

May 9, 2016

Natural Gas Trends

Highlights

Enterprise starts Permian processing plant

Enterprise Products Partners said it started commercial operations at its South Eddy plant, a new 200-MMcf/d cryogenic natural gas processing plant in the Permian Basin in Eddy County, New Mexico, which should boost supply of dry gas and NGLs in the basin. Prior to the plant's start-up, much of the gas in the area was being "flared, shut-in, or blended into a residue pipeline with no NGL upgrade," the company said. Enterprise also stated that the plant is supported by long-term, fee-based agreements, and is capable of extracting up to 25,000 b/d of natural gas liquids. "The South Eddy Plant is a key component of our overall strategy to double Enterprise's natural gas processing capacity in the Delaware Basin during 2016," A.J. "Jim" Teague, CEO of Enterprise's general partner, said. "A second cryogenic processing facility we are developing as part of our joint venture at Waha is scheduled to begin service in the third quarter of 2016 and will add another 150 MMcf/d of incremental capacity."

Enterprise also constructed 90 miles of high-pressure gathering lines to supply the South Eddy plant. Additionally, the partnership completed a 71-mile extension of its Mid-America Pipeline system that provides Delaware Basin producers with NGL takeaway capacity and direct access to Enterprise's integrated network of NGL assets. "Despite the decrease in rig count nationwide, the Delaware Basin remains very active," Teague notes. "With production expected to continue to grow, we are committed to capitalizing on the increased opportunities for midstream services. The additional processing capacity, combined with the connectivity of our integrated midstream network, will provide Delaware basin producers with unmatched access to the NGL fractionation and storage hub at Mont Belvieu, Texas, as well as attractive domestic and international markets."

Permian production rises in April

Natural gas production in the Permian remained robust over the past month in both New Mexico and Texas. Platts Analytics interstate pipeline data suggests that New Mexico Permian Basin production averaged nearly 1 Bcf/d during the month, an increase of 26 MMcf/d from March levels. Month-over-month increases were primarily on Transwestern Pipeline, with sample receipts rising 30 MMcf/d. Year-to-date production in Permian New Mexico averaged 919 MMcf/d, an increase of 168 MMcf/d from 2015 levels.

On the Texas side of the border, Permian production averaged more than 1.6 Bcf/d in April the highest monthly output in 2016. April's average was up a modest 43 MMcf/d from March levels. Near-term gains have been almost entirely driven by rising processing plant receipts on Northern Natural gas. Total interstate pipeline receipts from processing plants have increased from 347 MMcf/d in March to 390 MMcf/d in April. Permian production has continued growing in the early days of May, jumping to nearly 1.7 Bcf/d this month to date. Much of the growth is on El Paso Natural Gas, where production receipts are up to more than 1.1 Bcf/d. This marks a 62 MMcf/d jump above April levels.

Source: Platts Gas Daily

Data

- June 2016 Natural Gas Futures Contract (as of May 6) NYMEX at Henry Hub closed at \$2.101 per million British thermal units (MMBtu)
- June 2016 Light, Sweet Crude Oil Futures Contract WTI (as of May 6), closed at \$44.66 per U.S. oil barrel (Bbl.) or approximately \$7.70 per MMBtu

Last week: Texas cooler than normal last week

For the week beginning 5/1/16 and ending 5/7/16, cooling degree days (CDDs) were lower than normal (cooler) on average for the week and for the year to date for all Texas cities shown.

Source: www.cpc.ncep.noaa.gov

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 5/7/16	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	12	5	24	-999%
Austin	21	-34	251	-13%
DFW	23	-16	195	49%
El Paso	43	5	162	35%
Houston	37	-20	314	3%
SAT	39	-21	342	8%
Texas**	34	-12	301	17%
U.S.**	12	-2	85	-999%

* A minus (-) value is cooler than normal; a plus (+) value is warmer 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 2,625 Bcf

