Kyle Cooper, (713) 248-3009, Kyle.Cooper@iafadvisors.com

Week Ending March 23, 2018

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

Price Action: The April contract fell 9.7 cents (3.6%) to $2.591 on a 13.1 cent range ($2.710/$2.579).

Price Outlook: **The market continued to fall for the 2nd consecutive week as the market is clearly focused on the end of winter and US production. There seems little to move the market significantly in the near-term but expect a more notable move later in April. Weather forecasts subtracted 34 bcf from storage projections. For daily updated storage projections, subscribe to our joint publication with RBN Energy. The current 15-day forecast is cooler than 5 of the previous 10 years. CFTC data indicated a (502) contract reduction in the managed money net long position as longs added and shorts added. Total open interest rose 16,063 to 3.541 million as of March 20. Aggregated CME futures open interest fell to 1.398 million as of March 23. Open interest in the April $3.00 call rose +1,608 to 61,765. Open interest in the May $3.00 call rose +225 to 55,258. Open interest in the April $2.50 put fell (7,071) to 46,694.**

Weekly Storage: US working gas storage for the week ending March 16 indicated a withdrawal of (86) bcf. Working gas inventories fell to 1,446 bcf. Current inventories fall (646) bcf (-30.9%) below last year and fall (330) bcf (-18.6%) below the 5-year average.

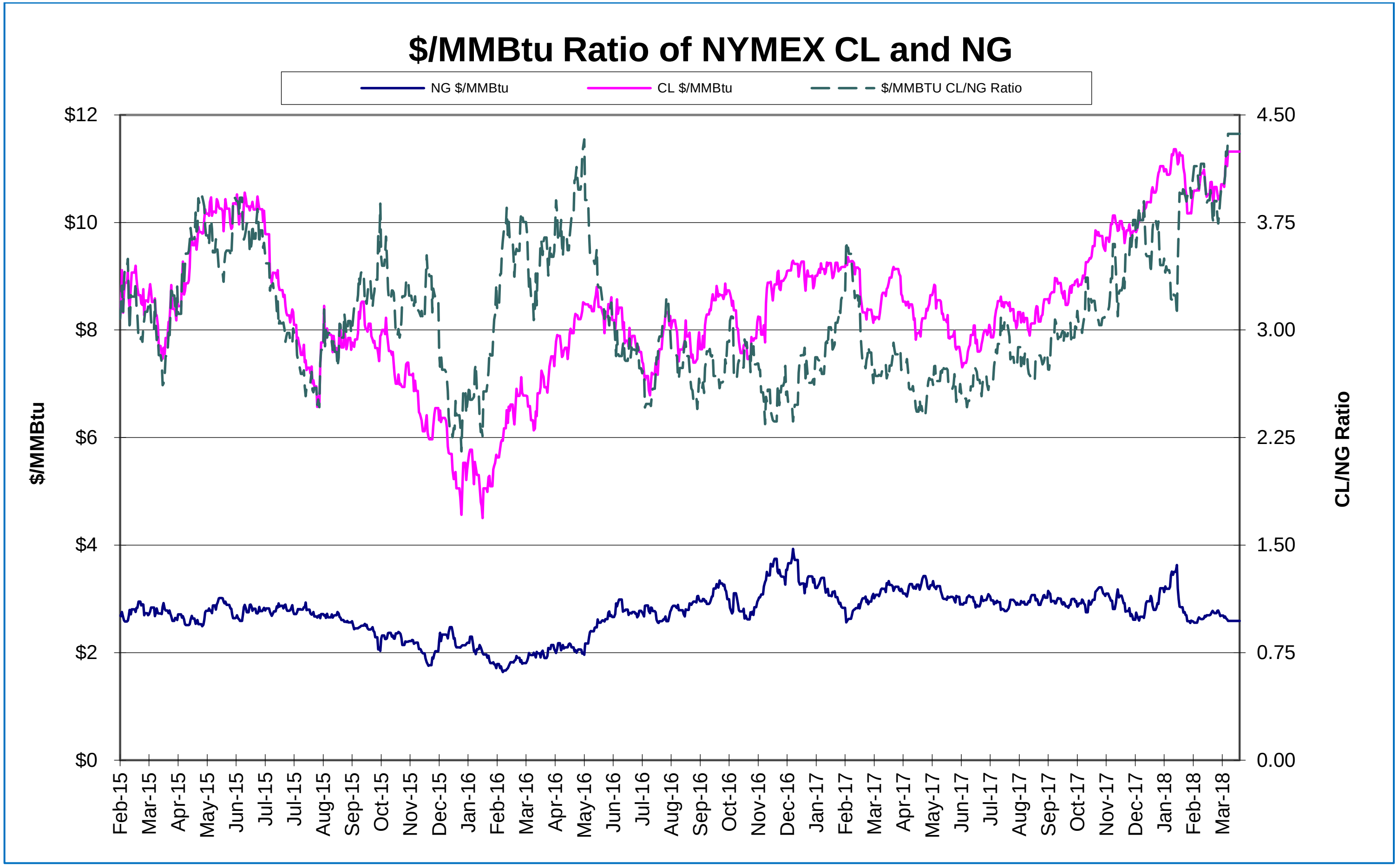
Storage Outlook: **: Our EIA weekly storage estimate was 1 bcf from the actual EIA implied flow and returned to within our tolerance as the deviation to the base model stablized. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.**

