Natural Gas Market Indicators

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Reported Prices – monthly and seasonal strips for Henry Hub natural gas futures remain very stable only briefly peaking above $3 per MMBtu during the winter of 2019-20 and otherwise remaining below that benchmark through 2022. The current prompt month price for natural gas at Henry Hub is hovering around $2.72 per MMBtu, while Brent and West Texas Intermediate crude were at $68.12 and $60.26 per barrel on March 26, respectively. WTI crude had not touched $60 per barrel since mid-November 2018 and likewise for Brent, inasmuch as it had not been above $68 per barrel since November 14. Oil prices have since retreated slightly.

Weather – after a cold start to the 2018-19 winter heating season, temperatures moderated and much of January and February were spent warmer than normal in aggregate for the entire lower-48 states. Only the East North Central region was consistantly colder than normal for much of that period – all other regions being cumulatively warmer than normal going back to November 1. That began to change as colder temperatures developed in late February and early March to the point where national totals changed to 0.1 percent colder than normal by March 23 for the 2018-19 winter heating season. The upper midwest has contributed to that shift most significantly with the West North Central and East North Central regions 6.4 and 1.5 percent colder than normal, respectively.

Working Gas in Underground Storage – underground storage inventories have settled into the lowest portion of the five-year average range but weekly net withdrawals are also slowing dramatically with the week ending March 15 recording a 47 Bcf net drawdown and the week ending March 22 – only 36 Bcf net withdrawal. That volume of stored gas added to weekly supply comes after four straight weeks of net withdrawals of 149 Bcf or more. Current stocks of 1,107 are 33.2 percent below the five-year average and 20.5 percent behind inventories at this time last year. The largest regional deviations from the five-year average this winter heating season have come in the Mountain and Pacific regions, which are 46.1 and 48.3 percent, respectively, below.

Natural Gas Production – domestic natural gas production year-to-date is running 8.4 Bcf per day higher than one year ago with its latest surge. Daily dry gas production at 86.5 Bcf on average during March was 8.3 Bcf per day higher than in March 2018. In addition, this dry gas production level in the United States for March 2019 is a record for a calendar month. In other words, US dry gas production has never averaged 86 Bcf per day for a calendar month until now.

Shale Gas – natural gas production in Pennsylvania inched up by about one percent in January 2019 over December 2018 primarily on the strength of 10.5 percent month over month growth in production volumes from Ranges Resources. More broadly, 2018 data from corporate Securities and Exchange Commission filings (Form 10-K) in the first quarter of 2019 point to Equitable Resources (EQT) as the largest volume natural gas producer (1.4 Tcf) in the United States during the calendar year 2018.

Rounding out the top five are ExxonMobil, Chesapeake, Southwestern and Cabot with much of the gas originating as shale gas production.

Rig Count – with the loss of 10 rigs operating over the week, the total rig count for March 22, 2019 only exceeded that of last year by 21 rigs. At 192 gas-directed rigs drilling, counts were just two higher than this time last year and yet natural gas production has continued to rise. The same could be said for oil production and oil-directed drilling is only slightly higher than this time last year, also.

Pipeline Imports and Exports – pipeline natural gas import volumes from Canada are down from this time last year with current monthly volumes at 4.7 Bcf per day compared to 6.0 Bcf per day in March 2018. Year-to-date daily averages have been 4.9 Bcf per day, which is 0.7 Bcf lower when compared to the first three months of 2018. On the southern border, pipeline exports to Mexico have been strong in early 2019 and are now 5.0 Bcf per day year-to-date, which is 0.6 Bcf higher than the same period in 2018.

LNG Markets – according to recent reports, commercial service at Cheniere's Corpus Christi LNG export facility was authorized on March 1 and on March 12 a fifth train at Sabine Pass was given the go ahead to start service, also. Kinder Morgan's Elba Island (GA) project received approval to begin introducing feedgas to the liquefaction facility on March 6 with an in-service date anticipated during the second quarter of 2019. In south Texas, the Freeport LNG facility could be initiating its first cargo in July 2019 with second and third trains slated to begin operations in 2020. Feasibility and investment decisions remain in play for additional projects from the US gulf coast to Alaska. There is much activity in the US LNG export space to be sure. Year-to-date flows of feedgas for export have reached 4.5 Bcf per day and is 1.5 Bcf per day higher than the first quarter of 2018.

Natural Gas Market Summary – remember the most recent peak gas day back on January 30, 2019. Nearly 150 Bcf was consumed that day and less than two months later (mid-March) only 90 Bcf per day is being consumed, which includes 10 Bcf per day of pipeline and LNG exports. Managing daily, as well as monthly and seasonal swings in gas demand are what local gas utilities do. They respond to swings in natural gas consumption with pipeline, storage and even critical demand response tools to ensure heating loads are met and system integrity is sustained. By the way, they have been able to do that during recent winter heating seasons at low and stable prices on average.