



Market Commentary for June 21, 2018

NATURAL GAS

Henry Hub

Day change: **\$0.011, up 0.4%** | Settle \$2.975 | July 2018

Waha Basis:

Day change: **\$0.062 down 6.5%** | Settle: -\$1.020 | July 2018

Low point on curve: **-\$1.609** | April 2019

TTF

Day change: **\$0.027, up 0.4%** | Settle \$7.317 | July 2018

Cryo-spread*

Day change: **\$0.211, down 3.4%** | Settle \$6.090 | July 2018

- Qatar Petroleum 20-year LNG supply contracts are under review by the European Commission; questioning if they are too restrictive and inhibit market development...
- ...this coming after the European Commission performed a 7-year investigation of Gazprom for market abuse
- Reuters reported Chinese improvements in shale gas production capabilities, highlighting well development costs of \$7.8 million and drilling time of 45-60 days...
- ...other improvements included Chinese shale gas production of 9 bcm in 2017 of total domestic natural gas production and are expected to grow to 17 bcm by 2020
- In California, CPUC staff asked the state regulator to allow SoCal Gas to increase Aliso Canyon's working capacity to 34 bcf to avoid potential gas supply shortages...
- ...with current pipeline and infrastructure constraints in the SoCal region, the CPUC noted SoCal would not be able to meet gas needs under peak demand scenarios
- Platts shows that with gas prices hitting over \$3.00 last week, natural gas storage inventories continue to trail the 5-year average by 87 bcf this injection season

*Cryo-spread = Gulf Coast LNG netback price less the front-month NG contract price, implying the gross margin of exporting LNG on the Gulf Coast

OIL

Brent

Day change: **\$1.69, down 2.3%** | Settle: \$73.05 | August 2018

WTI

Day change: **\$0.68, down 1.0%** | Settle: \$65.54 | August 2018

- Iran may be the odd man out as their oil minister left Vienna meetings with a pessimistic mood about their ability to agree to production increases...
- ...meanwhile OPEC and Russia continued discussions clarifying a plan to increase productions with Saudi Arabia, reportedly suggesting 600,000 to 1 million bpd...
- ...Bloomberg reported that several banks and analysts chimed in with estimates in the 500,000 to 750,000 bpd range...
- ...WTI was down modestly on the news and analysts suggest anything less than 500,000 bpd would be bullish for prices
- Cheer up Midland! It really could be worse - in Western Canada, a Syncrude upgrader came off-line taking 350,000 bpd of upgrading capacity...
- ...WCS is currently discounted \$24 to WTI
- Never mind Midland - Bloomberg reports producers like Halcon Resources idled 25% of its drilling fleet, while C&J Energy Services postponed plans grow its frack fleet until infrastructure constraints are removed...
- ...[DUC and run!](#) Meanwhile, Barclays suggested less drilling in the Permian could result in producers with options moving to less constrained oil plays in the U.S....
- ... while others could begin whittling down their DUC inventory, which are now 3,203 in the Permian, 90% higher than this time last year according to the DOE
- Bloomberg reports that offshore Gulf of Mexico projects have reduced breakeven prices into the \$35-40 per barrel which can compete directly with U.S. shale...
- ... the article identifies offshore cost reductions since 2014 have been delivered through standardization, technology, and longer tie-back laterals



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