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Week Ending December 8, 2017

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

Price Action: The January contract fell 28.9 cents (9.4%) to \$2.772 on a 38.0 cent range.

Price Outlook: Prices collapsed as weather forecasts added storage to predicted levels compared to previous forecasts and the 10-year rolling average. Although demand surged to near 100 bcf on cooler temperatures and next is expected to see demand well above 100 bcf, the market is clearly concerned with the sustainability of any below normal temperatures. Overall, the temperature adjusted supply/demand is considered slightly bearish to last year while still quite bullish to the 5-year average. **The current 15-day forecast is warmer than 6 of the previous 10 years.** CFTC data indicated a large decrease in the managed money net long position as longs liquidated and shorts surged to the highest since September 16, 2016. The net long position is the smallest since November 22, 2016. Total open interest rose to 3.823 million as of December 5. Aggregated CME futures open interest rose to 1.535 million as of December 8. Open interest in the February \$4.00 call rose +8,959 to 106,220. Open interest in the February \$3.50 call rose +10,300 to 80,265. Open interest in the January \$2.75 put rose +2,136 to 56,793.

Weekly Storage: US working gas storage for the week ending December 1 24 indicated a working gas storage injection of +2 bcf. Working gas inventories rose to 3,695 bcf. Current inventories fall (258) bcf (6.5%) below last year and (37) bcf (1.0%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was 1 bcf from the actual EIA implied flow and is well with our tolerance. The 5-week summation of our error fell to 6 bcf and is also within our tolerance. The EIA has reported a net implied flow of (80) bcf over the last 5 weeks compared to our estimated (86) bcf. The forecasts use a 10-year rolling temperature profile past the 15-day forecast.

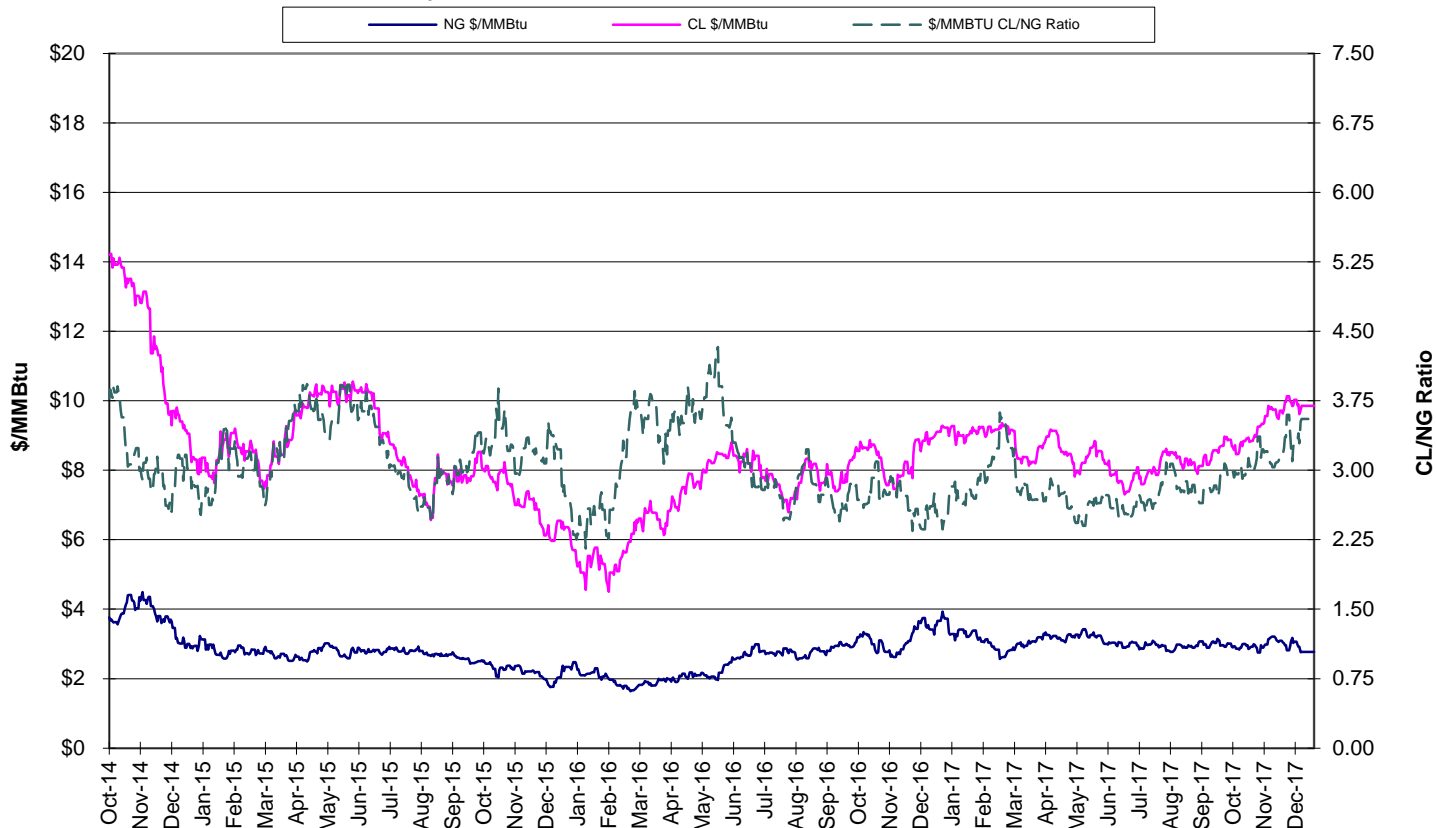
Supply Trends: Total supply rose +0.6 bcf to 73.9 bcf/d. US production rose. Canadian imports fell and Mexican exports rose. LNG exports and LNG imports were unchanged. The US Baker Hughes rig count rose +2 with oil activity higher and natural gas unchanged. The total US rig count now stands at 931. The Canadian rig count fell (3) to 219. Thus, the total North American rig count fell (1) to 1,150 and now exceeds last year by 296. **The higher efficiency US horizontal rig count rose 4 to 796 and rises 293 above last year.**

