# News : US gas production outlook flattens as low prices dampen activity, guidance

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- Gas-directed rigs hit nine-month low at 168
- Production up just 200 MMcf/d since January
- Producers promise slower well completions

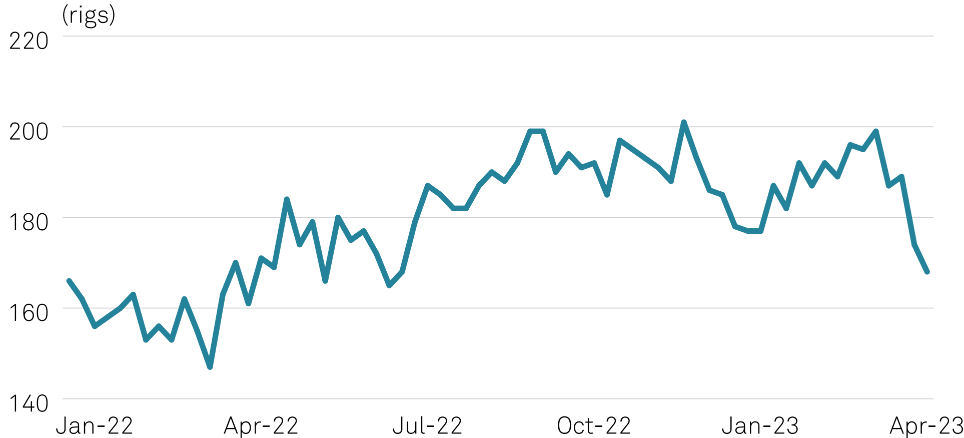
The outlook for US natural gas production growth in 2023 has cooled dramatically in recent weeks as persistently low prices begin weighing on gas-directed drilling activity and producer guidance.

In late January, benchmark Henry Hub futures prices dropped below $3/MMBtu and in the three-months since have averaged just $2.35/MMBtu, data from S&P Global Commodity Insights shows.

In the Haynesville, those price levels have left many producers underwater this year. According to a recent analysis from S&P Global, cost inflation over the past 12-18 months has lifted the breakeven price for an average Haynesville operator to nearly $3/MMBtu. Even in Appalachia, where breakeven prices for most producers are closer to $2/MMBtu, the downturn in gas prices has left little margin for profit.

While crude oil prices near $80/b have continued to support associated production from basins like the Permian, the Eagle Ford, the Bakken and others, the outlook for dry gas has flattened in recent months.

## US natural-gas directed drilling rigs




Source: S&P Global Commodity Insights

## Drilling, production

In late March, the number of gas-directed drilling rigs operating in US basins went into freefall with producers pulling more than 30 rigs, or about 16% of the fleet, to leave just 168 rigs as of late April.

While the number of oil rigs has been in retreat since mid-November, the slowdown has been more gradual with producers pulling about 65 rigs, or just over 9% of the fleet, in the past five months, rig data from S&P Global Commodity Insights shows.

Following aggressive growth in output in 2022, US gas production already appears to have flattened out this year. In January 2023, domestic output averaged about 100.3 Bcf/d, weighed down in part by a wellhead freeze-off at the start and end to the month. Thanks mostly to growth in the Permian Basin, US production was up by just over 200 MMcf/d in April to average nearly 100.5 Bcf/d.

Assuming the Permian Basin stays unconstrained this summer, the Texas-New Mexico play remains the most likely source for gas production growth in 2023 as the outlook for dry gas dims on midstream constraints in Appalachia and poor margins in the Haynesville.

## Outlook

In recent first-quarter earnings, some of the largest independent gas producers already mentioned the Haynesville Shale as a likely target for producer cuts to drilling and completion activity this year.

“We estimate that most Haynesville companies are not able to generate free cash flow in today’s pricing environment,” Antero Resources CFO Michael Kennedy told analysts during the company’s first-quarter earnings call April 27. “We’ve already begun to see a moderation of activity from these producers through the gas-directed rig declines in recent weeks. We expect this downward trend in rig counts to continue through 2023,” he said.

In the Haynesville, the rig count slipped to just 61 in the week ended April 19 – down from more-than-decade-long highs at 85-86 rigs this winter, S&P Global data shows.

Southwestern Energy, a major producer in both the Haynesville and Appalachia, said recently that it already trimmed gas and liquids production activity in Q1. Executives promised further cuts to well completions in both basins as needed to hit the lower end of its capital-spending and production guidance.

Appalachian producers EQT and Antero made similar pledges in recent earnings presentations, saying they would slow the amount of gas going to market this year by using fewer frack crews or by simply shutting in production. CNX Resources announced an even more aggressive move recently, telling investors and analysts that it would cut one of its two active rigs by the end of Q2.

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