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Week Ending May 5, 2017

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

Price Action: The June contract fell 1.0 cent (0.3%) to \$3.266 on a 14.8 cent range.

Price Outlook: Although the market was slightly lower on the week, early strength established a new high and maintained the historical tendency for natural gas to post either a new high or low each week. However, the recent overall price range has been muted and prices may very well remain range bound until summer either materializes or does not. CFTC data indicated a surge in the managed money net long position as longs added while more shorts liquidated. This is largest net long position since May 6, 2014. The short position is incredibly small. Total open interest fell to 3.881 million as of May 2. Aggregated CME futures open interest rose to 1.531 million as of May 5. The June \$3.50 call is the highest open interest option followed by the June \$3.00 put. The June \$4.00 call is in 3rd.

Weekly Storage: US working gas storage for the week ending April 28 indicated a working gas storage injection of 67 bcf. Working gas inventories rose to 2,256 bcf. Current inventories fall (369) bcf (14.1%) below last year while surpassing the 5-year average by 307 bcf (15.8%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 5 bcf smaller than the actual EIA report and remains at the upper end of our tolerance range. The 5-week summation of our error rose to 21 bcf and is at the upper end of our tolerance. The EIA has reported a net implied flow of 207 bcf over the last 5 weeks compared to our estimated 186 bcf. Our forecast for early November inventories is now 3,740 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures will soon become bullish.

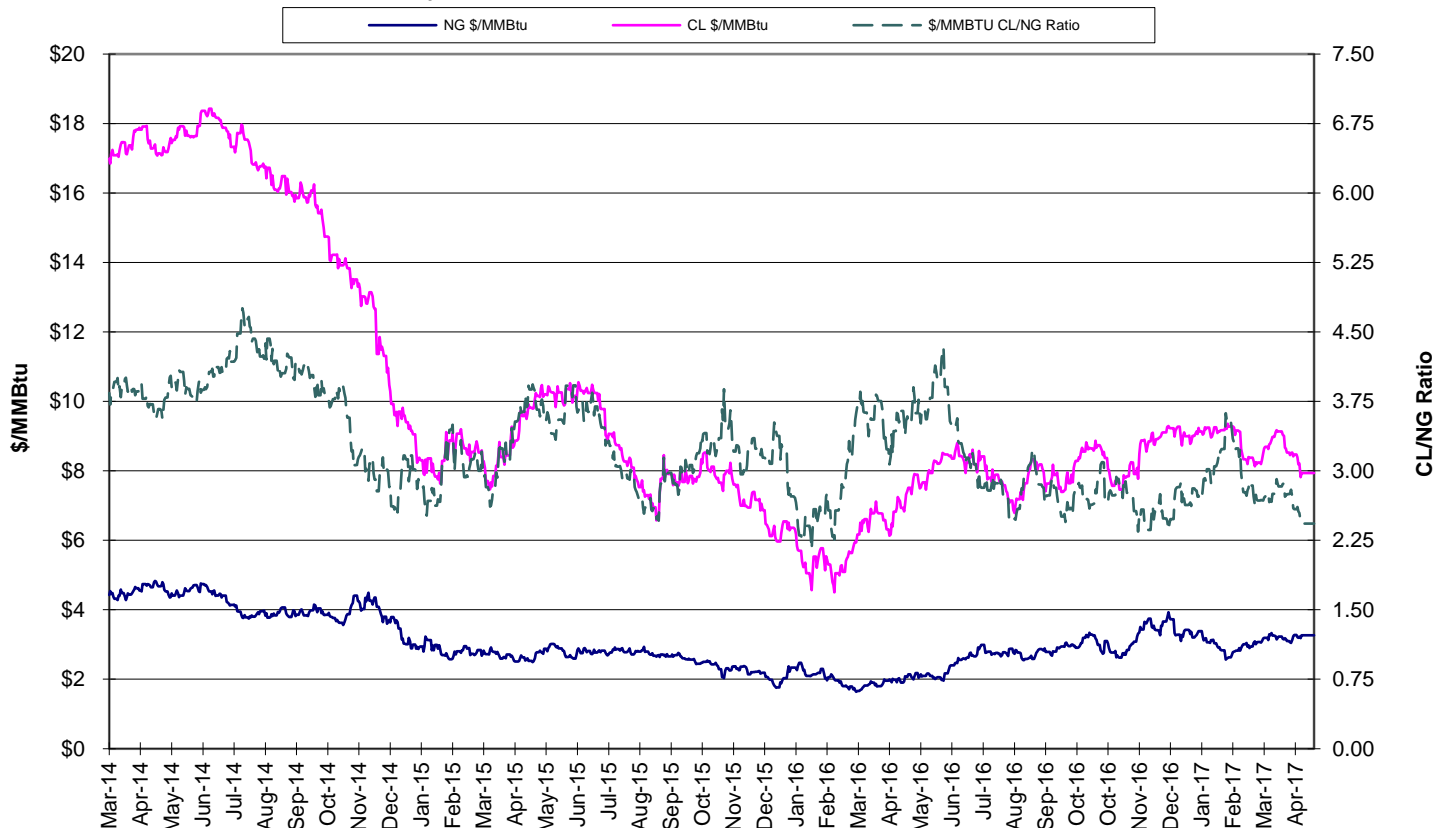
Supply Trends: Total supply fell (0.4) bcf/d to 70.8 bcf/d. LNG exports fell while Mexican exports rose after completion of maintenance. The US Baker Hughes rig count rose 7 with both oil and natural gas activity higher. The total US rig count now stands at 877. The Canadian rig count fell 3 to 82. Thus, the total North American rig count rose 4 to 959 and now exceeds last year by 508. **The higher efficiency US horizontal rig count rose 4 to 734 and rises 416 above last year.**

