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Week Ending May 26, 2017

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

Price Action: The June contract fell 2.0 cents (0.6%) to \$3.236 on an 18.9 cent range.

Price Outlook: Despite a moderate weekly range a new low was posted, returning natural gas to its historical form of posting either a new high or low each week. Looking forward, weather forecasts will become more meaningful. Quite simply, there is little demand difference between 68 and 69 degrees. Thus, as daily temperature forecasts fluctuate between 68 or 69 degrees, there is little impact on storage projections. However, there is a notable demand difference between 94 and 95 degrees. Thus, projected storage changes each morning will become more meaningful and impactful and are updated in each morning publication. CFTC data did indicate a reduction in the managed money net long position as longs liquidated while shorts added. The short position remains quite small. Total open interest fell to 3.975 million as of May 23. Aggregated CME futures open interest fell to 1.528 million as of May 26. The August \$4.00 call is the highest open interest option followed by the July \$4.00 call. The July \$3.00 put is in 4th.

Weekly Storage: US working gas storage for the week ending May 19 indicated a working gas storage injection of 75 bcf. Working gas inventories rose to 2,444 bcf. Current inventories fall (381) bcf (13.5%) below last year while surpassing the 5-year average by 246 bcf (11.2%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 6 bcf smaller than the actual EIA report and is slightly above the upper end of our tolerance range. The 5-week summation of our error fell to 12 bcf and is within our tolerance. The EIA has reported a net implied flow of 329 bcf over the last 5 weeks compared to our estimated 317 bcf. Our forecast for early November inventories is now 3,751 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Above normal national temperatures will now be considered bullish.

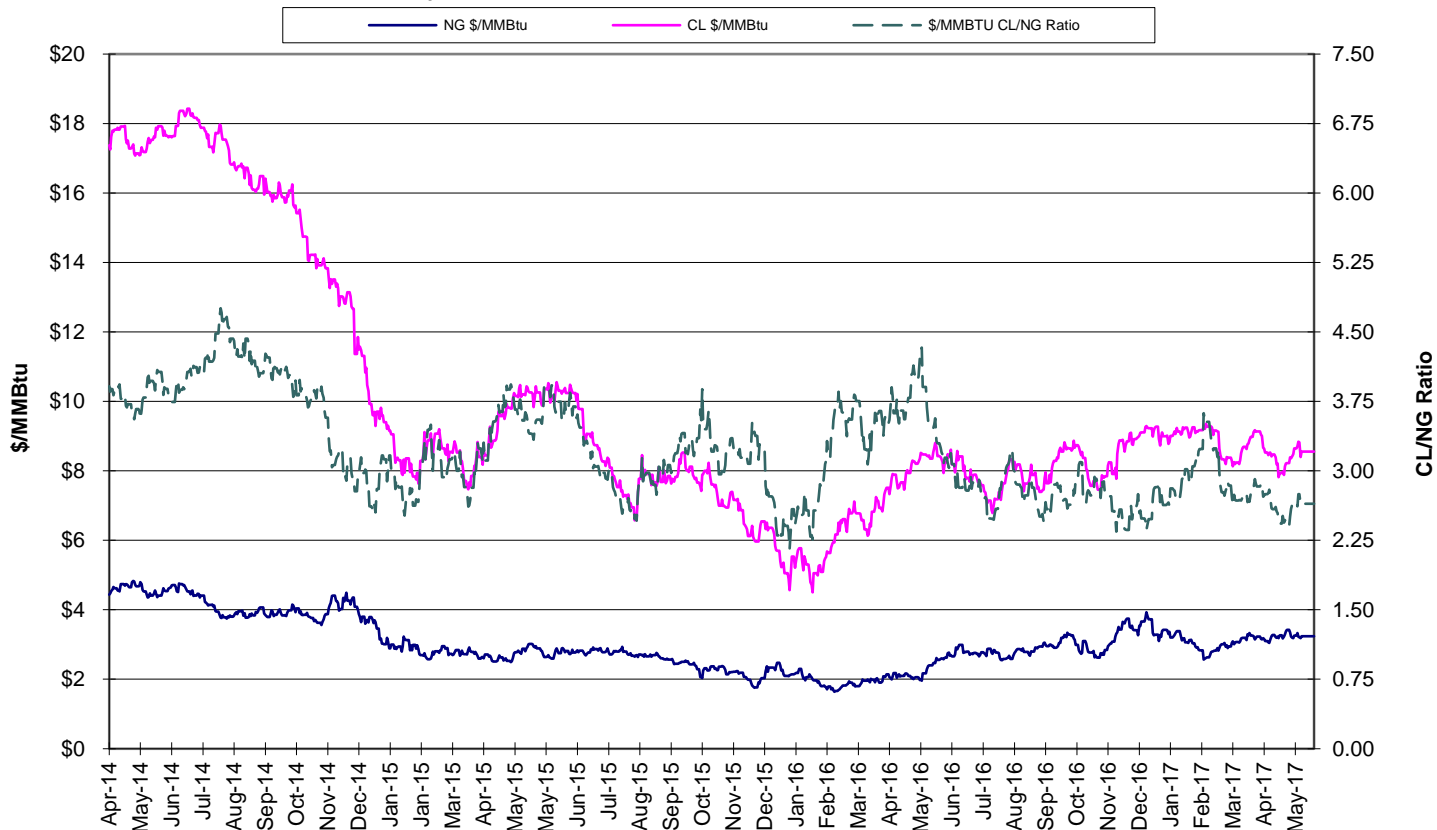
Supply Trends: Total supply fell 0.5 bcf/d to 71.0 bcf/d. US production rose with LNG exports lower. Canadian imports were lower while Mexican exports rose. The US Baker Hughes rig count rose 7 with both oil and natural gas activity higher. The total US rig count now stands at 908. The Canadian rig count rose 8 to 93. Thus, the total North American rig count rose 15 to 1,001 and now exceeds last year by 554. The higher efficiency US horizontal rig count rose 7 to 766 and rises 452 above last year.

