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Week Ending March 24, 2017

Please contact me to review a joint RBN Energy daily publication detailing natural gas fundamentals.

Price Action: The April contract rose 12.8 cents (4.3%) to \$3.076 on a 21.1 cent range.

Price Outlook: **Prices rose despite very bearish weather forecasts. Overall weather forecasts added over 80 bcf compared to temperature storage levels. However, physical data remains very bullish and that entire volume was not added to actual storage levels. Prices posted a new weekly high that was the 4th consecutive higher weekly price. CFTC data indicated another notable increase in the managed money net long position to the largest since June 17, 2014. Total open interest rose to 3.860 million as of March 21. Aggregated CME futures open interest rose to 1.368 million as of March 24. The May \$5.00 call is now the highest open interest option followed by the April \$3.00 call. The April \$3.50 call is 3rd. The April \$3.00 put is in 6th.**

Weekly Storage: US working gas storage for the week ending March 17 indicated a working gas storage withdrawal of (150) bcf. Working gas inventories fell to 2,092 bcf. Current inventories fall (401) bcf (16.1%) below last year while surpassing the 5-year average by +256 bcf (13.9%).

Storage Outlook: **Our EIA weekly storage estimate was mathematically 3 bcf smaller than the actual EIA report and is still within our tolerance range. The 5-week summation of our error rose 4 bcf and is within our tolerance. The EIA has reported a net implied flow of (349) bcf over the last 5 weeks compared to our estimated (345) bcf. Our estimation for the trough in inventories is 2,037 bcf. Our forecast for early November inventories is 3,671 bcf.**

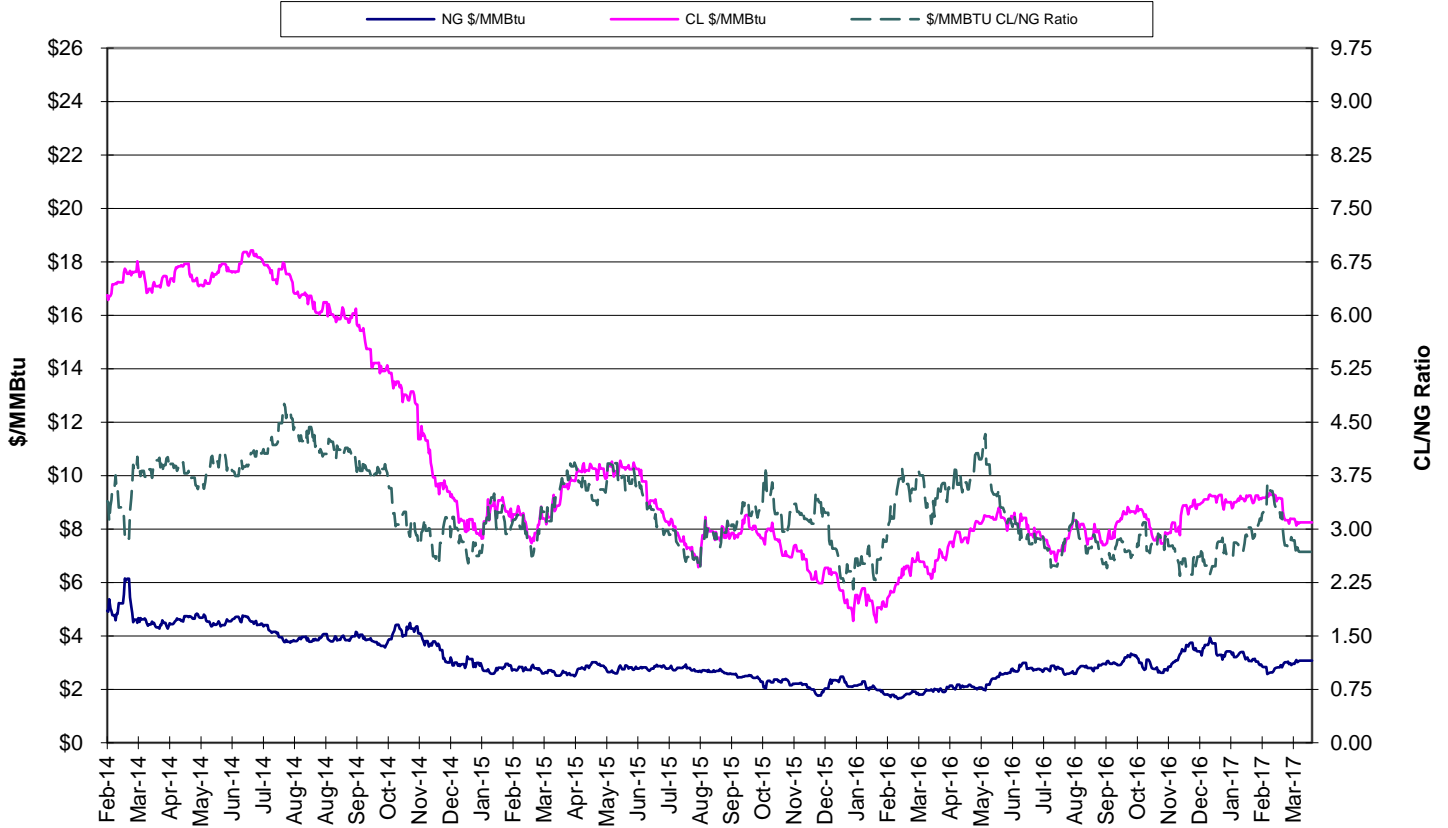
Supply Trends: Total supply rose 0.1 to 71.7 bcf/d. All supply components were higher. The US Baker Hughes rig count rose 21 as both oil and natural gas activity increased. The US Baker Hughes rig count rose 20 as oil activity rose, but natural gas slipped. The total US rig count now stands at 809. The Canadian rig count fell 91 to 185. Thus, the total North American rig count fell 71 to 994 and now exceeds last year by 475. **The higher efficiency US horizontal rig count rose 15 to 673 and rises 314 above last year.**

