U.S. Crude Oil & Natural Gas Rig Counts Are Trending Higher

View from the Observation Deck

1. Today’s blog post illustrates the dramatic reduction in the number of active U.S. crude oil and natural gas rigs since energy prices peaked in 2014, as well as a bit of a rebound in the counts in the second half of 2016.

2. Rig count cuts are generally done in an effort to curb production in response to declining energy prices. Rig counts tend to rise when energy producers sense that higher prices are not only coming, but are sustainable.

3. Since the beginning of 2014, the peak (6/20/14) in the price of crude oil was $107.26 per barrel, while the peak (2/19/14) in the price of natural gas was $6.15 per million British thermal units (BTUs), according to Bloomberg.

4. As of 11/25/16, the price of a barrel of crude oil stood at $46.06 per barrel, down 57.06% from its peak in 2014, while the price of natural gas stood at $3.09 per million BTUs, down 49.76% from its peak in 2014. From 5/31/16 through 11/25/16, however, the price of natural gas rose by 34.93%.

5. With respect to the period depicted in the charts, the 118 active natural gas rigs registered on 11/25/16 was notably higher than the period low of 81, which was posted on 8/5/16. The 474 active crude oil rigs registered on 11/25/16 was up from the period low of 316, posted on 5/27/16.

6. Rig counts are just one barometer investors can use to assess both the crude oil and natural gas markets. U.S. investors should keep in mind that the crude oil market is more global in scope (foreign competition), while the natural gas market tends to be more domestic in scope, in our opinion.

The charts and performance data referenced are for illustrative purposes only and not indicative of any actual investment.