Demand Trends: Total demand fell 0.3 bcf/d to 64.2 bcf/d. Higher power demand was more than offset by lower R&C and industrial demand. Electricity demand rose 7,184 gigawatt-hrs to 76,445 which exceeds last year by 7,662 (11.1%) and the 5-year average by 5,280 (7.4%).

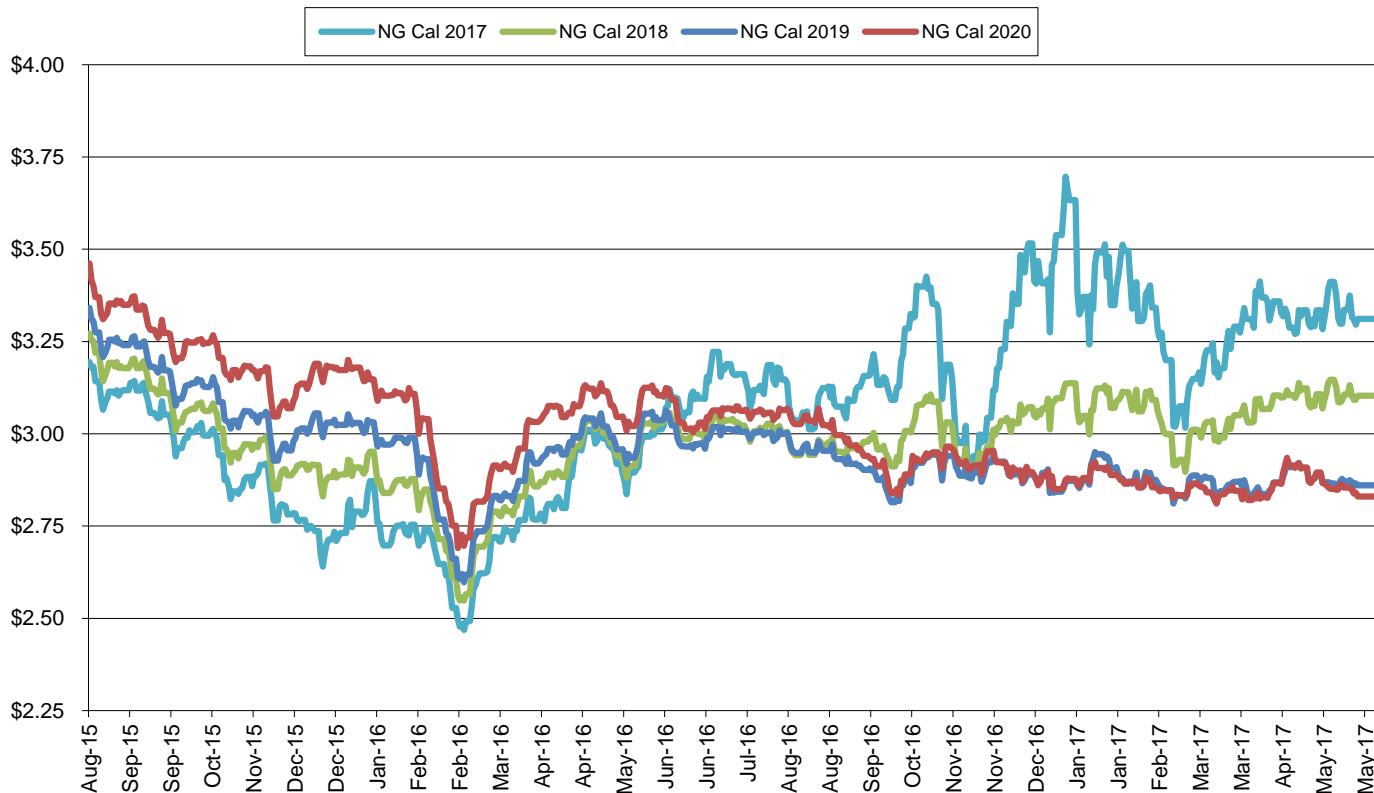
Nuclear Generation: Nuclear generation rose 1,174 MW in the reference week to 77,323 MW. This is (9,716) MW lower than last year and (6,858) MW lower than the 5-year average. Recent output is near 85,250 MW.

