strong 4.4 Bcf per day higher than the month's average in November 2016. With new Appalachian pipeline capacity emerging in service during November and more through the end of the year and into next, signs point to increasing production levels as easing constraints boost supplies. The question is how quickly does production fill this new capacity?

**Shale Gas** – ExxonMobil received approval to launch a shale gas exploration program from the Neuquén province in Western Argentina. An ExxonMobil press release says that the initial investment will amount to \$200 million to drill and attempt production from seven wells in the Los Todos block. The Neuquén hosts the Vaca Muerta and Los Molles shale formations, which boasts oil and natural gas resources in place. Natural gas production has increased in the area during the past few years as some companies have worked to develop the fledging basin. The announcement from ExxonMobil

comes on the heels of news earlier in October that gas transporter TGS has proposed an \$800 million pipeline and gas treatment plant in the Vaca Muerta, according to reporting from Reuters.

**Rig Count** – the domestic oil and gas rig count popped up 9 rigs for the week ending November 10, with all increased activity centered on land and primarily in oil-centered plays. The total rig count now stands at 907, 169 of which are gas directed. That count is 54 rigs higher than the gas-directed drilling one-year ago. Oil-directed drilling at 738 rigs are up 286 from one year ago.

**Pipeline Imports and Exports** – imports of dry gas from Canada averaged 5.2 Bcf per day in October and have averaged the same in November so far. At that rate, imports from Canada are running 0.8 Bcf per day higher this November than in November 2016. November 2017 over November 16 exports to Mexico are 0.2 Bcf per day higher at 4.2 Bcf per day. New pipeline construction in Mexico is underway, but delays may push back significant new export volumes.

**LNG Markets** – Dominion Energy has asked FERC to grant permission to begin exporting commissioning cargoes from its export facility at Cove Point, a signal to the market that the facility is nearly complete. In the meantime, feedgas for LNG exports at Sabine Pass reached 3.1 Bcf daily several times during the past week. Average daily feedgas volumes have been 2.8 Bcf per day in November 2017, which is 1.3 Bcf higher than the average for November last year.

**Natural Gas Market Summary** – cold has arrived, and with it surging demand. US natural gas consumption hit 98 Bcf per day on November 10, an increase of 33 percent from five days prior. Heating requirements for homes and businesses provided the main thrust as residential/commercial consumption jumped 93 percent during those five days. Power generation climbed 8 percent over that period; exports, while strong, ticked up a mere 2.7 percent. How much energy is 98 Bcf? The rate at which 98 Bcf per day flows chemical energy into the economy is equivalent to 1,230 GW. By comparison, the US power grid boasts a little more than 1,000 GW of net summer capacity. In other words, natural gas, as it does every winter, supplies *a lot* of our energy needs.

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