

Natural gas futures off the highs after bearish storage data

Investing.com - Natural gas futures came off the highest levels of the session on Thursday, after data showed that U.S. natural gas supplies rose more than forecast last week.



On the New York Mercantile Exchange, natural gas for delivery in December tacked on 1.8 cents, or 0.48%, to trade at \$3.806 per million British thermal units during U.S. morning hours. Prices were at \$3.807 prior to the release of the supply data. A day earlier, natural gas prices jumped 5.7 cents, or 1.53%, to settle at \$3.788 per million British thermal units. Futures were likely to find support at \$3.696 per million British thermal units, the low from October 29, and resistance at \$3.857, the high from October 15.

The U.S. Energy Information Administration said in its weekly report that natural gas storage in the U.S. in the week ended October 24 rose by 87 billion cubic feet, above expectations for an increase of 85 billion and compared to a gain of 94 billion in the previous week. Inventories rose by 45 billion cubic feet in the same week a year earlier, while the five-year average change is a build of 59 billion cubic feet.

<http://www.investing.com/news/commodities-news/natural-gas-futures-off-the-highs-after-bearish-storage-data-314825>

(Investing.com) 10/30/14

Natural gas glut in Appalachia keeps pushing prices downward

Lower gas prices and a production glut in Appalachia aren't deterring the biggest drillers in the Marcellus shale.

Companies continue to report surging production in their quarterly statements, and several are forecasting growth into next year.

Production is growing because drillers are finding more efficient ways to extract gas from shale formations. But in Appalachia, which accounts for the lion's share of domestic gas production, a pipeline bottleneck has created a glut that is pressuring prices.

Spot prices at several Appalachian pipeline hubs spent the summer and fall \$1 to \$2 below the national benchmark of roughly \$4 per million British thermal units. Lower prices have not hurt many of the big players or forced them to dial back production. But executives and investors are closely watching the dilemma created by oversupply and pipeline constraints.

"If prices crashed to \$1.80, everybody would be hurting. But I don't see that happening," said Mark Marmo, president of Zelenople-based Deep Well Services, which completes wells for top Marcellus and Utica shale producers, such as Southwestern Energy, Range Resources and Chesapeake Energy.

Drillers that got into the shale play early enough to lease cheaper land and sign good deals on pipelines, or built solid infrastructure without going too deeply into debt, can power through another year or two until the oversupply goes away, executives and analysts predict. Cheaper land and deals are especially important because that would make the wells more economical.

<http://triblive.com/business/headlines/7042255-74/production-prices-based#axzz3I10BCQI7>

By David Conti (TribLive) 11/2/14

National Fuel Gas lowers rate nearly 9 percent

WESTERN PENNSYLVANIA – National Fuel Gas Distribution Corp. said Friday it was lowering its natural gas rates by 8.96 percent effective today. Under the utility's quarterly rate adjustment, the monthly bill of a typical NFG residential customer will drop \$6.89, to \$69.98 from \$76.87.

"This adjustment to gas supply charges reflects a decline in the market price of gas since the company lowered gas costs on Aug. 1," said Sandra James, NFG's director of corporate communications.

http://www.sharonherald.com/news/national-fuel-gas-lowers-rate-nearly-percent/article_bf63b648-6164-11e4-82ed-2fc0337c5ed7.html

Posted by James Raykie Edited by Michael Roknick

(Sharon Herald)

11/ 1/14



Crazy Diamond Performance Inc. Receives EPA Approval on Its Compressed Natural Gas Chevrolet Cruze and Chevrolet Sonic Retro Fit System

Shelby Township, MI, - Crazy Diamond Performance has received EPA approval on two new mono-fuel small passenger vehicles, the CNG Chevrolet Cruze and CNG Chevrolet Sonic. These new mono-fuel CNG platforms are the first of a series of small and fuel efficient vehicles coming from CDP, where cost, low emissions and reduced fuel consumption is important for not only fleet owners, but to the general public as well. "Soon to be available, are the 1.8L and 1.4L Cruze and Sonic CNG retrofit systems. These two vehicles represent a change in the status quo, with an OEM level integration of the fuel system and its components," states Michelle Fern, Executive Vice President CDP Inc. These vehicles provide flexibility for fleets looking to purchase a domestic small mono-fuel passenger sedan, but have not had an option until now. There are significant emissions benefits over its gasoline counterpart, with an average reduction in Carbon Dioxide (CO₂) of 25%. The Cruze and Sonic sedans, feature 8.5 GGE fuel capacity for highway range of nearly 300 miles.

