

September 28, 2015

Natural Gas Trends

Highlights

Permian growth continues despite rig drop

Since March, Bentek data show that sample dry gas production receipts in Texas have fallen in every major producing region, except one, the Permian Basin.

Sample receipts in the Permian are now averaging nearly 1.8 Bcf/d, a 170 MMcf/d build year-on-year. Drilling efficiencies appear to be at the center of this continued rally in an otherwise contracting market, with many of the play's leading producers achieving exceptional returns despite the catastrophic fall in oil prices.

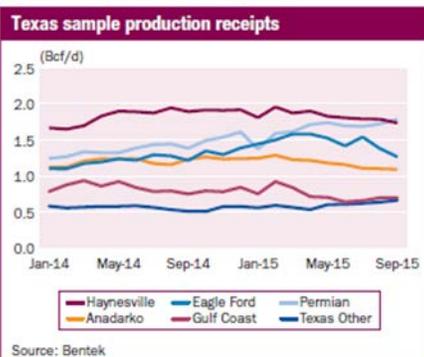
Bentek estimates that Texas production is now just barely scraping above 20 Bcf/d, down nearly 0.8 Bcf/d from year-to-date highs hit in March. The Eagle Ford has led this decline, with sample production receipts falling to 1.3 Bcf/d in September, down 20% from March.

Partly, this appears to be due to producers moving out of the gas window and increasingly focusing their drilling on the more oil/liquids-rich parts of the play. This year oil initial production rates have risen by 12% while gas IP rates fell by 9% when comparing year-to-date well data vs. 2014 averages. Texas production is now below levels not seen since September 2013.

However, unlike the other producing areas in Texas, sample production receipts from the Permian have hit all-time highs this September and under current drilling rates don't show any sign of stopping. The primary reason that production has been able to continue to grow in the Permian despite drill times, Permian producers have effectively matched 2014 productivity with half as many rigs.

This increase in productivity, if sustained, will allow Permian Basin gas production to continue to grow for the foreseeable future. If the current drilling dynamics continue to hold, Bentek expects that production in the Permian could grow by another 150 MMcf/d by 2019.

Source: Platts Gas Daily



Data

- October 2015 Natural Gas Futures Contract (as of September 25), NYMEX at Henry Hub closed at \$2.564 per million British thermal units (MMBtu)
- October 2015 Light, Sweet Crude Oil Futures Contract WTI (as of September 25), closed at \$45.70 per U.S. oil barrel (Bbl.) or approximately \$7.88 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 9/20/15 and ending 9/26/15, 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

City or Region	Total CDD for week ending 9/26/15	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	49	18	1430	10%
Austin	99	9	2516	-5%
DFW	115	43	2708	13%
El Paso	75	17	2649	23%
Houston	114	29	2915	14%
SAT	116	26	3000	11%
Texas**	97	24	2574	7%
U.S.**	38	10	1315	17%

* 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 3,440 Bcf

For the week ending 9/18/2015 working gas in storage increased from 3,334 Bcf to 3,440 Bcf. This represents an increase of 106 Bcf from the previous week. Stocks were 466 Bcf higher than last year at this time and 148 Bcf above the 5 year average of 3,292 Bcf.

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

Region	Week ending 9/18/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	1,742	1,680	62	-1.7%
West	496	489	7	3.3%
Producing	1,202	1,165	37	15.7%
Lower 48 Total	3,440	3,334	106	4.5%

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 this week and was down 141 when compared to twelve months ago. The total rig count for the U.S. was down four from last week and down 1093 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

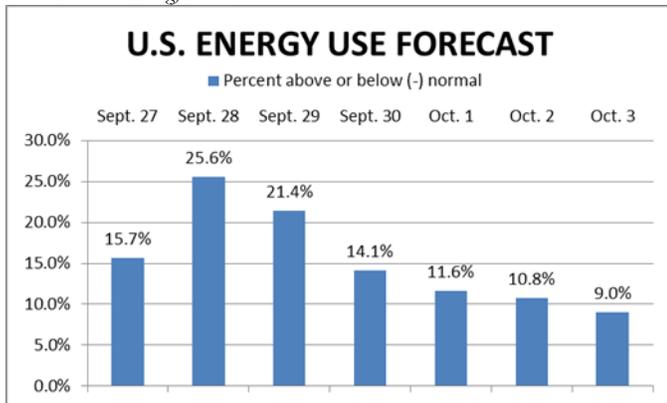
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 9/25/2015	+/- prior week	Year ago	+/- year ago
Texas	363	-2	897	-534
U.S. gas	197	-1	338	-141
U.S. oil	640	-4	1592	-952
U.S. total	838	-4	1931	-1093
Canada	176	-6	182	429

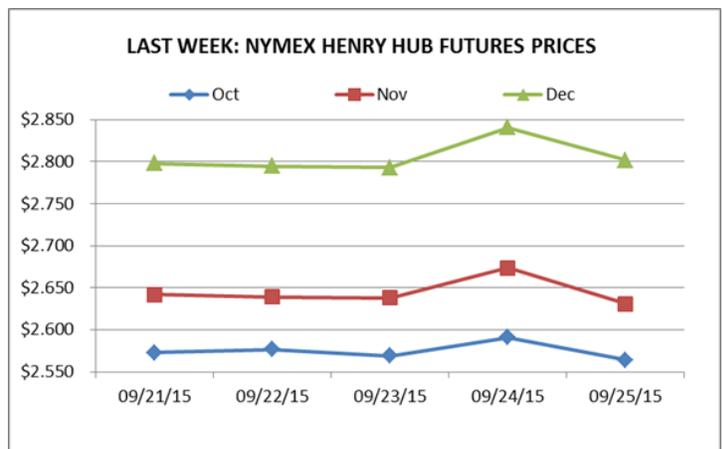
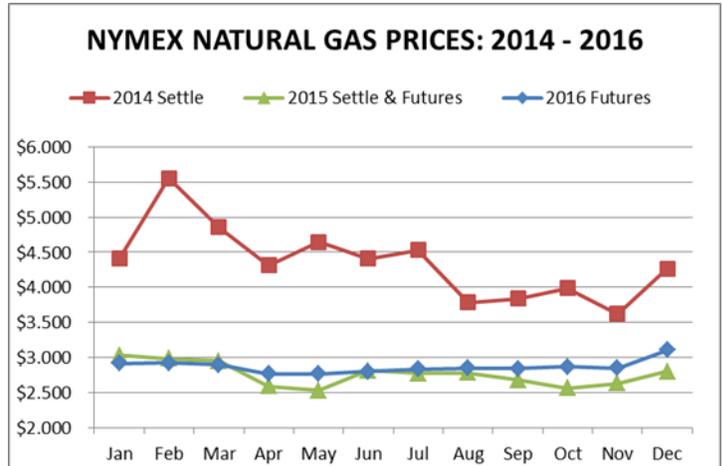
This week: U.S. energy above normal this week

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



NATURAL GAS PRICE SUMMARY AS OF 9/25/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US October futures				
NYMEX	\$2.564	-\$0.041	-\$2.291	\$2.760