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Week Ending September 29, 2017

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

Price Action: The November contract fell 1.4 cents (0.5%) to \$2.959 on a minimal 11.5 cent range.

Price Outlook: Prices this slipped this week despite very bullish pipeline data as weather forecasts project above normal temperatures into October. While the recent above normal temperatures generated A/C demand, above normal temperatures in October typically do not generate meaningful A/C demand while they delay overnight heating requirements. CFTC data indicated a massive reduction in the managed money net long position to the smallest since August 29 as longs liquidated and shorts added. The net longs position was reduced by almost 72,000 contracts. Total combined open interest fell to 3.469 million as of September 26. Aggregated CME futures open interest rose to 1.334 million as of September 29. Open interest in the November \$3.50 call rose 11,965 to 71,381. Open interest in the March \$4.00 call rose 1,978 to 70,644. Open interest in the November \$2.50 put rose 1,620 to 50,887.

Weekly Storage: US working gas storage for the week ending September 22 indicated a working gas storage injection of 58 bcf. Working gas inventories rose to 3,466 bcf. Current inventories fall (134) bcf (3.7%) below last year while surpassing the 5-year average by 49 bcf (1.4%).

Storage Outlook: Our EIA weekly storage estimate was mathematically 2 bcf larger than the actual EIA implied flow and back within our tolerance range. The 5-week summation of our error remained at 11 bcf and is within our tolerance. The EIA has reported a net implied flow of 341 bcf over the last 5 weeks compared to our estimated 330 bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

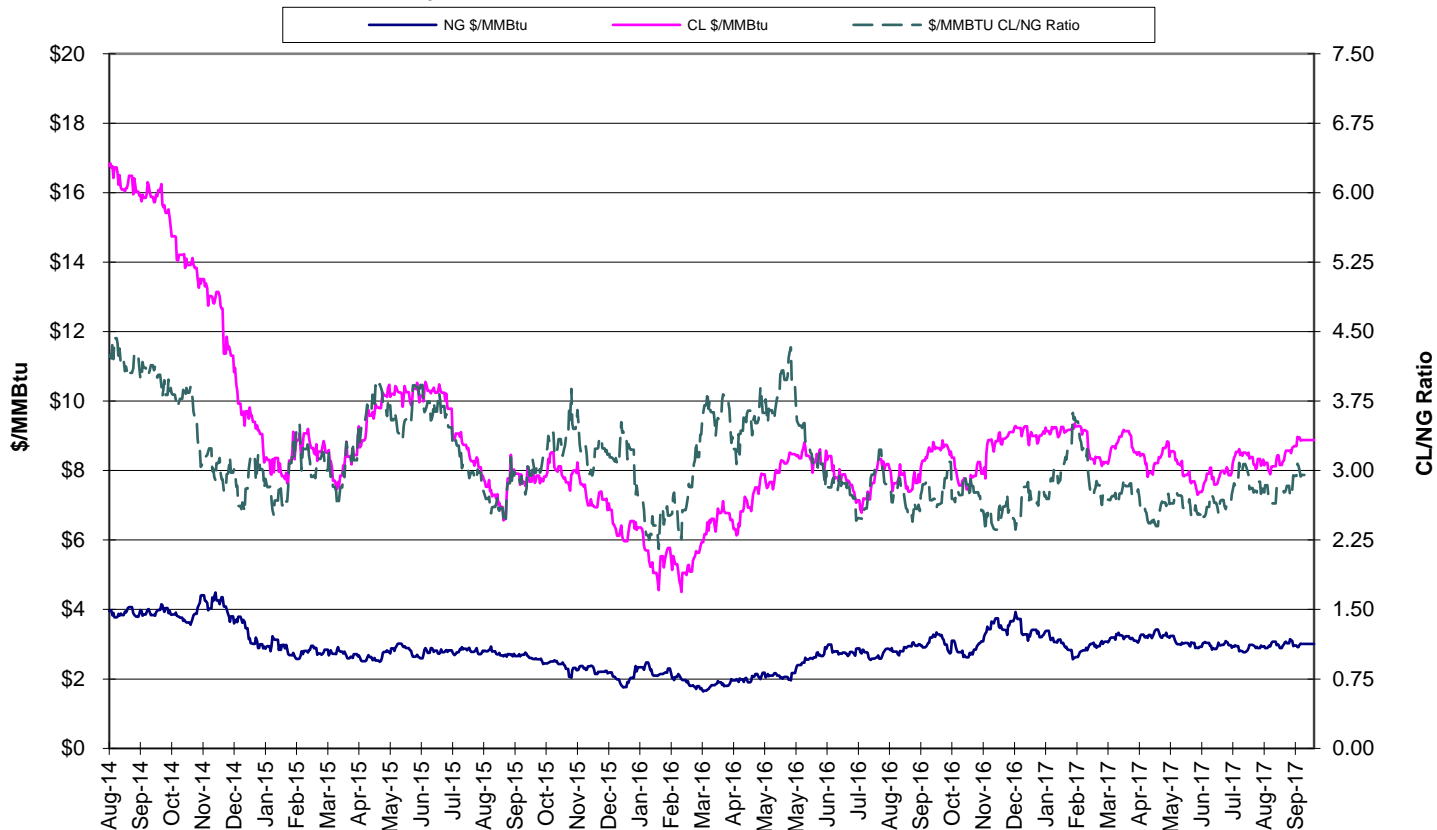
Supply Trends: Total supply rose 1.1 bcf to 73.2 bcf/d. US production and Canadian imports rose. LNG exports rose. Mexican exports and LNG imports were unchanged. The US Baker Hughes rig count rose 5 with oil activity higher and natural gas lower. The total US rig count now stands at 940. The Canadian rig count fell 7 to 213. Thus, the total North American rig count fell 2 to 1,153 and now exceeds last year by 469. **The higher efficiency US horizontal rig count rose 4 to 794 and rises 387 above last year.**

