Natural gas futures - weekly outlook: August 25 - 29
Investing.com - U.S. natural gas futures lost more than 1% on Friday, as market players continued to monitor near-term summer weather forecasts to gauge the strength of demand for the cooling fuel.

Updated weather forecasting models showed that above-normal temperatures in the U.S. East will give way to seasonal readings across most of the country from August 26 through September 4.

Demand for natural gas tends to fluctuate in the summer based on hot weather and air conditioning use.
On the New York Mercantile Exchange, natural gas for delivery in September plunged 1.26%, or 4.9 cents, to settle at $3.840 per million British thermal units by close of trade on Friday.

Prices rallied to $3.955 on Thursday, the most since August 13. On the week, Nymex natural gas prices rose 1.66%, or 6.4 cents. Futures were likely to find support at $3.780 per million British thermal units, the low from August 19 and resistance at $3.955, the high from August 21.

U.S. gas prices surged to a two-week high on Thursday as traders shrugged off bearish weekly storage data to focus on the possibility of hotter weather over the next two weeks.
(Investing.com) 8/24/14

Federal-Mogul unveils spark plugs for heavy-duty CNG vehicles

"Federal-Mogul Powertrain has developed a range of spark plugs for heavy-duty vehicles that run on compressed natural gas (CNG). Demand for CNG-fuelled trucks and buses, says the company, is being driven by increasing restrictions on emissions and environmental pressures – and, it says, its existing CNG product portfolio has been tailored to meet this demand.

"For example, we have different electrode material configurations with an iridium centre and, depending on the application, a platinum or iridium ground to optimise the electrode surface for extended life," says Dr Rene Trebbels, Federal-Mogul's ignition applications engineer.

Heavy-duty vehicle engines often encounter frequent idling periods, followed by wide open throttle operation, putting additional thermal shock stress on the material bonds of the spark plug.

"The electrode temperatures also tend to be higher in heavy-duty vehicle applications compared to stationary applications, and spark energy levels are lower, but we can carry across a great deal of our experience in geometry, materials and manufacturing processes to accommodate these variations," he adds.
(Transport Engineer) 8/22/14
**Cheshire Medical makes CNG switch**

Cheshire Medical Center/Dartmouth-Hitchcock Keene is changing its heat source from fuel oil to compressed natural gas, a conversion that officials say will result in a noticeable reduction in carbon dioxide and other emissions, creating a cleaner environment for its patients, employees and neighbors.

Because the hospital is not located on a gas pipeline, it previously did not have the option of converting to gas, but Vermont-based NG Advantage LLC will be trucking gas in high-tech carbon fiber trailers from its compressor station in Pembroke. The company provides very large energy users with gas through what it calls a “virtual pipeline” of a fleet of tractor trailers. [http://www.nhbr.com/August-22-2014/Cheshire-Medical-makes-CNG-switch/](http://www.nhbr.com/August-22-2014/Cheshire-Medical-makes-CNG-switch/)

By NHBR Staff (New Hampshire Business Review) 8/22/14

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**Natural Gas: Is Henry Hub Obsolete As The National Price Benchmark?**

*Summary*

- The changing structure of the market for natural gas makes price realizations by producers in the Marcellus/Utica region disconnect from traditional benchmarks.
- The Henry Hub pricing no longer adequately describes producer economics or producer behavior in the increasingly important Northeast region.
- While Henry Hub will preserve its prominence as the key national benchmark, a rival price benchmark in the Northeast may emerge with time.

While the Henry Hub price remains the most broadly quoted and watched benchmark for U.S. natural gas, its relevance to investors focused on E&P stocks has substantially diminished recently. Traditionally, the Henry Hub has been the natural gas price proxy for the Producing Region and an adequate benchmark for natural gas realizations seen by the majority, in terms of the number and combined market capitalization, of natural gas producers.

The market's structure is rapidly evolving, however. With the Marcellus and Utica already providing over 20% of the U.S. aggregate natural gas supply and quickly becoming net exporters of natural gas, the Northeast Region pricing points are increasingly important benchmarks for many E&P companies and are critical to the understanding of the sector's economics in general.

Given the availability of several major interstate pipelines connecting the Gulf Coast and the Northeast Region, one would expect a more or less predictable relationship to emerge between the Henry Hub and Marcellus pricing points once the balance of inter-regional flows is established. During the transition period, however, when existing pipeline flow configurations no longer reflect the market's demand, such a relationship simply does not exist. Given the magnitude of the potential Marcellus and Utica production growth, such a transition period may last for quite some time.

