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Week Ending April 7, 2017

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

Price Action: The May contract rose 7.1 cents (2.2%) to \$3.261 on a 22.6 cent range.

Price Outlook: Prices reached a new high for the 6th consecutive weekly and that is certainly extended. Since 2000, there have been 11 instances when prices advanced for exactly 6 weeks without posting a 7th higher week. There have been 7 instances when the market posted exactly 7 higher weeks in a row. With physical data indicating some less bullish signs, a pullback or pause is increasingly likely. CFTC data indicated another increase in the managed money net long position to the largest since May 6, 2014. Total open interest rose to 3.858 million as of April 4. Aggregated CME futures open interest rose to 1.417 million as of April 7. The May \$3.75 call is now the highest open interest option followed by the May \$4.00 call. The May \$3.50 call is 3rd. The May \$2.75 put is in 9th.

Weekly Storage: US working gas storage for the week ending March 31 indicated a working gas storage injection of +2 bcf. Working gas inventories rose to 2,051 bcf. Current inventories fall (429) bcf (17.3%) below last year while surpassing the 5-year average by 263 bcf (14.7%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf larger than the actual EIA report and is still within our tolerance range. The 5-week summation of our error fell to 1 bcf and is easily within our tolerance. The EIA has reported a net implied flow of (308) bcf over the last 5 weeks compared to our estimated (309) bcf. Our projection is that the 2,049 bcf from March 24 will represent the trough in inventories. Our forecast for early November inventories is now 3,655 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures are bearish until mid-May.

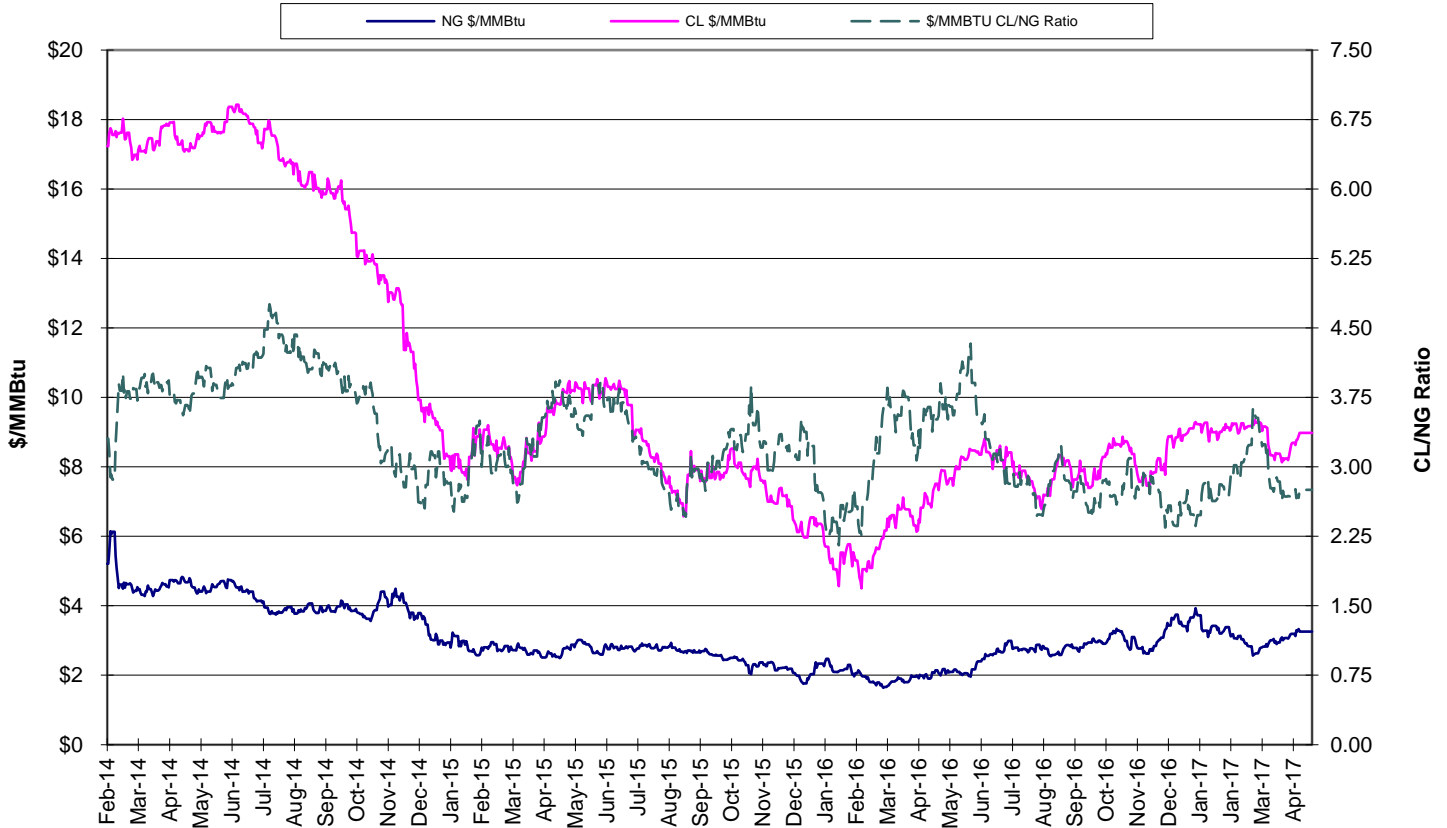
Supply Trends: Total supply fell (0.2) bcf/d to 70.3 bcf/d. All supply components were lower. The US Baker Hughes rig count rose 15 as both oil and natural gas activity rose. The total US rig count now stands at 839. The Canadian rig count fell 23 to 132. Thus, the total North American rig count fell 8 to 971 and now exceeds last year by 487. The higher efficiency US horizontal rig count rose 10 to 695 and rises 354 above last year.