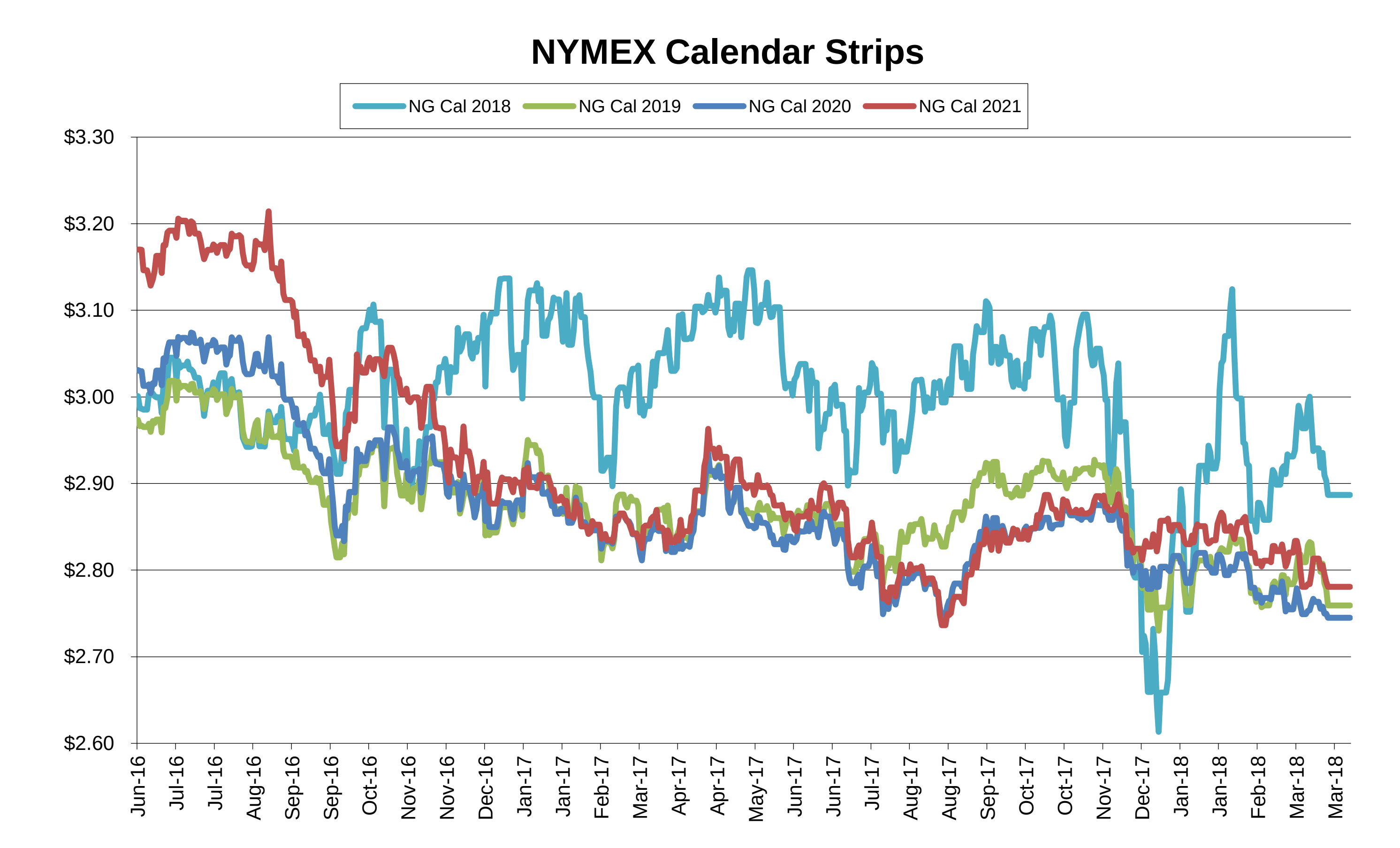
Supply Trends: Total supply rose 0.8 bcf/d to 78.0 bcf/d. US production rose. Canadian imports rose. LNG imports exports fell. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count rose +5. Oil activity increased +4. Natural gas activity increased +1. The total US rig count now stands at 995.The Canadian rig count fell (58) to 161. Thus, the total North American rig count fell (53) to 1,156 and now exceeds last year by +162. **The higher efficiency US horizontal rig count rose +5 to 870 and rises +197 above last year. Our weekly special topics report focuses on the Q4 E&P company reports.**

