

EnMark Energy News

As of: February 1, 2012

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Dallas, Texas

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EIA WEEKLY STATUS REPORT - PETROLEUM STOCKS

EIAA

(million barrels)	01/27/12	01/20/12	CHANGE	01/28/11
CRUDE OIL (exc spr)	338.9	334.8	4.2	343.2
GASOLINE.....	230.1	227.1	3.0	236.2
JET FUEL.....	42.2	41.4	0.8	43.8
DISTILLATE FUEL.....	145.4	145.5	-0.1	164.1
HEATING OIL.....	30.8	32.1	-1.3	39.2
RESIDUAL FUEL.....	33.6	33.0	0.5	40.1
PROPANE/PROPYLENE...	49.0	50.8	-1.8	37.9
UNFINISHED OILS.....	78.4	77.6	0.8	81.1
OTHER OILS.....	195.6	195.0	0.6	190.7
TOTAL STOCK (exc spr)	1055.8	1047.4	8.4	1074.9
STRATEGIC PET.RESERV	696.0	696.0	UNCH	726.5
ALL STOCKS (inc spr)	1751.8	1743.4	8.4	1801.5

14:58 01Feb12-Brent crude up as China, Iran outweigh US stockbuild

NEW YORK, Feb 1 (Reuters) - Brent crude rose on Wednesday as upbeat Chinese manufacturing data and concerns about the standoff between Iran and the West outweighed data showing a large build in U.S. oil inventories. U.S. crude turned negative after data from the U.S. Energy Information Administration showed inventories shot up 4 million barrels last week, including a steep 1.5-million-barrel increase at the Cushing, Oklahoma, delivery point for the New York Mercantile Exchanges' s oil futures contract. Brent also pared gains after the data was released, but remained in positive territory on hopes that Greece appeared closer to clinching a debt-swap deal with its private creditors. In London, Brent crude for March delivery settled 58 cents higher at \$111.56 a barrel, after hitting an early high of \$112.82. Front-month Brent rose for a second straight day. U.S. crude fell 87 cents to close at \$97.61, the fourth straight daily decline and the lowest settlement in six weeks. In addition to higher stockpiles, U.S. crude was hampered by data showing a slower pace of job creation in the private sector, although manufacturing growth picked up in January. Brent's premium against U.S. crude widened to \$13.95 at the close, after the WTI/Brent spread jumped intraday to \$14.08, the highest since Nov. 15. On Tuesday, Brent's premium closed at \$12.50. Some market analysts said the spread could widen further as Cushing inventories were expected to grow. "We feel that an additional expansion of a couple more dollars is likely given the growing contrast between a supply re-build at Cushing and an attempt by European refiners to obtain

alternative supply sources ahead of an Iranian embargo," said Jim Ritterbusch, president of Ritterbusch & Associates in Galena, Illinois.

U.S. INVENTORIES

The EIA data also showed a strong 3 million barrel gain in U.S. gasoline stockpiles as demand continued to slump and stood at levels last seen 11 years ago. U.S. March RBOB gasoline futures sharply pared gains, closing at \$2.8922 a gallon, a gain of just 0.13 cent, off an early high of \$2.9487 hit before release of the EIA data. "U.S. RBOB gasoline is taking a hit from the EIA data and is pulling crude futures lower," said Stephen Schork, editor of the Schork Report in Villanova, Pennsylvania.

CHINA DATA, IRAN SANCTIONS

Early support for crude came from data showing China's factory sector expanded slightly in January, defying expectations for a contraction and supporting hopes that the world's largest energy consumer will continue to beef up oil demand as it avoids a hard landing. Traders were also eyeing U.S. efforts to further tighten its already harsh sanctions against Iran for its disputed nuclear program as U.S. lawmakers are considering more measures to constrict Tehran's oil revenues. The measures would single out Iran's national oil and shipping companies and restrict its ability to tap into electronic banking services. By Gene Ramos. Additional reporting by Robert Gibbons in New York, Simon Falush and Alex Lawler in London; Editing by Alden Bentley and David Gregorio.

15:21 01Feb12 -Only cure for low natgas price: stop drilling-Pickens

NEW YORK, Feb 1 (Reuters) - Energy tycoon T. Boone Pickens Wednesday said the only way to bolster U.S. natural gas prices and cut the market's massive oversupply is to stop drilling. Pickens, 83, an outspoken champion of natural gas vehicles, made the comments after his company, Clean Energy Fuels, announced a deal with truck maker Navistar to make more vehicles that run on the abundant fuel and build more fueling stations. Natural gas prices fell to 10-year lows early last week, increasing its attractiveness relative to diesel and gasoline, as supply at all-time highs swamps the market in one of the mildest winters on record. Widespread use of the fuel in transport will not move prices or affect consumers substantially, the billionaire corporate raider said. That power is in the hands of producers. "This country is so overwhelmed with natural gas that the only way to get prices up is to stop companies drilling gas wells," Pickens said at a news conference to promote the Navistar deal, which advances his aim to break U.S. dependence on oil for transport. "Don't be afraid that this deal will be made and we will wake up in a year with natural gas prices three or four times higher," Pickens said. Still, according to a Macquarie Bank analyst note, if 20 percent of the 3 million heavy-duty trucks in the United States were converted to run on natural gas long-term, it would boost daily gas demand by 6 percent from current levels. That would likely be more than enough to remove the current glut and potentially raise prices. The United States has enjoyed a drilling boom in recent years thanks to the emergence of production techniques such as horizontal drilling and fracking. But demand has failed to keep up, leading to an unprecedented glut. Chesapeake Energy and ConocoPhillips, whose earnings have suffered due to low natural gas prices, announced production cuts to help boost prices and beef up thin profit margins. Natural gas futures bounced off their lows