Demand Trends: Total demand fell 8.1 bcf/d to 70.3 bcf/d. R&C led overall demand lower even as power demand was slightly higher. Electricity demand fell 685 gigawatt-hrs to 69,461 which exceeds last year by 2,257 (3.4%) and the 5-year average by 286 (0.4%).

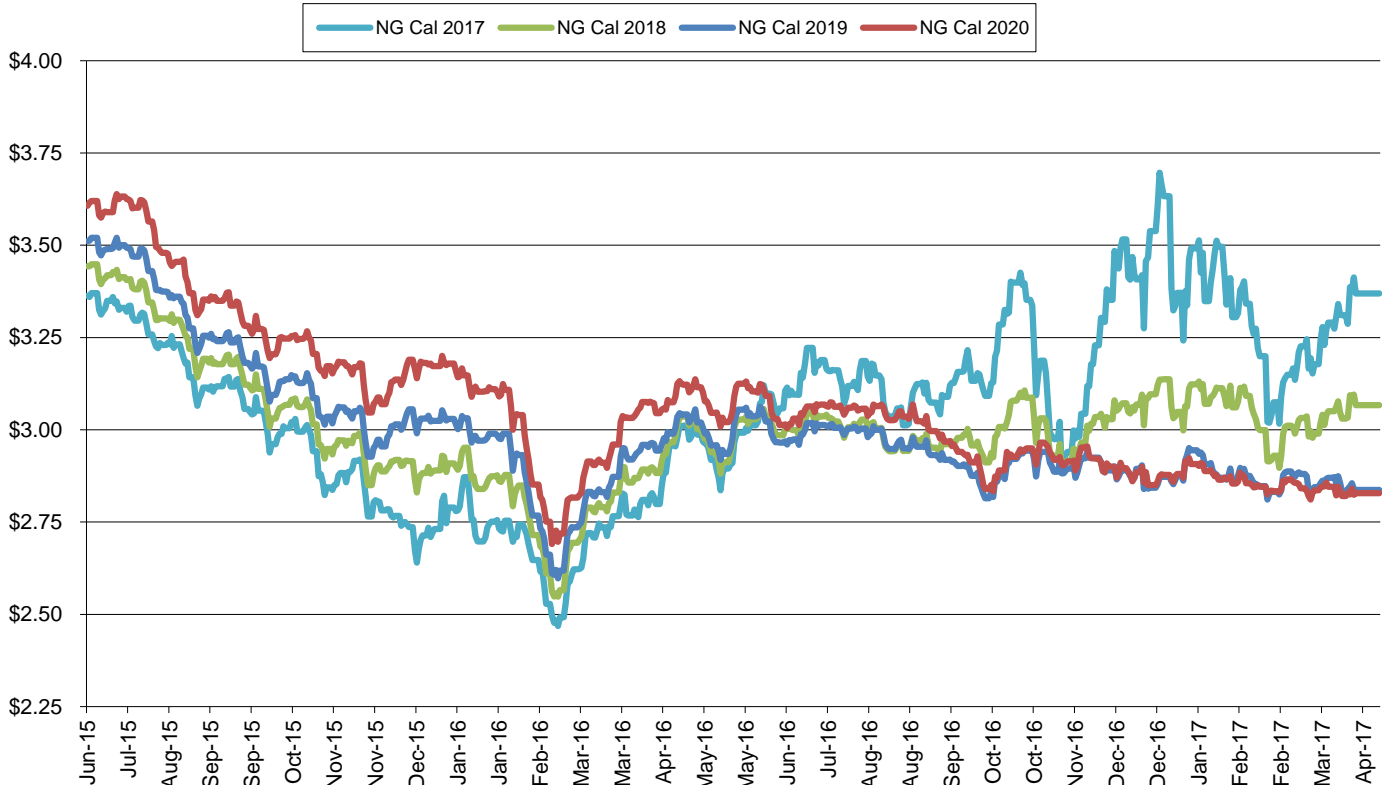
Other Factors: Nuclear generation fell 774 MW in the reference week to 80,800 MW. This is (2,566) MW lower than last year and (376) MW lower than the 5-year average. Recent output is near 79,000 MW.

