

IAF Advisors/Criterion Research
Energy Market Outlook
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Price Action: The January contract fell 7.9 cents (3.5%) to \$2.212 on a 14.6 cent range.

Price Outlook: The market forged a new low and could not post a new weekly high despite the new January contract becoming prompt. The weather forecasts continue to indicate well above temperatures at the end of the forecast and that will continue to pressure the market lower. CFTC data was not updated due to the Thanksgiving Holiday. Aggregated CME futures open interest rose to 1.005 million as of November 27.

Weekly Storage: US working gas storage for the week ending November 20 indicated a net injection of 9 bcf. This report is now based on the new 5 regional data set that has long been expected. The new total working gas inventory level is 4,009 bcf. This now represents the highest level of working gas ever reported by the EIA. Current inventories rise 577 bcf (16.8%) above last year while surpassing the 5 year average by 256 bcf (6.8%).

Storage Outlook: Continued warm November temperatures led the storage change to exceed both last year and the 5 year average. Historically, this week should have witnessed a withdrawal and references from this point forward will be to whether the change was mathematically larger or smaller than last year and the 5 year average.

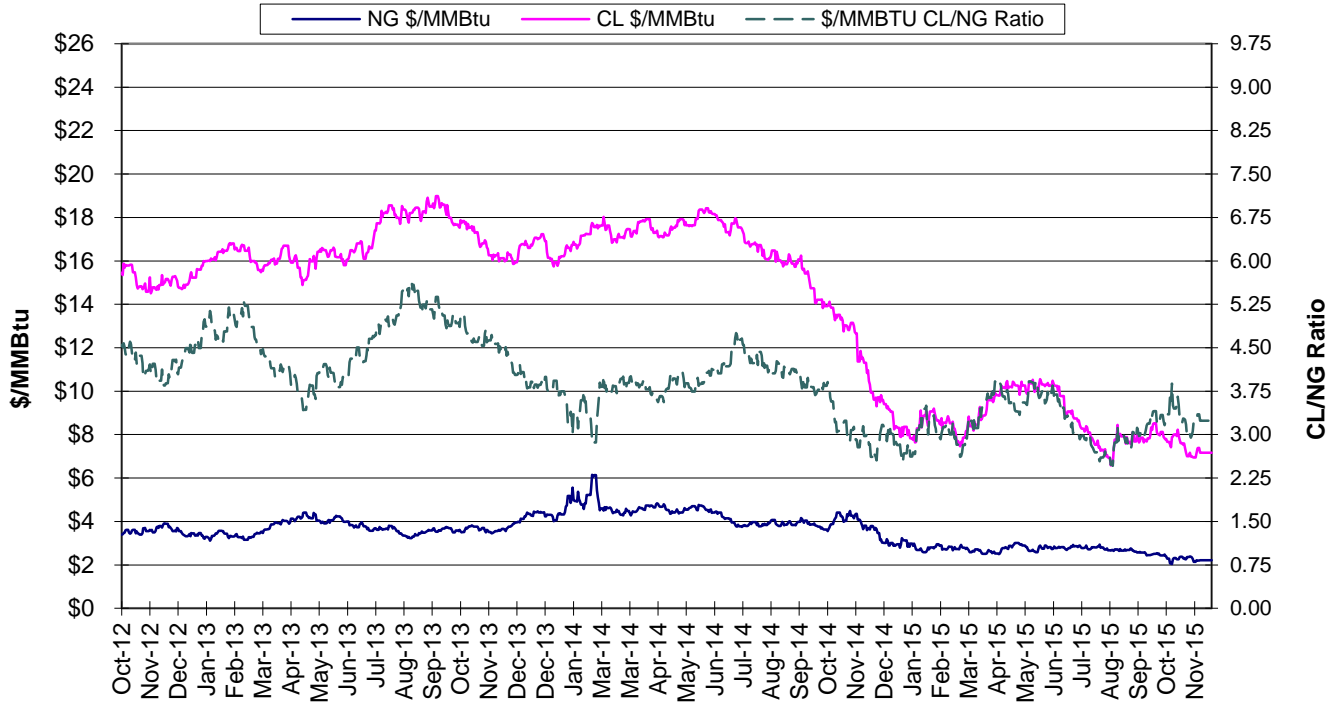
Supply Trends: Total supply fell 0.7 bcf/d to 73.4 bcf/d. Canadian imports fell and Mexican exports rose. US production and LNG imports were unchanged. The US Baker Hughes rig count slipped 13 as both oil and natural gas activity fell. The total US rig count now stands at 744. The Canadian rig count rose 18 and now stands at 184. Thus, the total North American rig count rose 5 to 928 and now trails last year by 1,427, which is slightly below last week's new record 1,440 year on year rig count deficit. The higher efficiency US horizontal rig count fell 12 to 569 and falls 802 below last year. This is the lowest US horizontal rig count since December 25, 2009. A review of US oil and natural gas proven reserves indicated another increase in both as of December 31, 2014. Natural gas proven reserves set a new record while oil reserves are now the 4th highest on record. While proven reserves are price dependent, the ability of US E&P companies to find and extract hydrocarbons remains impressive.