Demand Trends: Total demand rose 1.2 bcf/d to 63.3 bcf/d. Lower power demand was more than offset by higher R&C and industrial demand. Electricity demand rose 925 gigawatt-hrs to 69,741 which exceeds last year by 253 (0.4%) and the 5-year average by 1,267 (1.9%).

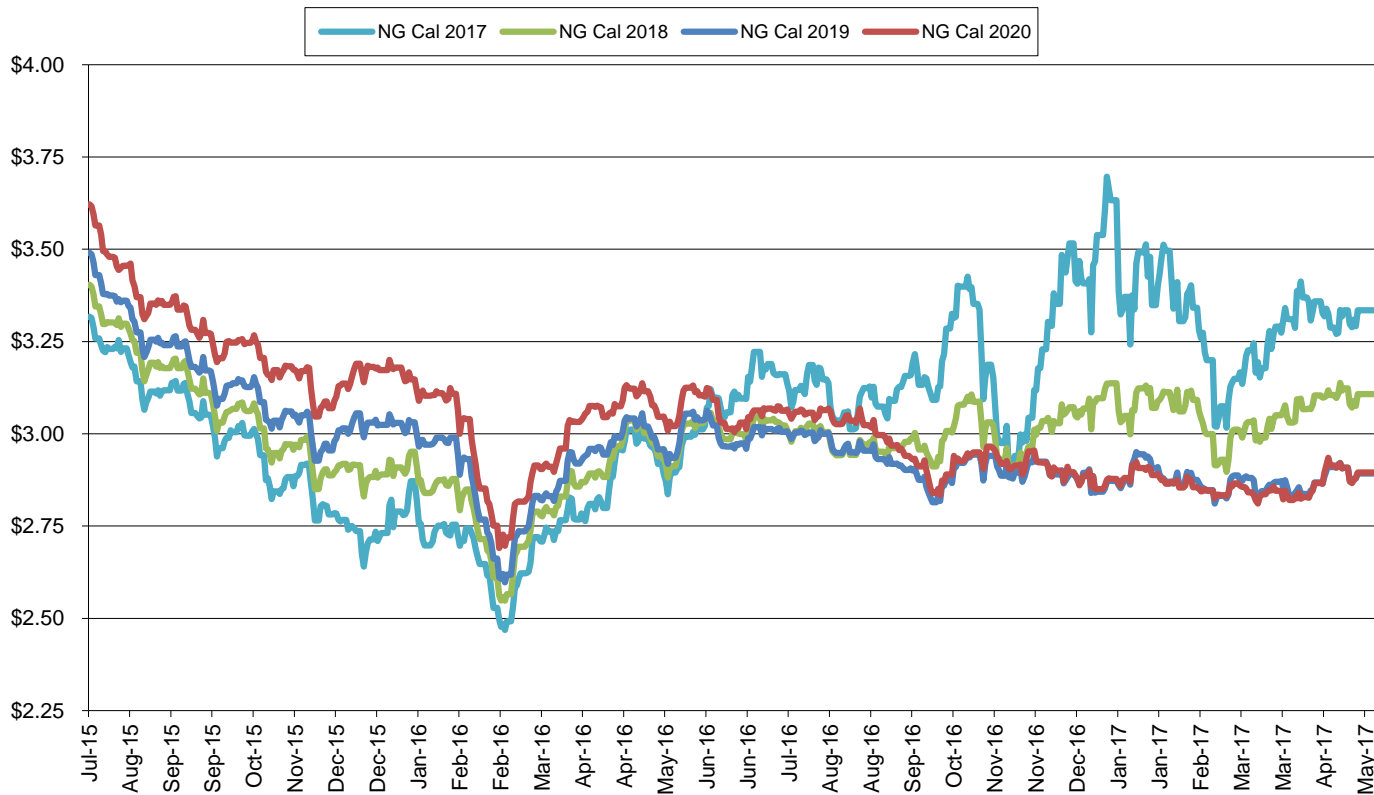
Nuclear Generation: Nuclear generation rose 23 MW in the reference week to 75,462 MW. This is (7,176) MW lower than last year and (2,460) MW lower than the 5-year average. **Recent output is near 76,250 MW.**