![Graph showing Henry Hub and northeastern prices, January – August 2014](image)

(Source: EIA)

The graph above shows how deep the disconnect has been this year between the two regions' pricing.
In fact, the current pricing at certain Marcellus hubs is so low that shutting in production may make economic sense for producers.

As seen from the following graph, the historical Gulf Coast/Northeast Region pricing relationship broke down at the end of 2011, the same time when the glut of new production from the Haynesville and Marcellus sent natural gas prices into a tailspin.

How long will the current Northeast basis anomaly last? Some market participants take an optimistic view that gas take-away constraints in the Marcellus/Utica will be mostly alleviated in less than two years. The slide below from Eclipse Resources' (NYSE:ECR) presentation shows a forecast that implies a significant surplus in takeaway capacity relative to production already in 2023.

Given the current structure of the market for natural gas, there is a need for an alternative benchmark to Henry Hub that would, at minimum, more adequately represent pricing in the Northeast region and, at maximum, rival Henry Hub. Unfortunately, such a benchmark may not emerge easily. Henry Hub has the benefit of much greater interconnectivity to multiple large interstate pipeline systems and storage capacity than any of the major Northeastern trading hubs (shown below). Moreover, Northeastern pricing points will remain at risk of basis singularities until local bottlenecks that limit connectivity between various pipeline systems in the Northeast are addressed. This may take time and significant capital.
In the longer perspective, Henry Hub will likely preserve its importance due to its position close to the export LNG outlets on the Gulf Coast that may account for as much as 10 Bcf/d of gas exports already by 2020. However, the emergence with time of a Northeast natural gas pricing benchmark that would rival Henry Hub in relevance and liquidity is logical.


Richard Zeits (Seeking Alpha) 8/25/14

GE partners with CNG fueling company to build out station network for fleets

*Partnership could make natural gas a more attractive fuel for light truck fleets.*

Eden Prairie, Minnesota – **GE Capital Fleet Services** has announced an agreement with **VNG.co**, a national CNG fueling facility provider, to support the expansion of the CNG refueling infrastructure for light-duty fleet vehicles.

With interest rising in CNG as a lower-cost, low-emissions fuel for light-duty fleets, GE Capital Fleet Services’ agreement with VNG is aimed at connecting and incenting fleet owners to use CNG-fueled vehicles.

Through the agreement with VNG, GE Capital Fleet Services’ customers will be able to take advantage of the increasing accessibility of CNG fueling stations, minimize overall fuel costs, and meet financial and environmental objectives through the use of a lower cost, more stably priced, environmentally friendly, and domestically sourced fuel.

VNG offers the benefits of fast-fill CNG fueling within existing retail gasoline stations, eliminating the need for fleets to own and maintain their own refueling stations. GE Capital Fleet Services works with its customers to identify opportunities to utilize natural gas vehicles (NGVs) within their fleets, and will work with VNG to pinpoint where additional fueling infrastructure is needed. VNG uses the GE “CNG In A Box” system for faster, easier deployment of its CNG fueling stations.

“We know from our customers that many commercial fleets want to adopt CNG vehicles. The barrier is the cost and availability of CNG fueling stations. Our alliance with VNG is a step toward breaking down this barrier,” says Kristi Webb, CEO of GE Capital Fleet Services.

http://www.onlinetes.com/Article.aspx?article_id=169712#.U_uUC2O9bK4

(Today’s Energy Solutions) 8/25/14
Kwik Trip CNG Station Count Up To 28

An additional four CNG sites will open in the fall of 2014.

Kwik Trip Inc., the Wis.-based chain of convenience stores, has opened its 28th compressed natural gas station. The most recently added include Davenport, Iowa, Lake Mills and Eau Claire, Wis. Kwik Trip opened its first CNG location in April of 2012 and has since then continued to develop a functional CNG fueling infrastructure throughout Wisconsin, Minnesota, and Iowa. As a privately held company, Kwik Trip has taken on the task to expand its fuel offerings using only its own internal resources and expertise. By bringing natural gas to the market, Kwik Trip has positioned itself to provide a better, more affordable fueling solution to the public.

