

April 20, 2015

Natural Gas Trends

Highlights

Rising exports to Mexico driven by expansions

US natural gas exports to Mexico continue to push higher as new expansion projects help send incremental volumes south of the border. Texas and the Southwest have exported 2.24 Bcf/d to Mexico month-to-date, just 0.11 Bcf/d less than the record monthly level set in July 2014. In addition to sitting just below record levels, exports in April 2015 have averaged 365 MMcf/d more than April 2014 levels, which represents its lowest year-over-year monthly growth in 2015. Exports during the first quarter of 2015 increased by 478 MMcf/d compared to 1Q2014.

Incremental exports from Texas have accounted for roughly 90% of the growth this year, as the recently completed NET Mexico pipeline ramps up. NET Mexico receives interstate deliveries from Natural Gas Pipeline Company of America and Tennessee Gas Pipeline, in addition to multiple intrastate systems in South Texas, and delivers the gas to the Los Ramones pipeline system on the Mexican side of the border. Receipts by Net Mexico from NGPL and Tennessee Gas have averaged 116 MMcf/d and 135 MMcf/d, respectively, over the past month after the new pipeline started service in January. The sample deliveries from NGPL and Tennessee Gas into NET Mexico this year offset slight declines at other export points in Texas, which are down roughly 55 MMcf/d over the past month compared to 2014.

Exports to Mexico from the Southwest rose to 604 MMcf/d on Thursday, the highest level in 2015 and just 80 MMcf/d less than the record set last July. Additionally, exports from the region currently sit 140 MMcf/d above the 30-day average, driven by increased flows across all export points in the region.

Increased flows at border crossings on El Paso Natural Gas at Douglas and Sasabe, Arizona, have led the gains. Exports on the Sierrita Pipeline, which entered service in 2014, have averaged 19 MMcf/d over the past 30-days but pushed even higher over the past week to 55 MMcf/d.

El Paso has seen exports along its system in the Southwest decrease 11 MMcf/d over the past month compared to last year, with declining flows to the Aqua Prieta pipeline being partially offset by flows on the Sierrita Pipeline. Exports from North Baja at Ogilby have increased 46 MMcf/d, or nearly 20%, over the past 30-days above 2014 levels, with flows reaching 337 MMcf/d on Thursday.

Source: Platts Gas Daily

Data

- May 2015 Natural Gas Futures Contract (as of April 17), NYMEX at Henry Hub closed at \$2.634 per million British thermal units (MMBtu)
- May 2015 Light, Sweet Crude Oil Futures Contract WTI (as of April 17), closed at \$55.74 per U.S. oil barrel (Bbl.) or approximately \$9.61 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 4/12/15 and ending 4/18/15, heating degree days (HDD) were lower than normal (warmer) on average for the week and lower than normal (warmer) 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 4/18/15	*Week HDD +/- from normal	Year-to-date total HDD	*YTD % +/- from normal
Amarillo	46	-22	3669	-11%
Austin	0	-9	1960	20%
DFW	7	-10	2364	1%
El Paso	26	3	2027	-19%
Houston	0	-11	1460	-3%
SAT	0	-8	1487	-5%
Texas**	11	-6	2035	3%
U.S.**	51	-30	4172	-1%

* 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 1,539 Bcf

For the week ending 4/10/2015 working gas in storage increased from 1,476 Bcf to 1,539 Bcf. This represents an increase of 63 Bcf from the previous week. Stocks were 692 Bcf higher than last year at this time and 145 Bcf below the 5 year average of 1684 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/10/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	519	504	15	-25.9%
West	353	355	-2	28.4%
Producing	667	617	50	-5.9%
Lower 48 Total	1,539	1,476	63	-8.6%

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 eight for the week and down 99 when compared to twelve months ago. The total rig count for the U.S. was down 34 from last week and down 877 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

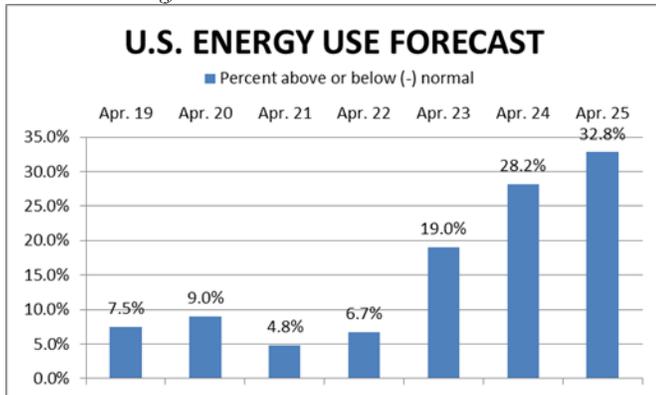
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/17/2015	+/- prior week	Year ago	+/- year ago
Texas	412	-15	884	-472
U.S. gas	217	-8	316	-99
U.S. oil	734	-26	1510	-776
U.S. total	954	-34	1831	-877
Canada	80	-19	199	-119

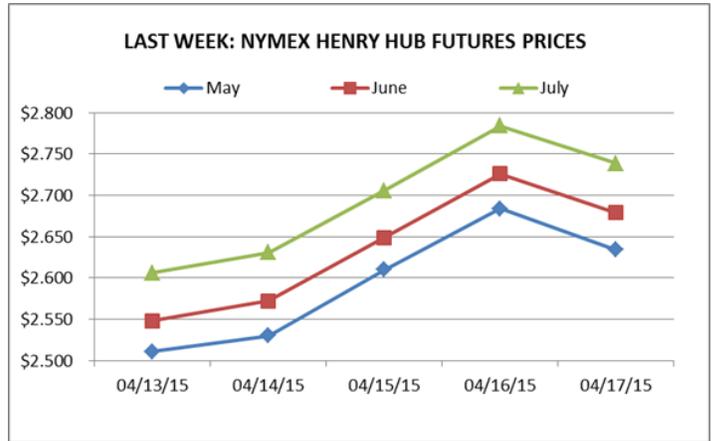
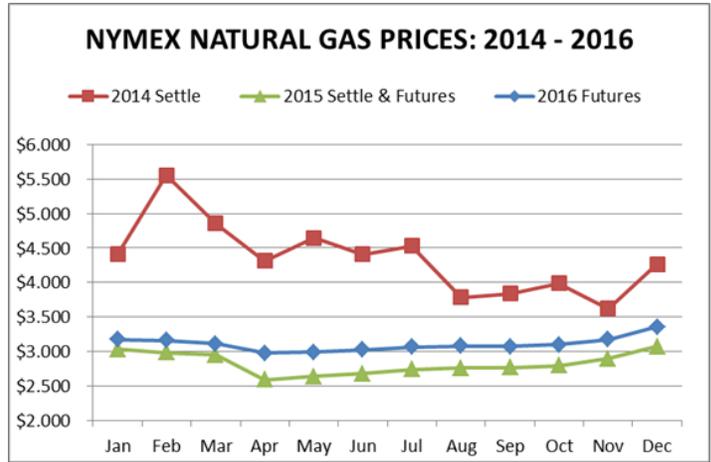
This week: U.S. energy above average this week

U.S. energy use is predicted to be 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.-April and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 4/17/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	\$2.634	\$0.123	-\$2.221	\$2.824