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Week Ending March 31, 2017

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

Price Action: The now prompt May contract rose 3.7 cents (1.1%) to \$3.190 on a 16.2 cent range.

Price Outlook: Prices rose as the yearly storage deficit expanded while the surplus to the 5-year average shrank. These simple storage comparisons have proven very influential in recent years to price formation. Prices posted their 5th consecutive weekly advance and while still falling well shy of the record 14 consecutive higher weeks in 2008, is certainly extended. Thus, a pullback or pause is increasingly likely. CFTC data indicated another increase in the managed money net long position to the largest since June 17, 2014. Total open interest fell to 3.769 million as of March 28. Aggregated CME futures open interest rose to 1.383 million as of March 31. The May \$4.00 call is now the highest open interest option followed by the October \$4.00 call. The May \$3.50 call is 3rd. The October \$2.50 put is in 13th.

Weekly Storage: US working gas storage for the week ending March 24 indicated a working gas storage withdrawal of (43) bcf. Working gas inventories fell to 2,049 bcf. Current inventories fall (419) bcf (17.0%) below last year while surpassing the 5-year average by +242 bcf (13.4%).

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 to 8 bcf and is within our tolerance. The EIA has reported a net implied flow of (303) bcf over the last 5 weeks compared to our estimated (311) bcf. Our estimation for the trough in inventories is 2,049 bcf. Our forecast for early November inventories is 3,687 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are bearish until mid-May.

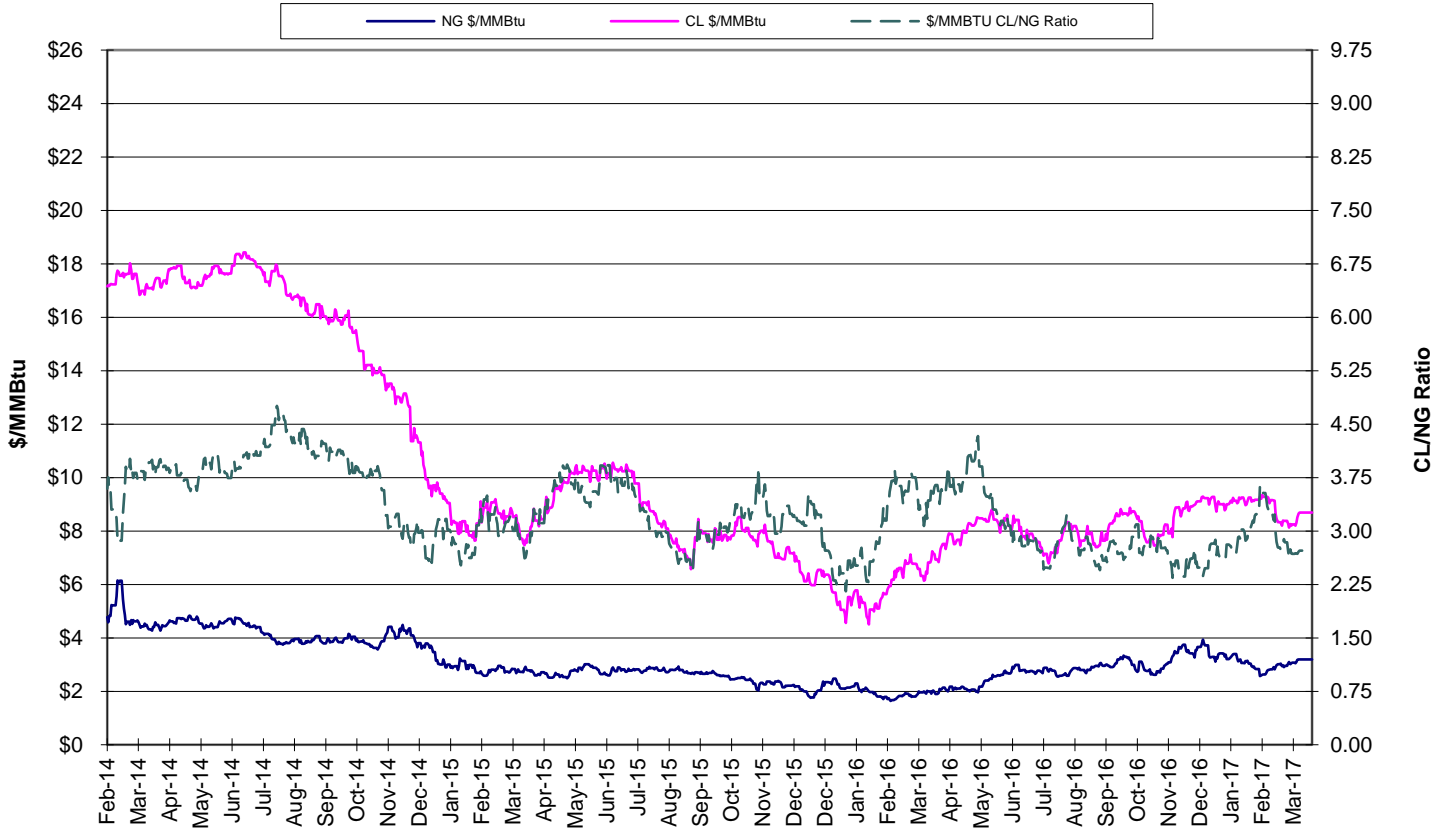
Supply Trends: Total supply fell (0.8) to 71.0 bcf/d. All supply components were lower. The US Baker Hughes rig count rose 21 as both oil and natural gas activity increased. The US Baker Hughes rig count rose 15 as both oil and natural gas activity rose. The total US rig count now stands at 824. The Canadian rig count fell 30 to 155. Thus, the total North American rig count fell 15 to 979 and now exceeds last year by 480. The higher efficiency US horizontal rig count rose 12 to 685 and rises 339 above last year.

