

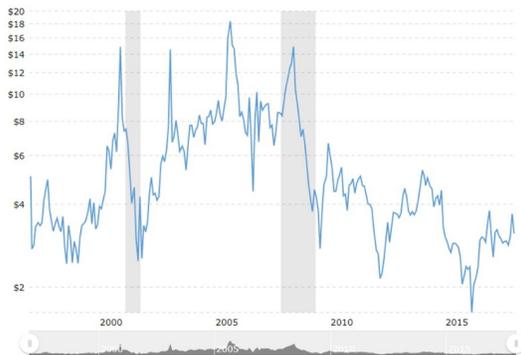


Natural Gas in Underground Storage

The weekly EIA Natural Gas Storage Report advised that there was a withdrawal of 48Bcf from Underground Storage for the week ending December 21st, 2018.

This is 4Bcf below the median forecast of a 52Bcf withdrawal, the average prediction of sector analysts and traders in the Dow Jones Newswires weekly survey. The withdrawal compares with -112Bcf last year and -121Bcf for the five-year average. Storage is **623Bcf below last year** for the same week and **647Bcf below the 5-year average**. Working gas in storage stands at 2,725Bcf.

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Natural Gas Pricing

As of 12:01PM CST, January 2018, (the prompt month) Natural Gas was trading at \$3.65, -\$0.12 from one week ago and the 1-Year Spread average was \$3.00, -\$0.06 from one week ago.

Crude Oil Pricing

As of 12:10PM CST, January, 2018, (the prompt month) Light, Sweet Crude on the NYMEX was at **\$45.46**, **-\$0.94** from one week ago.

Crude Oil & Natural Gas

INDEX	UNITS	PRICE	CHANGE	%CHANGE	CONTRACT	TIME (EST)	2 DAY
CL1:COM WTI Crude Oil (Nymex)	USD/bbl	45.46	+0.85	+1.91%	Feb 2019	1:10 PM	
CO1:COM Brent Crude (ICE)	USD/bbl	52.21	+0.05	+0.10%	Feb 2019	1:10 PM	
CP1:COM Crude Oil (Tokyo)	JPY/bi	35,660.00	-340.00	-0.94%	May 2019	1:15 PM	
NG1:COM Natural Gas (Nymex)	USD/MMBtu	3.31	-0.23	-6.63%	Feb 2019	1:10 PM	

U.S. Petroleum Balance Sheet, Week Ending 12/21/2018

Petroleum Stocks (Million Barrels)	Current Week	
	12/21/18	12/14/18
Crude Oil	1,090.6	1,090.6
Commercial (Excluding SPR) ¹	441.4	441.5
Strategic Petroleum Reserve (SPR) ²	649.1	649.1
Total Motor Gasoline ³	233.1	230.1
Reformulated	0.0	0.0
Conventional	25.5	25.5
Blending Components	207.5	204.5
Fuel Ethanol	23.1	23.9
Kerosene-Type Jet Fuel	40.5	39.8
Distillate Fuel Oil ³	119.9	119.9
15 ppm sulfur and Under ³	105.2	105.0
> 15 ppm to 500 ppm sulfur	4.5	4.5
> 500 ppm sulfur	10.3	10.5
Residual Fuel Oil	26.9	27.7
Propane/Propylene	72.2	73.2
Other Oils ⁴	270.5	273.4
Unfinished Oils	86.7	88.1
Total Stocks (Including SPR) ^{2,3}	1,876.7	1,878.7
Total Stocks (Excluding SPR) ³	1,227.5	1,229.6

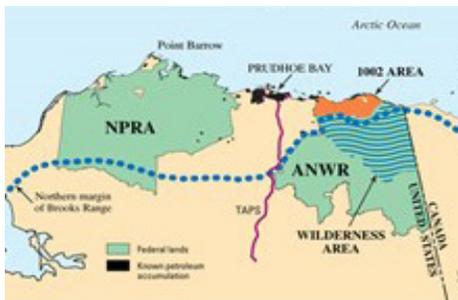
Crude Oil Inventory

US crude inventories decreased by 0.1 million barrels to 441.4 million barrels for the week ended December 21st, according to data released this morning by the US Department of Energy. Traders in the Reuters poll projected a decrease of 2.4 million barrels.

U.S. Rotary Rigs

U.S. Rotary Rigs drilling for natural gas were -1 at 197 for the week of December 21st. The number of rigs currently drilling for Natural Gas was +13 from last year. US Rigs drilling for oil were +10 at 883. There are 136 more rigs targeting oil than last year. Canadian rigs were -43 at 131 for the week. Rigs targeting oil remain 82% of all US drilling activity.