Demand Trends: Total demand rose 0.4 bcf/d to 72.0 bcf/d. R&C and industrial demand rose with power lower. Electricity demand rose 789 gigawatt-hrs to 70,133 which trails last year by 9,504 (11.9%) while trailing the 5 year average by 2,712 (3.7%).

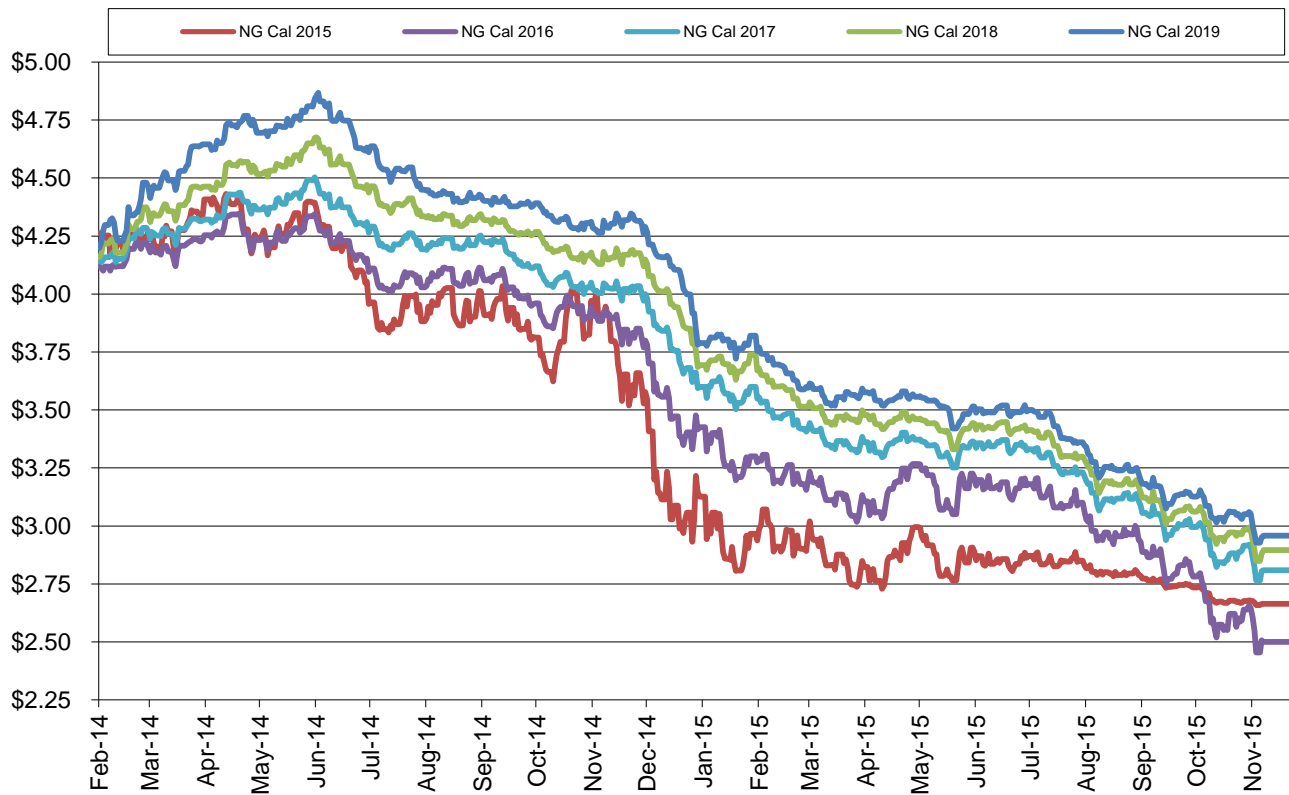
Other Factors Nuclear generation rose 4,035 MW in the reference week to 79,938 MW. This is 7,001 MW lower than last year and 3,934 MW lower than the 5 year average. Units have recovered from unplanned issues and output was recently near 86,000 MW.

