

**June 16, 2014**

**Natural Gas Trends**

**Highlights**

**Warren Buffett questions wisdom of LNG exports**

Warren Buffett on Monday expressed skepticism about the export of natural gas from the US, citing the need to preserve the resource for coming generations. "I don't think if you have a national treasure," Buffett said, "you should go around looking for ways to export it if you know it's finite and you know 100 years from now or 200 years from now your great-great-grandchildren are going to be looking back at the policies you followed and wondering 'Why did they decide to get rid of a very precious natural resource?'"

Speaking to the Edison Electric Institute convention in Las Vegas, the high-profile investor and CEO of Berkshire Hathaway noted that the US has recently experienced a "reawakening" in natural gas and oil, given the discoveries of untapped resources, but said the resource should still be treated as finite. He said he loved the idea of self-sufficiency, and that "I would just as soon the rest of the world use the resources in the rest of the world, than use ours over time." His comments come as the Department of Energy is considering a cost of applications to ship liquefied natural gas to countries that do not have free trade agreements with the US. Last month, DOE proposed to review such applications only after they have been approved by the Federal Energy Regulatory Commission, which reviews the environmental and safety aspects of the proposal.

Elsewhere in his comments, Buffett backed the use of tax credits to address long-term forthcoming issues that the market is not addressing, while also backing the continued growth of renewable energy. "We should embrace it," Buffett said, noting that Berkshire Hathaway Energy has spent \$15 billion on renewables and "there's another \$15 billion as far as I'm concerned." He also said that "it's where the country is going," and that the public has decided that renewable energy is something that it wants. "We would be happy to deploy a lot more money," Buffett said.

**FERC approves Sierrita gas pipeline to funnel gas to Mexico**

Kinder Morgan on Tuesday defended its planned pipeline that would export natural gas to Mexico against opponents' claims that it would create a pathway for illegal immigration and smuggling. Kinder Morgan spokesman Richard Wheatley said the project has "already been thoroughly vetted with the Border Patrol and Department of Homeland Security," so there was no need to speculate about illegal activity. We continue to maintain communications with those agencies," Wheatley said, adding that the issue was also addressed in the Federal Energy Regulatory Commission's order Friday approving the projects. The \$204 million Sierrita Pipeline project includes construction of a 60.9 mile line extending from Kinder Morgan's El Paso Natural Gas system near Tucson, Arizona, to the Mexican border near Sasabe, Arizona, and new border crossing facilities. Those facilities would include about 60 feet of pipe to connect the line to the Sásabe-Guaymas Pipeline being constructed in Mexico by IENova, a gas utility of Sempra Energy. The pipeline would deliver 200,846 Dt/d of gas to the border of Mexican power plants. MGI Supply, an affiliate of the Mexican state-owned Pemex, signed a 25-year agreement for the full capacity of the project.

Arizona ranchers and officials fought the project, arguing that the pipeline "would cause an increase in illegal immigration and drug trafficking," which would decrease property values and make the Altar Valley less attractive for recreational and ecotourism activities, according to FERC's order. Kinder Morgan worked with the Border Patrol, DHS and other stakeholders to draft a plan to prevent the project right-of-way from becoming a path for illegal traffickers. FERC found in its environmental impact statement, issued March 28, that these measures would deter unauthorized access to the right-of-way. The commission also said in its order that "the US Border Patrol has stated that it has sufficient resources to respond to any additional illegal activity potentially induced by the project." The pipeline remains on schedule to come online in September, Wheatley said. Source: Platts Gas Daily

**Data**

- July 2014 Natural Gas Futures Contract (as of June 13), NYMEX at Henry Hub closed at \$4.739 per million British thermal units (MMBtu)
- July 2014 Light, Sweet Crude Oil Futures Contract WTI (as of June 13), closed at \$106.91 per U.S. oil barrel (Bbl.) or approximately \$18.43 per MMBtu

**Last week: Texas cooler than normal**

For the week beginning 6/8/14 and ending 6/14/14, cooling degree days (CDD) were higher than normal (cooler) for the week and for the year to date for most Texas cities shown.

Source: [www.cpc.ncep.noaa.gov](http://www.cpc.ncep.noaa.gov)

COOLING DEGREE DAYS (CDD)				
City or Region	Total CDD for week ending 6/14/14	*Week CDD +/- from normal	Year-to-date total CDD	* YTD % +/- from normal
Amarillo	36	-24	331	51%
Austin	100	-11	673	-12%
DFW	100	-6	710	27%
El Paso	156	43	750	35%
Houston	120	10	779	-1%
SAT	114	0	947	16%
Texas**	100	-1	674	-2%
U.S.**	43	-2	266	9%

\* 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 1,606 Bcf**

For the week ending 6/6/2014 working gas in storage increased from 1,499 Bcf to 1,606 Bcf. This represents an increase of 107 Bcf from the previous week. Stocks were 727 Bcf lower than last year at this time and 877 Bcf below the 5 year average of 2,483 Bcf.