- The cooling season is beginning. With a forecast through May 19, the 2017 total cooling index is at 28 compared to 28 for 2016, 19 for 2015, 129 for 2014, 85 for 2013 and 81 for 2012 and 26 bcf for 2011.

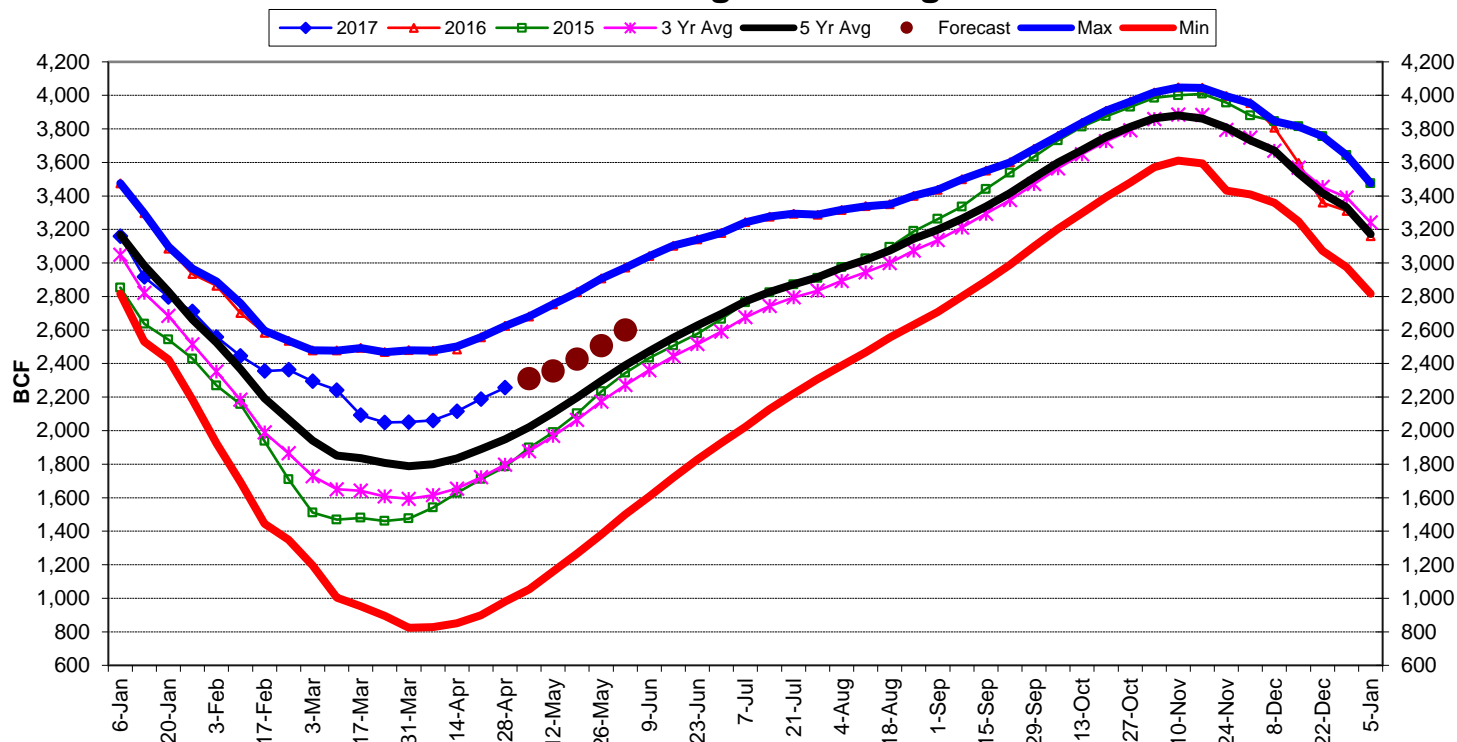
\$/MMBtu Ratio of NYMEX CL and NG



