LEGACY ENERGY

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Energy Market Report

Report Date: August 14, 2015

Report Week: August 5 to August 12, 2015

Questions?
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News Tracker:

-Natural gas prices fluctuated by less than 5% at most market locations during the report week (Wednesday, August 5, through Wednesday, August 12) with many points ending the report week near their starting price. The Henry Hub spot price started the report week at $2.86 MMBtu, dropped 10¢ on Thursday, but then rose slowly through the report week to close at $2.91/MMBtu.

-At the New York Mercantile Exchange (Nymex) the September natural gas futures contract started the report week at $2.798/MMBtu and rose to close the report week at $2.931/MMBtu.

-Working natural gas in storage increased to 2,977 Bcf as of Friday, August 7 following a net injection into storage of 65 Bcf. This net injection compares with the five-year average increase of 48 Bcf for the week and last year's increase of 79 Bcf. Working gas inventories for the storage week totaled 2,977 Bcf, 521 Bcf (21%) higher than last year at this time and 81 Bcf (3%) higher than the five-year (2010-14) average. Temperatures in the Lower 48 states averaged 76° for the storage report week, 1° warmer than the 30-year normal temperature and 2° warmer than the average temperature during the same week last year.

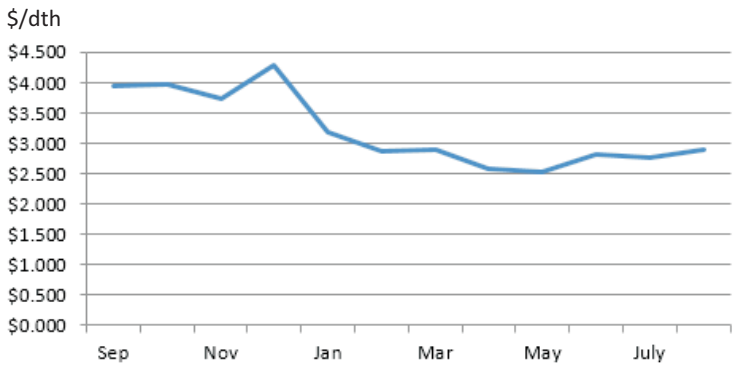
-The total U.S. oil and gas rotary rig count rose by 10 units to 884 for the week ending Friday, August 7, according to data from Baker Hughes Incorporated. The oil rig count increased by 6 units to 670, and the natural gas rig count increased by 4 to 213 units. Total rigs are currently 1,024 units below their year-ago levels.

-The natural gas plant liquids composite price at Mont Belvieu, Texas, fell by 19¢ to $4.41/MMBtu for the week ending August 7. While the price of ethane rose 0.5%, all of the other components of the composite price fell. Natural gasoline and butane each fell by 6%, and propane and isobutene fell by 5%.

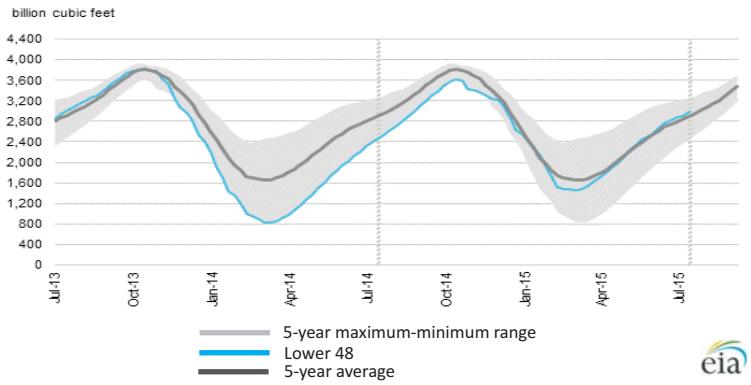
- U.S. consumption fell by 3% overall, compared to the last report week. The industrial sector gained 0.4% for the week, while the power and residential/commercial sectors declined by 5% and 2%, respectively. U.S. natural gas exports to Mexico were up 19% over the same period in 2014, though down 6% from last week.

Excerpted from eia

Monthly NYMEX Natural Gas Settle Price Sep 2014 - Aug 2015:



Working nat. gas in underground storage as of August 7, 2015:



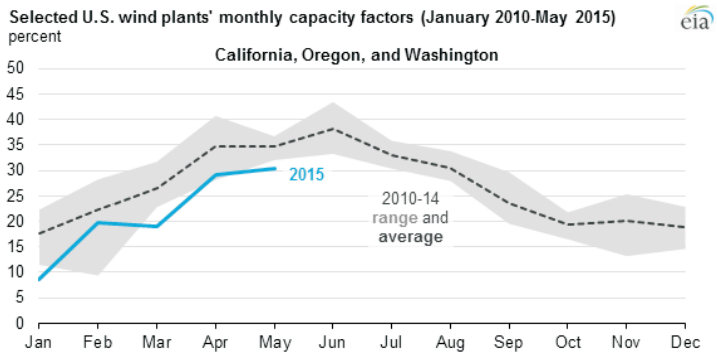
Forward 12-month NYMEX natural gas strip price - Sep15-Aug16:

Process Load-weighted $3.022/dth

Heat Load-weighted $3.077/dth

West Coast wind patterns lead to below-normal wind generation capacity factors:

A drop in average wind speeds in the western United States during early 2015 led to reduced generation from wind plants in California, Oregon, and Washington. As a result, wind plant utilization rates, also known as plant capacity factors, were consistently below the previous five-year average during the first five months of 2015, according to the latest data available. Capacity factors for wind turbines are largely determined by wind resources. Because the output from a turbine varies nonlinearly with wind speed, small decreases in wind speeds can result in much larger changes in output and, in turn, capacity factors. For instance, in January, wind speeds were approximately 20% to 45% lower than normal for some portions of the West Coast, but capacity factors for wind plants in California, Oregon, and Washington were approximately 50% lower than the January average of the previous five years. In order to accurately compare performance over time, these calculations were based on the output of wind plants in operation before 2010, which excludes all of the new wind capacity added since then. As 2015 has progressed, California wind turbine performance appears to have recovered to near-normal levels, but turbine performance in Oregon and Washington remains below average 2010-14 levels. In general, performance this past spring tended to be lower the farther north the turbines are located, with Washington turbine performance more than 25% below average levels in March, April, and May. Wind plant generation variability occurs over different time scales, from subhourly to seasonally and even annually, reflecting variations in wind speeds. Unexpected drops in output may require grid operators to schedule other sources of power on short notice. Furthermore, because the federal tax credit for utility-scale wind energy is based on generation volumes, lower wind speeds mean reduced tax credits.



"You should always leave the party 10 minutes before you actually do." -Gary Larson