Demand Trends: Total demand plunged 16.7 bcf/d to 77.7 bcf/d. All demand components were led lower by R&C demand. Electricity demand fell 4,375 gigawatt-hrs to 70,146 which exceeds last year by 2,457 (3.6%) and trails the 5-year average by 461 (0.7%).

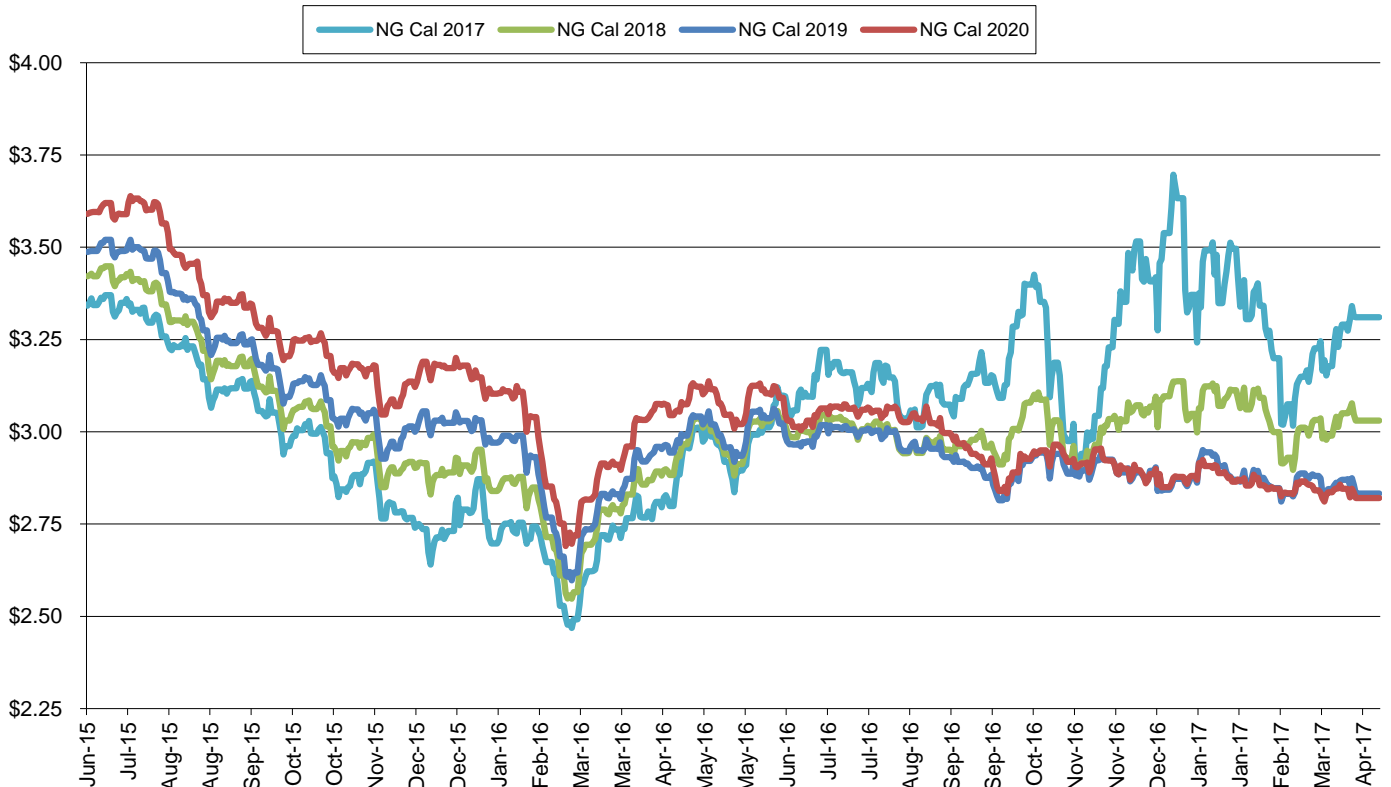
Other Factors: Nuclear generation fell 6,023 MW in the reference week to 81,574 MW. This is (2,483) MW lower than last year and 330 higher than the 5-year average. Recent output is near 80,000 MW.