<http://www.pr.com/press-release/590084>

(PR.com) 11/1/14

Our View: Maine's investment in natural gas expansion raises questions

Electricity ratepayers could be on the hook for up to \$1.5 billion if the project doesn't pan out.

The natural gas pipeline expansion now under consideration by the state Public Utilities Commission could relieve a bottleneck that spikes energy prices during winter cold snaps, giving a boost to commercial users. It also could leave ratepayers on the hook for as much as \$1.5 billion.

The commission voted 2-1 last week to review three proposals to expand pipeline capacity in New England. To help finance the project, the state would agree to buy up to \$75 million worth of natural gas each year, for up to 20 years. Any plan would have to be approved by the PUC and the governor.

Proponents say the public investment would pay for itself in the form of lower heating and electric costs, particularly during the winter, when high demand causes spikes in the price of electricity produced by gas-fired plants.

But if demand for natural gas is slack, and the state can't find a private buyer for the gas it already has paid for, businesses and residents would see an uptick in their monthly electric bills. Increased domestic production of natural gas has brought prices attractively low in recent years, and Maine's struggling paper mills have offered compelling testimony on the need to lower electricity costs through natural gas expansion.

<http://www.pressherald.com/2014/11/03/our-view-maines-investment-in-natural-gas-expansion-raises-questions/>

By The Editorial Board (Portland Press Herald) 11/3/14

Rover Pipeline across northern Ohio is fully booked for Utica, Marcellus natural gas

A Texas-based pipeline company has fully booked capacity on the proposed Rover Pipeline that will carry Utica and Marcellus shale natural gas across northern Ohio.

Energy Transfer Partners in Dallas announced on Thursday that the pipeline is fully subscribed through 15-year and 20-year contracts to transport 3.25 billion cubic feet of natural gas per day. That's enough natural gas to heat 32,000 to 36,000 American homes for one year. The 800-mile pipeline is estimated to cost up to \$4.4 billion.

One leg would run 186 miles from the Leesville natural gas processing plant under construction in Carroll County in eastern Ohio to Defiance in northwest Ohio. That line would pass through Stark and Wayne counties and could be built by December 2016.

<http://bakken.com/news/id/224688/rover-pipeline-across-northern-ohio-fully-booked-utica-marcellus-natural-gas/>

BOB DOWNING (The Akron Beacon Journal) 11/1/14

Albany prepares for conversion to CNG vehicles

The city of Albany will join a growing number of governmental agencies and private industries utilizing compressed natural gas fuel in many of their vehicles if a measure that will be presented to the City Commission Tuesday is approved.

Interim City Manager Tom Berry told the city's Water, Gas & Light Commission board Thursday that the city is expected to order as many as 11 transit buses soon that utilize CNG, which is made by compressing natural gas — usually methane — to less than 1 percent of the volume the gas occupies at standard atmospheric pressure.

<http://www.albanyherald.com/news/2014/nov/01/albany-prepares-for-conversion-to-cng-vehicles/>

By Carlton Fletcher carlton.fletcher@albanyherald.com (Albany Herald) 11/1/14

Douglas putting CNG vehicles on the road



DOUGLAS, GA (WALB) - The city of Douglas plans to convert several city cars into compressed natural gas vehicles.

Five police Dodge Chargers and other city fleet vehicles will soon run off natural gas. The city's trash provider, Waste Industries, has a contract to use the fuel for their vehicles. The city opened a CNG fueling facility October 1st that is open to the public. Anyone with a C-N-G or bi-fuel vehicle can use the station.

“Any vehicle that we think will make sense that will save money and will give us that carbon footprint in the city of Douglas we'll entertain doing. We want to be able to do a full fleet so some don't make sense but the ones we do, we'll convert to CNG vehicles. Police force will be some of the main ones,” said Mike Hudson, Natural Gas, Water and Waste Director.

