

March 31, 2017

“Work while you work, play while you play – This is the basic rule of repressive self-discipline.”
~ Theodor Adorno

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NYMEX

Monday the April contract closed at \$3.052 which was down 2.4 cents from last Friday. On Tuesday the April contract closed at \$3.096 and was up 4.4 cents from Monday's close. On Wednesday the April contract expired at \$3.175 which was up 7.9 cents from Tuesday's close. On Thursday the May contract settled at \$3.191 which was up 1.6 cents from Wednesday's close. This price is up 1.4 cents from last Thursday's closing price. The April contract settled at an eight-week high fueled by supportive storage report expectations and book-squaring as markets prepare to enter an injection season clouded by bullish supply and demand fundamentals.

WEATHER

In its 6 to 10 day outlook, the National Weather Service is expecting temperatures to average above normal from the west into the plains. The rest of the US and particularly the Northeast and East are normal. The 8 to 14 day outlook predicts above normal readings across the Middle of the US. The Northwest will experience below normal readings and the Northeast normal readings.

The National Weather Service's latest forecast for the month of April is for warmer than normal temperatures across the South and East regions, especially the Gulf Coast states. The Northwest and West Coast region is expected to experience normal temperatures.

In Frontier Weather's 6 to 10 day forecast the rain is shifting eastward from the central to the eastern US with a new storm this weekend. The West, South, and Southeast regions will experience normal temperatures. The North will see warmer than normal temperatures, and the Northeast will see below normal temperatures. In the 11 to 15 day period, temperatures are expected to be normal across the US.

The Prompt Month is at \$3.191



Warm anomalies are likely to continue across the middle of the country. The Northwest should continue to stay closer to normal, and cooler weather is likely to linger along the East coast. Season to date heating degree days (HDDs) are 2% above last year and 12% below the five year average.

STORAGE

The Energy Information Administration reported a withdrawal of 43 Bcf for the week ending March 24th. This is a difference of 24 Bcf compared to last year's withdrawal of 19 Bcf for the same week, and 16 Bcf higher draw than the 5-year average withdrawal of 27 Bcf. The market consensus anticipated an average withdrawal of about 54 Bcf ranging from a withdrawal of 27 Bcf to 55 Bcf. The working natural gas storage inventory balance is at 2,049 Bcf. Stocks were 423 Bcf (17.1%) lower than last year, and 250 Bcf 13.9% above the 5-year average. Next week's storage forecast anticipates an injection of 11 Bcf. This is higher than what was posted for the same week last year and higher than what is posted as the 5-year average. Next week's forecasted injection will provide support to gas prices. Analysts continue to forecast a balance around 2 Tcf at the end of the withdrawal season.

NYMEX STRIP AVERAGES

NYMEX	3/30/2017	Change from Last Week
12-month strip average (May 17-Apr 18)	\$3.336	\$0.177
2018 strip average (Jan 18-Dec 18)	\$3.050	\$0.007
24 month strip average (May 17-Apr 19)	\$3.138	\$0.003
36 month strip average (May 17-Apr 20)	\$3.036	(\$0.003)

They expect a season ending balance that is above the five year average of about 1.8 Tcf.

SUPPLY & DEMAND

Bentek reported dry gas production averaging 70.5 Bcf/d for the past 7 days and total US demand averaging 75 Bcf/d over the same period. Power burn demand averaged 21 Bcf/d, and the residential/commercial sector averaged 25 Bcf/d. For the next 7-day period Bentek forecasts dry gas production and demand to average 70.6 Bcf/d and 74.7 Bcf/d, respectively. Their forecast averages for the next 7 days for the industrial sector are 21.3 Bcf/d, power burn at 20.8 Bcf/d, and the residential/commercial sector 24.8 Bcf/d. Week-over-week demand remained elevated despite residential and commercial demand plunging more than 13 Bcf/d from the week prior when a 150-Bcf pull was reported.

RIG COUNTS

The US natural gas rotary rig count is at a current level of 155 for the week ending March 24th. This represents a decrease of 2 from last week, and an increase of 63 from a total of 92 one year ago.

WEEKLY MARKET REPORT

NYMEX STRIP PRICES As of March 30, 2017	Natural Gas (USD/MMBtu)	WTI Crude Oil (USD/barrel)	NG STORAGE REPORT (Bcf) Week Ended March 24, 2017		NATURAL GAS RIG COUNT Week Ended March 24, 2017	
Prompt	\$3.191	\$50.35	This Week's withdrawal	43	This Week	155
12 month strip	\$3.336	\$51.44	Consensus	27-55	Last Week	157
24 month strip	\$3.138	\$51.41	5-Year Average	27	Last Year	92
36 month strip	\$3.036	\$51.27	Current Inventory Total	2,049	Year-On-Year	68.4%