- The 2016/17 heating season is coming to an end. With a forecast through April 14, the 2016/17 total heating index is at 2,247 compared to 2,384 for 2015/16, 2,834 for 2014/15, 3,152 for 2013/14, 2,945 for 2012/13 and 2,532 for 2011/12 and 3,076 bcf for 2010/11.

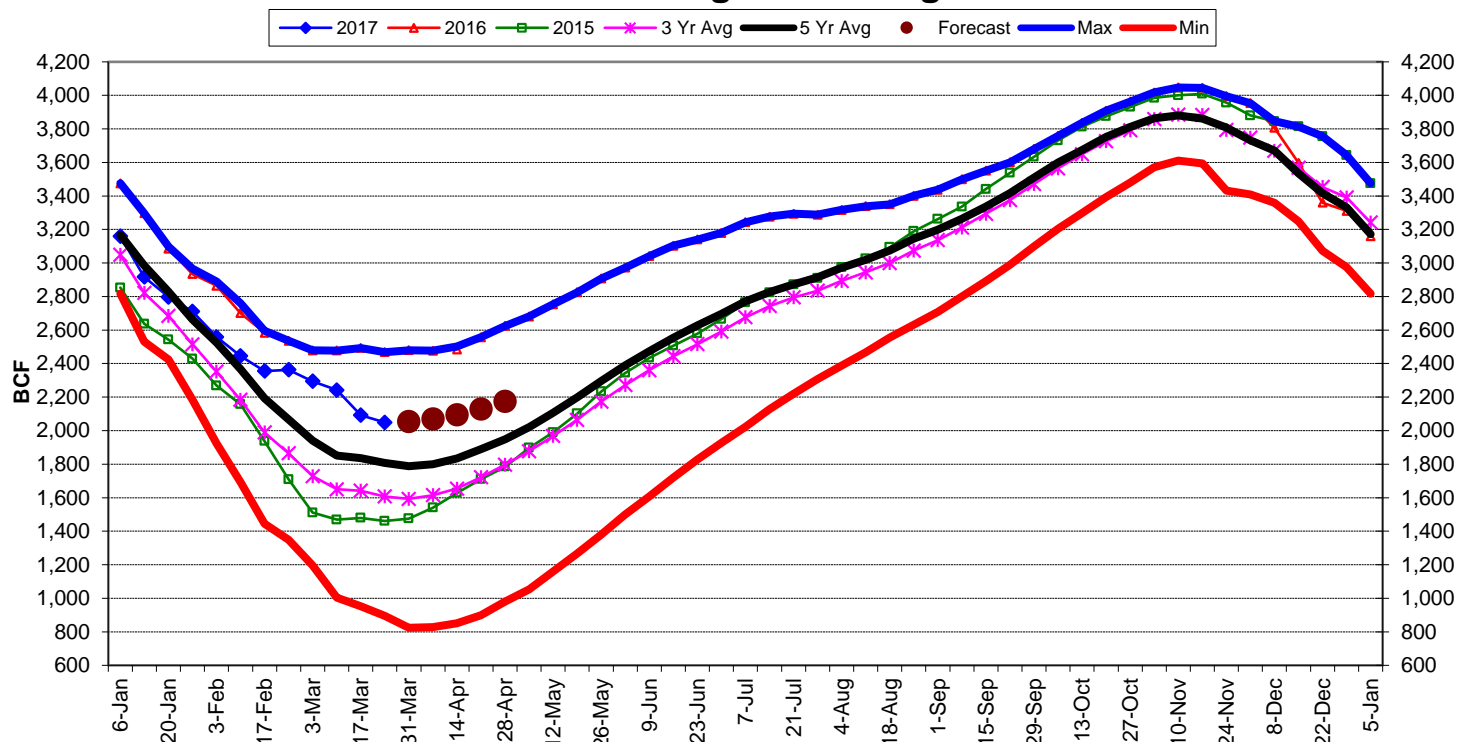
\$/MMBtu Ratio of NYMEX CL and NG



