

February 23, 2015

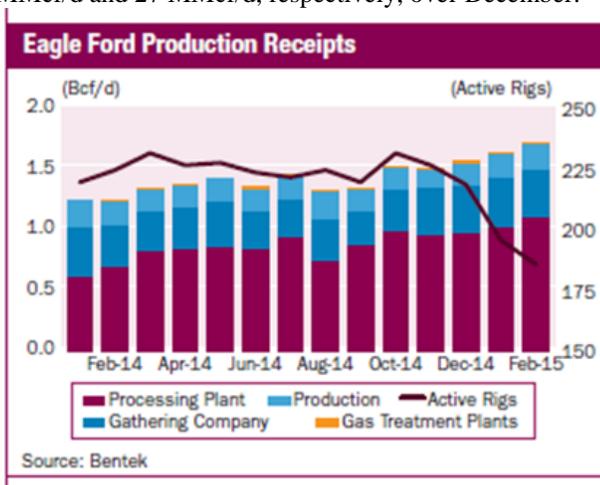
Natural Gas Trends

Highlights

Driven by Eagle Ford, Texas production breaks record, peaks at 21.8 Bcf/d

Texas gas production broke records over the past seven days, averaging just above the all-time high of 21.7 Bcf/d and peaking at 21.8 Bcf/d on Thursday, driven primarily by new production in the Eagle Ford. Total Texas production is now averaging above pre-freeze-off levels recorded last December, when production rapidly increased by nearly 1 Bcf/d over the course of the month. However, this build is primarily due to new production in the Eagle Ford, where sample receipts are currently averaging 1.75 Bcf/d, a 0.2 Bcf/d build over December, while areas affected by freeze-offs are still lagging behind last December levels.

The Eagle Ford build is primarily being driven by new processing plant and production receipts, which are up to 140 MMcf/d and 40 MMcf/d over December averages, respectively. More than half of the processing plant builds were from the 800 MMcf/d Jackson Plant in Jackson County Texas, where receipts rose by 72 MMcf/d over December. Additional growth was seen at the Flag City plant and the Eagle Plant, where receipts rose by 21 MMcf/d and 27 MMcf/d, respectively, over December.



Permian Basin production, which was particularly hard-hit by freeze-offs in January, saw sample production receipts fall by nearly half on January 4. However, production there has since recovered to 2.4 Bcf/d over the last seven days, a 0.4 Bcf/d build over January, but still trailing December highs by 0.1 Bcf/d. This is largely due to lost production receipts on El Paso, which still remain 0.14 Bcf/d below December highs. Surprisingly, the build in Eagle Ford production comes despite failing drilling activity. Operational rigs in the Eagle Ford have fallen to 184 for the week ended February 13, down 20% from the end of October, suggesting that producers are leveraging efficiency gains to continue growing production in the basin. The lost rigs were primarily (96%) horizontal oriented.

Source: Platts Gas Daily

Data

- March 2015 Natural Gas Futures Contract (as of February 20), NYMEX at Henry Hub closed at \$2.951 per million British thermal units (MMBtu)
- March 2015 Light, Sweet Crude Oil Futures Contract WTI (as of February 20), closed at \$50.34 per U.S. oil barrel (Bbl.) or approximately \$8.68 per MMBtu

Last week: Texas warmer than normal

For the week beginning 2/15/15 and ending 2/21/15, heating degree days (HDD) were lower than normal (warmer) on average for the week and for the year to date for most Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/21/15	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	164	-6	2845	-12%
Austin	79	4	1527	11%
DFW	101	-5	1811	-7%
El Paso	46	-55	1672	-19%
Houston	71	0	1178	-6%
SAT	59	-13	1160	-12%
Texas**	89	3	1580	-2%
U.S.**	253	75	3163	-2%

* A minus (-) value is warmer than normal; a plus (+) value is cooler than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which HDDs are calculated. ** State and U.S. degree days are population-weighted by NOAA.

-999 = Normal Less Than 100 or Ratio Incalculable

Last week: U.S. natural gas storage at 2,157 Bcf

For the week ending 2/13/2015 working gas in storage decreased from 2,268 Bcf to 2,157 Bcf. This represents a decrease of 111 Bcf from the previous week. Stocks were 678 Bcf higher than last year at this time and 58 Bcf above the 5 year average of 2,099 Bcf.

