

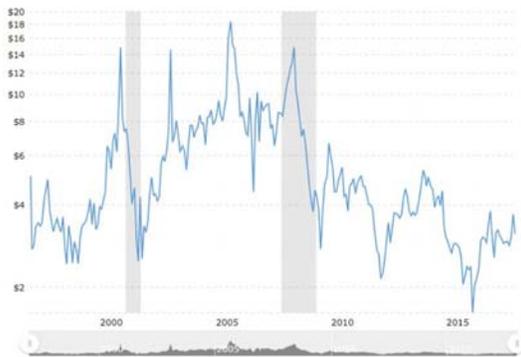


Natural Gas in Underground Storage

The weekly EIA Natural Gas Storage Report advised that there was an injection of 86Bcf (billion cubic feet) into Underground Storage for the week ending September 14th, 2018.

This is 5Bcf above the median forecast of a 81Bcf injection, the average prediction of sector analysts and traders in the Dow Jones Newswires weekly survey. The injection one year ago was 97Bcf and the 5-year average injection is 76Bcf. Storage is **672Bcf below last year** for the same week and **586Bcf below the 5-year average**. Working gas in storage stands at 2,722Bcf. Lower 48 production reached another all-time high over this past weekend.

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Natural Gas Pricing

As of 9:46AM CST, October 2018, (the prompt month) Natural Gas was trading at \$2.92, +\$0.07 from one week ago and the 1-Year Spread average was \$2.79, +\$0.02 from one week ago.

Crude Oil Pricing

As of 9:47AM CST, October, 2018, (the prompt month) Light, Sweet Crude on the NYMEX was at **\$70.81**, **+\$1.16** from one week ago.

Crude Oil & Natural Gas							
INDEX	UNITS	PRICE	CHANGE	%CHANGE	CONTRACT	TIME (EDT)	2 DAY
CL1:COM WTI Crude Oil (Nymex)	USD/bbl	70.81	-0.31	-0.44%	Oct 2018	10:47 AM	
CO1:COM Brent Crude (ICE)	USD/bbl	78.62	-0.78	-0.99%	Nov 2018	10:48 AM	
OP1:COM Crude Oil (Tokyo)	JPY/bbl	51,750.00	-420.00	-0.81%	Feb 2019	10:53 AM	
NG1:COM Natural Gas (Nymex)	USD/MMBtu	2.92	+0.01	+0.34%	Oct 2018	10:49 AM	

U.S. Petroleum Balance Sheet, Week Ending 9/14/2018

Petroleum Stocks (Million Barrels)	Current Week	
	9/14/18	9/7/18
Crude Oil	1,054.1	1,056.2
Commercial (Excluding SPR) ¹	394.1	396.2
Strategic Petroleum Reserve (SPR) ²	660.0	660.0
Total Motor Gasoline ³	234.2	235.9
Reformulated	0.0	0.0
Conventional	24.8	24.5
Blending Components	209.3	211.3
Fuel Ethanol	22.7	22.9
Kerosene-Type Jet Fuel	45.2	44.3
Distillate Fuel Oil ³	140.1	139.3
15 ppm sulfur and Under ³	126.4	125.8
> 15 ppm to 500 ppm sulfur	4.7	5.0
> 500 ppm sulfur	9.0	8.5
Residual Fuel Oil	27.8	28.3
Propane/Propylene	74.8	74.6
Other Oils ⁴	297.4	295.2
Unfinished Oils	88.1	87.8
Total Stocks (Including SPR) ^{2,3}	1,896.3	1,896.7
Total Stocks (Excluding SPR) ³	1,236.3	1,236.7

Crude Oil Inventory

US crude inventories **decreased by 2.1 million barrels** to 394.1 million barrels for the week ended September 14th, according to data released yesterday morning by the US Department of Energy. Traders in the Reuters poll projected a drop of 2.7 million barrels. Crude inventory fell for the 5th straight week. It has now dropped to its lowest level since early 2015.

U.S. Rotary Rigs

U.S. Rotary Rigs drilling for natural gas were unchanged at 186 for the week of September 14th. The number of rigs currently drilling for Natural Gas was the same as last year's level of 103. US Rigs drilling for oil were +7 at 867. There are 118 more rigs targeting oil than last year. Canadian rigs were +22 at 226 for the week. Rigs targeting oil remain 82% of all US drilling activity.