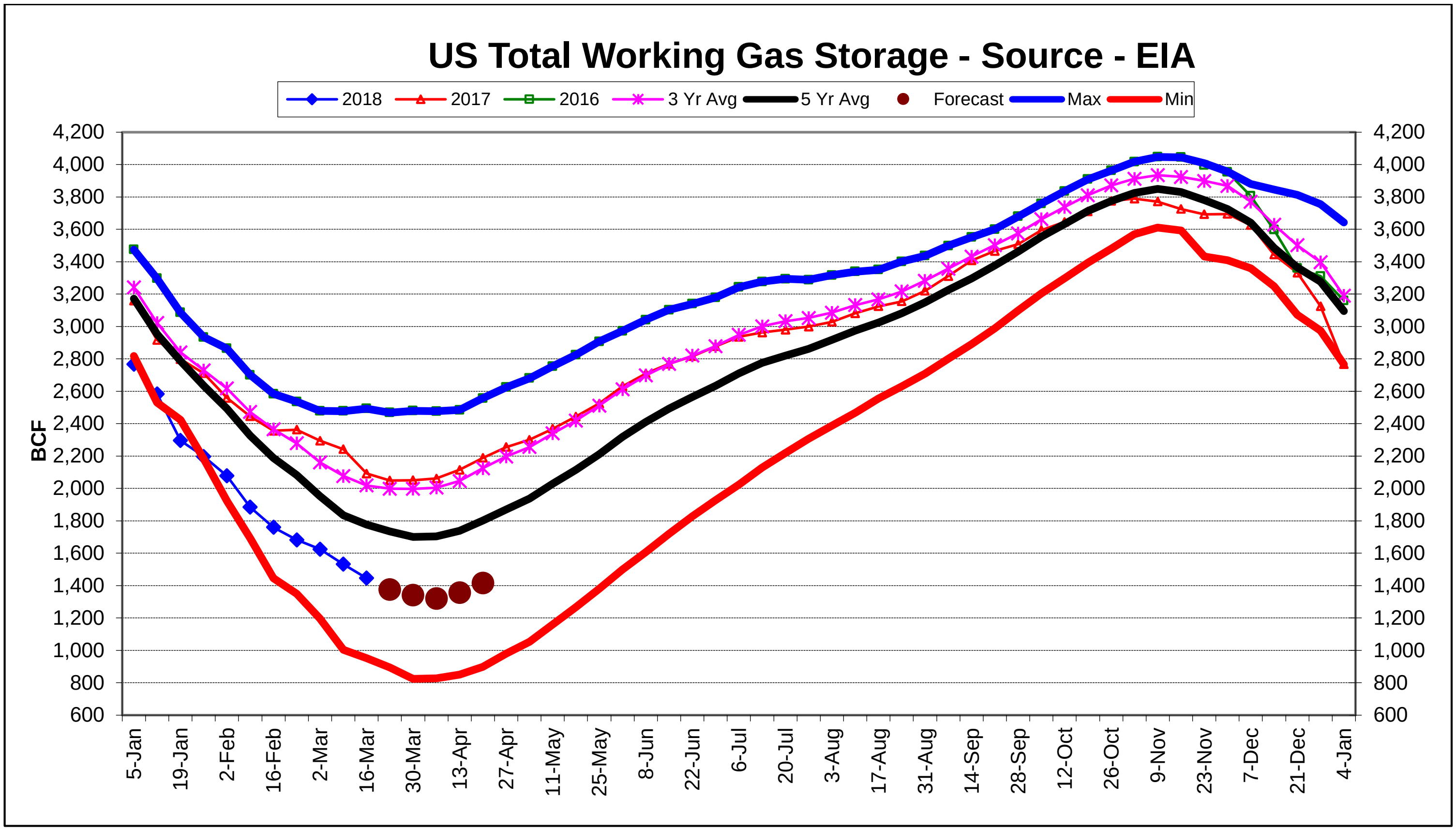
Demand Trends: Total demand rose +0.4 bcf/d to +87.9 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand rose. Electricity demand fell (965) gigawatt-hrs to 72,648 which trails last year by (1,873) (-2.5%) and exceeds the 5-year average by 1,447 (2.0%%).