Demand Trends: Total demand fell (3.9) bcf/d to 73.6 bcf/d. All sectors were lower. Electricity demand rose 2,545 gigawatt-hrs to 72,048 which trails last year by (1,098) (1.5%) and trails the 5-year average by (2,668) (3.6%).

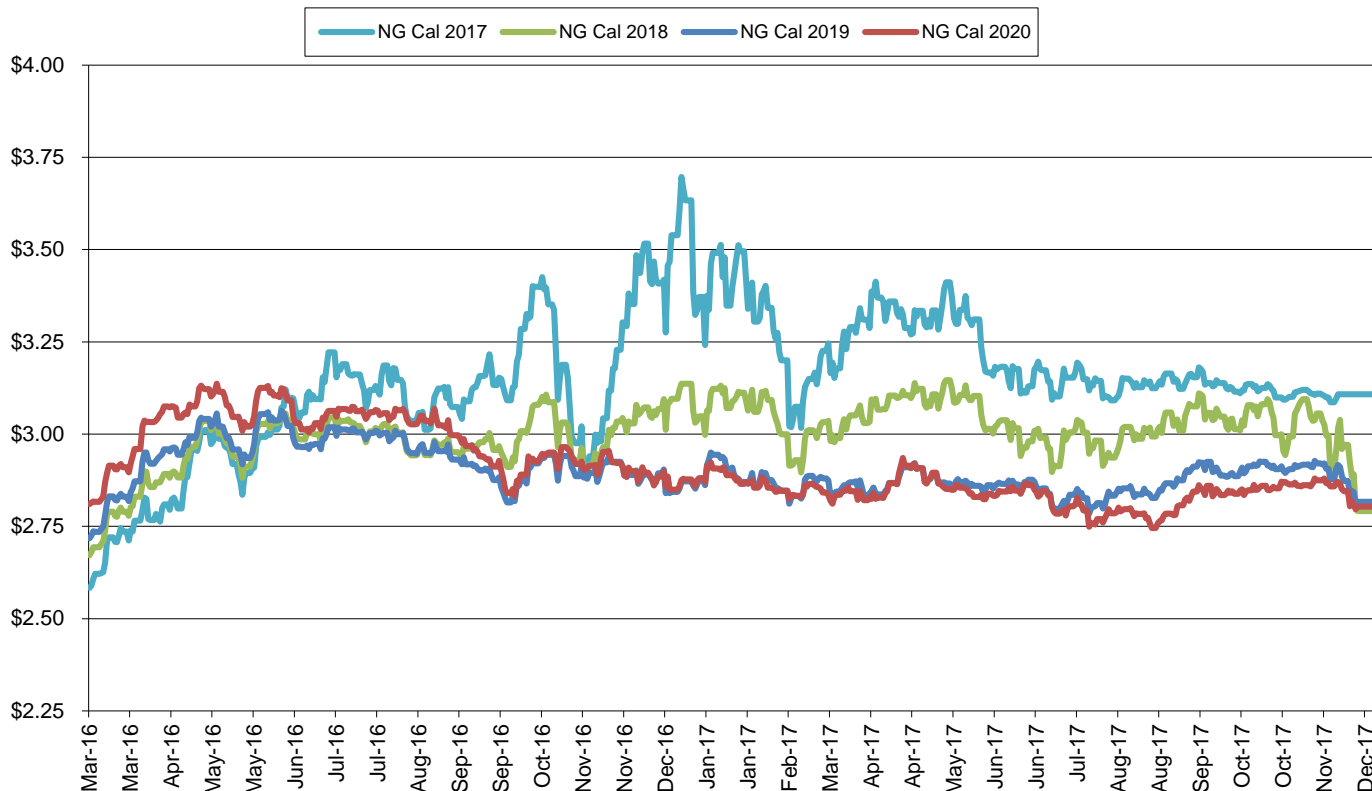
Nuclear Generation: Nuclear generation rose +153 MW in the reference week to 91,367 MW. This is +1,592 MW higher than last year and +3,848 MW higher than the 5-year average. **Recent output was at 94,418 MW.**

