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Reported Prices – the first week of December 2017 paraded warmer-than-normal temperatures across most of the country resulting in natural gas prices at Henry Hub below $3.00 per MMBtu. They are currently well below $3 at $2.66 per MMBtu. Oil prices on the other hand have bounced up and down leaving current prices just above $56.30 per barrel for West Texas Intermediate oil and about $62.15 per barrel for Brent crude.

Weather – ten weeks have passed since early October and only one week (in mid-November) has been colder than normal for the lower-48 states. Nine of ten weeks have accounted for heating degree day totals fewer than normal, or said another way, 14.8 percent warmer than normal for the country as a whole. All regions of the country individually have been warmer than normal in aggregate since October 1. The Mountain region and Pacific region have been 19 and 29 percent warmer, respectively, but New England, the Middle Atlantic and central part of the country have been warmer, also.

Working Gas in Underground Storage – net withdrawals of natural gas from underground storage finally surfaced in mid-November even though the withdrawals were modest. However, by the week ending December 1 net withdrawals turned around to another net injection of just 2 Bcf – but an injection nevertheless. Current underground storage volumes for the lower-48 at 3,626 Bcf are 5.3 percent below levels at this time last year and 0.7 percent lower than the five-year average.

Natural Gas Production – domestic dry natural gas production has spent the last week routinely above 76 Bcf per day. According to Platts, December 2017 domestic production is running 5.7 Bcf per day above that of December 2016, which is an increase of 8 percent. Year-to-date production is also running higher for 2017 (72.4 Bcf per day) compared to 2016 (71.6 Bcf per day).

Shale Gas – both the dry gas and wet gas windows in Ohio's Utica shale are drawing attention from natural gas producers. Permits in Belmont, Jefferson, Carroll and Columbiana counties point to continued interest in shale resources that seems to shift back and forth between a wet or dry focus, primarily based on natural gas liquids prices. Those NGL prices have been moving up recently. With that noted, Resources for the Future (RFF) has recently published a brief, "How the Shale Boom Has Transformed the US Oil and Gas Industry." The report examines among other things how unconventional resource development (primarily shale gas) has made producers very sensitive to changes in price and how this has reduced natural gas acquisition price volatility. Interestingly, RFF analyzed data from thousands of wells drilled between 2000 and 2015 and found unconventional gas wells able to respond to rising price signals with 2.7 times more production than that of conventional wells, thus making the overall system much more sensitive to pricing signals.

Rig Count – the domestic oil and gas rig count moved up another two rigs for the week ending December 8, with increased activity centered on land and in oil-directed plays. The total rig count now stands at 931, 180 of which are gas-focused. That count is 55 rigs higher than the gas-directed drilling one-year ago. Oil-directed drilling at 751 rigs are up 253 from one year ago.

Pipeline Imports and Exports – according to Mexico's National Control Center for Natural Gas (CENAGAS), the country currently imports 60 percent of gas consumed – much of that coming from the United States. Some analysts believe the 4 Bcf per day and more exported to Mexico from the US now may grow to 8 Bcf per day before domestic (Mexican) production increases and pipeline infrastructure catches up with Mexico's internal market. Imports of dry gas from Canada have averaged 5.0 Bcf per day in December. At that rate, imports from Canada are running only 0.2 Bcf per day higher this December than in December 2016.

LNG Markets – Dominion Energy Cove Point is now sending feed gas into its $4 billion LNG facility in Maryland as it undergoes commissioning. Shell NA LNG is supplying the natural gas for liquefaction at the plant during the commissioning process. The Dominion Energy unit will produce LNG for GAIL (India) and ST Cove Point LLC, a joint venture between Sumitomo Corp. and Tokyo Gas Co. Ltd., under 20-year contracts. Once in service, Cove Point will be the second major LNG export terminal in the Lower 48 states. Dominion has authorization from the U.S. Department of Energy to export the equivalent of 250 Bcf of natural gas in commissioning cargoes over two years. Additionally, more U.S. LNG export capacity is on the way. Kinder Morgan Inc. is scheduled to bring on smaller scale modular trains in the summer of 2018 and the Freeport LNG facility (TX) has said it plans to have all three of its 0.7-Bcf/d trains in service between the fourth quarter of 2018 and the third quarter of 2019. These projects plus new capacity from Cheniere's Corpus Christi terminal in Texas and Sempra Energy's Cameron LNG in Louisiana, would bring total U.S. LNG export capacity to 9.6 Bcf/d by the end of 2019, according to the Energy Information Administration. Feedgas volumes for LNG export have averaged 3.0 Bcf per day for the first half of December. That is 1.6 Bcf per day higher than in December 2016.

Natural Gas Market Summary – natural gas demand climbed above 100 Bcf on December 8 as homes and businesses turned up the heat. Including exports, daily lower-48 natural gas consumption reached nearly 108 Bcf. Could we set a new daily peak day this winter? The US just missed setting a record in early January 2017, where peak daily demand of 135 Bcf fell short of the 139 Bcf record established three years earlier. The difference this year is even higher structural demand in the market including current pipeline and LNG exports, small but consistent increases in industrial demand and, of course, the ever-present demand for natural gas for power generation.