	North American Rig Count			Change		Percent Change	
	12/21/2018	12/14/2018	12/22/2017	Weekly	Annual	Weekly	Annual
Total U.S.	1,080	1,071	931	9	149	0.8%	16.0%
Offshore	24	23	19	1	5	4.3%	26.3%
Land	1,056	1,048	912	8	144	0.8%	15.8%
Inland Waters	3	3	2	0	1	0.0%	50.0%
Oil	883	873	747	10	136	1.1%	18.2%
Percent	81.8%	81.5%	80.2%	0.2%	1.5%		
Gas	197	198	184	(1)	13	-0.5%	7.1%
Percent	18.2%	18.5%	19.8%	-0.2%	-1.5%		
Directional	71	73	66	-2	5	-2.7%	7.6%
Horizontal	940	927	801	13	139	1.4%	17.4%
Vertical	69	71	64	-2	5	-2.8%	7.8%
Gulf of Mexico	24	23	19	1	5	4.3%	26.3%
Gulf Oil	20	19	15	1	5	5.3%	33.3%
Percent	83.3%	82.6%	78.9%	0.7%	4.4%		
Gulf Gas	4	4	4	0	0	0.0%	0.0%
Percent	16.7%	17.4%	21.1%	-0.7%	-4.4%		
Canada	131	174	210	(43)	(79)	-24.7%	-37.6%
Oil	58	95	120	(37)	(62)	-38.9%	-51.7%
Percent	44.3%	54.6%	57.1%	-10.3%	-12.9%		
Gas	73	79	90	(6)	(17)	-7.6%	-18.9%
Percent	55.7%	45.4%	42.9%	10.3%	12.9%		
North America	1,211	1,245	1,141	(34)	70	-2.7%	6.1%
Prices							
Oil \$/bbl.	\$47.56	\$51.56	\$57.89 (\$4.00)	(\$10.33)		-7.8%	-17.8%
Oil \$/mmbtu	\$8.20	\$8.89	\$9.98 (\$0.69)	(\$1.78)		-7.8%	-17.8%
Gas \$/mmbtu	\$3.67	\$4.21	\$2.67 (\$0.54)	\$1.00		-12.7%	37.4%



Geopolitical

WASHINGTON – The American Petroleum Institute released the following statement in response to the Department of the Interior’s announcement that it will issue a draft EIS for the leasing program proposed for the 1002 Area (coastal plain) of the Arctic National Wildlife Refuge (ANWR), on December 28.

“The coastal plain is a small portion of

Weather

The AccuWeather 1-5 day Outlook forecasts above-normal temps for the Eastern half of the US and below-normal temps for the Western half, with the exception of the Northwest and part of California, which are expected to be at normal or above normal temps. The 6-10 Day Outlook forecasts the East Coast and Northwest at above-normal temps with the Center at normal temps and most of the Southwest at below normal temps.

ANWR that has been identified for oil and natural gas exploration and the potential for safe and environmentally responsible energy development in this area is incredibly large and a key part of a long-term vision for U.S. energy security,” said API Director of Upstream and Industry Operations Erik Milito. “Responsible access to the Arctic region is in our national security interest, with other nations like Russia, Canada and Norway already actively exploring the area.

“Future development in this small portion of the coastal plain is supported by many of the North Slope tribal and village leadership, the Alaska State Legislature, and...

11-15 Day Outlook forecasts most of the East Coast at below-normal temps, most of the West coast at above-normal temps and the balance of the country at normal temps. The 30-day Outlook projects normal temps for almost all of the US except part of the Northwest, which is expected to be above-normal.

The 90-Day Outlook projects the most of the country at normal temps with the exception of the Western third of the US, which is expected to be at above-normal temps and much of the Southeast, expected to be at below-normal temps.



Sustainability and Renewables

One of the greatest Christmas parties in literature is King Arthur’s fifteen-day feast at Camelot, in Sir Gawain and the Green Knight. Before the knights are allowed to eat, Arthur insists on being told a story, and in Simon Armitage’s terrific translation, he demands “the tallest of tales, yet one ringing with truth”. In the spirit of the season, here are five tall-ish energy stories from 2018 that are nevertheless entirely true.

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This Week's Key Take-Away

Well, another year has passed. A year ago, the prompt month of Natural Gas was at \$2.84 with inventory standing at 3,332Bcf and today it is at \$3.65 with inventory at 2,725 Bcf.

Crude was at \$59.55 vs. \$45.18 today. Inventory was at 431.9 million barrels vs. 441.4 today.

What does this mean? Inventory matters... sometimes. Natural Gas prices are up 29% over last year, while inventory is down 18%. Crude

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A year ago, the Energy Information Administration forecast that US crude production would rise in 2018 by a little under 600,000 barrels a day, December to December. That turned out to be a colossal understatement: the actual increase was about 1.6m b/d, with US output estimated to be running at about 11.6m b/d as 2018 draws to a close. That is well above the previous peak, reached in 1970, and also a little ahead of Russia, the world's second-largest producer, which reported its own record output of about 11.4m b/d for October...

prices are down 24% while inventory is up only 3%. As we now know, almost all of the pricing on the Dow or NYMEX has very little human input. Computer-generated predictive algorithms move at a speed far beyond human capability - just look at the stock market over the past few days.

A year ago, we projected an increase in the cost of Natural Gas as the country was experiencing a colder-than-normal Winter, while this year, we are seeing warmer-than-normal weather, which has limited the price increase expected, based on the lower inventory. In fact, the market is now backward-dated, with May 2019 coming in below \$2.80.

Should temperatures remain at warmer-than-normal levels, expect pricing to remain below \$4, as lower usage narrows the gap between last-year's and this year's inventory levels.

Next Day On-Peak Power (traded for 12/28/2018)		
ISO-NE Mass Hub \$32.31	MISO Indiana Hub \$27.00	NYISO Zone G \$29.94
PJM West Hub \$25.20	ERCOT North \$25.75	CAISO SP15 \$42.33



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