The city plans to convert more vehicles to save on fuel costs.

<http://www.walb.com/story/27179450/douglas-putting-cng-vehicles-on-the-road>

By Irisha Jones (WALB News) 10/31/14

Ryder Inks CNG Contract with Delivery Fleet Servicing McDonald's

Ryder System Inc. says Northeast Foods, a Baltimore-based baking company and food distributor, has signed a full-service lease agreement for 25 compressed natural gas (CNG) delivery trucks.

Northeast Foods will use the trucks to support its distribution and delivery operations that exclusively service McDonald's Corp. It will begin to take delivery of the vehicles in 2015 and expects to have all 25 fully operational by midyear.

Ryder says this is its first natural gas lease customer in Maryland. The company will also provide maintenance for the 25 CNG vehicles from its Baltimore service facility, which is being upgraded for compliance with natural gas standards.

http://www.ngtnews.com/e107_plugins/content/content.php?content.10181#.VFfR8MlsySo

(NGT News) 10/31/14

Alabama's Largest CNG Station Opens its Doors

Corridor Clean Fuels, through a partnership with Home Oil Co. and the Southeast Alabama Gas District, has opened what it says is the largest compressed natural gas (CNG) fueling station in Alabama. Located in Dothan at the Hobo Pantry Chevron on 735 Ross Clark Cir., the \$2 million public-access station will sell CNG at \$1.98/gallon, according to a report from Dothan Eagle.

Corridor Clean Fuels said in July that ANGI Energy Systems would be supplying two 250 hp compressors, a single-vessel regenerative dryer and a three-tube CNG storage package. Two high-flow Kraus dispensers - each capable of delivering an average of approximately 10-12 DGE/minute - are also installed.

http://www.ngtnews.com/e107_plugins/content/content.php?content.10182#.VFfS18lsySo

(NDT News) 10/31/14



Promise of 'Captain America' fading for Asia's LNG buyers

North American liquefied natural gas projects, once believed to be the panacea that would save Asia from paying top dollar for the super chilled fuel, are proving to be less of a gamechanger than originally expected. High costs, gruelling regulatory processes and mounting social opposition have slowed the development of new capacity in Canada and the United States, tempering early hopes that a flood of cheap western gas would drive down prices.

A sudden rise in demand for LNG after the Fukushima nuclear disaster in March 2011 created a tight market for the commodity, pushing Asian prices to new highs and sending buyers scrambling to make deals with fledgling producers in North America. Three years later, the majority of projected U.S. and Canadian volumes are still as much as a decade from first shipment, making it difficult for them to spare Asia from LNG prices that have been up to twice as expensive as natural gas in European markets this year <http://www.reuters.com/article/2014/11/02/usa-asia-lng-idUSL1N0SO0IF20141102>

By Julie Gordon (Reuters) 11/2/14

Japan's 10 major utilities used 27.45 mil mt of LNG in Apr-Sep, up 1.2%: FEPC

Japan's 10 major utilities consumed 27.45 million mt of LNG in the six months to end September, up 1.2% from a year earlier, while coal use slipped 0.8% year-on-year to 28.68 million mt, the Federation of Electric Power Companies of Japan said. While Kansai Electric and Chugoku Electric saw their consumption of LNG hit record volumes for the April-September period, other major utilities including Tokyo Electric Power Co. and Chubu Electric said their use of LNG fell as cool summer temperatures depressed demand for air-conditioning.

The consumption of crude and fuel oil for the key Japanese power utilities was 247,811 b/d, down 31.3% from the same period last year, according to the FEPC.