Demand Trends: Total demand rose 6.7 bcf/d to 67.0 bcf/d. Higher power and industrial demand offset lower R&C consumption. Electricity demand rose 6,732 gigawatt-hrs to 81,983 which exceeds last year by 30 (0.0%) and the 5-year average by 6,256 (8.3%).

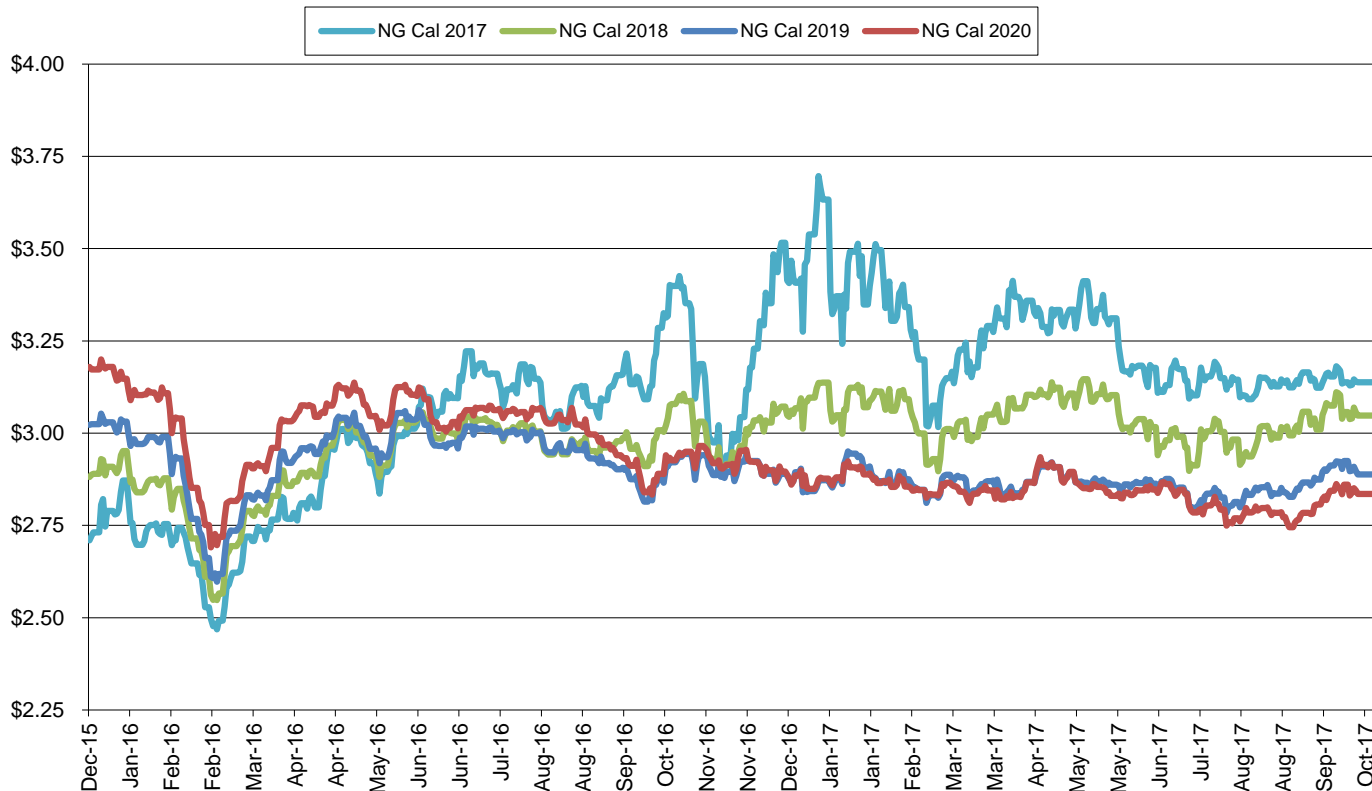
Nuclear Generation: Nuclear generation fell 1,030 MW in the reference week to 92,114 MW. This is 3,016 MW higher than last year and 3,867 MW higher than the 5-year average. Recent output was at 90,541 MW.