- The 2016/17 heating season is near an end. With a forecast through April 21, the 2016/17 total heating index is at 2,263 compared to 2,398 for 2015/16, 2,846 for 2014/15, 3,201 for 2013/14, 2,992 for 2012/13 and 2,544 for 2011/12 and 3,109 bcf for 2010/11.

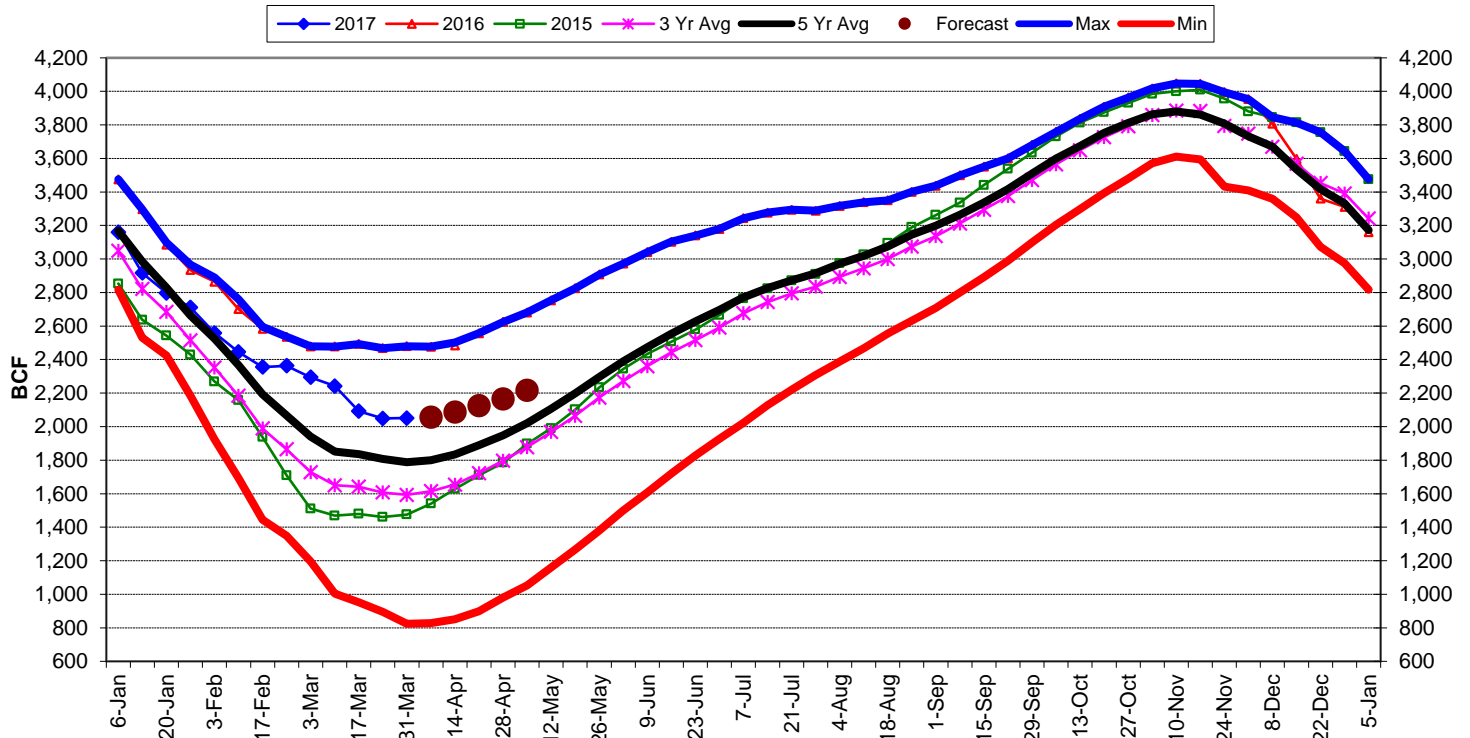
\$/MMBtu Ratio of NYMEX CL and NG