<http://www.hellenicshippingnews.com/japans-10-major-utilities-used-27-45-mil-mt-of-lng-in-apr-sep-up-1-2-fepc/>

(Hellenic Shipping News) 11/3/14

Industry Briefs

Spectra Energy Partners has become the sixth member of PennEast Pipeline Co. LLC. Spectra joins AGL Resources; NJR Pipeline Co., a subsidiary of New Jersey Resources; PSEG Power LLC; South Jersey Industries; and UGI Energy Services (UGIES), a subsidiary of UGI Corp. Spectra Energy Partners and PSEG Power each have a 10% interest in PennEast; the remaining member companies each have a 20% interest. UGIES is the project manager and will operate the pipeline. The 108-mile, 36-inch diameter PennEast is planned to transport 1 Bcf/d of gas from northeastern Pennsylvania to an interconnect with Transcontinental Gas Pipeline in Mercer County, NJ

<http://www.naturalgasintel.com/articles/100272-industry-briefs>

NGI Staff (Natural Gas Intel) 10/31/14

Feds Ready to Approve Alaska LNG Export Application

Begich Secures Commitment from Department of Energy

Delivering Alaska's natural gas to market will enhance the energy security for America and our allies and trading partners, so the U.S. Department of Energy (DOE) "intends to act as expeditiously as possible on the current pending request to export Alaska LNG."

U.S. Energy Secretary Ernest Moniz described the DOE's support in response to a follow up letter (attached) from U.S. Senator Mark Begich on Moniz's visit to Alaska in August.

Moniz says producing Alaska gas "would not materially impact the lower-48 natural gas market" and "will improve energy security for many U.S. allies and trading partners." The upbeat letter (attached) is a shot-in-the-arm to Alaska's long-awaited natural gas pipeline project.

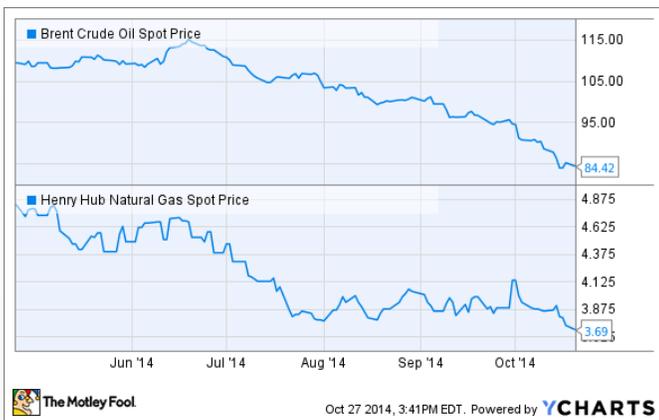
<http://politicalnews.me/?id=30871&keys=MONIZ-LNG-GAS-MARKET>

(PoliticalNews.me) 11/2/14

Energy Crisis! What Happens to America's Natural Gas With Low Oil Prices?

It really is stunning to see how quickly the energy situation in America has changed over the past few years. Thanks to the combination of horizontal drilling and hydraulic fracturing, American energy companies found the keys to unlocking vast sums of energy trapped in tight rocks. We're now overflowing with oil and gas -- so much so that America could soon go from an importer of energy to an exporter of energy.

However, that future is in jeopardy due to the recent plunge in oil prices. As the following chart notes, oil and natural gas prices are well below recent peak prices.

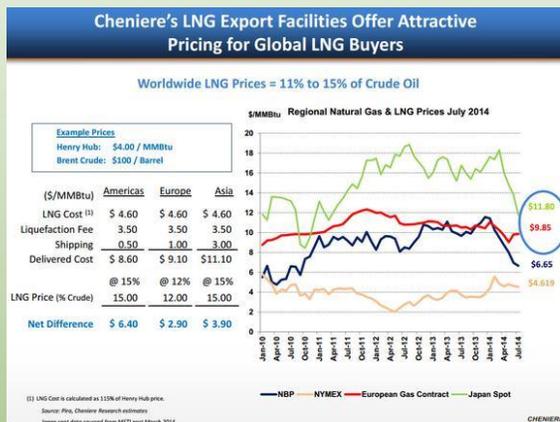


Brent Crude Oil Spot Price data by YCharts

This fall in oil prices could put the brakes on our higher-cost oil production growth from shale. However, it could also have an impact on the natural gas industry. Where this impact will really be felt is when it comes to liquefied natural gas, or LNG, which we'd been planning to export to world markets. Because of the link between oil prices and natural gas on the LNG market, it's causing America's cheap natural gas to no longer appear cheap.