Source: <http://ir.eia.gov/ngs/ngs.html>

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/13/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	984	1,081	-97	-2.8%
West	375	371	4	19.0%
Producing	798	816	-18	3.4%
Lower 48 Total	2,157	2,268	-111	2.8%

Lower 48 states, underground storage, units in billion cubic feet (Bcf)

Last week: U.S. gas rig count down for the week

The gas rig count for the U.S. was down 11 for the week and down 53 when compared to twelve months ago. The total rig count for the U.S. was down 18 from last week and down 461 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

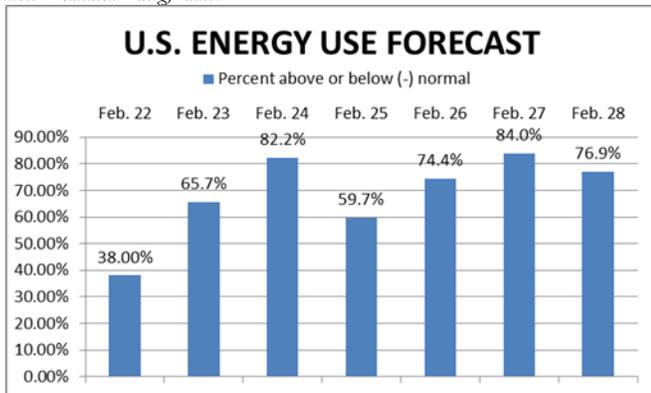
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/20/2015	+/- prior week	Year ago	+/- year ago
Texas	576	-22	846	-270
U.S. gas	289	-11	342	-53
U.S. oil	1019	-37	1425	-406
U.S. total	1310	-18	1771	-461
Canada	360	-22	632	-272

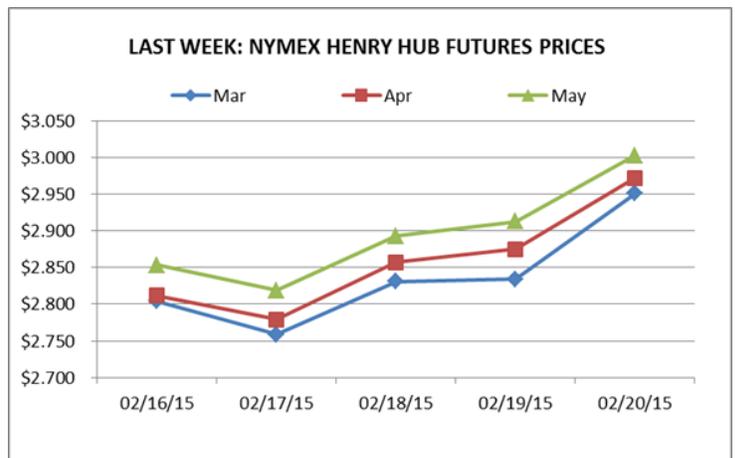
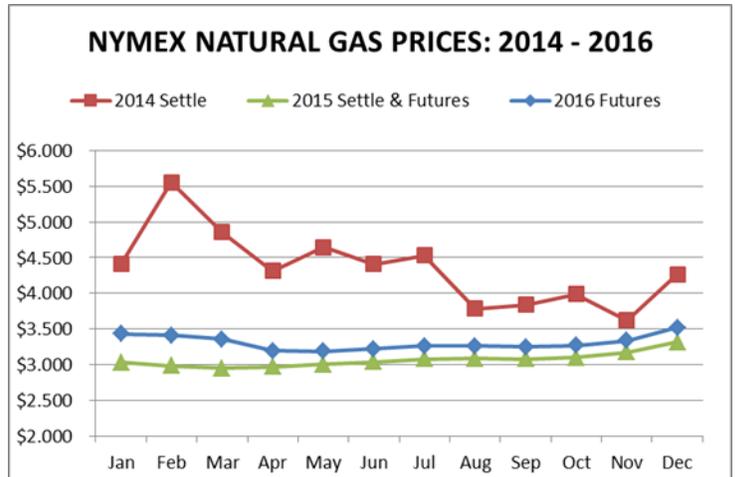
This week: U.S. energy above average this week

U.S. energy use is predicted to be far above average this week, according to the Dominion Energy Index, as shown below. Dominion forecasts total U.S. residential energy usage, a component of which is natural gas.

Source: Dominion Energy Index



2015 prices. Natural gas prices for 2015, shown below in green, are the NYMEX settlement prices for Jan.-Feb. and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 2/20/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$2.951	\$0.147	-\$1.904	\$3.067