- Not surprisingly, the 2015/16 heating season is off to the slowest start since 2011. With a forecast through December 11, the 2015/16 total heating index is at 525 compared to 696 for 2014/15, 747 for 2013/14, 598 for 2012/13 and 619 for 2011/12.

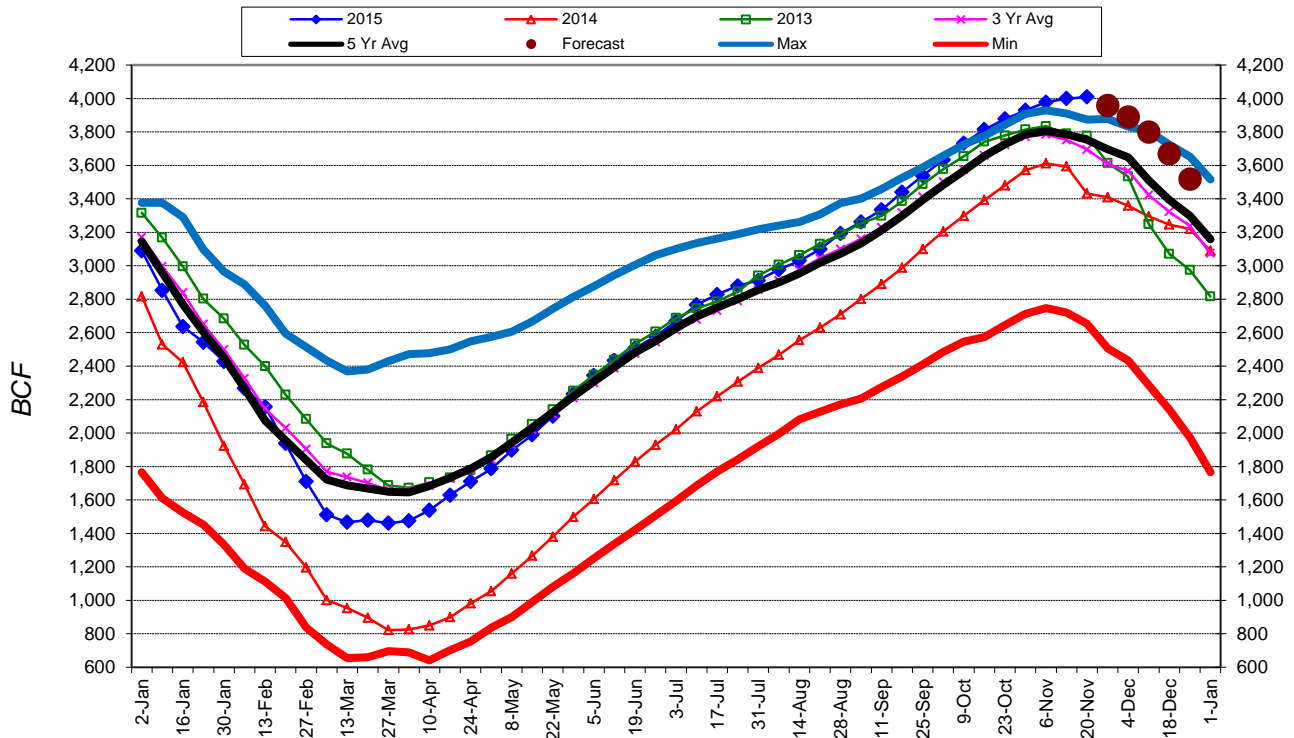
\$/MMBtu Ratio of NYMEX CL and NG



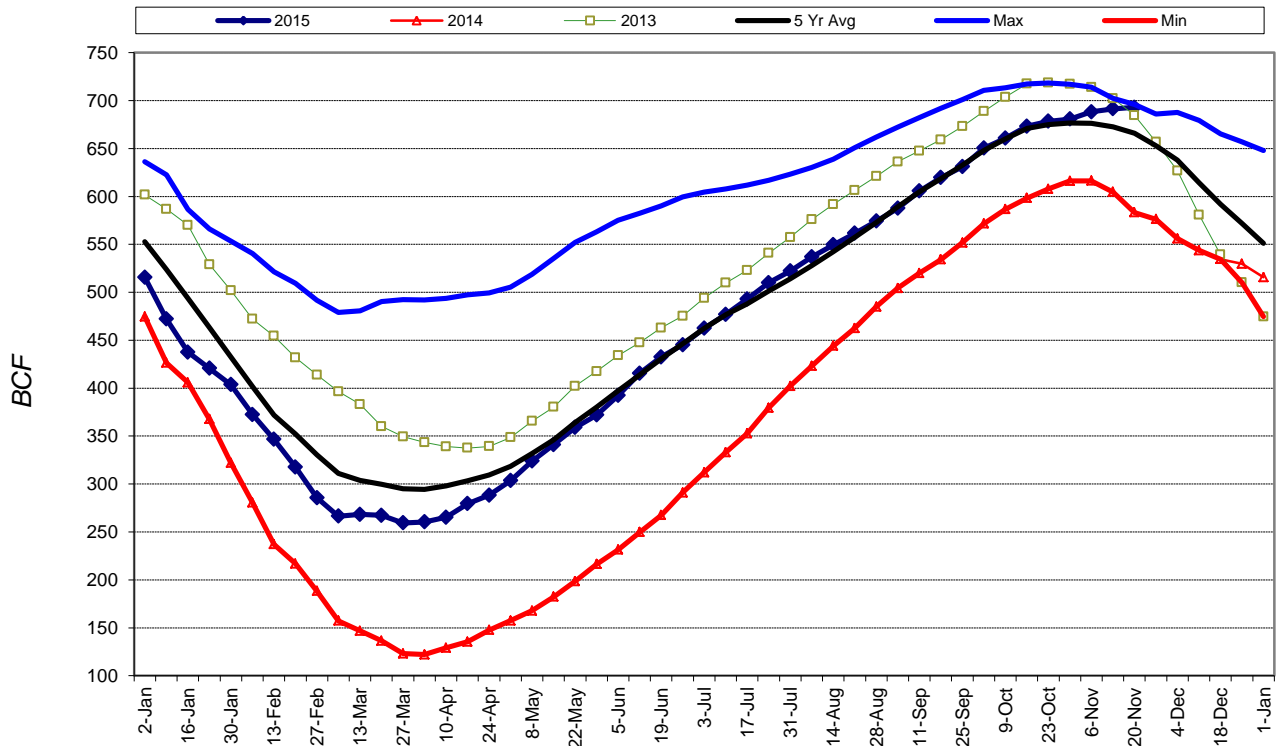
NYMEX Calendar Strips



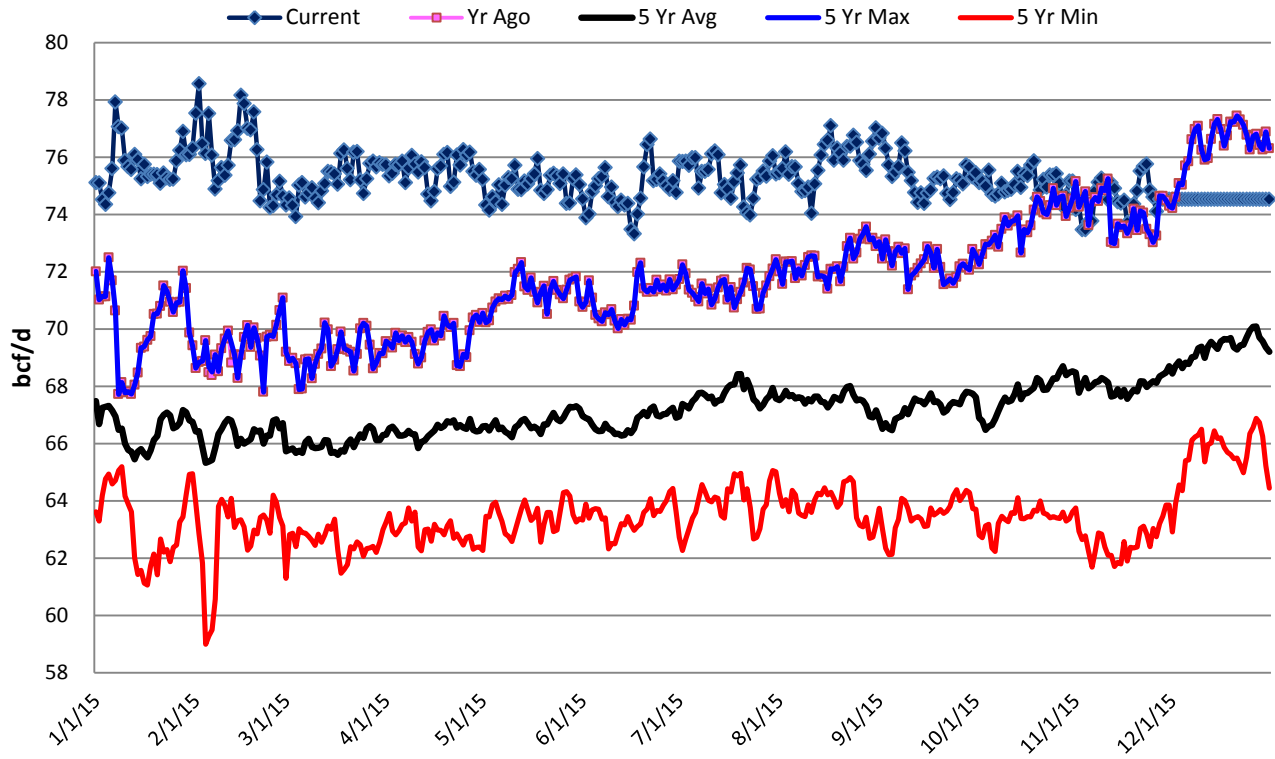