Source: CME

Source: U.S. EIA

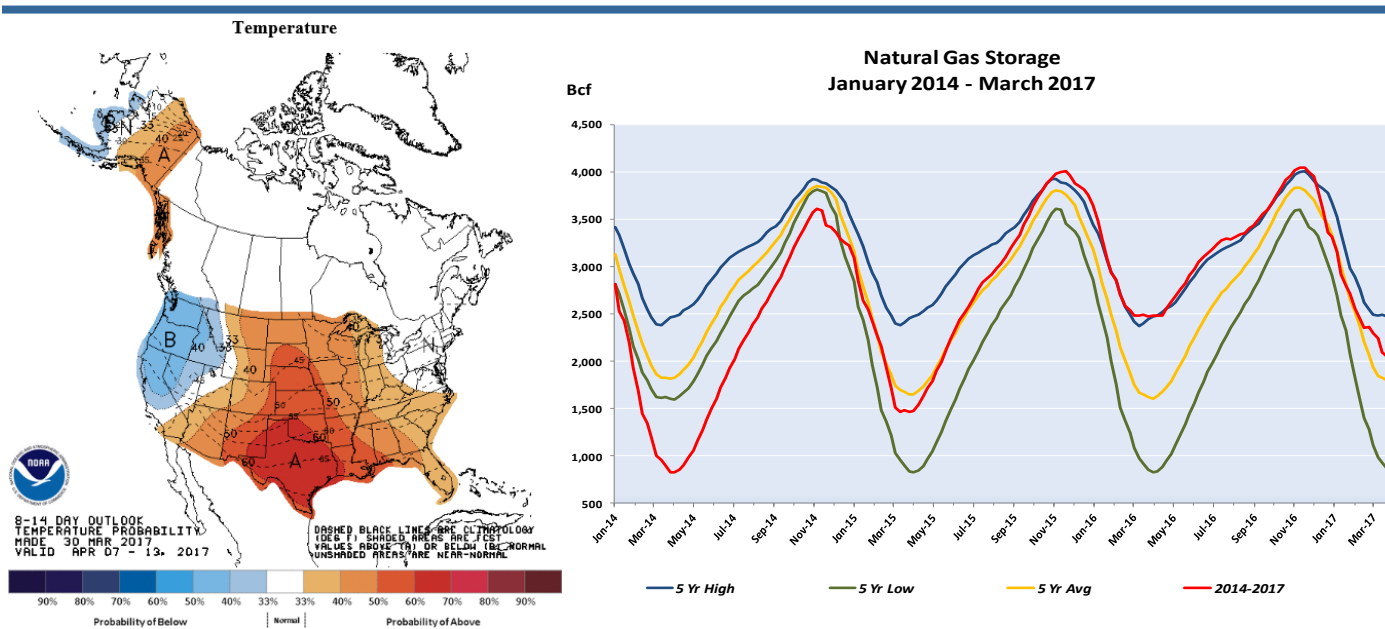
Source: Baker Hughes

ENERGY NOTES & NEWS

Nod to First US Offshore LNG Export: License was granted by the Department of Transportation's Maritime Administration to build the first floating LNG Export. Capacity is expected to be 1.6 Bcf/d when operational in 2020. "I find construction and operation of the Port to be in the national interest because Delfin LNG will have a beneficial effect on economic growth, both on the local level and the national level, it will expand and diversify US energy infrastructure, it will provide a reliable source of clean energy to US allies in the event of market disruption, and it will have a low impact on the availability and cost of natural gas in the US domestic market," Joel Szabat, executive director of the Maritime Administration — *Platts Gas Daily 3-27-17*

Keystone XL Revived: First step in lengthy process completed. Permit to cross the US-Canada border was approved by the US Department of State. This following the executive memorandum from President Donald Trump on January 26th giving the department 60 days to make a decision. The pipeline proposed would transport 830,000 b/d over 1,200 miles from Alberta oil sands to Steele City, Nebraska linking to the existing Keystone pipeline. TransCanada said it needs two years to build the pipeline. — *Platts Gas Daily 3-27-17*

Climate Rules Dismantled: Executive order signed by president Donald Trump starts the process of rescinding Obama's climate change policies. Markets showed no impact on prices as these regulations already started being unwound in courts. "Ironically, it may mean more energy, but it may mean that not every energy company benefits," Kevin Book, managing director of ClearView Energy Partners said Tuesday. "There is an intermediate-term risk of deregulating supply faster than demand. Some operators will do well but for the market as a whole, it may not be good." The main piece of Obama's climate agenda, the Clean Power Plan, seems to be the main target in the order. Existing power plants would then not be required to cut carbon emissions by 32% from 2005 levels by 2030. — *Platts Gas Daily 3-29-17*



REGIONAL DAY-AHEAD PRICE CHANGES

ISO Price Locations	Day-ahead peak prices		
	31-Mar	Daily chg	Prior 7-day avg
CAISO NP 15	16.76	-1.18 ▼	17.04
ERCOT North Hub	20.29	-2.82 ▼	26.00
ISONE Internal Hub	41.58	8.34 ▲	30.07
MISO Indiana Hub	32.66	1.17 ▲	29.87
NYISO Zone G	37.31	4.47 ▲	31.71
PJM West Hub	32.36	-0.54 ▼	28.98
SPP South Hub	31.47	0.41 ▲	30.76
Bilateral indexes			
Into Southern	28.50	-1.25 ▼	28.82
Palo Verde	15.05	0.00 —	18.11
COB	10.67	0.00 —	13.04
Mid-C	1.48	0.00 —	7.12

Source: Platts

Regional weather trends		
31-Mar	Daily chg	7-day forecast
58.3	-1.8 ▼	59.8
70.7	5.2 ▲	68.6
36.6	-4.3 ▼	43.4
44.7	-0.6 ▼	49.7
40.9	-4.3 ▼	48.9
50.1	1.0 ▲	53.7
52.1	-1.2 ▼	57.3
68.2	-0.1 ▼	69.3
58.3	-3.0 ▼	60.7
47.8	0.6 ▲	48.5
47.8	0.6 ▲	48.5

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