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 after energy prices began falling in the second half of 2014. It also shows the rebound after rig counts bottomed in 2016.

2. Active rig count reductions are generally done in an effort to curb production in response to declining energy prices. Active 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 7/14/17, the price of a barrel of crude oil stood at $46.54 per barrel, down 56.61% from its peak in 2014, while the price of natural gas stood at $2.98 per million BTUs, down 51.54% from its peak in 2014.

5. With respect to the period depicted in the charts, the 187 active natural gas rigs registered on 7/14/17 was more than double the period low of 81, which was posted on 8/5/16. The 765 active crude oil rigs registered on 7/14/17 was also more than double its period low of 316, posted on 5/27/16.

6. Active 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.

7. While the Organization of Petroleum Exporting Countries (OPEC) is seeking to lower crude oil production in an effort to address the global supply glut, U.S. producers, particularly in the shale regions, have been increasing production.

8. The U.S. Energy Department just announced on 7/17/17 that it expects U.S. crude oil production in the shale regions to rise for the eighth consecutive month in August 2017, according to Reuters. It also expects U.S. natural gas production to rise for an eighth consecutive month in August.

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