

May 11, 2015

# Natural Gas Trends

## Highlights

### US exports to Mexico reach new highs on gas-fired power burn

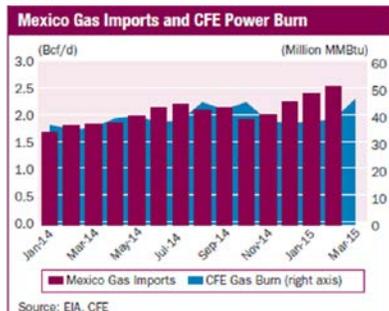
Total US exports to Mexico averaged just under 2.6 Bcf/d in February based on data released last week by the Energy Information Administration. That represents a 0.7 Bcf/d (40%) build over last year, primarily driven by new exports along the NET Mexico pipeline that feeds gas-fired power generation in Mexico.

The NET Mexico pipeline delivered an average of 631 MMcf/d to Mexico in February, which was subsequently transported on the Los Ramones Phase I pipeline to the industrial epicenter of Mexico in Nuevo Leon. Since beginning operations in December, the NET Mexico pipeline has delivered a total of 41.7 Bcf of US gas to Mexico and its exit point at Rio Grande, Texas, overtaking Clint, Texas (El Paso Samalayuca/Norte Crossing) as the most heavily used Mexico export corridor in February.

Year-to-date, US exports to Mexico have averaged 2.5 Bcf/d, up 41% over last year.

Data released by Mexico's Commission Federal de Electricidad (CFE) show that the state-owned electric utility burned just over 39 million MMBtu of natural gas during February, a 3.8 million MMBtu (10%) build over last year, while coal and fuel oil generation fell by 2.7 million MMBtu (9%) and 7.8 million MMBtu (26%), respectively.

Total fuel consumption for power generation fell by 16.1 million MMBtu (16%) this February compared with last year, suggesting that natural gas is now replacing coal and fuel oil for baseload generation as the country becomes more highly interconnected with US natural gas markets.



The CFE data also show that Mexico gas burn grew to 46.7 million MMBtu in March, a 10.7 million MMBtu (30%) build over last year, suggesting that as much as 345 MMcf/d of additional gas was imported during that month to meet increased gas-fired power generation needs.

Platts unit Bentek Energy expects 1.85 GW of new gas-fired power generating capacity to be built in Mexico during 2015, or roughly 330 MMcf/d based on a standard 7.5 heat rate.

The Los Ramones Pipeline will expand further into Mexico in 2016, eventually delivering gas to the Mexico City area. Phase II North and Phase II South sections are expected to be completed in June 2016 and will feed the constrained Mexico City area, which is currently heavily dependent on liquefied natural gas imports from Manzanillo and Alata-mira.

Once the Los Ramones pipeline is complete, it is expected to begin displacing marginal LNG volumes, further increasing inflows from the US and integrating South Central Mexico with prolific US producing areas as far North as the Marcellus. Bentek expects that US exports to Mexico will average 2.7 Bcf/d in 2015 and rise another 0.6 Bcf/d by 2016.

Source: Platts Gas Daily

## Data

- June 2015 Natural Gas Futures Contract (as of May 8), NYMEX at Henry Hub closed at \$2.880 per million British thermal units (MMBtu)
- June 2015 Light, Sweet Crude Oil Futures Contract WTI (as of May 8), closed at \$59.39 per U.S. oil barrel (Bbl.) or approximately \$10.24 per MMBtu

### Last week: Texas warmer than normal last week

For the week beginning 5/3/15 and ending 5/9/15, cooling degree days (CDD) were higher 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](http://www.cpc.ncep.noaa.gov)

City or Region	Total CDD for week ending 5/9/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	8	-1	35	-999%
Austin	68	10	277	-9%
DFW	57	14	188	30%
El Paso	55	15	204	55%
Houston	82	22	408	27%
SAT	85	22	377	13%
Texas**	65	17	304	12%
U.S.**	22	8	102	-999%

\* A minus (-) value is cooler than normal; a plus (+) value is warmer than normal. NOAA uses 65° Fahrenheit as the 'normal' basis from which CDDs 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 1,786 Bcf

For the week ending 5/01/2015 working gas in storage increased from 1,710 Bcf to 1,786 Bcf. This represents an increase of 76 Bcf from the previous week. Stocks were 742 Bcf higher than last year at this time and 67 Bcf below the 5 year average of 1,786 Bcf.

