LEGACY ENERGY

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Energy Market Report

Report Date: August 21, 2015

Report Week: August 12 to August 19, 2015

Questions?
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News Tracker:

-Prices of natural gas declined in most market locations across the country over the Report Week (Wednesday, August 12, through Wednesday, August 19), and remained relatively low. The Henry Hub spot price began the Report Week at $2.91/MMBtu and ended the Report Week at $2.73/MMBtu.

-At the New York Mercantile Exchange (Nymex), the price of the near-month natural gas futures contract (September 2015) declined from $2.931/MMBtu to $2.716/MMBtu to open and close the Report Week.

-Working natural gas in storage increased to 3,030 Bcf as of Friday, August 14. A net injection into storage of 53 Bcf for the week resulted in storage levels 19% above a year ago and 3% above the five-year average for this week. Temperatures in the Lower 48 states averaged 75° for the storage report week, similar to the 30-year normal temperature and 1° warmer than the average temperature during the same week last year.

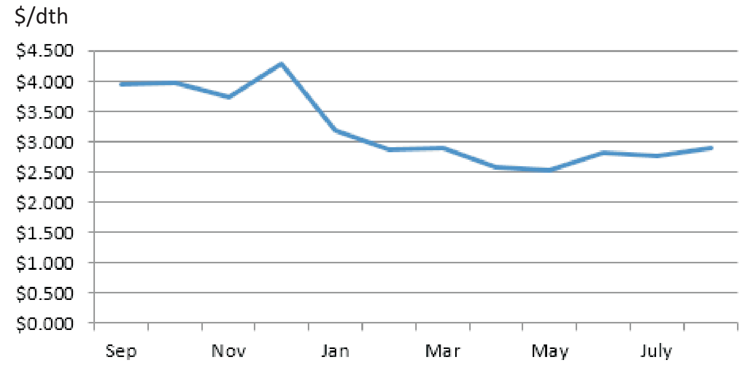
-The total oil and natural gas rig count remained unchanged from the previous week at 884 units for the week ending Friday, August 14, and was 1,029 rigs below the same week in 2014, according to data from Baker Hughes Incorporated. The oil rig count increased by 2 units to 672, and the natural gas rig count declined by 2 to 211 units.

-The natural gas plant liquids composite price at Mont Belvieu increased by 8¢/MMBtu to $4.48/MMBtu for the week ending August 14. All components of the composite price increased. Natural gasoline prices increased the most, by 1.6% (14¢), while prices of ethane, propane, butane, and isobutane increased by 2.0%, 1.5%, 2.8%, and 1.7%, respectively.

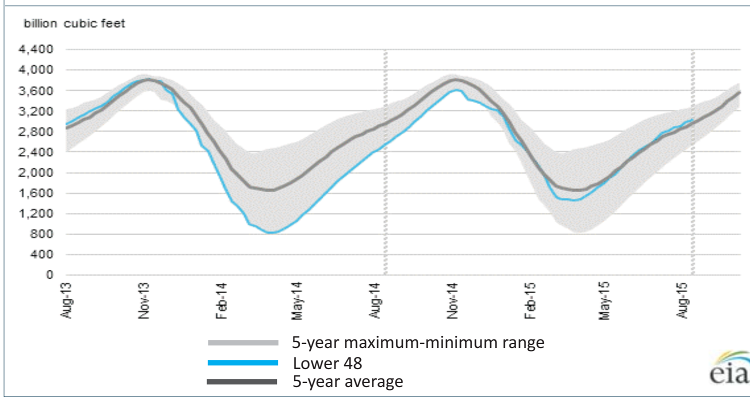
- U.S. natural gas consumption increased by 2% overall, compared to the previous Report Week, led by a 7% increase in the residential/commercial sector. Consumption of natural gas for power generation (power burn) increased slightly, by 1% during the report week, and was 23% higher than the same week last year. Industrial consumption declined slightly by 0.2%, and was 2% lower than the same week last year. Exports to Mexico averaged 2.9 Bcf/d, a 6% increase over the previous week, and 24% higher than exports for the same week last year.

Excerpted from eia

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



Working nat. gas in underground storage as of August 14, 2015:



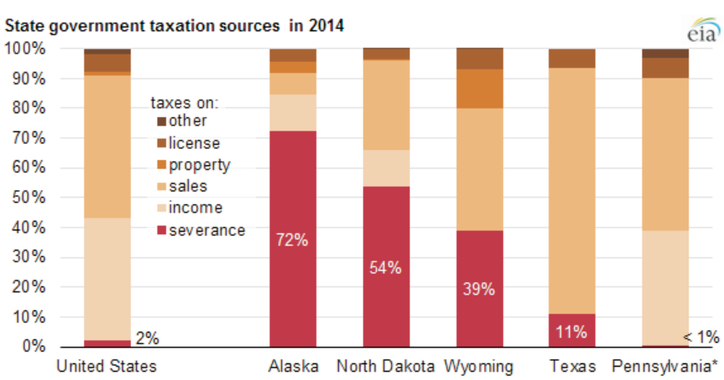
Forward 12-month NYMEX natural gas strip price - Sep15-Aug16:

Process Load-weighted $2.926/dth (w/w -$0.096)

Heat Load-weighted $2.976/dth (w/w -$0.100)

Major fossil fuel-producing states rely heavily on severance taxes:

Several states that produce large amounts of fossil fuels rely heavily on severance tax revenuetaxes based on the volume and/or value of oil, natural gas, coal, and other natural resources. On average, severance taxes accounted for less than 2% of state tax collections in 2014, but in three statesAlaska, North Dakota, and Wyomingseverance taxes provided a much larger share of total state tax revenue in that year. Alaska relies on revenues from oil and natural gas production for up to 90% of its budget, and consequently the state experiences fluctuations in tax receipts that reflect changing oil and natural gas prices. North Dakota, the second-largest oil producing state (after Texas), has seen its reliance on severance tax revenues grow along with the growth of tight oil production in the Bakken region. Between 2001 and 2014, North Dakota oil production increased from 87,000 barrels per day (b/d) to 1.1 million b/d, with severance tax receipts over the same period growing from $164.6 million to $3.3 billion. Wyoming, the nation's foremost coal-producing state, receives nearly 40% of state revenues from severance taxes. Since 2000, natural gas, rather than coal, has been the largest source of Wyoming severance taxes because of a significant increase in natural gas production. Texas, the nation's largest oil- and natural gas-producing state, collected $931 million in severance tax revenues in the first quarter of 2015. The first-quarter total is down 46% from the $1.7 billion collected in the third quarter of 2014. Unlike the states discussed above, Pennsylvania, the country's second-largest natural gas producer, derives revenue not from severance taxes but from an annual wellhead fee based on the number of wellheads drilled and the wholesale prices of natural gas. Pennsylvania's legislature is considering severance tax legislation that would require oil producers to pay a severance tax of 5% of the production value of oil and natural gas.



> "Half an hour's meditation each day is essential, except when you are busy. Then a full hour is needed." -Saint Francis de Sales