

April 4, 2016

Natural Gas Trends

Highlights

US exports to Mexico climb to new high

Data released by the EIA show that US exports to Mexico reached a new high in January, highlighting the continued strength of the Mexico market and pointing to another strong year for exports in 2016.

US exports to Mexico averaged 3.24 Bcf/d in January, in line with Platts Bentek modeled estimates. This marks a year-on-year increase of over 1 Bcf/d and a marginal increase over December.

Exports by the NET Mexico pipeline averages just over 1 Bcf/d in January, up 0.5 Bcf/d from last year, but down 0.1 Bcf/d in December. NET Mexico interconnects with the Los Ramones pipeline corridor on the Mexican side of the border.

Los Ramones Phase II North was expected to have been completed in December of last year, and a 0.1 Bcf/d build in flows indicated that commissioning operations had begun. However, it was later reported that Los Ramones Phase II North had run into delays, which pushed actual commissioning back to this March. Therefore, it is likely that exports along that corridor remained constrained during February as well.

Despite this delay, exports from the rest of the US remained robust in January, with corridors such as El Paso's Wilcox Lateral and Kinder Morgan in Texas reporting more than 30% month-on-month increases in flows.

Platts Bentek data indicate that US exports to Mexico averages just under 3.4 Bcf/d during February and March, a 43% increase from last year. The higher flows are partially being driven by lower gas production in Mexico, which Bentek estimates at 3.8 Bcf/d during that two-month period, nearly 0.6 Bcf/d lower than a year ago.

LNG imports in Mexico have been historically low this year, averaging just 0.3 Bcf/d over the last two months, down 64% from last year.

Platts Bentek expects US exports to Mexico to average 3.5 Bcf/d in 2016, a 23% build over 2015.

Los Ramones Phase II South has a planned in-service date of June, which should allow US exports to reach as far south as Mexico City for the first time. This crucial interconnection should support additional US exports to Mexico, when the project comes online.

Source: Platts Gas Daily

Data

- May 2016 Natural Gas Futures Contract (as of April 1) NYMEX at Henry Hub closed at \$1.956 per million British thermal units (MMBtu)
- May 2016 Light, Sweet Crude Oil Futures Contract WTI (as of April 1), closed at \$36.79 per U.S. oil barrel (Bbl.) or approximately \$6.34 per MMBtu

Last week: Texas warmer than normal last week

For the week beginning 3/27/16 and ending 4/2/16, 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 4/2/16	*Week HDD +/- from normal	Year-to-date total HDD	* YTD % +/- from normal
Amarillo	87	-10	3144	-21%
Austin	30	9	1358	-16%
DFW	30	-3	1562	-32%
El Paso	42	0	1948	-21%
Houston	15	-6	1004	-33%
SAT	17	-3	1031	-33%
Texas**	30	-3	1447	-25%
U.S.**	87	-22	3303	-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 2,468 Bcf

For the week ending 3/25/2016 working gas in storage decreased from 2,493 Bcf to 2,468 Bcf. This represents a decrease of 25 Bcf from the previous week. Stocks were 1,002 Bcf higher than last year at this time and 843 Bcf above the 5 year average of 1,625 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 3/25/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	439	453	-14	41.2%
Midwest	555	571	-16	62.3%
Mountain	147	148	-1	28.9%
Pacific	262	260	2	29.7%
South Central	1,065	1,061	4	62.3%
Lower 48 Total	2,468	2,493	-25	51.9%

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 four for the week and down 134 when compared to twelve months ago. The total rig count for the U.S. was down 14 compared to last week and down 578 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

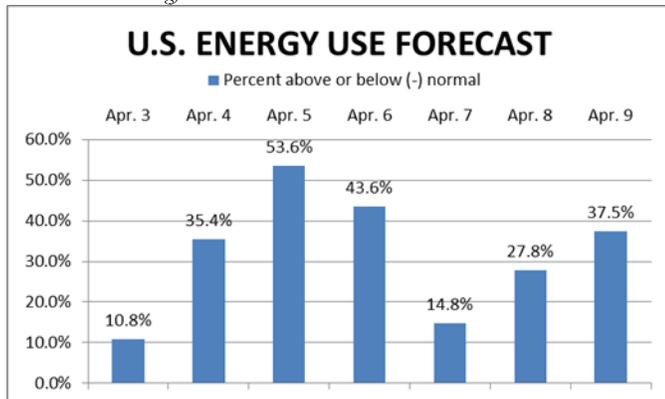
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 4/1/2016	+/- prior week	Year ago	+/- year ago
Texas	204	-5	456	-252
U.S. gas	88	-4	222	-134
U.S. oil	362	-10	802	-440
U.S. total	450	-14	1028	-578
Canada	49	-6	100	-51

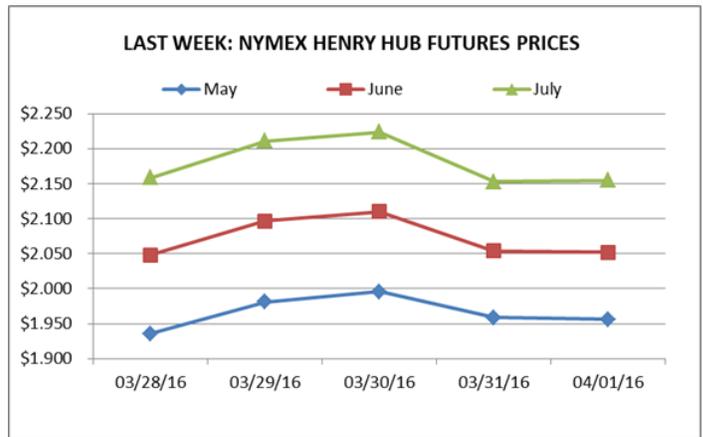
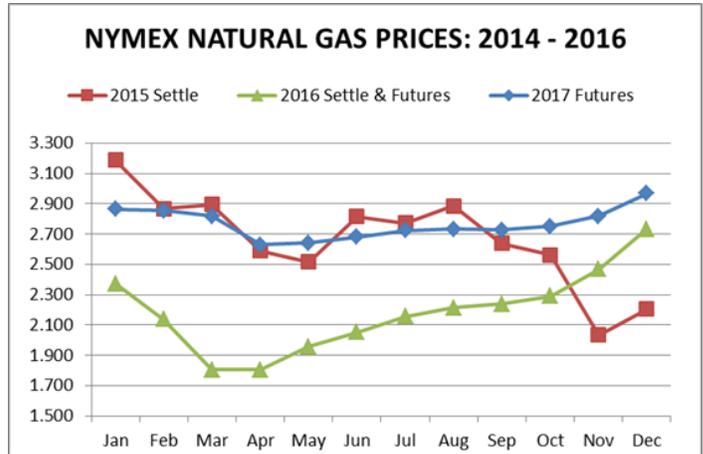
This week: U.S. energy use above average

U.S. energy use is predicted to be above average 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-Apr. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 4/1/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US May futures				
NYMEX	\$1.956	\$0.150	-\$1.772	\$2.664