

February 8, 2016

# Natural Gas Trends

## Highlights

### EIA: Exports to Mexico up in November

US gas exports to Mexico averaged 3.05 Bcf/d during November, a 1.1 Bcf/d increase over last year and a 120 MMcf/d decline from exports in October, according to the Energy Information Administration. The higher exports came on the back of higher year-on-year power burn amid falling production. The official export number came in 80 MMcf/d lower than the 3.13 Bcf/d estimate by Platts unit Bentek Energy, largely due to an overestimation of flows on NET Mexico, which averaged 1 Bcf/d during the month. The exceptional year-on-year build in exports was supported by record high power burn. Data released by the Comision Federal de Electricidad showed consumption of 1.4 Bcf/d during November, a 12% build over last year.

The higher gas burn largely came at the expense of fuel oil generation, which fell by 34% from October. Fuel oil still accounted for around 0.5 Bcf/d of gas equivalent burn during November, suggesting that there still remains substantial switching channel available for further gas-fired generation growth. Domestic gas production declined to 4 Bcf/d in November, down 0.4 Bcf/d from a year ago and down 0.1 Bcf/d from October. Active drilling rigs fell to 52 during November, down one rig from October and down 41% from a year ago. The hardest hit areas have been the Northern and Northeastern Marine regions, where drilling activity fell by 61% and 59%, respectively. LNG imports also fell in November, averaging just under 0.6 Bcf/d, down 24% from a year prior, due primarily to falling imports at the Altamira LNG terminal. Imports to Manzanillo on the Pacific Coast rose to nearly 0.4 Bcf/d in November, up 9% from a year prior, suggesting that the Mexico City market remains constrained.

Bentek estimates that US exports to Mexico rose to 3.3 Bcf/d during December, supported by a downstream capacity build on the Los Ramones/NET Mexico pipeline corridor with the completion of Los Ramones Phase II North. In January, exports dipped slightly to 3.2 Bcf/d, but are expected to resume month-on-month growth heading into the spring as US gas continues to displace LNG imports from Mexico. Two pipeline expansions will help carry incremental gas to Mexico in 2016. The first phase the ONEOK's Roadrunner pipeline is set to begin service in March and will have an initial capacity of 170 MMcf/d. The Roadrunner pipeline will carry gas from the Waha area in the Permian Basin to an interconnect with the Tarahumara pipeline in Mexico. Additionally, Los Ramones Phase II South is expected to come online in June, which will complete the north-south interconnection between the Eagle Ford in South Texas and demand centers in the Mexico City area. Los Ramones Phase II South is expected to add around 0.6 Bcf/d of south-bound capacity out of the South Texas area. These two pipeline expansions are expected to help raise US exports to Mexico to 3.6 Bcf/d in 2016, a 26% year-on-year build.

Source: Platts Gas Daily

## Data

- March 2016 Natural Gas Futures Contract (as of February 5), NYMEX at Henry Hub closed at \$2.063 per million British thermal units (MMBtu)
- March 2016 Light, Sweet Crude Oil Futures Contract WTI (as of February 5), closed at \$30.89 per U.S. oil barrel (Bbl.) or approximately \$5.33 per MMBtu

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

For the week beginning 1/31/15 and ending 2/6/16, 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](http://www.cpc.ncep.noaa.gov)

HEATING DEGREE DAYS (HDD)				
City or Region	Total HDD for week ending 2/06/16	*Week HDD + / - from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	202	9	2384	-16%
Austin	86	0	1065	-11%
DFW	101	-31	1215	-28%
El Paso	155	32	1623	-12%
Houston	64	-24	782	-29%
SAT	68	-23	831	-28%
Texas**	91	-18	1115	-21%
U.S.**	155	-44	2308	-18%

\* 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 3,086 Bcf

For the week ending 1/22/2016 working gas in storage decreased from 3,297 Bcf to 3,086 Bcf. This represents a decrease of 211 Bcf from the previous week. Stocks were 530 Bcf higher than last year at this time and 432 Bcf above the 5 year average of 2,654 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 1/29/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	641	695	-54	12.5%
Midwest	767	811	-44	19.1%
Mountain	159	164	-5	5.3%
Pacific	271	273	-2	9.7%
South Central	1,096	1,143	-47	24.8%
Lower 48 Total	2,934	3,086	-152	17.9%