Demand Trends: Total demand soared 16.1 bcf/d to 94.4 bcf/d. All demand components were higher led by R&C demand. Electricity demand fell 26 gigawatt-hrs to 71,563 which exceeds last year by 3,097 (4.5%) and trails the 5-year average by 4 (0.0%). Electricity demand rose 2,958 gigawatt-hrs to 74,521 which exceeds last year by 6,267 (9.2%) and the 5-year average by 4,258 (6.1%).

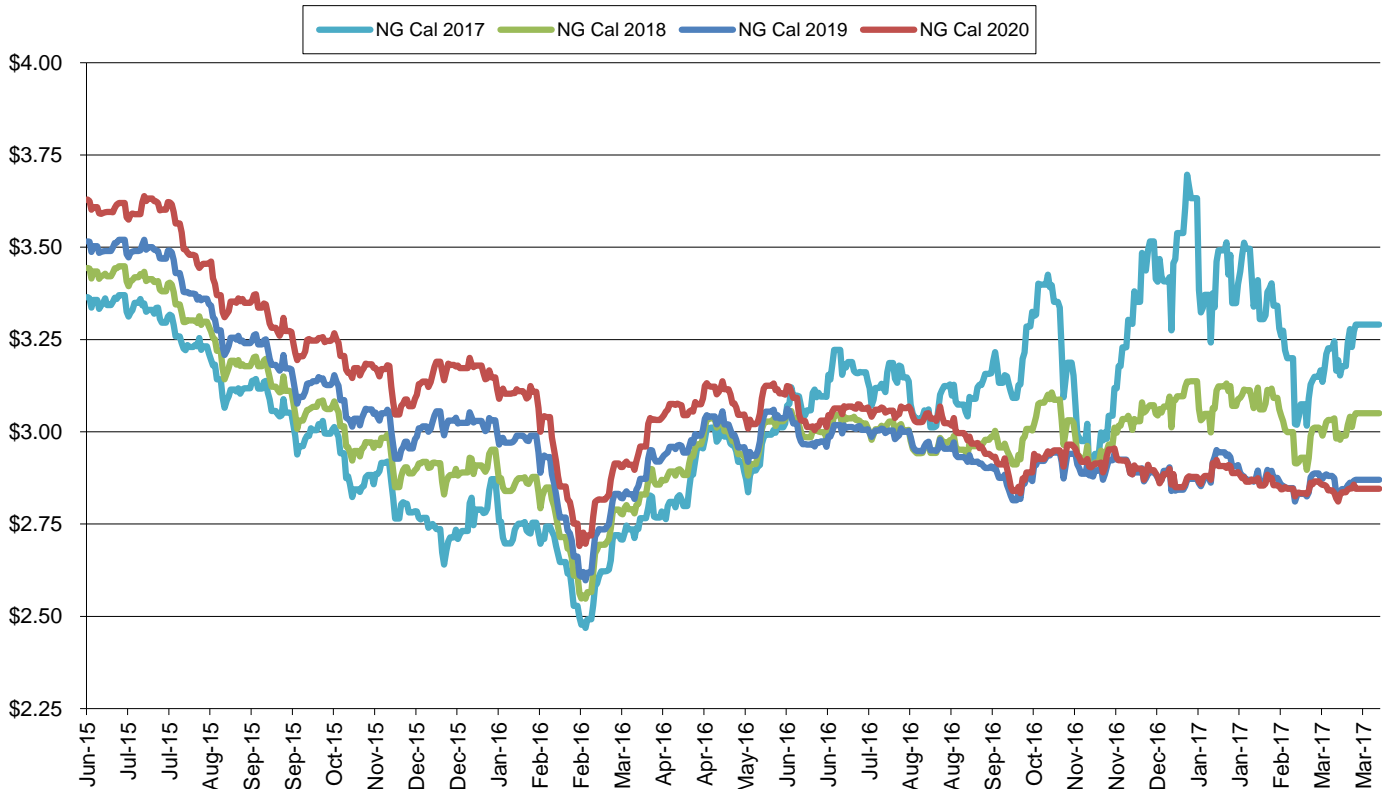
Other Factors: Nuclear generation rose 726 MW in the reference week to 87,597 MW. This is 992 MW higher than last year and 4,297 higher than the 5-year average. **Recent output is near 80,500 MW.**