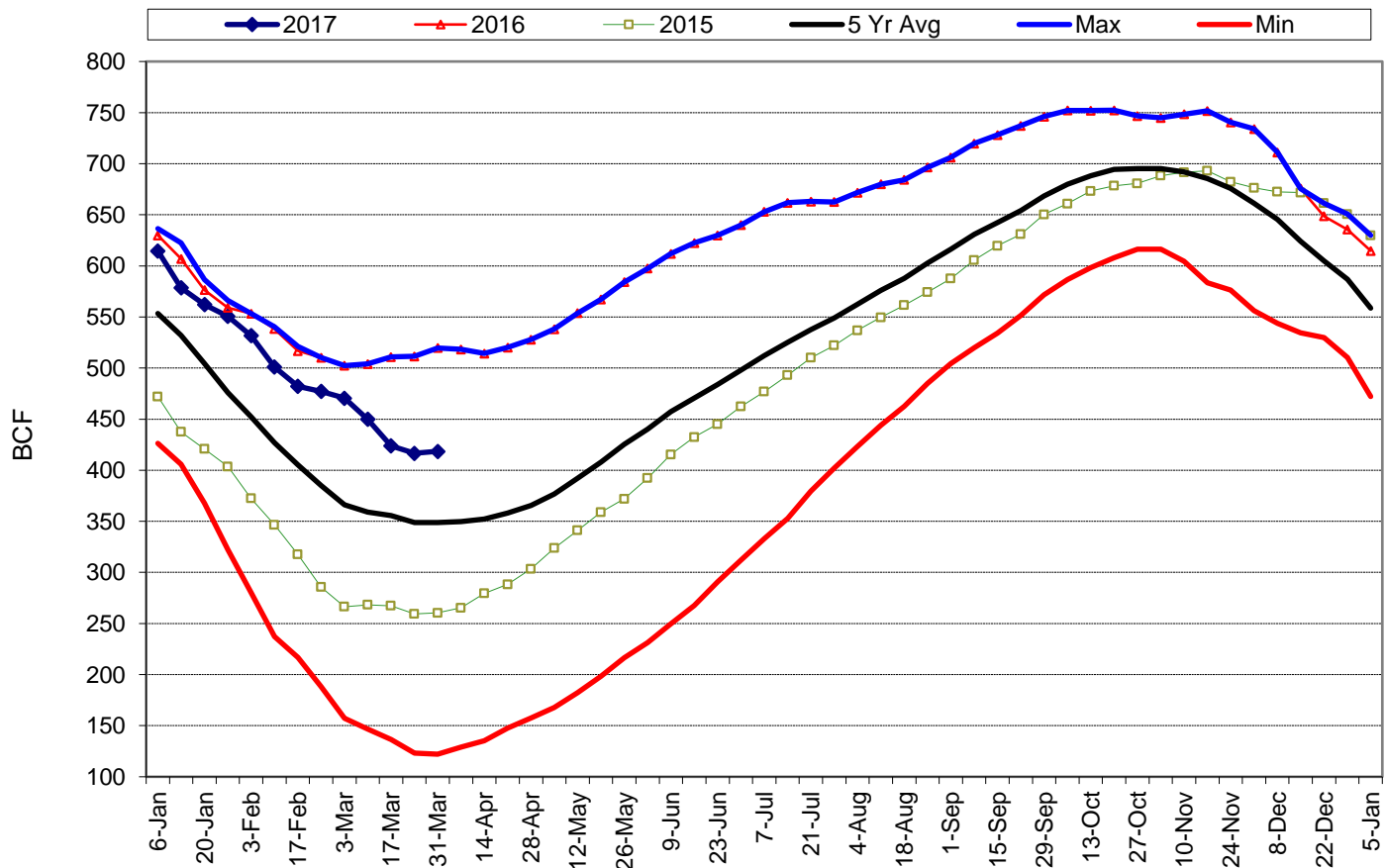
NYMEX Calendar Strips



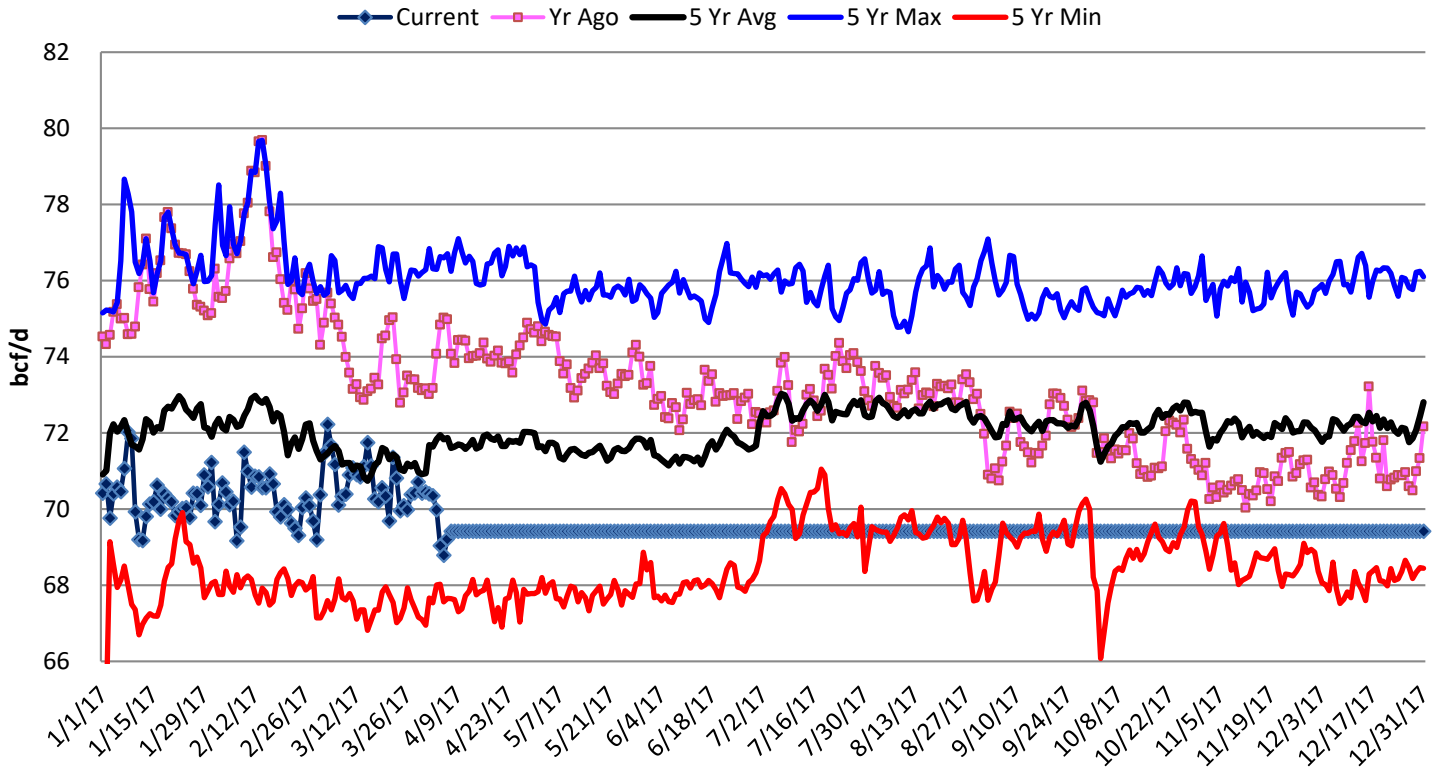
US Total Working Gas Storage - Source - EIA