- The heating season has begun. With a forecast through December 22 the 2018 total heating index is at 882 compared to 720 for 2017, 608 for 2016, 875 for 2015, 988 for 2014, 793 for 2013, 802 for 2012 and 970 for 2011.

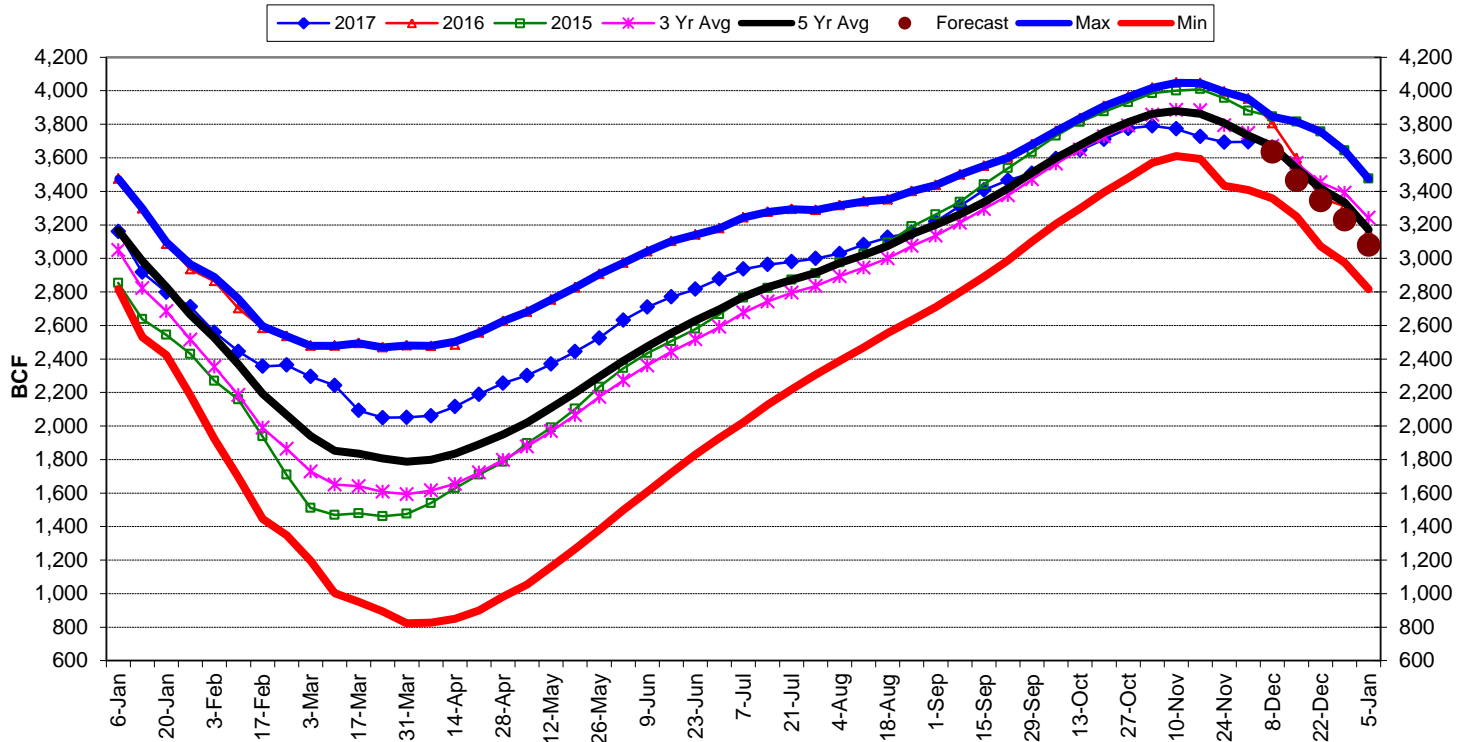
\$/MMBtu Ratio of NYMEX CL and NG