- The 2016/17 heating season is entering the final month of winter. With a forecast through April 7, the 2016/17 total heating index is at 2,210 compared to 2,319 for 2015/16, 2,819 for 2014/15, 3,126 for 2013/14, 2,908 for 2012/13 and 2,483 for 2011/12 and 3,049 bcf for 2010/11.

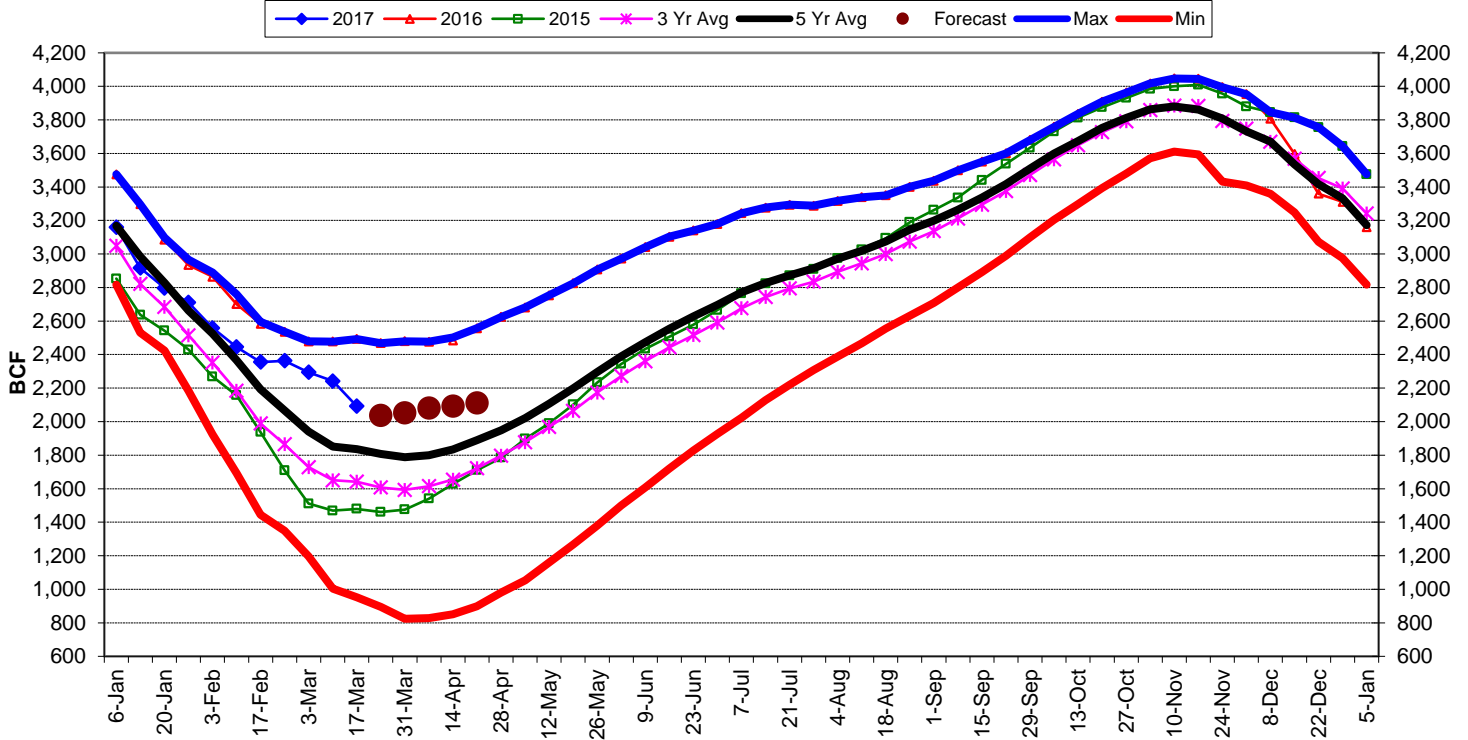
\$/MMBtu Ratio of NYMEX CL and NG