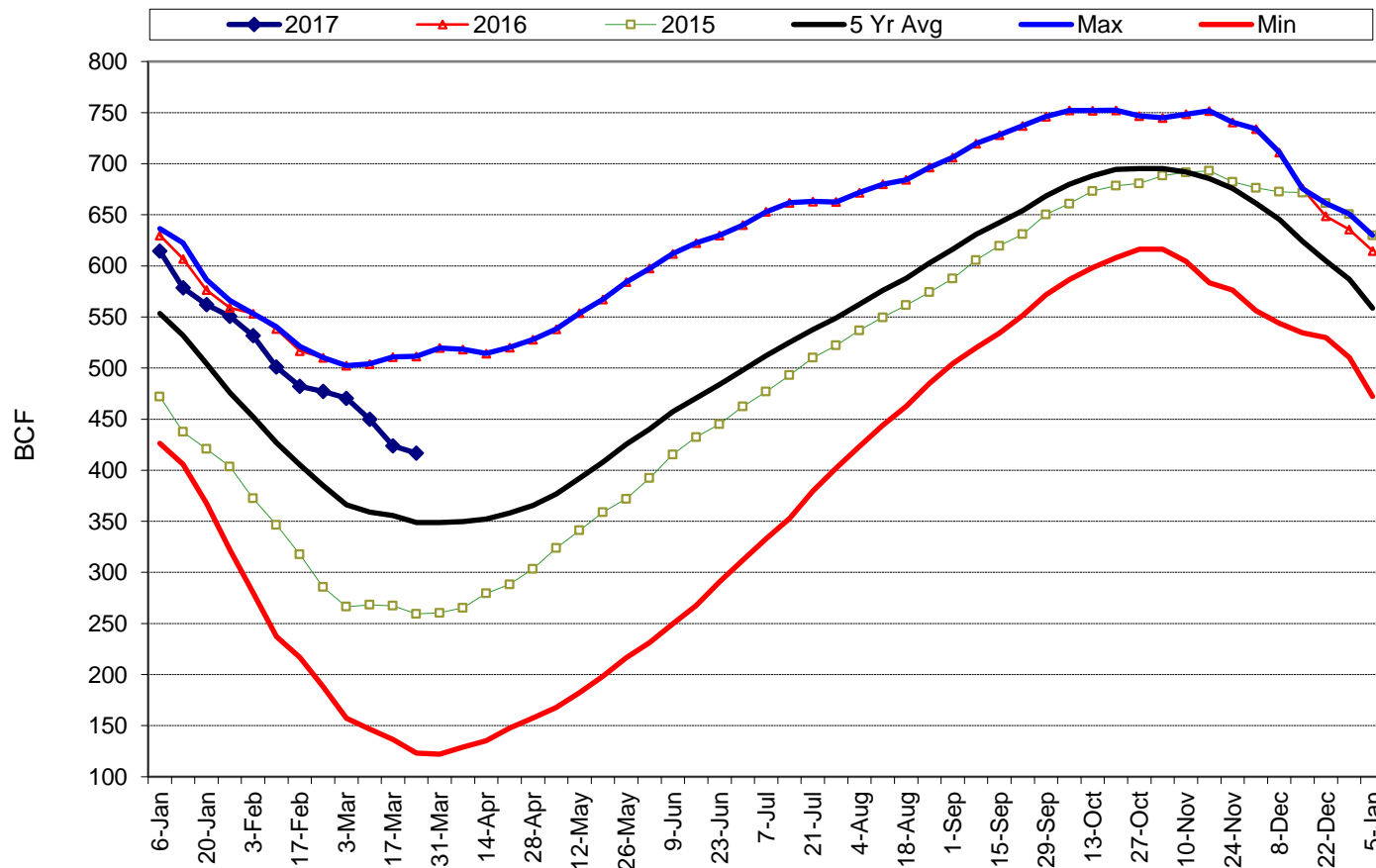
NYMEX Calendar Strips



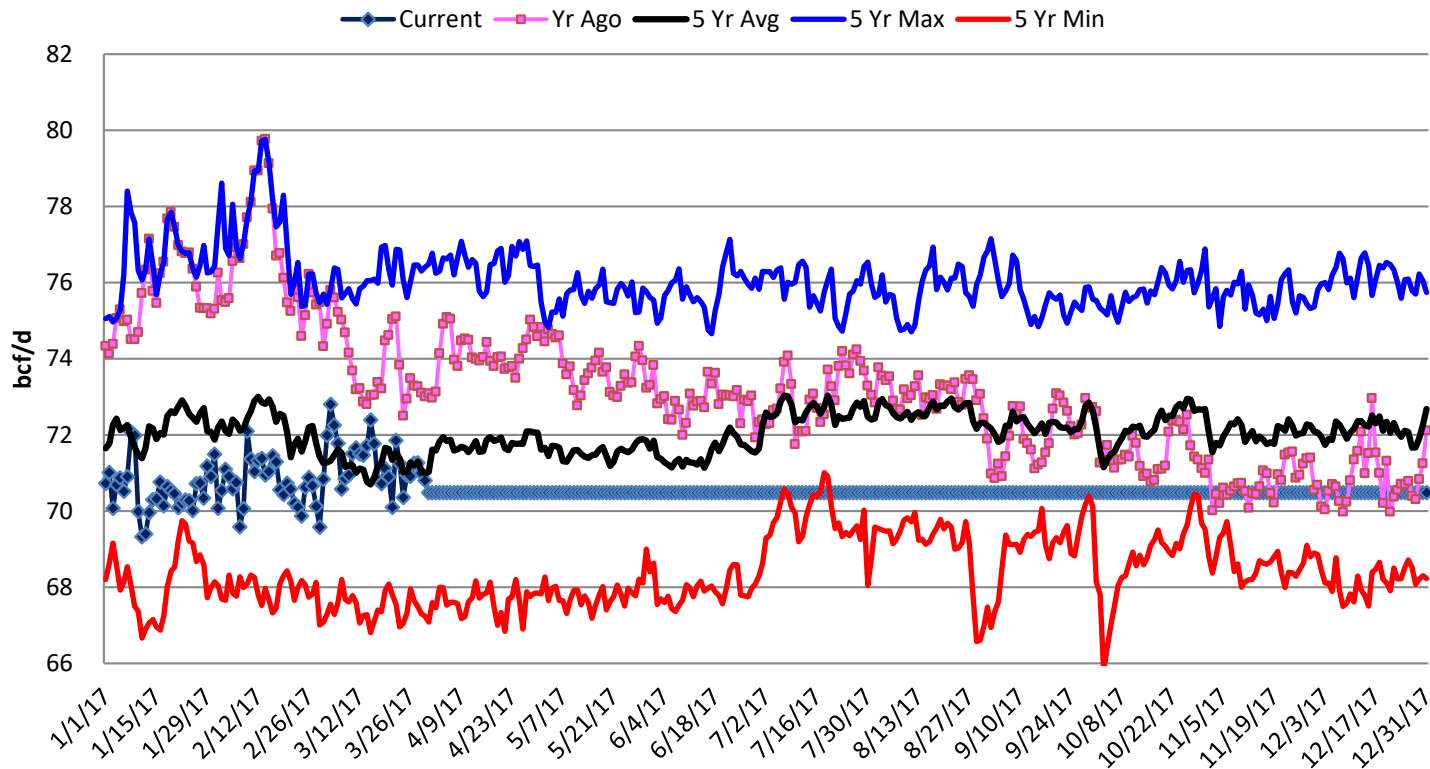
US Total Working Gas Storage - Source - EIA