- The cooling season is beginning. With a forecast through June 9, the 2017 total cooling index is at 281 compared to 442 for 2016, 136 for 2015, 373 for 2014, 355 for 2013, 411 for 2012 and 572 bcf for 2011.

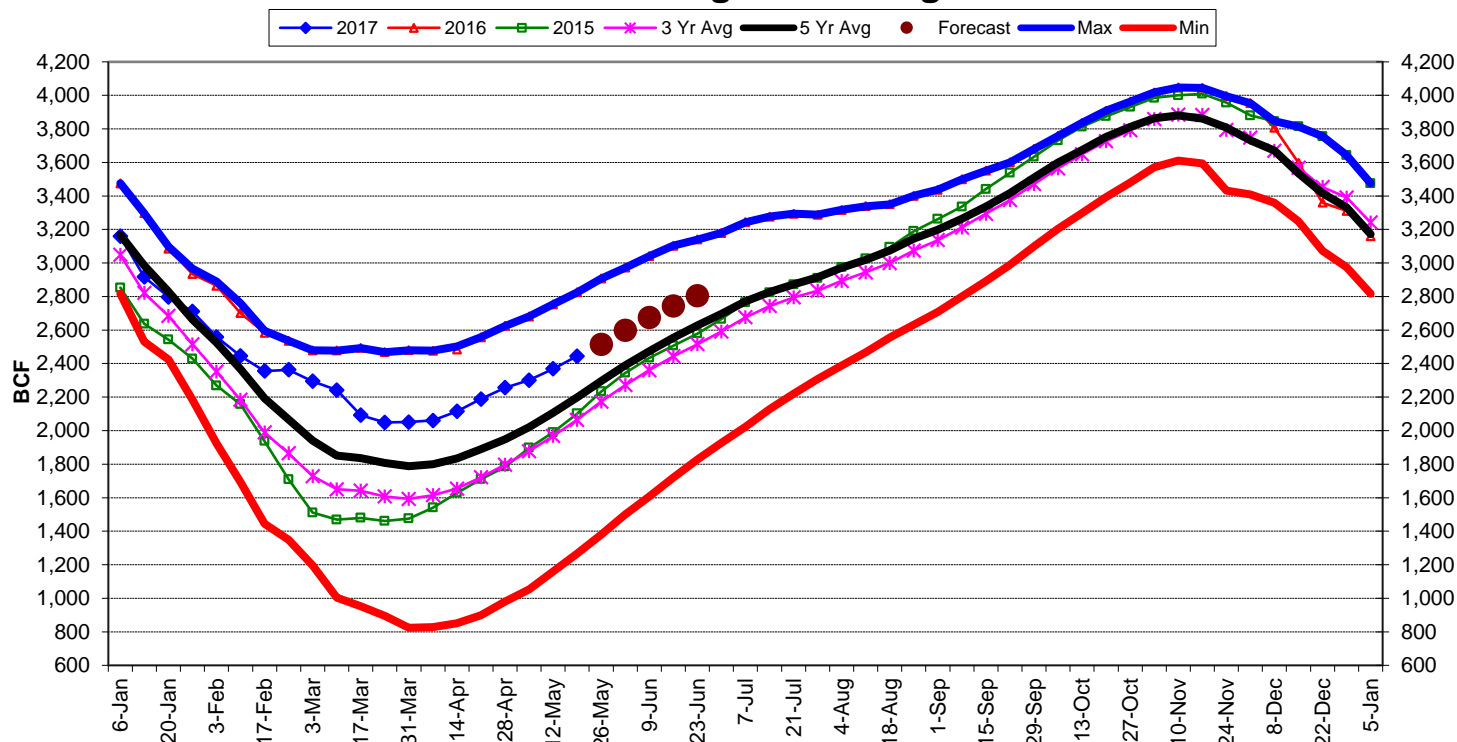
\$/MMBtu Ratio of NYMEX CL and NG