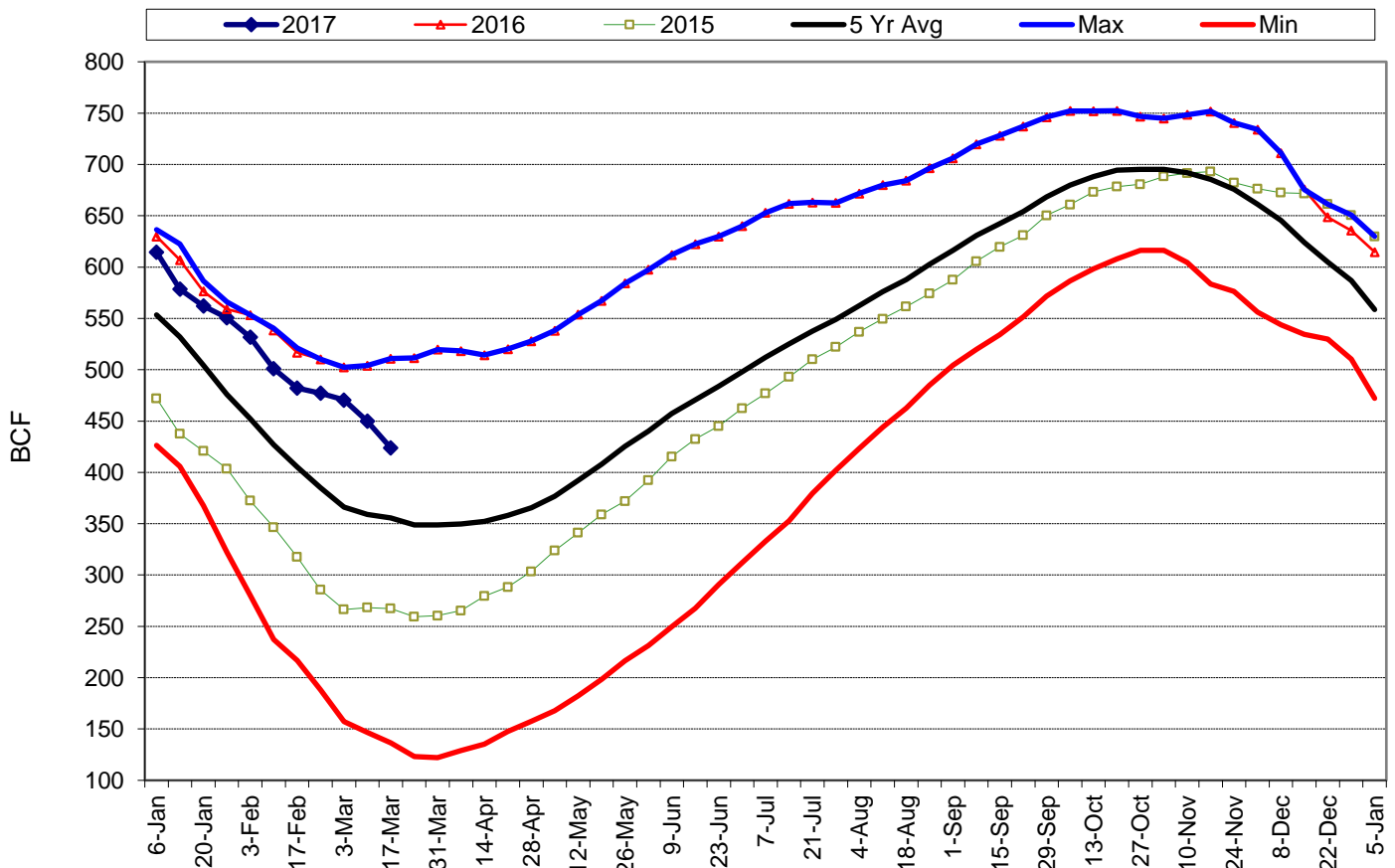
NYMEX Calendar Strips



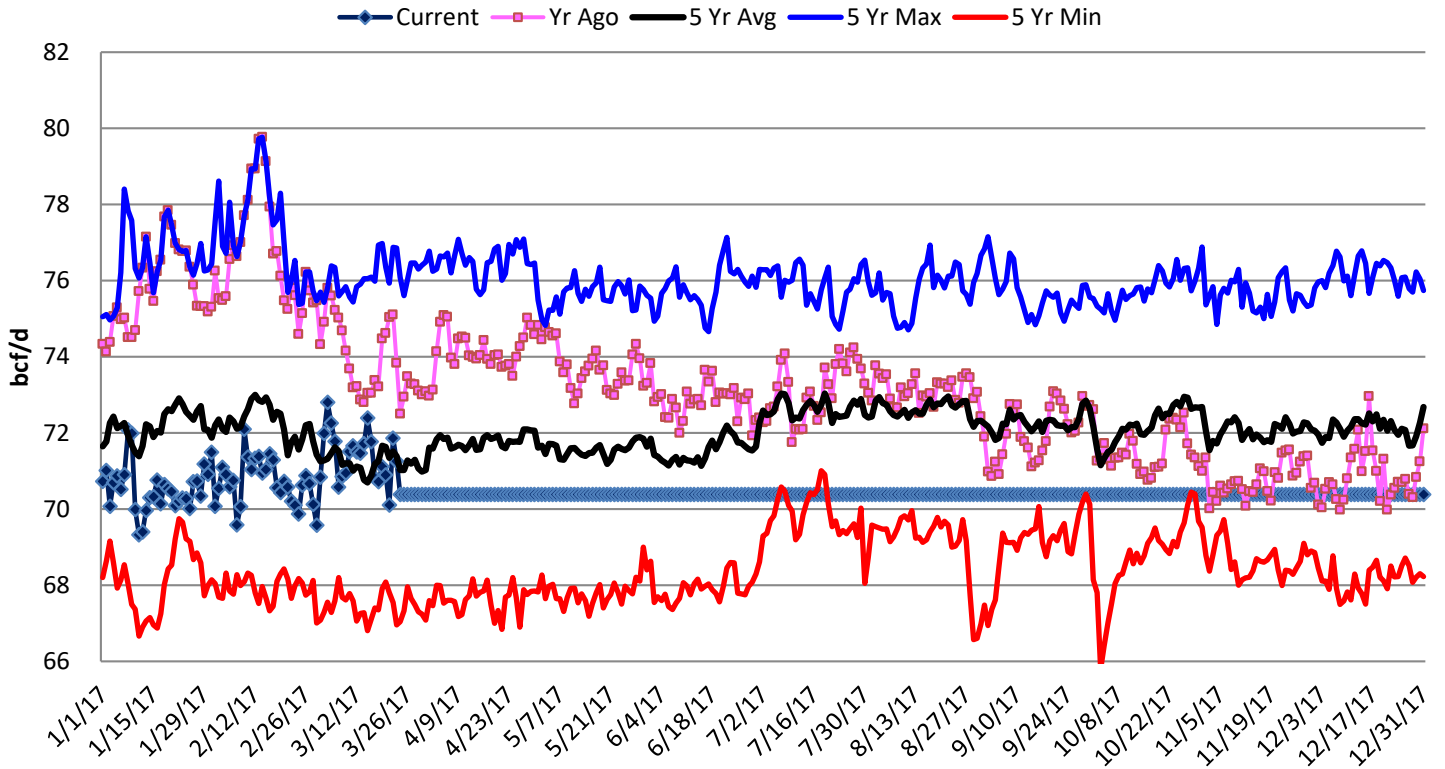
US Total Working Gas Storage - Source - EIA