When cheap is no longer cheaper

On the international markets LNG is typically priced by what are called oil-linked contracts. Under this link LNG sells for a percentage of the price of crude oil. We can see an example of this in a recent investor presentation by Cheniere Energy (NYSEMKT: LNG) , which is currently building LNG export facilities in the U.S.



Source: Cheniere Energy, Investor Presentation

Under an oil-linked contract LNG would sell for \$11 to \$15 per MMBtu if the price of global crude oil benchmark Brent is at \$100 per barrel. However, with Brent priced crude oil falling to about \$85 per barrel, the price for LNG would drop to \$9.35 to \$12.75 per MMBtu under that same scenario. After adding in the additional costs to liquefy the gas and then ship it overseas, we're looking at much less savings for LNG buyers around the world. In fact, at about \$80 per barrel, the discount to rival oil-linked LNG will basically vanish, causing a big problem for future LNG projects in America.

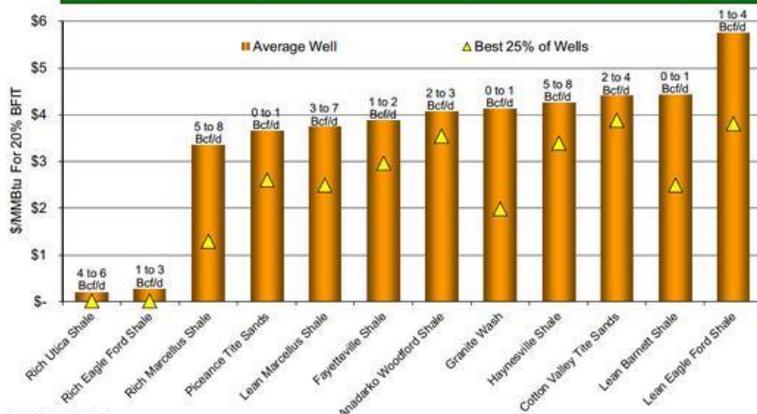
Plenty of gas, but not at this price

Further, there is a substantial amount of natural gas in America that requires higher gas prices before these sources are economical to drill. As the following slide from an investor presentation by Enterprise Products Partners LP (NYSE: EPD) points out, there is a plentiful supply of natural gas, but these supplies aren't economical unless the price of natural gas heads higher.

Plentiful Supply of Natural Gas Available ~~Below \$5~~ Approaching \$4



Potential Net Gas Additions – 24 to 45 Bcf/d by 2025



Source: EPD Fundamentals

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5

Source: Enterprise Products Partner L.P. Investor Presentation.

There is the potential for 24 to 45 billion cubic feet per day of natural gas supplies available once gas prices get over a certain point. That's a lot of gas as each day we could pump out enough to meet the energy needs of 250,000 to 475,000 homes for a full year. However, the driving force that would push gas prices higher to make this gas economical to drill would be demand from LNG exports. The fall in oil prices is making it less likely that this gas will be an economical option for LNG, as even our cheap gas might not be cheap enough anymore. So, if LNG demand doesn't materialize it means production growth from higher cost sources won't happen either. That will cost the U.S. the opportunity to create jobs and wealth by expanding our natural gas production to meet worldwide demand.

The plunge in the price of crude oil is making waves throughout the energy market. If the price of oil falls any further it could cause the price of LNG produced in America to actually cost more than LNG produced elsewhere due to the added costs from liquefaction and shipping. That could leave a lot of American LNG projects on the drawing board as well as leave a lot of our higher cost natural gas still stuck underground.

<http://www.fool.com/investing/general/2014/11/01/energy-crisis-what-happens-to-americas-natural-gas.aspx>

By Matt DiLallo (Motley Fool) 11/1/14

Korean company unveils icebreaking LNG tankers



Daewoo vice president Ohyig Kwon presents his company's icebreaking LNG tanker vessel, expected to be available in 2016, at the Arctic Circle Assembly in Reykjavik, Iceland, on Nov. 1. Craig Medred / Alaska Dispatch News

REYKJAVIK, Iceland -- Coming soon to an Arctic Ocean north of you: Icebreaking LNG tankers?

Maybe.