	North American Rig Count			Change		Percent Change	
	09/14/2018	09/07/2018	09/15/2017	Weekly	Annual	Weekly	Annual
Total U.S.	1,055	1,048	936	7	119	0.7%	12.7%
Offshore	20	19	17	1	3	5.3%	17.6%
Land	1,035	1,029	919	6	116	0.6%	12.6%
Inland Waters	5	3	4	2	1	66.7%	25.0%
Oil	867	860	749	7	118	0.8%	15.8%
Percent	82.2%	82.1%	80.0%	0.1%	2.2%		
Gas	186	186	186	0	0	0.0%	0.0%
Percent	17.6%	17.7%	19.9%	-0.1%	-2.2%		
Directional	71	65	74	6	-3	9.2%	-4.1%
Horizontal	921	918	795	3	126	0.3%	15.8%
Vertical	63	65	67	-2	-4	-3.1%	-6.0%
Gulf of Mexico	18	17	17	1	1	5.9%	5.9%
Gulf Oil	16	15	14	1	2	6.7%	14.3%
Percent	88.9%	88.2%	82.4%	0.7%	6.5%		
Gulf Gas	2	2	3	0	-1	0.0%	-33.3%
Percent	11.1%	11.8%	17.6%	-0.7%	-6.5%		
Canada	226	204	212	22	14	10.8%	6.6%
Oil	148	133	112	15	36	11.3%	32.1%
Percent	65.5%	65.2%	52.8%	0.3%	12.7%		
Gas	78	71	100	7	(22)	9.9%	-22.0%
Percent	34.5%	34.8%	47.2%	-0.3%	-12.7%		
North America	1,281	1,252	1,148	29	133	2.3%	11.6%
Prices							
Oil \$/bbl.	\$68.96	\$68.54	\$49.07	\$0.43	\$19.89	0.6%	40.5%
Oil \$/mmbtu	\$11.89	\$11.82	\$8.46	\$0.07	\$3.43	0.6%	40.5%
Gas \$/mmbtu	\$2.90	\$2.90	\$2.95 (\$0.00)	(\$0.05)		-0.1%	-1.8%



Geopolitical

U.S. sanctions crippling Iran oil exports: With nearly 50 days still to go before new U.S. oil sanctions against Iran officially take effect, Pres. Trump already has managed to **crush Iran's oil exports**, plunging +35% to 1.6M bbl/day from 2.5M just since April.

Weather

The AccuWeather 1-5 day Outlook forecasts above-normal temps for most of the US with the exception of part of the Southwest, New England, Southern Florida and the North, from Lake Michigan to Washington. The and West at above normal Temps

Oil accounts for nearly 80% of Iran's tax revenue, making it the country's economic lifeblood, and as oil exports have plunged, Iran's currency has plummeted 60%, pushing up inflation.

With early indications that European nations and Japan soon will stop buying Iranian crude altogether, analysts say the country's exports easily could drop by another 350K bbl/day by November to 1.3M; South Korea, a major importer of Iranian crude in the past, has not shipped any oil from Iran for 75 days.

Iran is not just losing customers for its crude, as under earlier sanctions, but also for condensate; total Iranian exports of condensate fell 40% in the first half of September from April to 175K bbl/day...

11-15 Day Outlook forecasts the Northeast and most of the Northern US at above-normal temperatures with normal temps for the Northwest and Western US. The balance of the country is projected at normal temps. The 30-day Outlook projects normal temps for most of the US with the exception of the Northeast and the balance of Far-Northern states, which are expected to be at above-normal temperatures.

The 90-Day Outlook shows normal temps for the entire country, with the exception of the Northeast, which is expected to be at above-normal temps.



Sustainability and Renewables

The world's first hydrogen train is now in service; Two Coradia iLint trains have begun running a line in northern Germany: The world's first (and second) **hydrogen-powered trains** have entered service in northern Germany, marking the start of a new era for sustainable travel.

Two Coradia iLint trains, made by Alstom, have begun working the line



This Week's Key Take-Away

Natural Gas prices have risen following Hurricane Florence, due mostly to pipeline damage in the East. We expect this trend to reverse itself over the next few weeks unless the weather prediction turns colder-than-normal for the next few months.

While the inventory report was higher than expected and 17Bcf higher than last week, it was still

between Cuxhaven and Buxtehude just west of Hamburg. Until now, the nearly 100km-long line has been serviced by diesel trains, but will now play host to near-silent engines.

We wrote the first iLint prototype at Alstom's German facilities earlier this year, and found the experience not to dissimilar to that of a diesel train. That is, however, the point, Alstom has made the vehicles so that they operate in the same way as the existing fleet to avoid any culture shock for passengers and crew. Except that they need to refuel their 1,000km capacity tanks at a dedicated H2 fueling station located at Bremervorde...

below last year's injection, causing a further deficit vs. 2017's inventory. Spot electricity prices have remained low in most markets.

It is very difficult to read which way Natural Gas prices will go over the next 30 days. They *should* drop, as the "shoulder months" usually mean less usage. Additionally, the US is at all-time highs in Natural Gas production. There has also been demand destruction due to the hurricane. That said, increases in LNG shipments and pipeline limitations could send prices up this fall. We will continue to carefully monitor the market.

Next Day On-Peak Power (traded for 9/20/2018)		
ISO-NE Mass Hub \$33.94	MISO Indiana Hub \$63.73	NYISO Zone G \$38.92
PJM West Hub \$49.22	ERCOT North \$36.21	CAISO SP15 \$42.80



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