



ARKANSAS **ENERGY** REPORT



Business matters.

Editor's note: The Arkansas Energy Report is Sponsored by MISO & Arkansas State Chamber of Commerce.



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Arkansas' energy picture in recent months is one of low pump prices, a significant and unfortunate decline in natural gas production in the Fayetteville Shale Play, and a decline in nuclear electric production.

Following are data on various energy sectors. (*Talk Business & Politics makes every effort to use information that is current at time of posting the Arkansas Energy Report.*)

Arkansas' Energy Profile

"Arkansas Quick Facts" from the U.S. Energy Information Administration.

- Marketed natural gas production in Arkansas experienced a nearly six-fold increase between 2005 and 2014. In 2014 it accounted for 4.1% of U.S. marketed production.
- Arkansas, the top rice-producing state as of 2014, typically experiences an increase in natural gas consumption in the industrial sector (which includes agriculture) in the fall when natural gas is used to dry rice after harvest.
- Coal-fired electric power plants in Arkansas supplied over half (54%) of the state's electricity in 2014 and relied on coal deliveries via rail-car from Wyoming.
- Independent power producers provided over 18% of net electricity generation in Arkansas in 2014.
- Biomass supplied all of Arkansas' non-hydroelectric renewable energy resources for utility-scale electricity generation in 2014.
- Electricity in Arkansas produced by nuclear power totaled 12.53 million megawatt hours year-to-date through November 2015, down 4.5% compared to the same period in 2014.



Arkansas rig count remains at zero as natural gas prices remain low

By Talk Business & Politics Staff

The number of rotary rigs drilling for oil or natural gas in Arkansas remained at zero through January and February. The Arkansas rig count dwindled to one in the last week of December after Fayetteville Shale leader Southwestern Energy announced it was taking its final two rigs offline until natural gas prices turned around.

The number of drilling rigs in Arkansas peak at 60 on July 11, 2008, when Fayetteville Shale development was in full swing, Baker Hughes statistics show.

The U.S. rig count also has continued on its downward path as sliding oil and gas prices have pushed energy companies to suspend drilling operations and furlough work crews and support staff until the commodity markets turn around. As of March 4, there were 489 drilling rigs in operation across the U.S., down 13 from the week prior and a stunning 703 decline from last year's tally of 1,192 in the first week of March, according to Baker Hughes' weekly count. Of that total, there were 392 rigs drilling for oil and a mere 97 for natural gas.

The EIA also reported Feb. 10 that mining and exploration investment declined 35% in 2015, the second largest year over-year decline since the U.S. Bureau of Economic Analysis began reporting the series in 1948. Most mining and exploration investment reflects petroleum exploration and development, but the category also includes natural gas, coal, and other minerals. Mining and exploration investment declined from \$135 billion in 2014 to \$87.7 billion in 2015, weighing down investment growth more than any other segment of nonresidential investment.

Among major oil- and gas-producing state, Texas declined year-over-year by 311 rigs, New Mexico was down 44, Louisiana dropped 54, North Dakota was down 72, Oklahoma fell by 69 and Pennsylvania saw a decline of 35.

The U.S. rig count peaked at 4,530 in 1981 and bottomed at 488 in 1999.

Rig County by State (Top Ten, as of March 4)

Texas: **227**
Oklahoma: **70**
Louisiana: **46**
North Dakota: **33**
New Mexico: **17**
Colorado: **17**
Pennsylvania: **16**
Ohio: **12**
Alaska: **12**
W. Virginia: **12**
Wyoming: **9**
California: **6**



Arkansas gas stations boost pump prices ahead of refinery switchover

By Talk Business & Politics Staff

Arkansas and U.S. pump prices have ratcheted up at the fastest pace since early November as independent and branded gasoline station owners are raising local prices for regular unleaded and diesel ahead of the oil industry's upcoming refinery maintenance season.

According to AAA, U.S. gas prices have jumped nine cents in the past week to an average of \$1.80 for a gallon of regular unleaded as some refineries switchover to spring fuel blends and cut production in response to abundant supplies. Despite these seasonal increases, abundant gasoline supplies and lower crude oil costs should keep gas prices from rising as high as drivers have seen in recent years, officials said.

However, the timing of the shifts from winter-grade to spring-grade gasoline and from spring-grade to summer-grade gasoline vary by region, industry analysts say. The transition happens earlier in areas of the country where temperatures warm earlier in the calendar year, like Southern California.