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 17 for the week and 210 when compared to twelve months ago. The total rig count for the U.S. was down 48 compared to last week and down 885 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

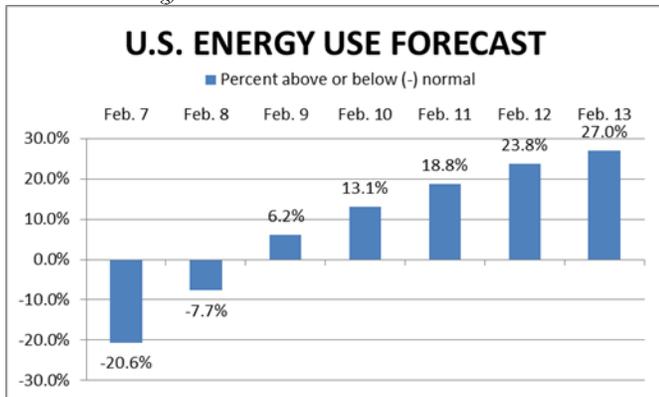
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 2/5/2016	+/- prior week	Year ago	+/- year ago
Texas	262	-19	654	-392
U.S. gas	104	-17	314	-210
U.S. oil	467	-31	1140	-673
U.S. total	571	-48	1456	-885
Canada	242	11	381	-139

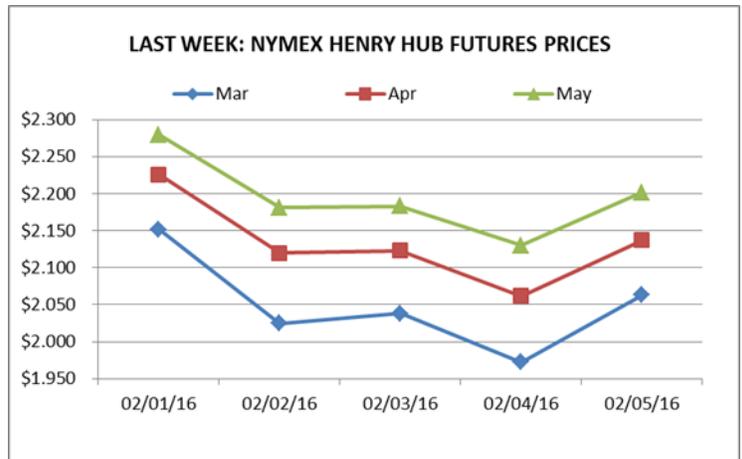
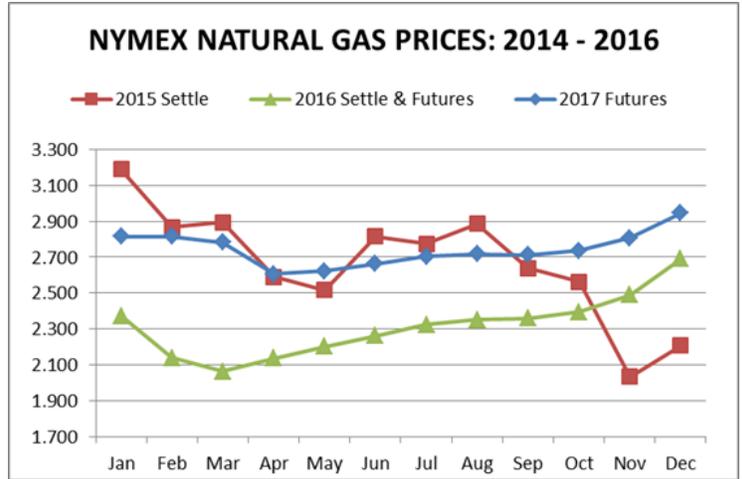
**This week: U.S. energy varies this week**

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 2/5/2016**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US March futures				
NYMEX	\$2.063	-\$0.235	-\$1.665	\$2.664