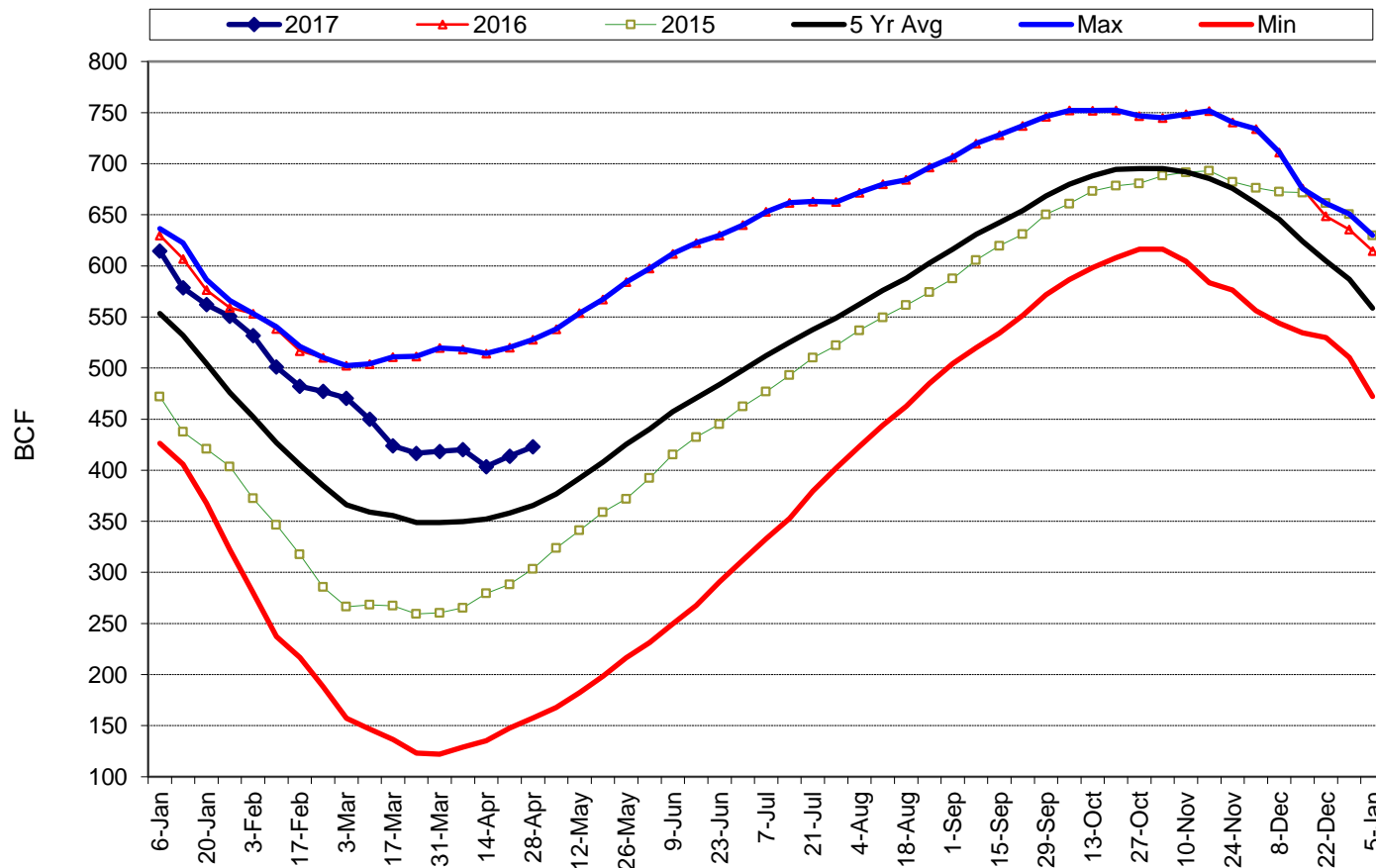
NYMEX Calendar Strips



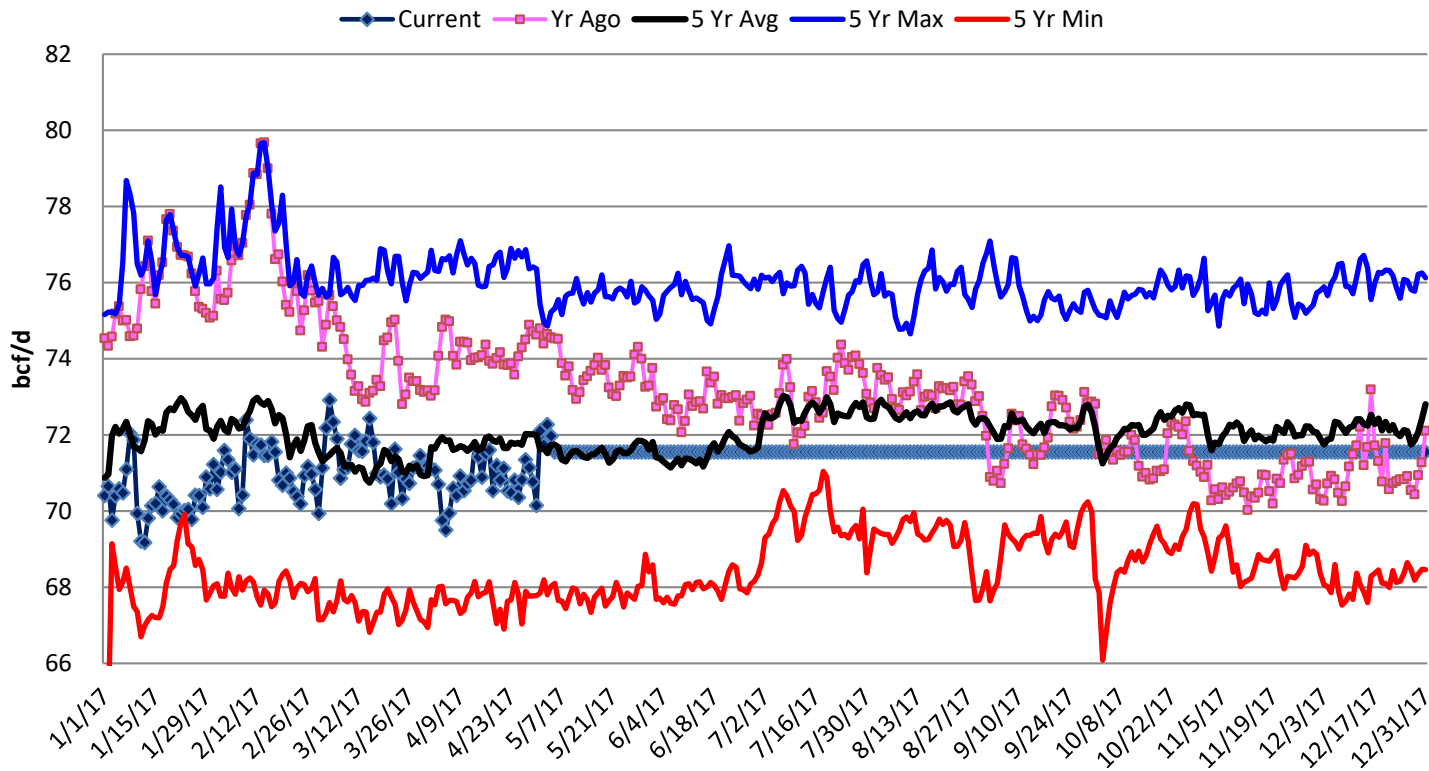
US Total Working Gas Storage - Source - EIA