Daewoo Shipbuilding & Marine Engineering Co., a Korea-based company that is a world leader in marine vessel construction, caught more than a few attending the Arctic Circle Assembly by surprise on Saturday when it unveiled what appeared to be multipage sales brochure for such a vessel to be available in 2016.

<http://www.adn.com/article/20141101/korean-company-unveils-icebreaking-lng-tankers>

Craig Medred (Alaska Dispatch News) 11/1/14

Gas fuelled ships into the future



The 'Sapphire Blue' LNG-fuelled cruise ship concept design

The Motorship discusses the way forward for LNG at sea with Oskar Levander, vice-president of innovation, Rolls-Royce.

Ship technology and design moves forward thanks to two main development drivers. First, there is the technology 'push': new technologies and materials; new design procedures, which includes such technologies as CFD and simulations; and the ability to handle, analyse and communicate large amounts of data. But this has little purpose without the market 'pull': in the case of shipping this includes factors such as: regulations and environmental considerations; costs of fuel and the possibility of alternatives; cost of manning, and competence levels of the crew; the need to earn revenue; and safety and reliability.

One of the most important 'pulls' focusing the attention towards development of new designs and technologies is the introduction of emission control areas, where sulphur, and in the near future NOx, emissions will be very tightly controlled. With the choice of heavy and distillate fuels, with scrubbers and SCR installations cutting emissions when using the cheaper and more polluting fuels, and the possibility for gas fuels, in both dual fuel and pure gas engines, the palette is becoming more diverse. There is no clear answer as to which option to choose, the optimum choice will depend on a host of economic and operational variables, all of which are well documented.

Mr Levander is convinced that LNG as fuel will play a significant role in the future, particularly as ship and engine design evolve to take full advantage of its benefits. The number of LNG-fuelled ships in operation and on order is growing all the time; earlier this year the total passed the 100 mark, covering many different sectors from tugs up to large container ships and tankers.

<http://www.motorship.com/news101/ships-and-shipyards/gas-fuelled-ships-into-the-future>

(Motor Ship) 10/31/14



EQT: Fewer gas wells, but longer laterals

EQT plans to decrease the number of wells it drills in the Marcellus and Upper Devonian plays but make up for it by using longer laterals. The result, company executives said in a conference call following EQT's third-quarter earnings release, will be the same amount of production at a lower cost.

EQT Production had sales volume of 123.3 billion cubic feet equivalent in the quarter, which was a 25 percent increase over the third quarter 2013, primarily driven by increased production from the Marcellus/Upper Devonian plays. Natural gas liquids volume increased 87 percent over the same period last year, due to increased liquids production in the Marcellus and Permian. During the conference call with investment analysts, Steven T. Schlotterbeck, executive vice president and president of exploration and production, said the average length of Marcellus laterals this year will be about 5,820 feet, compared with 5,000 feet last year. EQT expects its wells to have even longer laterals next year, he said.

Also, EQT will have more wells per pad, he said. Last year, the company averaged 7.6 wells per pad. This year it expects to average 11 wells per pad. EQT CEO David L. Porges said this approach requires more time to drill and complete wells.

"However, from our perspective, the more important point is that this move to longer laterals results in a 6 percent reduction in cost per foot of pay and is consistent with that clear strategic driver to further reduce overall unit cost structure," he said.

<http://www.statejournal.com/story/27165064/eqt-fewer-gas-wells-but-longer-laterals>

By JIM ROSS (The State Journal) 11/1/14

New Subscriptions

If you are not currently receiving this newsletter directly, and you would like to be added to the distribution, please send an email to mjc33@psu.edu and enter the words "subscribe SGICC" in the subject line.

About the SGICC

The Ben Franklin Shale Gas Innovation and Commercialization Center (www.sgicc.org) is designed to harness innovation and new technologies to maximize the economic return to Pennsylvania's citizens from the Marcellus and Utica shale formations. The Center's goal is to increase sustainable employment and wealth creation in Pennsylvania that has the potential to outlast the initial exploration, production and transportation of natural gas from the formations. The Center will also identify, support and commercialize technologies and early-stage businesses that enhance responsible stewardship of the environment while properly utilizing this transformative energy asset.

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