

February 29, 2016

Natural Gas Trends

Highlights

First LNG-export vessel docks at Sabine Pass

The first LNG cargo from Cheniere Energy's Sabine Pass export facility in Louisiana will soon ship as LNG carrier Asia Vision docked at the facility Sunday and could be headed to Brazil, according to market sources.

The Asia Vision and the Energy Atlantic, both with a capacity of 160,000 cu m (97.4 million cu m of 3.44 Bcf of gas), arrived in January to the Gulf of Mexico and have remained idle since, Platts trade flow software cFlow showed. The Energy Atlantic remains in the Gulf of Mexico as of Sunday.

Cheniere had previously said the first cargo from the facility would be due in late February or early March.

Two market sources have said the vessel is destined for Brazil, though this could not be confirmed.

"Brazil is long at the moment, so they don't need the volumes, but it would be the most efficient place for it to go geographically," said a London-based trader. "And they have a flexible portfolio as well, so they could optimize another of their cargoes somewhere else."

The Asia Vision is understood to have been long-term chartered by Cheniere Energy, along with the 160,000 cu m Energy Atlantic. Both vessels arrived in January to the Gulf of Mexico, with the latter remaining idle since then, cFlow data showed.

While US LNG exports from Kenai, Alaska, began as early as 1969, Cheniere's new export facility will be the first to send gas produced from the Lower-48 states to consumers across the globe.

Most of the offtake from Cheniere's first liquefaction train at Sabine Pass was sold to BG Group, which agreed in October 2011 to purchase 182.5 million MMBtu/year over a 20-year period at a cost of 115% Henry Hub plus a fixed liquefaction fee of \$2.25/MMBtu.

Additional offtakers from Cheniere's Sabine Pass include Spain's Gas Natural Fenosa, South Korea's Kogas, India's Gail, France's Total and UK's Centrica.

Upon completion, the six-train Sabine Pass export facility will have a total export capacity of 27 million mt/year (1.26 Tcf/year or .35.7 Bcf/year of gas), according to Cheniere.

Source: Platts Gas Daily

Data

- April 2016 Natural Gas Futures Contract (as of February 26,) NYMEX at Henry Hub closed at \$1.791 per million British thermal units (MMBtu)
- April 2016 Light, Sweet Crude Oil Futures Contract WTI (as of February 26), closed at \$32.78 per U.S. oil barrel (Bbl.) or approximately \$5.65 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 2/21/16 and ending 2/27/16, heating degree days (HDDs) were lower than normal (warmer) on average for the week and for the year to date for all Texas cities shown.

Source: www.cpc.ncep.noaa.gov

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/27/16	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	147	-12	2725	-19%
Austin	66	0	1231	-14%
DFW	82	-13	1406	-30%
El Paso	68	-24	1811	-16%
Houston	51	-11	906	-31%
SAT	54	-8	948	-31%
Texas**	63	-14	1286	-24%
U.S.**	136	-32	2801	-17%

* 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 2,584 Bcf

For the week ending 2/19/2016 working gas in storage decreased from 2,701 Bcf to 2,584 Bcf. This represents a decrease of 117 Bcf from the previous week. Stocks were 615 Bcf higher than last year at this time and 577 Bcf above the 5 year average of 2,007 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 2/19/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	512	568	-56	18.0%
Midwest	645	689	-44	33.3%
Mountain	147	147	0	10.5%
Pacific	256	255	1	16.4%
South Central	1,024	1,042	-18	38.9%
Lower 48 Total	2,584	2,701	-117	28.7%

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

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

The gas rig count for the U.S. was up one for the week but down 178 when compared to twelve months ago. The total rig count for the U.S. was down 12 compared to last week and down 765 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

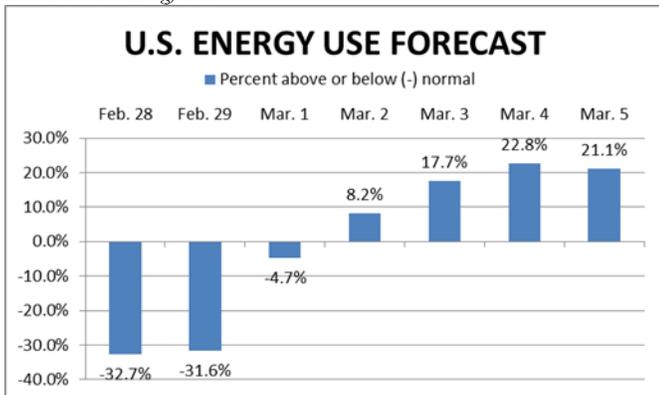
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/26/2016	+/- prior week	Year ago	+/- year ago
Texas	231	-5	570	-339
U.S. gas	102	1	280	-178
U.S. oil	400	-13	986	-586
U.S. total	502	-12	1267	-765
Canada	175	-31	330	-155

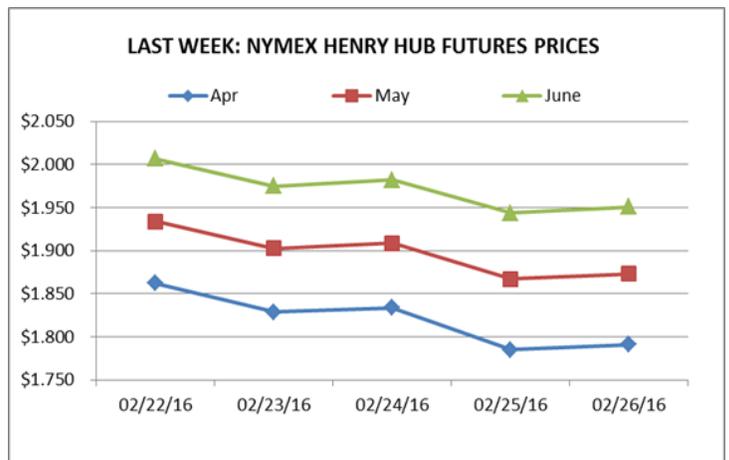
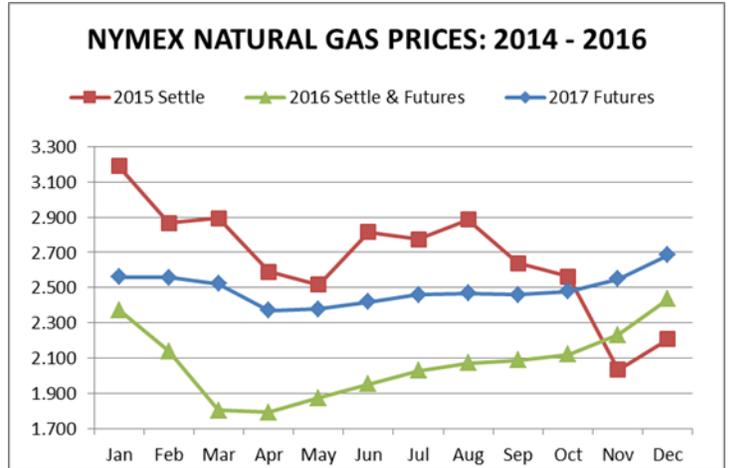
This week: U.S. energy varies this week

U.S. energy use is predicted to 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



2016 prices. Natural gas prices for 2016, shown below in green, are the NYMEX settlement prices for Jan. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 2/26/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$1.791	-\$0.013	-\$1.937	\$2.664