

May 26, 2015

Natural Gas Trends

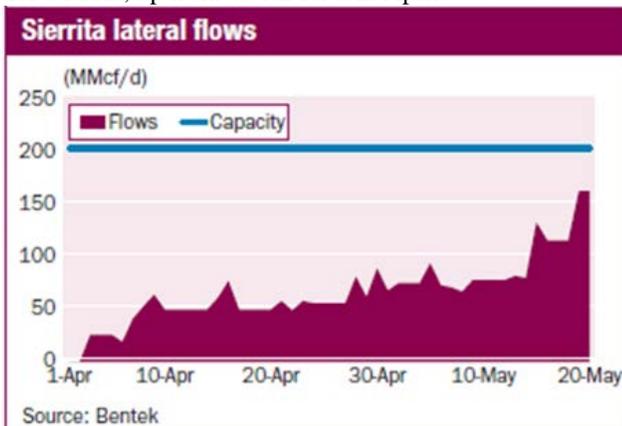
Highlights

Sierrita flows drive Southwest exports to Mexico near record levels

Southwest exports to Mexico have averaged 538 MMcf/d month-to-date, a 117 MMcf/d increase over May 2014, and the fourth highest monthly average ever, exceeded only by the months of July through September 2014.

The uptick in outflows can be traced almost entirely to the Sierrita Lateral, which came online in October 2014 and only recently ramped up flows in early April. The Sierrita Lateral interconnects with El Paso near Tuscon, and delivers gas to the Mexican grid through the Sasabe-Guayamas pipeline.

The project was constructed to serve power plants at Puerto Libertad and Guaymas that have run on fuel oil, as well as additional gas-fired units in Guaymas. The recent increase in exports from the Sierrita lateral suggests increasing utilization of recently converted gas-fired generation, with exports averaging 94 MMcf/d MTD, up from 49 MMcf/d in April.



Exports from Sierrita have increased even more over the past week, averaging 134 MMcf/d since May 15 and reaching as high as 163 MMcf/d over the past two days. Current capacity along the Sierrita Lateral of 200 MMcf/d allows additional increased in flows in the coming months as power demand reaches its summer highs, and Bentek expects Southwest exports to Mexico to peak at 790 MMcf/d in July.

As flows on Sierrita near capacity, additional volumes can be exported from the Southwest along El Paso's four other border crossings in Arizona, or on North Baja pipeline in southern California.

Source: Platts Gas Daily

Data

- June 2015 Natural Gas Futures Contract (as of May 22), NYMEX at Henry Hub closed at \$2.887 per million British thermal units (MMBtu)
- June 2015 Light, Sweet Crude Oil Futures Contract WTI (as of May 22), closed at \$59.72 per U.S. oil barrel (Bbl.) or approximately \$10.30 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 5/17/15 and ending 5/26/15, cooling degree days (CDD) were lower than normal (cooler) on average for the week but higher than normal (warmer) on average 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 5/26/15	*Week CDD +/- from normal	Year-to-date total CDD	*YTD % +/- from normal
Amarillo	0	-24	39	-999%
Austin	72	-7	404	-10%
DFW	46	-20	272	3%
El Paso	54	-11	284	14%
Houston	92	12	591	25%
SAT	90	6	537	9%
Texas**	67	-3	430	7%
U.S.**	26	1	156	24%

* 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 1,989Bcf

For the week ending 5/15/2015 working gas in storage increased from 1,897 Bcf to 1,989 Bcf. This represents an increase of 92 Bcf from the previous week. Stocks were 738 Bcf higher than last year at this time and 35 Bcf below the 5 year average of 2,024 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 5/15/15	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	742	687	55	-16.4%
West	382	376	6	19.0%
Producing	865	834	31	6.1%
Lower 48 Total	1,989	1,897	92	-1.7%

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 103 when compared to twelve months ago. The total rig count for the U.S. was down 3 from last week and down 972 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

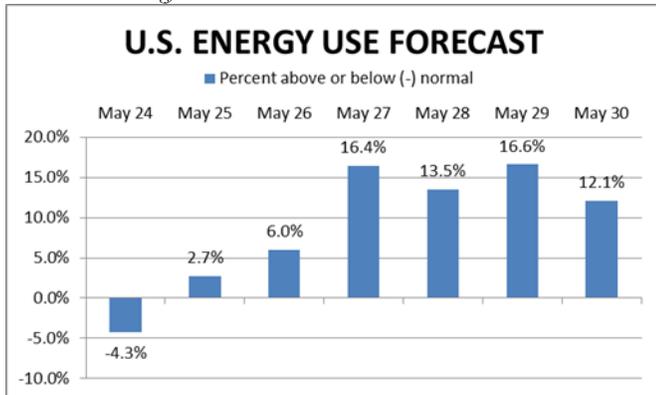
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/22/2015	+/- prior week	Year ago	+/- year ago
Texas	373	0	889	-516
U.S. gas	222	-1	325	-103
U.S. oil	659	-1	1528	-869
U.S. total	885	-3	1857	-972
Canada	72	-5	154	-82

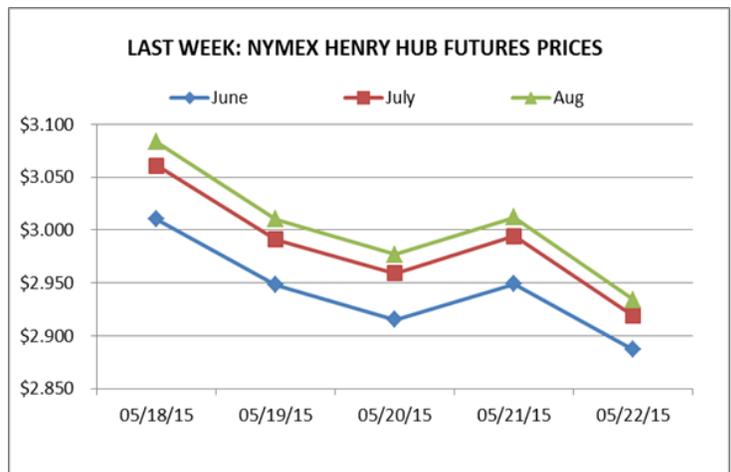
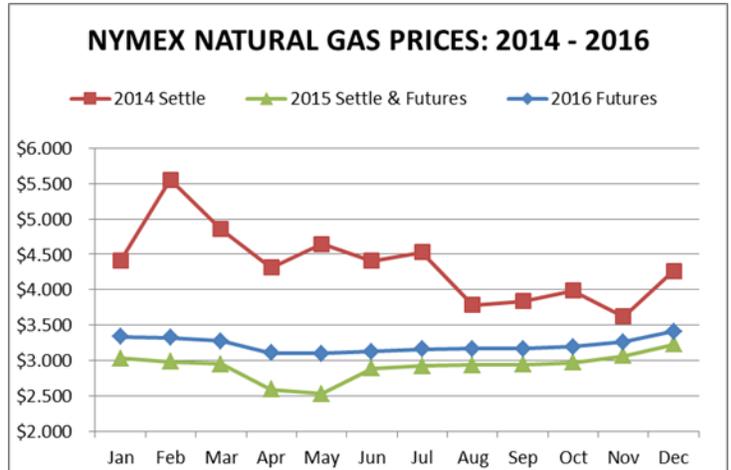
This week: U.S. energy varies this week

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



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 5/22/2015

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$2.887	-\$0.129	-\$1.968	\$2.919