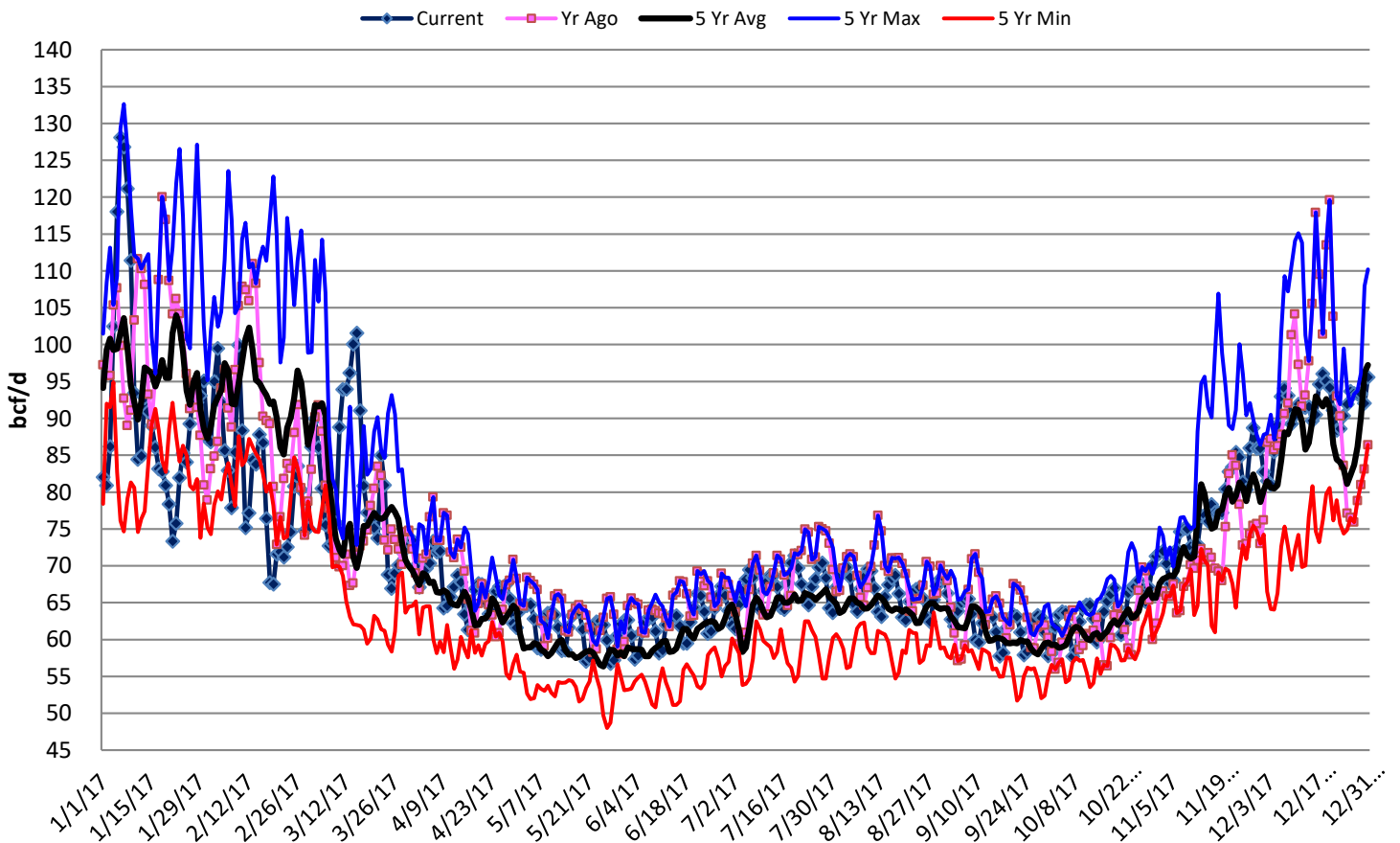
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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