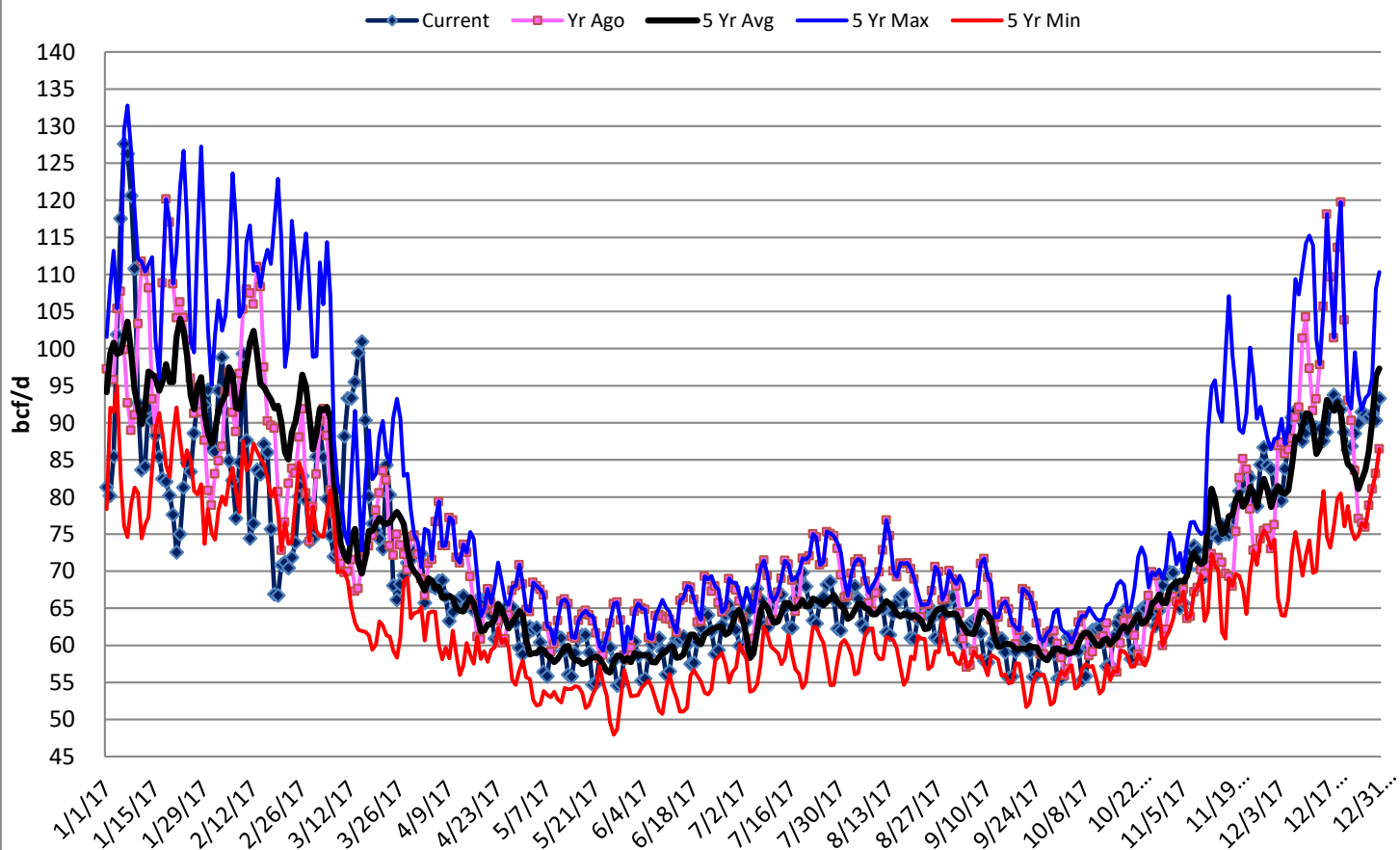
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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