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

U.S. WORKING GAS IN STORAGE				
Region	Week ending 6/6/14	Prior week	One-week change	Current Δ from 5-YR Average (%)
East	720	655	65	-36.3%
West	282	269	13	-27.5%
Producing	604	575	29	-37.2%
Lower 48 Total	1,606	1,499	107	-35.3%

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 ten for the week but was up 42 when compared to twelve months ago. The total rig count for the U.S. was down six from last week and up 83 when compared to twelve months ago. The total rig count includes both oil and natural gas rotary rigs.

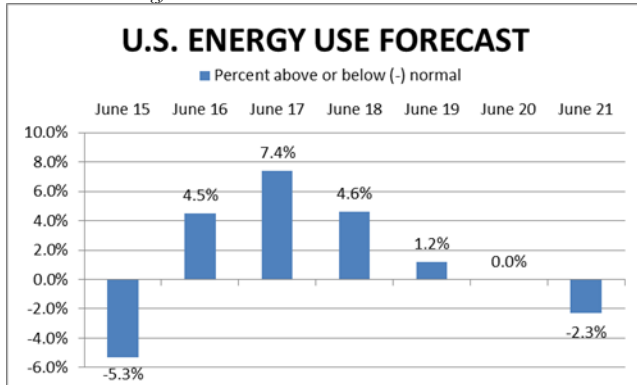
Source: Baker Hughes

BAKER HUGHES ROTARY RIG COUNT				
	As of 6/13/2014	+/- prior week	Year ago	+/- year ago
Texas	888	-8	846	42
U.S. gas	310	-10	353	-43
U.S. oil	1542	6	1413	129
U.S. total	1854	-6	1771	83
Canada	244	30	176	68

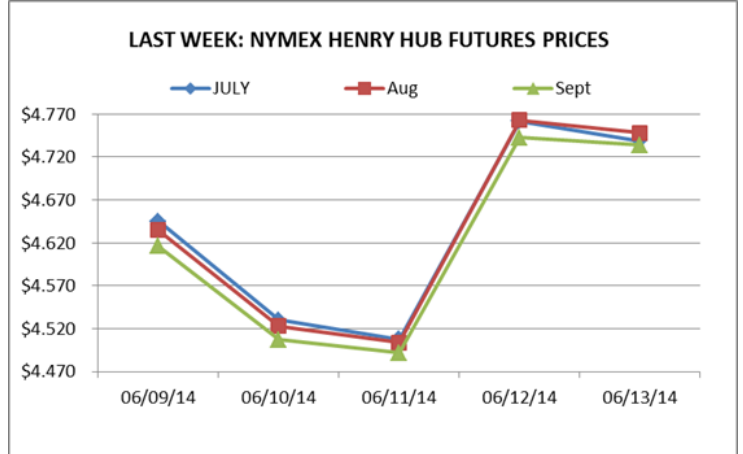
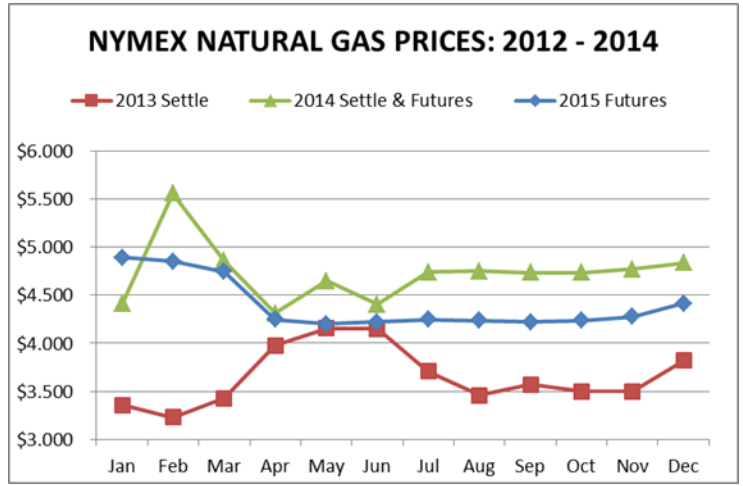
**This week: U.S. energy use varies**

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



2014 prices. Natural gas prices for 2014, shown below in green, are the NYMEX settlement prices for Jan.-June and futures prices for the remainder of the year.



**NATURAL GAS PRICE SUMMARY AS OF 6/13/2014**

	This Week	+/- Last Week	+/- Last Year	12-Month Strip Avg.
US July futures				
NYMEX	\$4.739	\$0.029	\$1.032	\$4.696