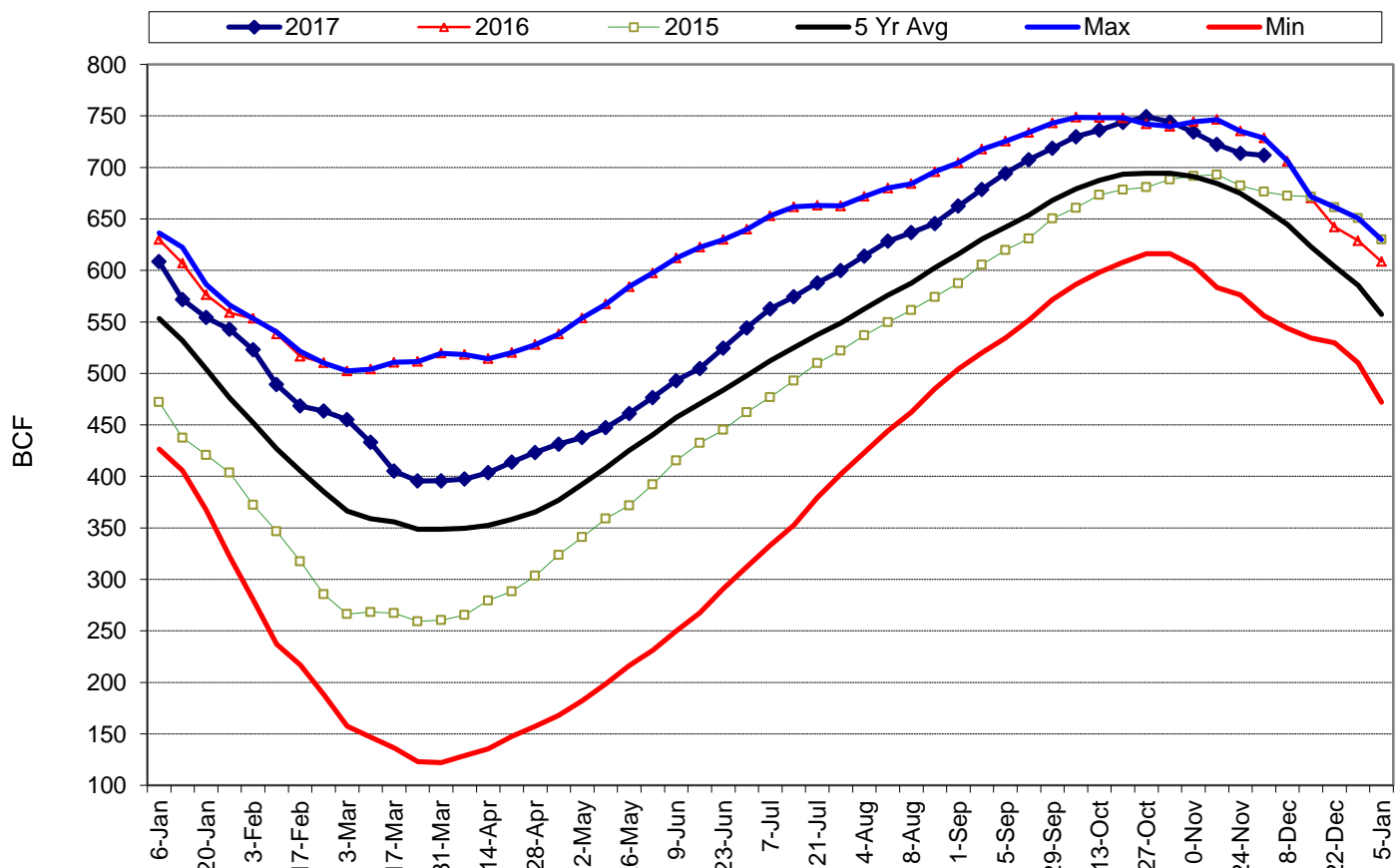
NYMEX Calendar Strips



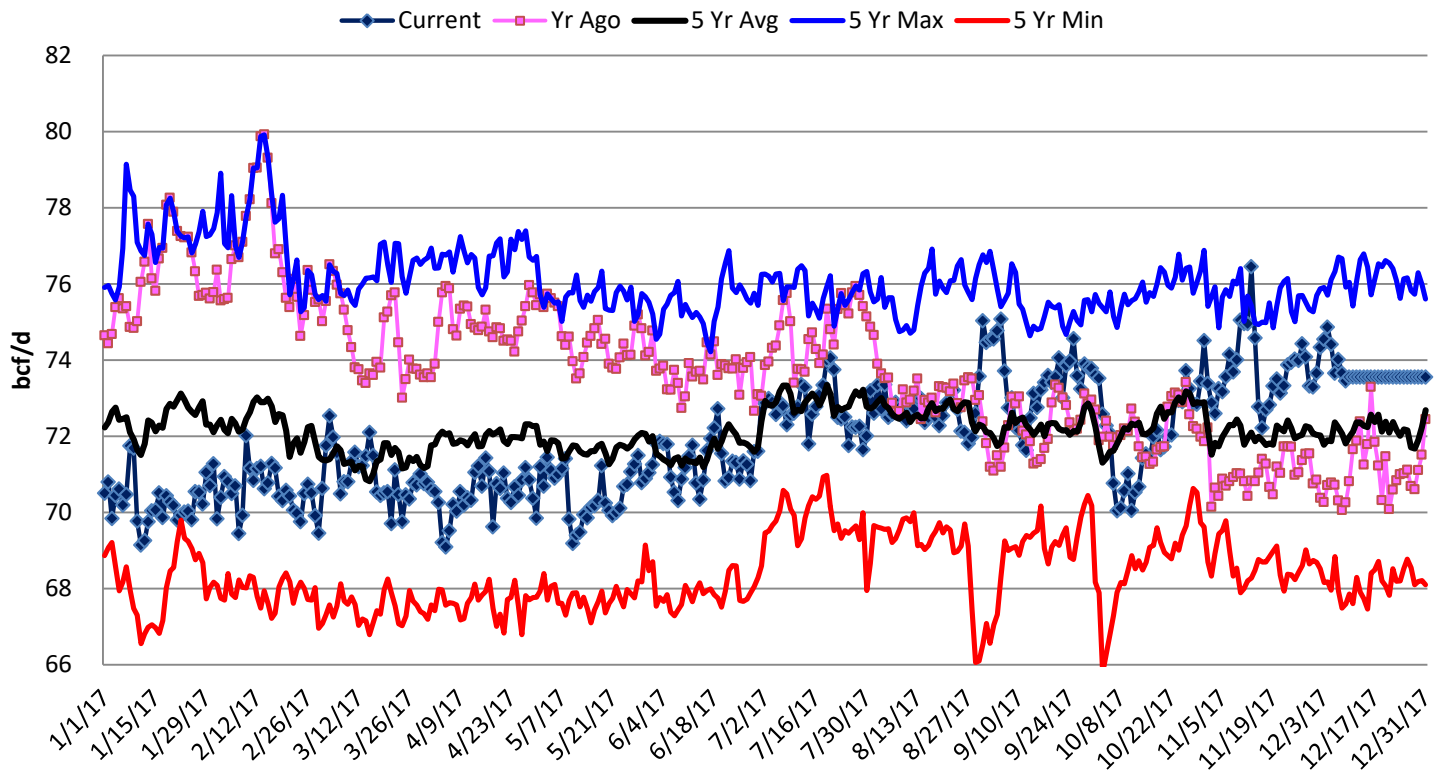
US Total Working Gas Storage - Source - EIA