on the news, but have since trailed gradually downward again. Other companies have slowed drilling programs in purely natural gas fields by moving rigs to more lucrative oil-based liquids plays. Top natural gas producer ExxonMobil said on Tuesday that it doubled the proportion of its rigs drilling in liquids plays last year, though it has not shut in existing gas production. By Edward McAllister.

14:21 01Feb12-US natgas ends down 5 pct, pressured by weather, supplies

NEW YORK, Feb 1 (Reuters) - U.S. natural gas futures ended lower on Wednesday for a third day as record-high supply levels and mild weather forecasts through mid-February continued to weigh on the market. With production still running at all-time highs and inventories likely to end winter at a record high, most traders expect prices to remain on the defensive unless much colder weather arrives to kick up heating demand. Front-month prices spiked 14 percent last week after several key producers including ConocoPhillips and Chesapeake said they would either cut back dry gas drilling or shut in some production due to extremely low gas prices. But with planned cuts seen as insufficient to slow record output, prices so far this week have lost 11 percent, and more downside may be in store, with the gas market estimated to be oversupplied by as much as 3 billion cubic feet per day, or more than 4 percent. "This is a more persistent overhang and will need much more than some token announcements (by producers) to shut in a few molecules here and there to break the back of the glut," Gelber & Associates analyst Pax Saunders said in a report. Saunders said modest withdrawal expectations for Thursday's weekly inventory report were also driving prices lower. The front-month gas futures contract on the New York Mercantile Exchange slid 12.1 cents, or nearly 5 percent, to settle at \$2.382 per million British thermal units after trading between \$2.355 and \$2.471. The front contract, which hit a 10-year low of \$2.231 early last week, finished January with a 16.3 percent loss, making it the biggest loser so far this year of the 19 commodities listed in the Thomson Reuters-Jefferies CRB index. It was the biggest monthly slide for the nearby contract since August 2010, when gas prices plunged more than 22 percent. AccuWeather.com expects temperatures in the Northeast and Midwest, key gas-consuming regions, to average above normal for the next two weeks as daytime highs, at times, top out in the upper-40s or low-50s degrees Fahrenheit. While some extended forecasts still show cooler, more seasonal weather for the eastern half of the nation in the 10-day or 15-day outlook, traders note those models have not been very accurate this heating season. This winter so far has been the second mildest on record in the United States, averaging a projected 12 percent warmer than normal from Nov. 1 through Jan. 31, according to private forecaster MDA EarthSat.

STORAGE CONCERNS LIMIT PRICE GAINS

Last week's gas storage report from the U.S. Energy Information Administration showed total gas inventories of 3.098 trillion cubic feet were still at record highs for this time of year and 21 percent above the five-year average. EIA data on Thursday was expected to show that gas inventories fell last week by 127 billion cubic feet, according to a Reuters poll on Wednesday. That would be well short of the year-ago draw of 187 bcf and the five-year average drop for that week of 186 bcf, further expanding the huge surplus to both of those benchmarks. Inventory withdrawals this winter are running more than 300

bcf, or about 30 percent, below average, stirring concerns that the storage surplus may be an even bigger problem for prices than record production. Without better late-winter demand, storage owners may have to dump gas before March 31 to meet minimum seasonal turnover requirements. That could drive prices back below the recent 10-year low. Most analysts now expect inventories to end the winter at about 2.1 tcf, 35 percent above average and near the all-time high for end-season storage of 2.148 tcf set nearly 30 years ago. The huge cushion could also spell trouble for prices late in the summer stock-building season if inventory owners run out of room to store gas, forcing more supply into a glutted market. Estimates for U.S. working gas storage capacity range from 4.1 tcf to 4.4 tcf, a level that could be tested if storage builds from April through October match last year's 2.2 tcf.

OTHER FUNDAMENTALS:

Recent declines in the gas drilling rig count to a 25-month low below 800, a level some analysts say is needed to slow output, also raised expectations that producers were getting serious about stemming the record flood of dry gas supplies. But while low prices should squeeze producer margins and eventually slow output, analysts note that higher-value oil and gas liquids wells produce plenty of associated gas that still ends up in the market after processing. EIA data on Monday showed gross U.S. natural gas production in November hit a record high above 72 bcf daily. More fuel switching by utilities and industry to gas from costlier fuels such as oil and coal could add as much as 1.5 bcf per day, or 2.2 percent, to total gas demand in 2012. Tighter environmental rules on emissions should also favor gas, a less polluting fossil fuel, by forcing some power generators to shut less efficient coal units. Analysts agree it will be difficult to balance the gas market without serious production cuts. By Joseph Silha; editing by Jim Marshall and Marguerita Choy.