For the week ending 4/29/2016 working gas in storage increased from 2,557 Bcf to 2,625 Bcf. This represents an increase of 68 Bcf from the previous week. Stocks were 861 Bcf higher than last year at this time and 836 Bcf above the 5 year average of 1,789 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 4/29/16	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	454	431	23	-29.3%
Midwest	566	554	12	55.5%
Mountain	157	155	2	38.9%
Pacific	284	277	7	25.7%
South Central	1,164	1,140	24	58.4%
Lower 48 Total	2,625	2,557	68	46.7%

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 135 when compared to twelve months ago. The total rig count for the U.S. was down five compared to last week and down 479 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

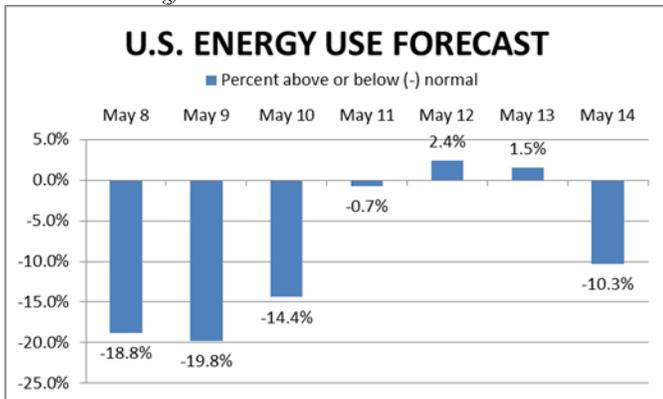
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 5/6/2016	+/- prior week	Year ago	+/- year ago
Texas	188	3	379	-191
U.S. gas	86	-1	221	-135
U.S. oil	328	-4	668	-340
U.S. total	415	-5	894	-479
Canada	36	-1	75	-39

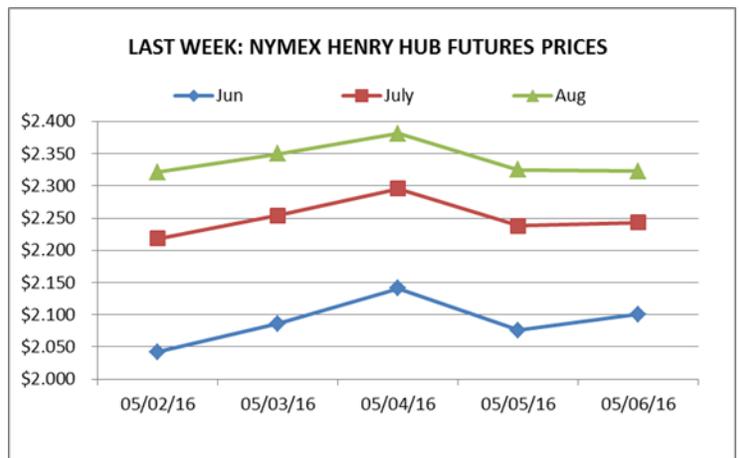
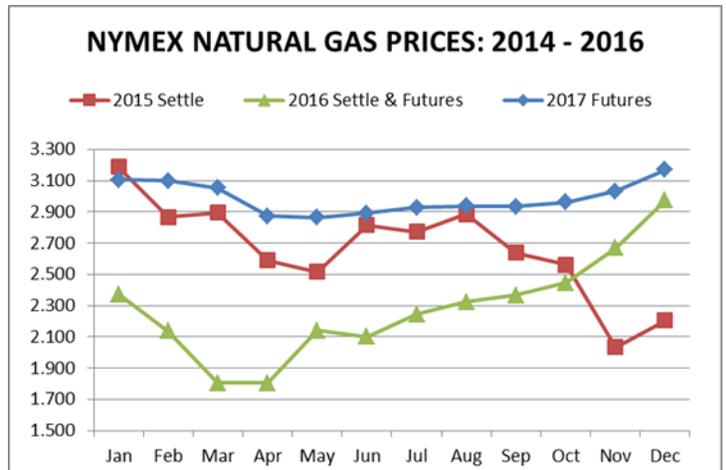
This week: U.S. energy use varies

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-Apr. and futures prices for the year.



NATURAL GAS PRICE SUMMARY AS OF 5/6/2016

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US June futures				
NYMEX	\$2.101	-\$0.077	-\$1.627	\$2.664