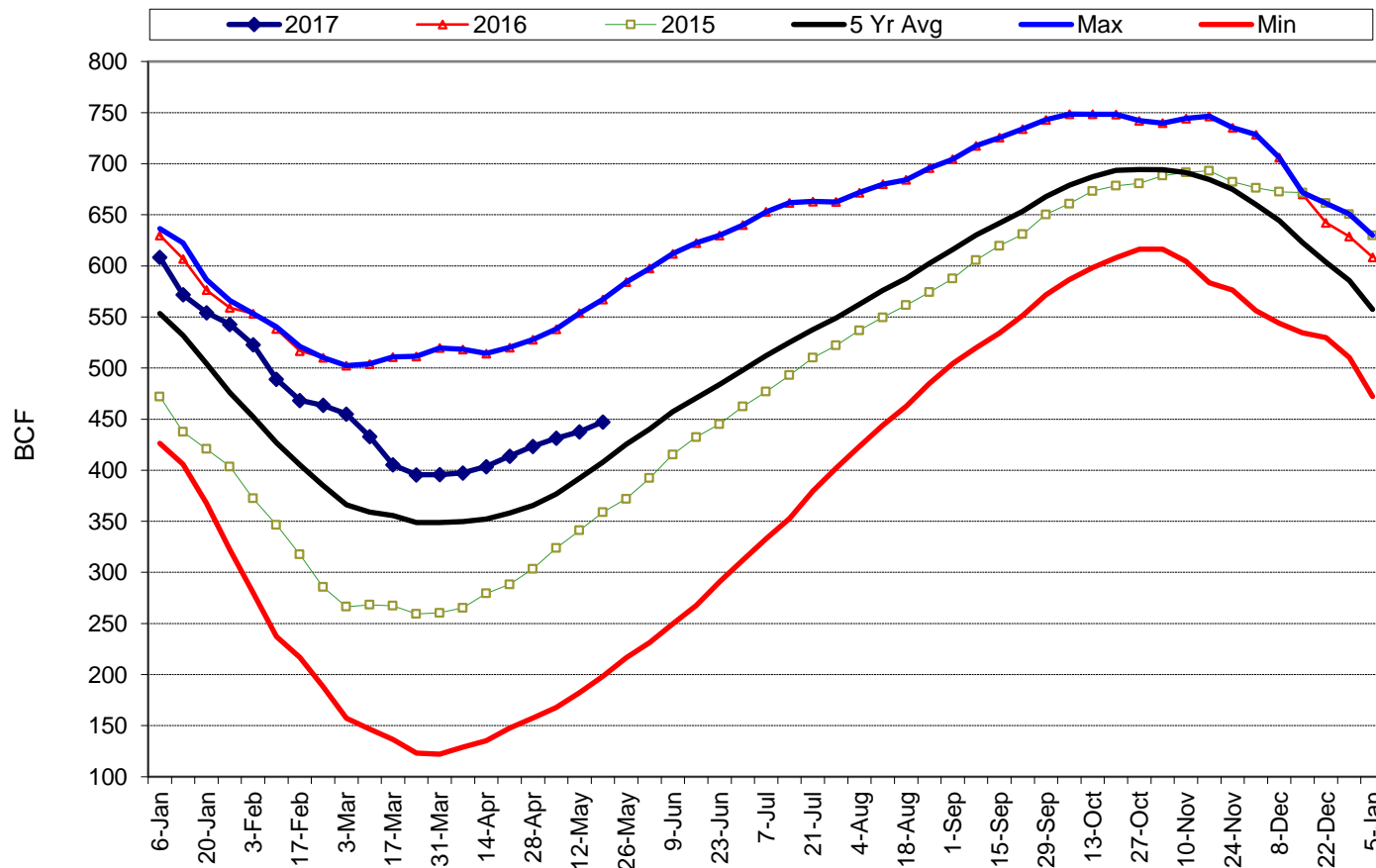
NYMEX Calendar Strips



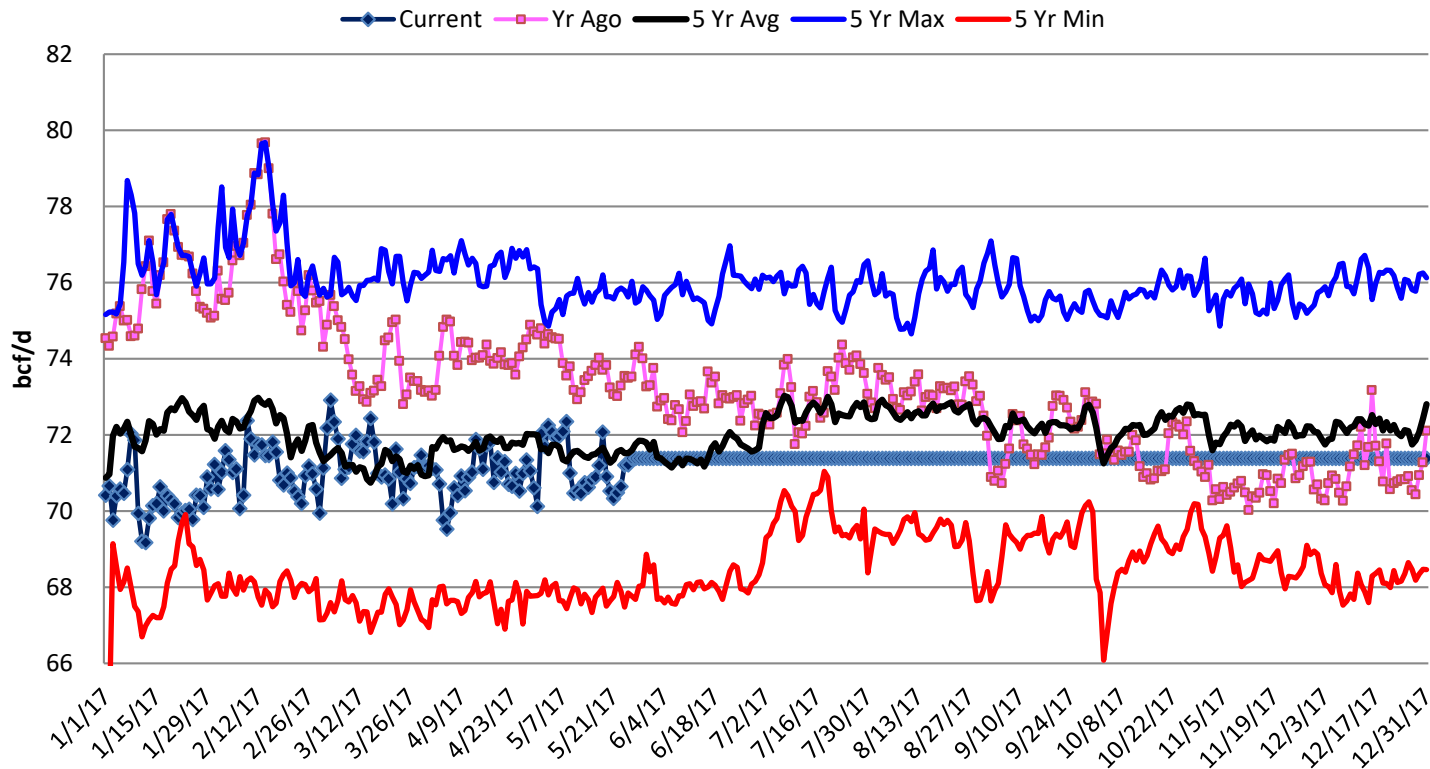
US Total Working Gas Storage - Source - EIA