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

Region	Week ending 5/01/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	628	597	31	-20.4%
West	368	361	7	23.9%
Producing	790	752	38	3.0%
Lower 48 Total	1,786	1,710	76	-3.6%

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 one for the week and down 102 when compared to twelve months ago. The total rig count for the U.S. was down 11 from last week and down 961 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

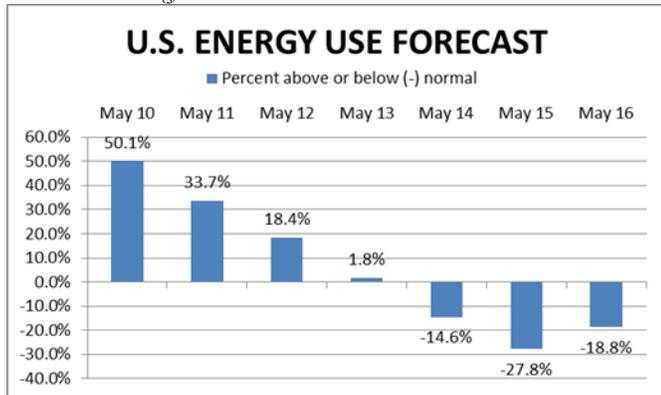
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/8/2015	+/- prior week	Year ago	+/- year ago
Texas	379	-1	895	-516
U.S. gas	221	-1	323	-102
U.S. oil	668	-11	1528	-860
U.S. total	894	-11	1855	-961
Canada	75	-4	145	-70

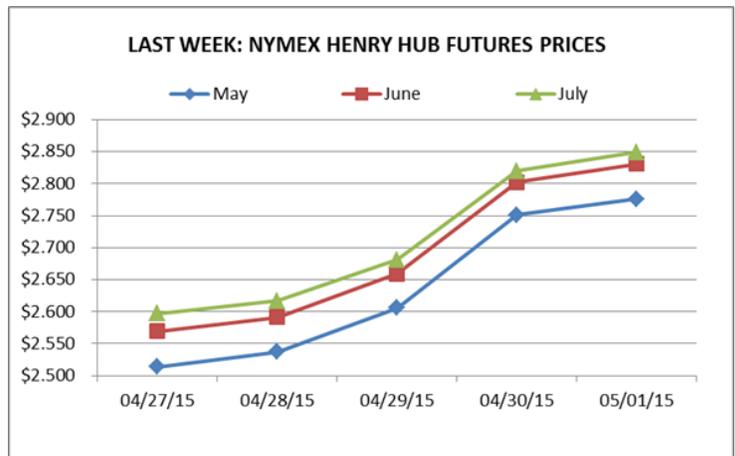
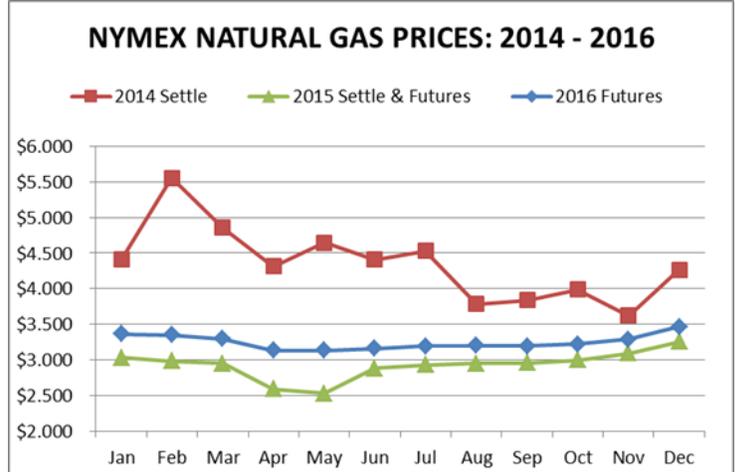
**This week: U.S. energy varies this week**

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.-May and futures prices for the remainder of the year.



**NATURAL GAS PRICE SUMMARY AS OF 5/8/2015**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$2.880	\$0.104	-\$1.975	\$2.928