Kwik Trip’s own distribution fleet, Convenience Transportation, runs a fleet of 65 Class 8 natural gas vehicles, with plans to continue the conversion of the entire fleet. Additionally, the company utilizes 42 light duty natural gas vehicles. http://www.csdecisions.com/2014/08/22/kwik-trip-cng-station-count-28/ (CSD Staff) (Convenience Store Decisions) 8/22/14

Qatar’s LNG dominance has limited staying power

Qatar, which spent the millennium’s first decade building up the world’s largest LNG export business, could have been buffeted by two shocks -- the disappearance of the US market because of its shale boom, and the Great Recession. But its dominance in LNG is far more than the oil industry in Saudi Arabia, which holds just 10 per cent of the market.

How can Qatar respond? In 2005, it decided to impose a moratorium on further expansion of the North Field, the source of nearly all its gas. The country could add another 12 million tonnes per year of capacity by debottlenecking its existing plants, and the North Field has ample reserves, but Qatar seems in no hurry to launch new projects. Meanwhile, exploration for deeper reservoirs beneath the North Field has so far not enjoyed commercial success. Current gas projects concentrate on supplying domestic power and petrochemicals.

In partnership with its favoured ally, ExxonMobil, Qatar Petroleum is planning to build an LNG export plant at Sabine Pass in Texas. This gives its portfolio greater depth and diversity, but with nothing like the profitability of its domestic investments. http://www.thenational.ae/business/energy/qatars-lng-dominance-has-limited-staying-power (Robin Mills) (The National Business) 8/24/14

US pushes monster Alaska LNG project

Governor Sean Parnell issued a statement after the U.S. Department of Energy announced the Alaska LNG project is exempt from a new rule changing how the department handles LNG export permissions. The exemption greatly streamlines the Alaska LNG project application. “This is a clear signal the Alaska LNG Project is gaining momentum,” Parnell said.

“I appreciate Secretary Ernest Moniz’s commitment to the project and am glad to hear the Energy Department strongly supports an Alaska gasline. The Alaska LNG Project will create thousands of Alaska jobs, and fuel homes and businesses from the North Slope to Fairbanks and across dozens of communities in Alaska. The secretary clearly recognizes Alaska is an emerging natural gas province.” AlaskaLNG is a monster project capable of delivering 20 million tonnes per annum, roughly the entire output of Australia’s three QLD projects. The capital outlay is comparable with Gorgon but the break even price is several dollars/mmbtu below Australia’s magnificently expensive seven. There’s along way to go on this one but there is a lot momentum with the Alaskan government an equity partner in the project. http://www.macrobusiness.com.au/2014/08/us-pushes-monster-alaska-lng-project/ (Macro Business) (Posted by Houses and Holes in Australian LNG) 8/25/14
Frack again? That is the question drillers are asking in the Marcellus

The image from energy services company Halliburton shows a shale well in cross section. The shaded blue areas are old fracks, plugged by the company's biodegradable material that seals off existing pathways. That lets pressure build in new areas, creating other pathways for gas to travel to the wellbore.

In 2009, Consol Energy Inc. drilled half a dozen natural gas wells in Center Township, Greene County, that weren't its best producers. The Cecil-based energy company was a novice in the Marcellus Shale at the time, as were most companies tapping the largest and then newest shale play in the United States.

With five years of experience and leaps in data and technology under its belt, Consol decided to give those old wells another go this year. It hired oil and gas services company Halliburton, which re-entered the horizontal wells, shot more holes through them, fracked those holes and forced out far more gas than the wells ever produced before.

When Consol revealed its success to investors last month, it said 200 other wells have refracking potential and it is evaluating starting a program to move those forward.

Halliburton sees refracking as a rapidly growing and promising part of its business and has designed a product that plugs existing fractures, then biodegrades over time, allowing a refrack to reach its potential without interference.


Anya Litvak: alitvak@post-gazette.com (Pittsburgh Post Gazette) 8/19/14

Pittsburgh airport gas drilling project set for official kickoff

Ground was broken months ago at Pittsburgh International Airport for Consol Energy's natural gas development project, and drilling began Aug. 15. This morning, Gov. Tom Corbett, Allegheny County Executive Rich Fitzgerald and Consol president and CEO Nick DeIlulis gathered near the drilling site for the “project kickoff,” said Tommy Johnson, vice president of government and public relations for Consol.

“It’s an important milestone,” he said.