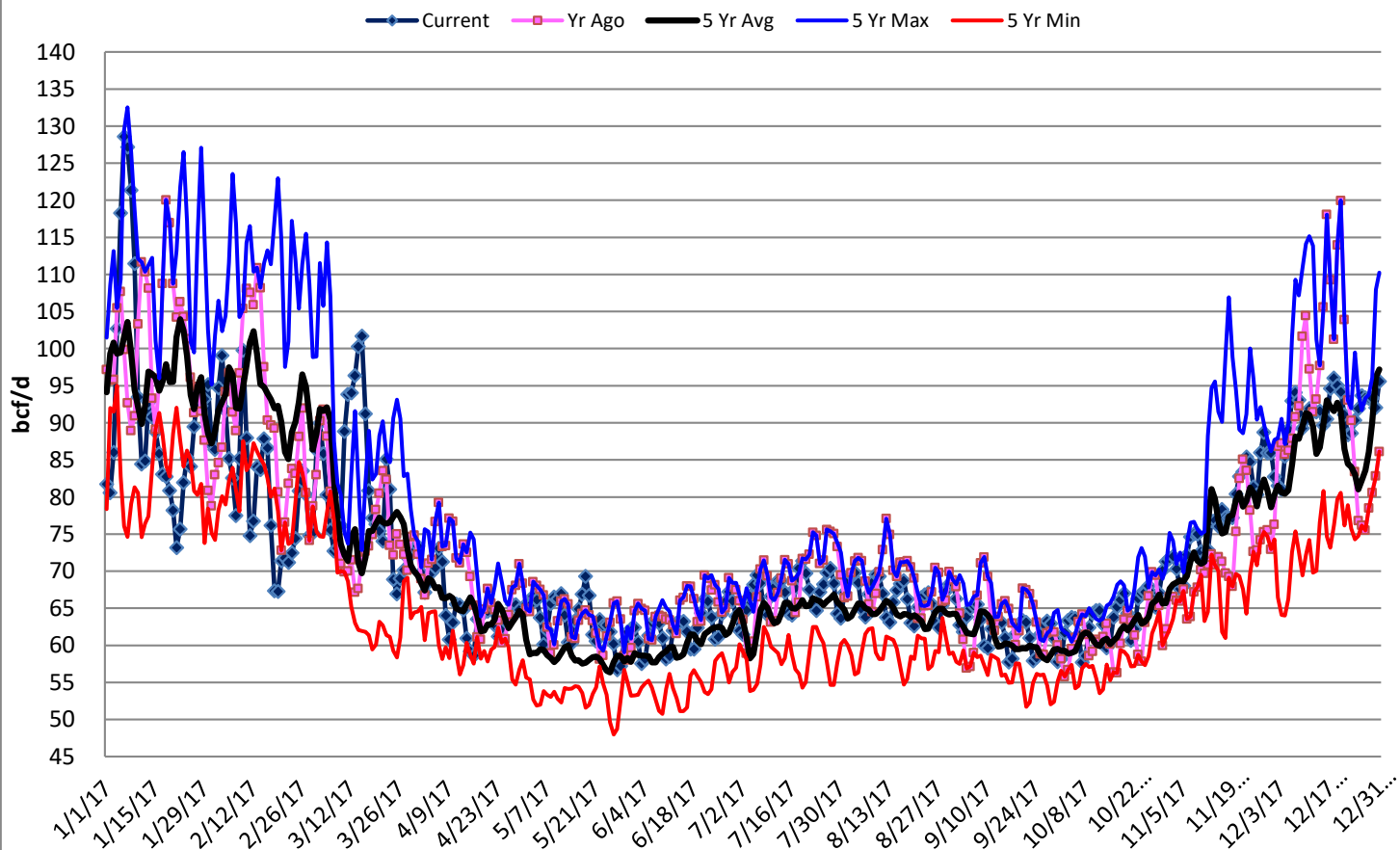
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



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