- The cooling season is entering its final weeks. With a forecast through October 13, the 2017 total cooling index is at 4,779 compared to 5,483 for 2016, 4,394 for 2015, 3,451 for 2014, 4,811 for 2013, 7,205 for 2012 and 6,706 for 2011.

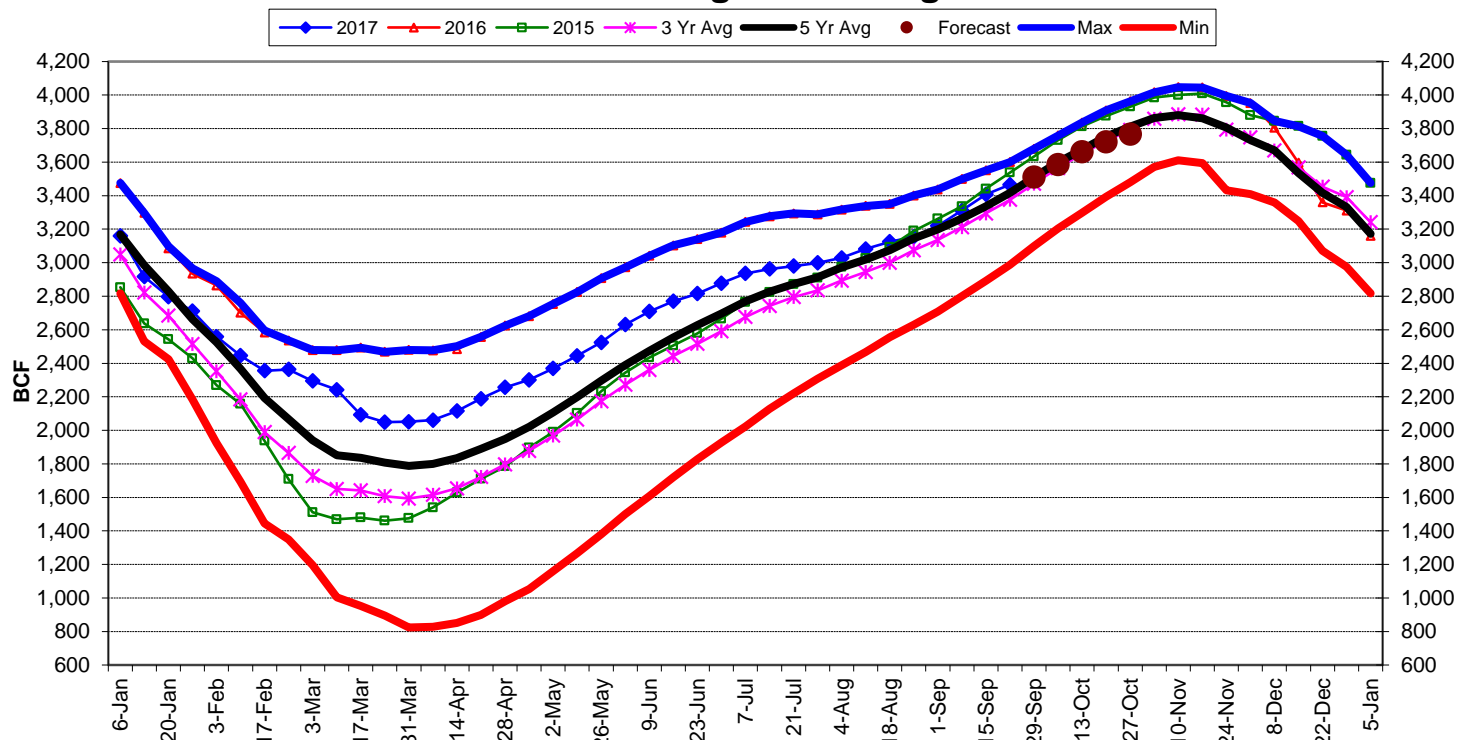
\$/MMBtu Ratio of NYMEX CL and NG