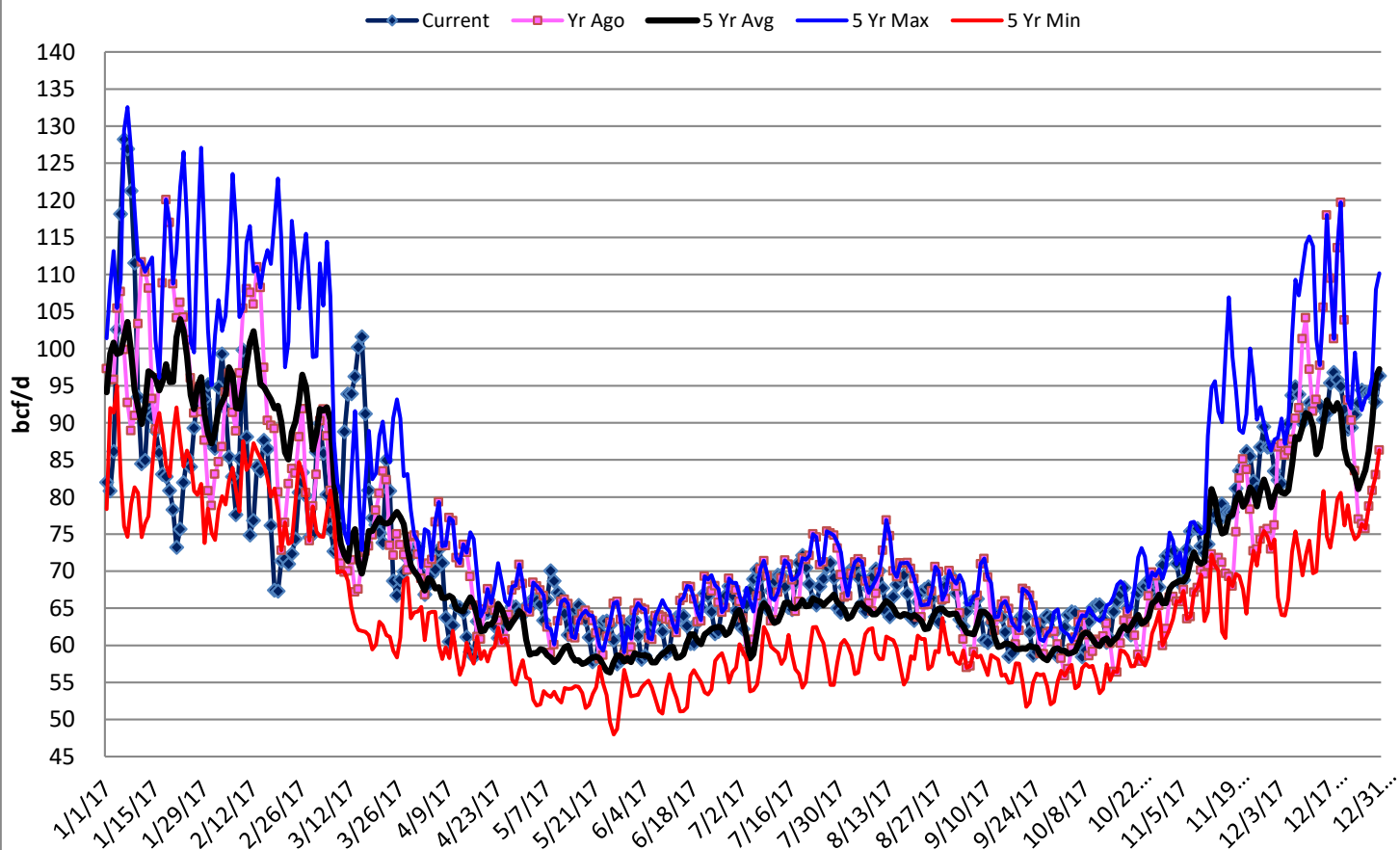
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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