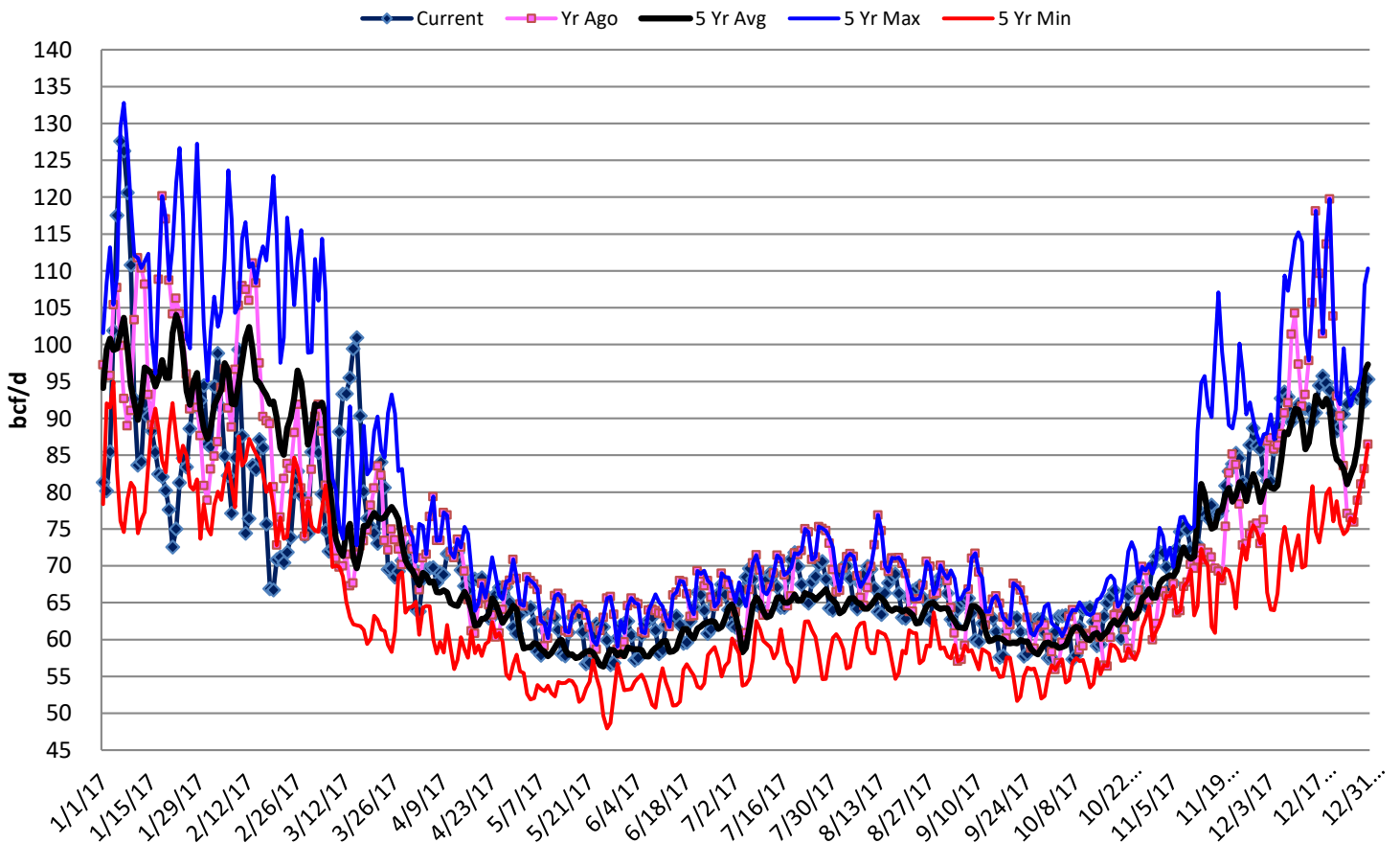
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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