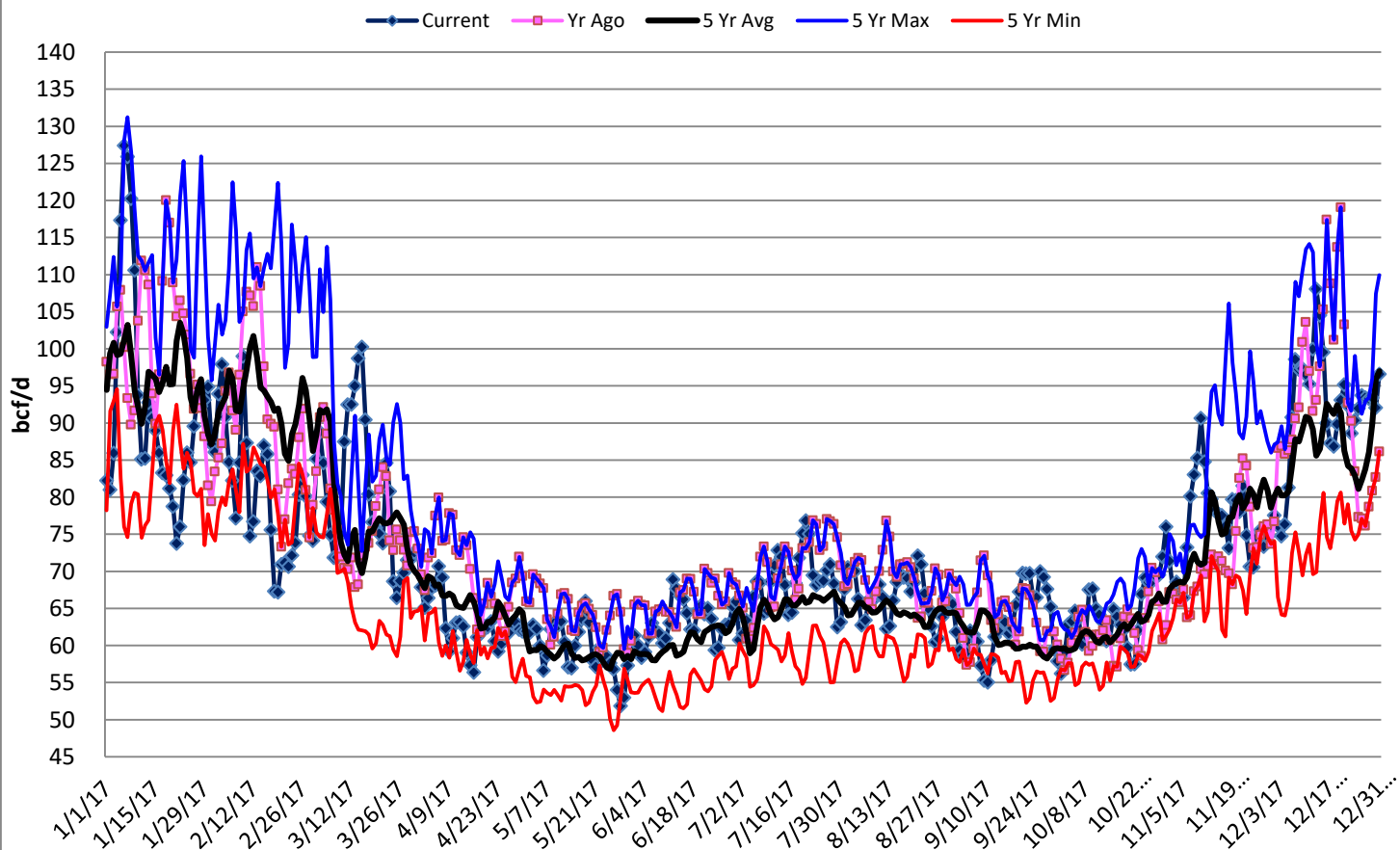
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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