US Working Gas Storage - Source - EIA



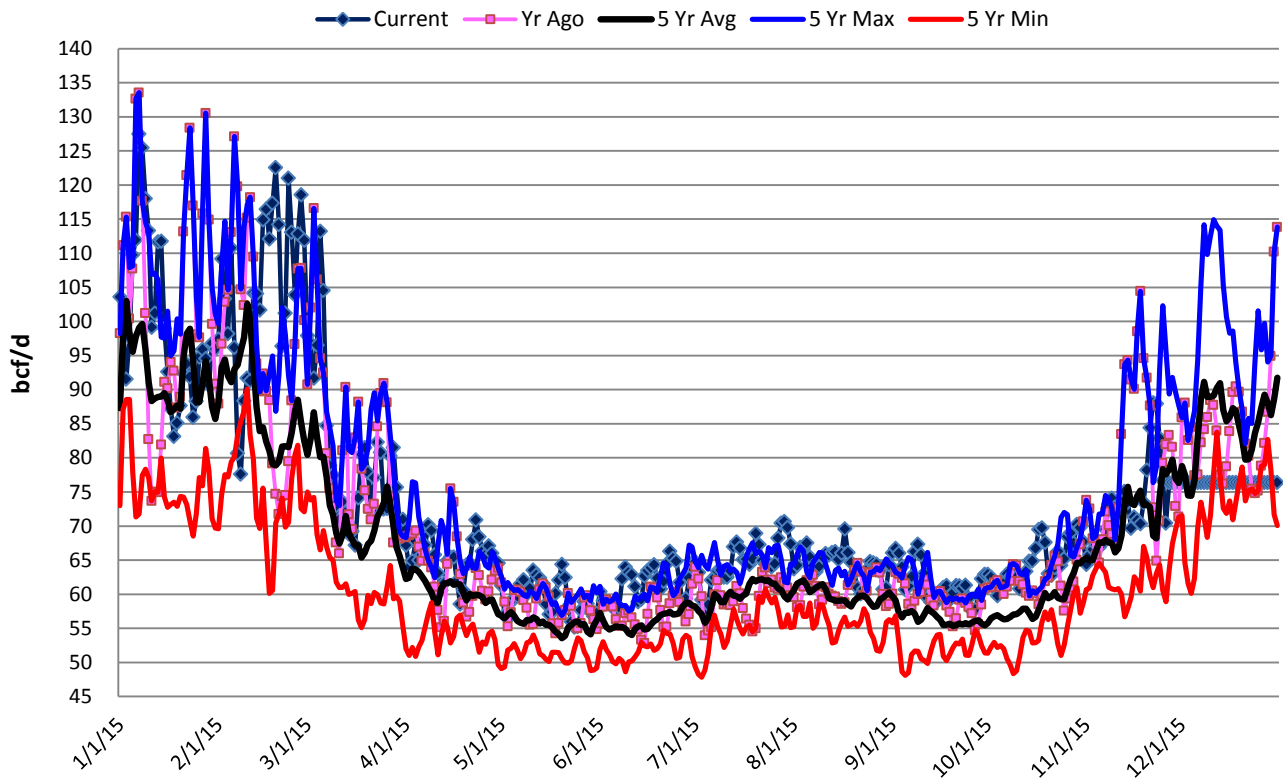
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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