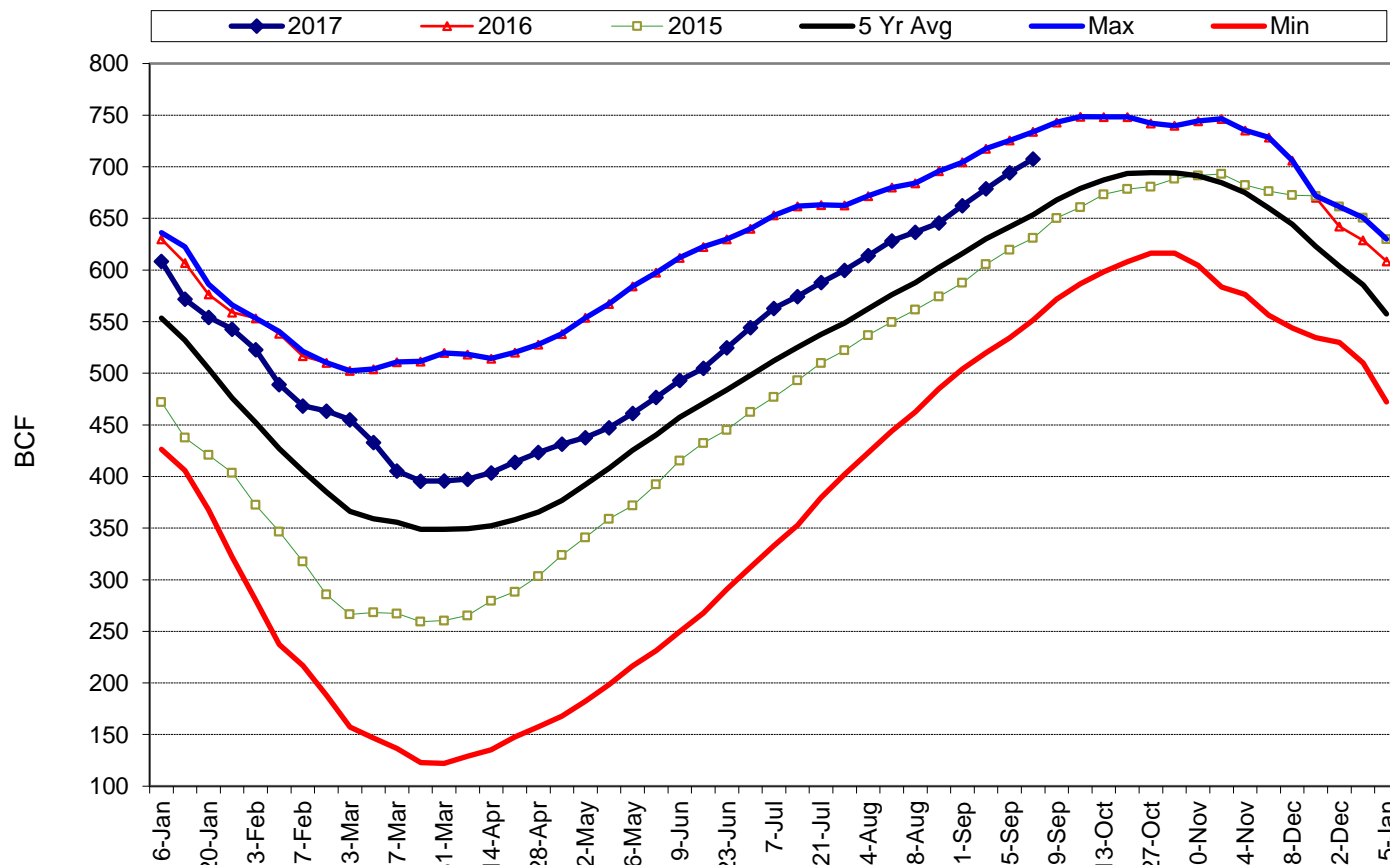
NYMEX Calendar Strips



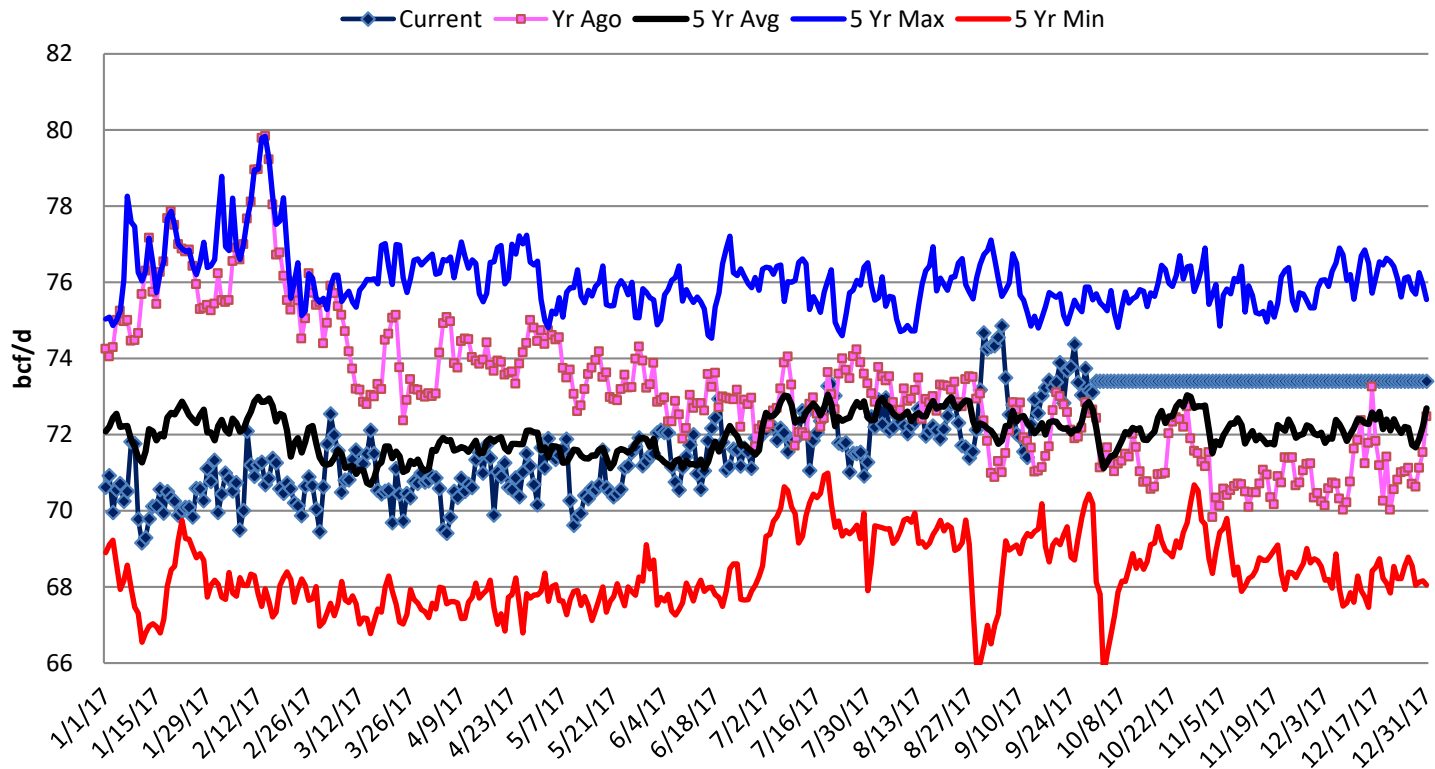
US Total Working Gas Storage - Source - EIA



