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# News : US gas producers anticipate falling rigs, moderating storage builds to rerate 2024 pricing

By Jeremy Beaman ,J Robinson
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- Rigs down to nearly two-year low
- Production steady near 102 Bcf/d

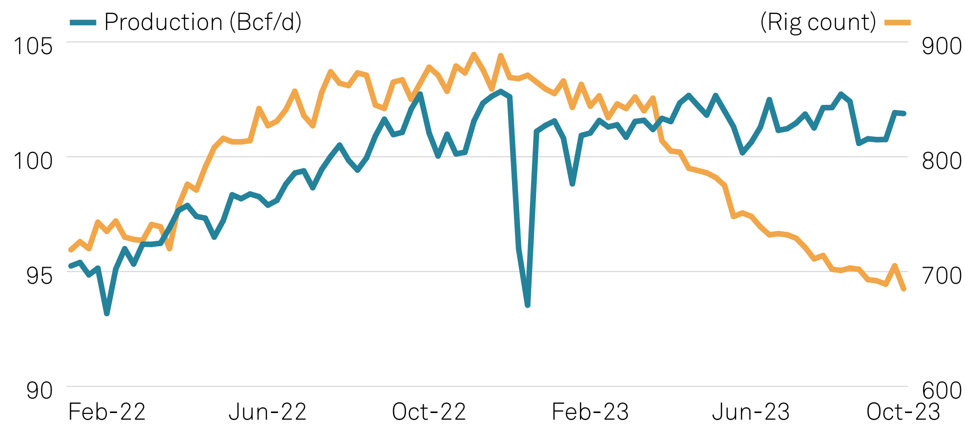
US natural gas producers expect declining rig activity and high LNG feedgas demand to cut into the gas storage surplus over the coming months, providing upside to pricing going into the new year.

"We believe the sharp decline in rigs and completion crews will curb production growth in 2024, helping to balance the US natural gas market," Antero Resources' Justin Fowler, who oversees gas marketing and transportation for the Appalachian producer, said Oct. 26 during a quarterly earnings call.

The US oil and gas rig count fell by 20 to 685 in the week to Oct. 18, its lowest level since December 2021, according to S&P Global Commodity Insights data. On the year, total rig activity is down more than 20%, while gas-directed rig numbers have fallen roughly 28% since the first week of January.

Gas production is also down from its 2023 monthly average high above 102 Bcf/d but has yet to take any major hit amid falling rigs, averaging about 101.7 Bcf/d month to date, S&P Global data showed.

## US gas production vs total rig count




Source: S&P Global Commodity Insights

## Producer expectations

Producers say they expect the drop in drilling activity to soon begin showing itself more clearly.

"While we do expect some incremental supply from associated gas in connection with new Permian pipeline capacity commencing in the fourth quarter, we see Lower 48 volumes exiting this year flat to slightly down compared to Q3 of 2023," EQT Corp. CFO Jeremy Knop told analysts during the company's Oct. 26 third quarter call.

"And we see further declines in the first half of 2024 as the impact from a 25%-plus drop in gas rigs since March begins to set in, especially in the high-decline Haynesville play where the rig count remains well below maintenance levels," Knop added.

Antero also drew special attention to the pace of declining Haynesville rigs and recalled that an eventual drop in gas production followed declines in rig activity back in 2019. That year began with 1,082 total rigs operating and bottomed out at 882 in November, S&P Global data showed.

Production then went on on to average roughly 90.6 Bcf/d during 2020, compared with 94.4 Bcf/d in the latter half of 2019.

Despite declining rig activity, current S&P Global models call for gas production to rise by incrementally month over month through December and to remain above 102 Bcf/d through the middle of 2024.

## LNG demand

On the LNG side of things, feedgas demand remains near all-time highs, averaging approximately 13.6 Bcf/d to date in the month of October, during which ongoing maintenance weighed down early-month demand numbers.

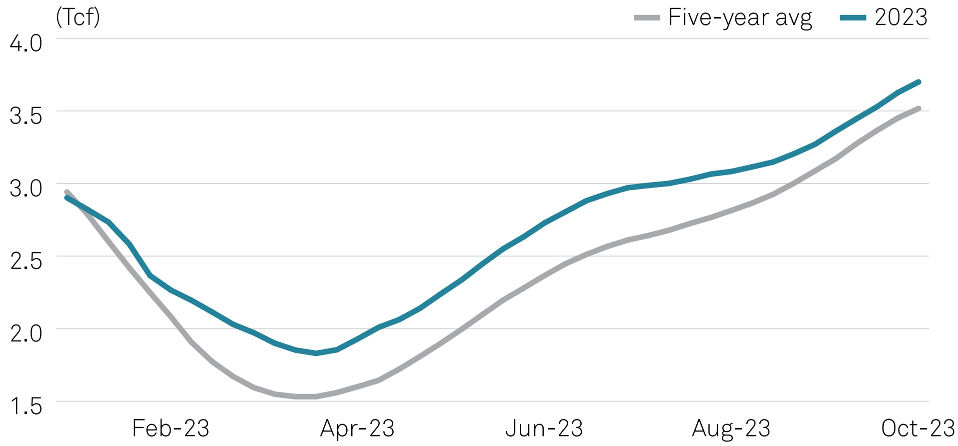
Commercial progress being made at the Golden Pass and Plaquemines LNG facilities, both of which intend to enter service in 2024, is "encouraging" and will create "structural tailwinds" for gas producers, EQT's Knop said Oct. 26.

As new liquefaction comes online in 2024, annual average demand for LNG feedgas is forecast to rise 8% compared with current-year levels, S&P Global data showed.

## Storage factor

"With production expected to moderate in the coming months and LNG exports hitting record highs, we anticipate storage levels will balance with the five-year average in 2024, thus providing support to natural gas prices," Antero CFO Michael Kennedy also said Oct. 26.

## 2023 lower-48 gas storage inventory vs five-year average




Source: US Energy Information Administration

Lower 48 storage levels have remained above the five-year average since mid-January, with the surplus peaking in March at 378 Bcf, or about 24%, above average, EIA data showed.

Strong production and storage numbers have weighed on prices throughout the year, challenging producer margins. Cash prices at Henry Hub averaged $2.50/MMBtu year to date.

The storage surplus has diminished, however, following several streaks of below-average injections over the summer, when US power burn hit new records above 53 Bcf.

The US Energy Information administration most recently reported an above-average 74-Bcf injection to storage for the week ended Oct. 20. Including the latest build, only 10 of the 29 weekly net storage injections to occur since the onset of April were above average.

As of Oct. 20, Lower 48 inventory stands at 3.7 Tcf and the surplus at 183 Bcf, or about 5% above the five-year average.

"If you have today's exact storage level at this same time next year, your surplus would go from almost 200 Bcf over the 5-year average today to a surplus of just 50 Bcf to next year's 5-year average," Kennedy said.