

August 3, 2015

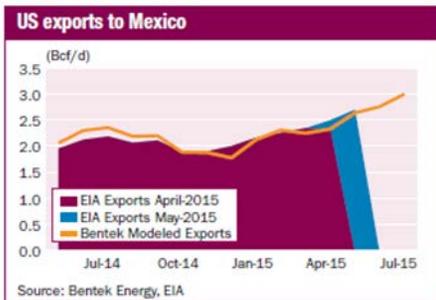
Natural Gas Trends

Highlights

Exports to Mexico edge up as generators switch fuels

Total US gas exports to Mexico averaged 2.75 Bcf/d in May, up 0.2 Bcf/d build over April and up 0.7 Bcf/d over a year earlier, according to data released by the EIA.

NET Mexico flows rose to 743 MMcf/d in May, a 1% increase over April according to the data. Flows averaged around 0.1 Bcf/d above Bentek modeled estimates. The data



also showed that April export figures were revised up nearly 0.2 Bcf/d. The revision was largely driven by NET Mexico gains, which were revised by 115 MMcf/d. May

LNG imports by Mexico, which came in far below five-year averages, were partly responsible for the month-on-month build in pipeline imports from the US. Mexican LNG imports fell to 452 MMcf/d in May, down 44% from April and down 47% from a year earlier. The drop was primarily due to a distinct lack of cargoes from Nigeria, which delivered about 4.5 Bcf less gas this year than last year.

In June, Mexican LNG imports recovered to 800 MMcf/d, just below levels a year earlier. Bentek estimates that US pipeline imports rose to 2.75 Bcf/d, a 20% year-on-year increase during that month, while Comision Federal de Electricidad (CFE) power burn data show that gas demand fell marginally month over month. Gas production during the month rose to 5.4 Bcf/d, a 0.1 Bcf/d build over May. Mexico's gas consumption for power generation rose to nearly 1.5 Bcf/d in May, an 8% increase over April and an 11% increase over a year earlier, according to data released by the CFE. Continuing the trend of oil-to-gas switching, fuel oil consumption for power generation totaled just over 529 million liters, a 31% decline year on year. Diesel generation, on the other hand, rose nearly 200%, which may have been driven by the LNG shortage in May. Bentek expects US exports to Mexico to average 2.7 Bcf/d for the rest of the year, peaking at just over 3 Bcf/d next month. In 2016, Bentek expects US exports to Mexico to rise to 3.2 Bcf/d, a 63% build over 2014, largely driven by new gas flows along the Los Ramones pipeline system, which is expected to come online at mid-year.

Source: Platts Gas Daily

Data

- September 2015 Natural Gas Futures Contract (as of July 31), NYMEX at Henry Hub closed at \$2.716 per million British thermal units (MMBtu)
- September 2015 Light, Sweet Crude Oil Futures Contract WTI (as of July 31), closed at \$47.12 per U.S. oil barrel (Bbl.) or approximately \$8.12 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 7/26/15 and ending 8/1/15, 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

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 8/1/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	93	2	784	-4%
Austin	141	1	1509	-10%
DFW	174	27	1556	-3%
El Paso	136	17	1604	14%
Houston	163	30	1897	15%
SAT	163	23	1827	6%
Texas**	145	15	1592	4%
U.S.**	90	15	812	15%

* 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 2,880 Bcf

For the week ending 7/24/2015 working gas in storage increased from 2,828 Bcf to 2,880 Bcf. This represents an increase of 52 Bcf from the previous week. Stocks were 586 Bcf higher than last year at this time and 85 Bcf above the 5 year average of 2,795 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 7/24/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,318	1,276	42	-4.4%
West	464	458	6	5.5%
Producing	1,098	1,094	4	12.4%
Lower 48 Total	2,880	2,828	52	3.0%

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 seven for the week and down 104 when compared to twelve months ago. The total rig count for the U.S. was down two from last week and down 1015 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

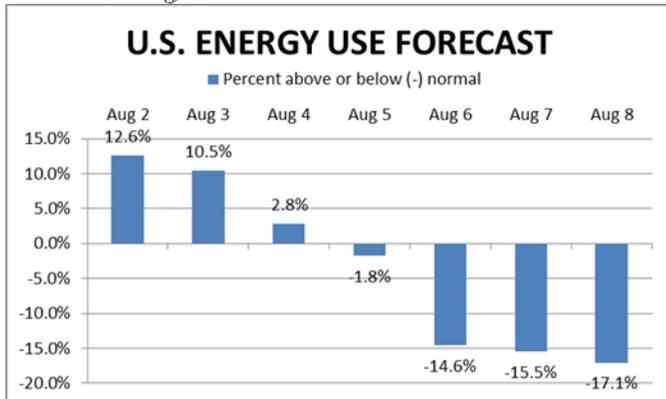
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 7/31/2015	+/- prior week	Year ago	+/- year ago
Texas	375	1	904	-529
U.S. gas	209	-7	313	-104
U.S. oil	664	5	1573	-909
U.S. total	874	-2	1889	-1015
Canada	215	15	392	-177

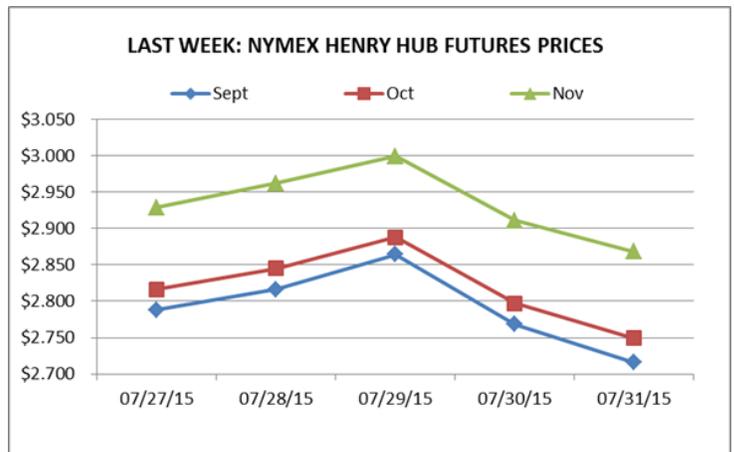
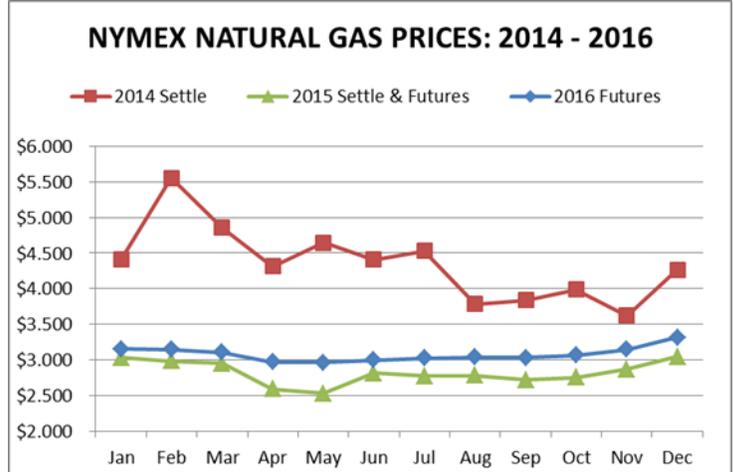
This week: U.S. energy varies this week

U.S. energy use is predicted vary 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.-July and futures prices for the remainder of the year.



NATURAL GAS PRICE SUMMARY AS OF 7/31/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US September futures				
NYMEX	\$2.716	-\$0.060	-\$2.139	\$2.819