For example, the spot price of wholesale gasoline in Los Angeles fell as low as 66 cents per gallon on Feb. 18, the lowest spot gasoline price in the nation and something that has only occurred on 24 days in the past 10 years, according to the U.S. Energy Information Administration (EIA).

In the U.S. Gulf Coast region, which includes Arkansas, spot gasolines prices rose 13 cents in the last week of February. Although retailers obtain gasoline stockpiles based on their relationship with suppliers, local pump prices in Arkansas and most regions directly reflect the wholesale price of gasoline that retailers purchase from refiners or at the terminal, also known as "the rack."

Arkansas motorists are paying on average about \$1.64 per gallon, up 8 cents from a week ago. Still, pump prices in the Natural State are well below a year ago, when drivers were paying \$2.28 per gasoline for regular unleaded, AAA data shows.

Following are the latest fuel pump prices in Arkansas metro areas, according to the AAA Daily Fuel Gauge Report. The first price is regular, the second price is diesel.

Fort Smith
\$1.69/gallon
\$1.85/gallon

Little Rock
\$1.60/gallon
\$1.82/gallon

Northwest Arkansas
\$1.71/gallon
\$1.77/gallon

Texarkana
\$1.60/gallon
\$1.82/gallon

Pine Bluff
\$1.72/gallon
\$1.84/gallon



REGULAR
DIESEL

January severance tax revenue down 67%, collections slide 71% for the year

By Talk Business & Politics Staff

Monthly severance tax revenues in January slumped to historic lows in Arkansas as natural gas rig crews across the state have been furloughed or packed up their drilling equipment for the foreseeable future.

In January, severance tax revenue fell to their lowest level in fiscal 2016 as tax collected on marketed natural gas sales drooped to only \$2.08 million, down 50.1% compared to \$6.27 million in the same period in fiscal 2015.

Since the beginning of the fiscal year that began July 1, 2015, severance tax collections for natural gas in Arkansas for the first seven months are down nearly 71% to \$22.9 million, compared to \$78.6 million for the same period of fiscal 2015, monthly tax data compiled by the Revenue Division of the Arkansas Department of Finance & Administration shows.

At the end of the second quarter, or the three-month period ended Dec. 31, severance tax revenue collected on marketed natural gas sales drooped to only \$9.98 million, down 50.1% compared to \$19.98 million in the same period in fiscal 2015.



Severance tax revenue collected on marketed natural gas sales

Dec. 31, 2014	Dec. 31, 2015
\$19.98	\$9.98
million	million

-50.1% ↓

High U.S. crude stockpiles, global economic uncertainty push oil prices below \$30 a barrel

By Talk Business & Politics Staff

Several factors have played a part in pushing U.S. crude oil prices below \$30 per barrel in February before rebounding in March, including high inventory levels of crude oil, uncertainty about global economic growth, volatility in equity and nonenergy commodity markets, and the potential for additional crude oil supply to enter the market, according to the U.S. Energy Information Administration.

Crude oil and petroleum product inventories, both domestically and internationally, have been growing since mid-2014 and are above five-year averages for this date. Although there is still traditional, on-land storage space available, higher inventory levels and expectations for global inventories to continue building in 2016 are lowering crude oil and petroleum product prices for near-term delivery.

Following are price points for select energy commodities as of March 4.

- Crude oil (NYMEX): \$35.92, up 3.9%
- Natural gas (NYMEX): \$1.67 (per million Btu), up 1.6%
- Coal (NYMEX): \$43.58 (per ton), up zero percent
- Gasoline (RBOB, essentially the raw commodity): New York, \$1.04 cents per gallon; Gulf Coast, 0.99 cents per gallon; and Los Angeles, \$1.31 cents per gallon.

Spot prices for electricity delivery ranged from \$21.85 per megawatt hours in New England states, to \$16.00 in the Houston market.

Total U.S. commercial crude oil inventories as of Feb. 26 was 518 million barrels, 10.4 million barrels more than the previous week. U.S. crude oil stockpiles exceeded 500 million barrels for the first time in February. Inventories at the oil trading hub of Cushing, Oklahoma rose by 1.2 million barrels to a total of 66.3 million barrels.

Following are price points for select energy commodities as of March 4.



CRUDE OIL (NYMEX):

\$35.92

up 3.9%



NATURAL GAS (NYMEX):

\$1.67 (per million Btu)

up 1.6%



COAL (NYMEX):

\$43.58 (per ton)

up 0%



GASOLINE (RBOB, essentially the raw commodity):

New York **\$1.04 cents** per gallon

Gulf Coast **0.99 cents** per gallon

Los Angeles **\$1.31 cents** per gallon



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