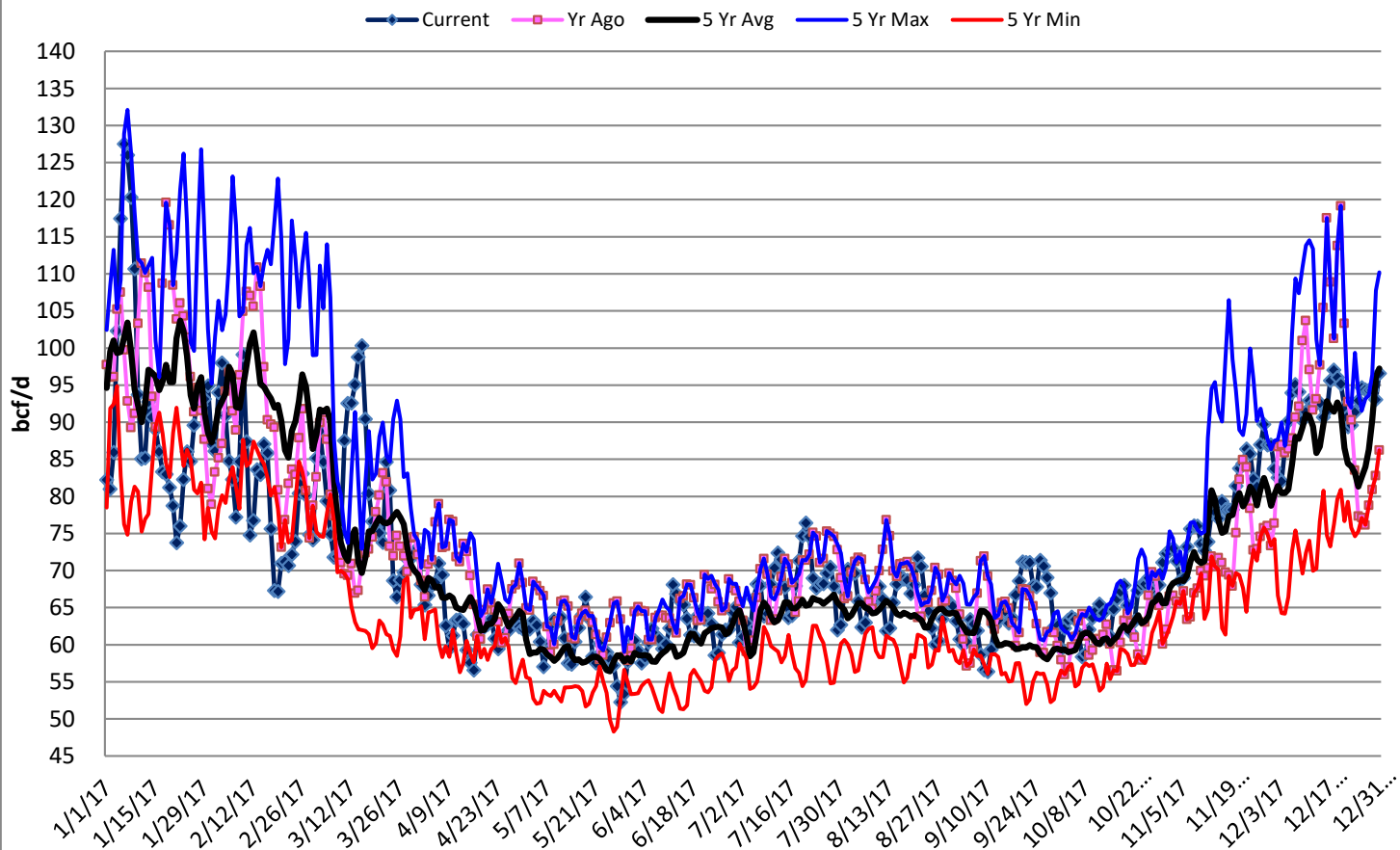
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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