For Allegheny County, and especially for Pittsburgh International Airport, it’s an important project.

Consol has built two well pads and plans to construct four more to drill a total of 47 Marcellus Shale wells in a footprint located on more than 9,000 acres of county-owned land near the airport.

The Canonsburg-based company expects the airport project will bring more than $1 billion to the region, including a $50 million bonus payment paid to the Allegheny County Airport Authority last year, 18 percent royalties to the authority over the next two decades and $500 million in capital spending by Consol.


By Kaitlynn Riely (Pittsburg Post Gazzette) 8/25/14
Shell reshuffles US shale assets in two major deals

Royal Dutch Shell PLC has agreed to two separate transactions in which it will exit its Pinedale and Haynesville onshore gas assets in exchange for $2.1 billion in cash and acreage in the Marcellus and Utica shale regions.

In one deal, Shell will sell its 107,000 net acres in the Haynesville of North Louisiana, along with associated field facilities and infrastructure, to Blackstone affiliates Blackstone Energy Partners and Vine Oil & Gas LP, Dallas, for $1.2 billion in cash. Vine, formed by Blackstone earlier this year, is an exploration and production company targeting US shale and led by Eric Marsh, a former executive vice-president of Encana (OGJ Online, Oct. 2, 2013).

The transaction encompasses 418 producing wells, 193 of which are Shell-operated. Gross production from Shell's assets, as of July 1, totaled 700 MMscfd of dry gas, with the company's net working interest share totaling 250 MMscfd. The agreement is effective July 1 and expected to close in the fourth quarter. Shell says it will continue to operate in Louisiana through its downstream, retail, midstream, and New Orleans-based deepwater operations.

In another deal, Shell will acquire 155,000 net acres in the Marcellus and Utica areas of Pennsylvania and receive a cash payment of $925 million from Ultra Petroleum Corp., Houston, in exchange for Shell's 19,000 net acres of leasehold interest in the Pinedale of Wyoming, including associated gathering and processing contracts.

The Pinedale assets encompass 1,108 gross wells and associated facilities, and an average of 0.7% overriding royalty interest in 11,500 acres. Shell's second-quarter net production from Pinedale totaled 190 MMscfd of dry gas. Ultra's first-half net production from the Marcellus and Utica assets averaged 109 MMscfd.

Shell will receive 63,000 net acres in the Marshlands area as well as 92,000 net acres in the Tioga area of mutual interest (AMI), an unincorporated joint venture with Ultra, giving Shell 100% interest in Tioga AMI. The agreement is effective Apr. 1 and expected to close this year. Ultra says the deal with Shell will increase its net proved reserves by 1.8 tcfe and expand company-operated production to 82% from 62%.

(Oil & Gas Journal) 08/25/2014

Shale gas boom prods LyondellBasell to invest in PO/TBA plant in USA

The plant on the US Gulf Coast will have an annual capacity of 900 million pounds of propylene oxide (PO) and 2 billion pounds of tertiary butyl alcohol (TBA) and its derivatives.

The shale gas boom in the US is prompting global petrochemical majors to rush to the country for setting manufacturing units. The latest to join the list is LyondellBasell, which has announced its plans to build a state-of-the-art PO/TBA plant on the US Gulf Coast with an annual capacity of 900 million pounds of propylene oxide (PO) and 2 billion pounds of tertiary butyl alcohol (TBA) and its derivatives. The preliminary timetable is to have the plant operational in 2019. The project is expected to generate up to 1,200 construction jobs at its peak.

BS B2B Bureau, Houston, Texas (USA) (Business Standard) 8/25/14
Sorry, Solar and Wind, but Natural Gas Wins

Fracking is expected to fuel an astounding 56% surge in U.S. natural gas production from 2012 to 2040 according to projections from the U.S. Energy Information Agency, or EIA. Because of that, surging production utilities are expected to build 1,600 million megawatt hours of new natural gas-fired electric power generation by 2040. That's an incredible amount of new natural gas power generation, and well above the expected additions of renewable power generation from wind and solar.

The EIA prepared three graphics that detail the projected rise of natural gas power generation in key power regions over the next few decades. The following chart takes a look at the Eastern region of the country.

Source: EIA
By Matt DiLallo (The Motley Fool) 8/24/14

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About the SGICC
The Ben Franklin Shale Gas Innovation and Commercialization Center (www.sgiic.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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