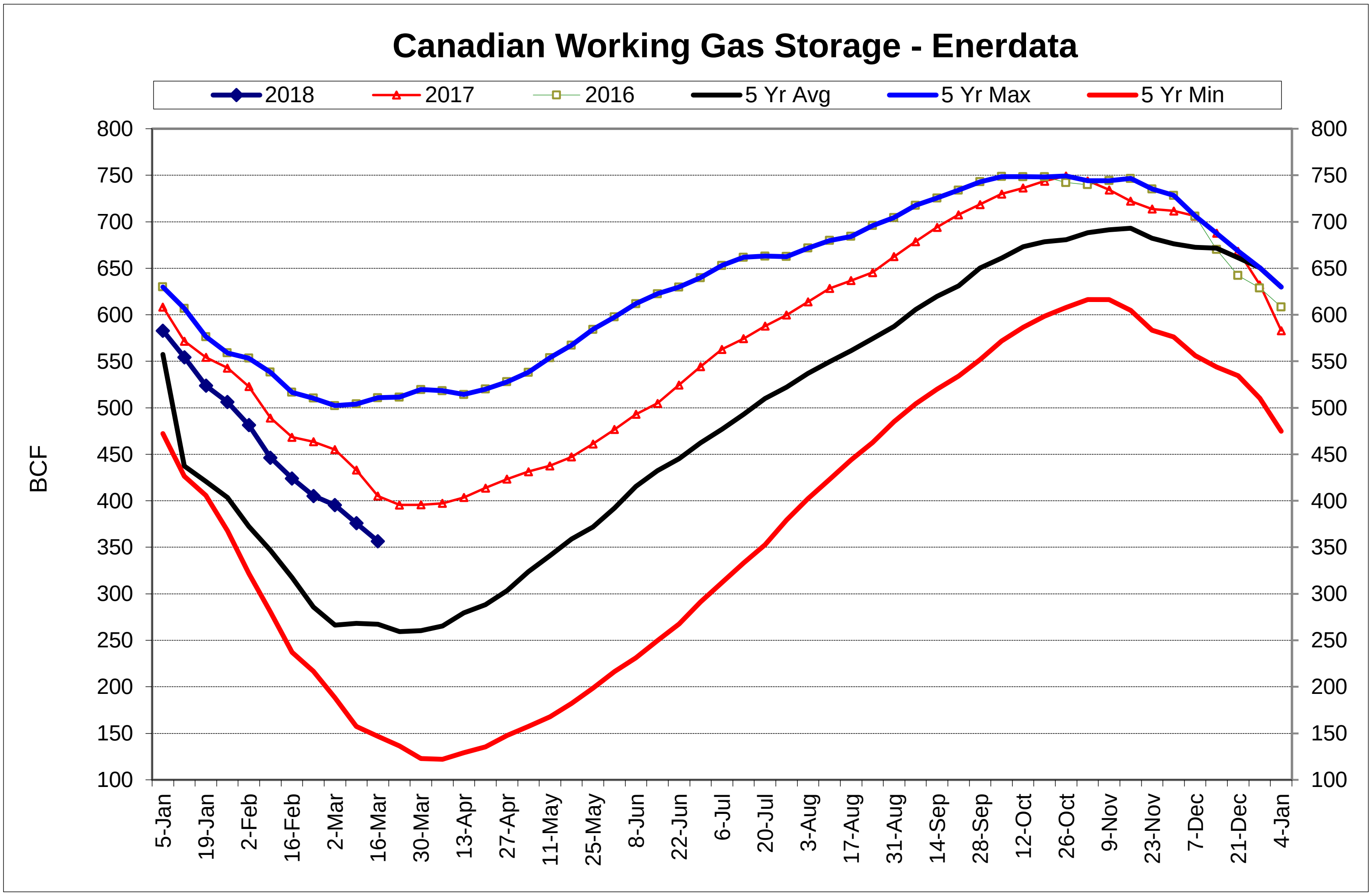
Nuclear Generation: Nuclear generation fell (1,313)MW in the reference week to 87,291 MW. This is (306) MW lower than last year and +2,704 MW higher than the 5-year average. **Recent output was at 85,831 MW.**

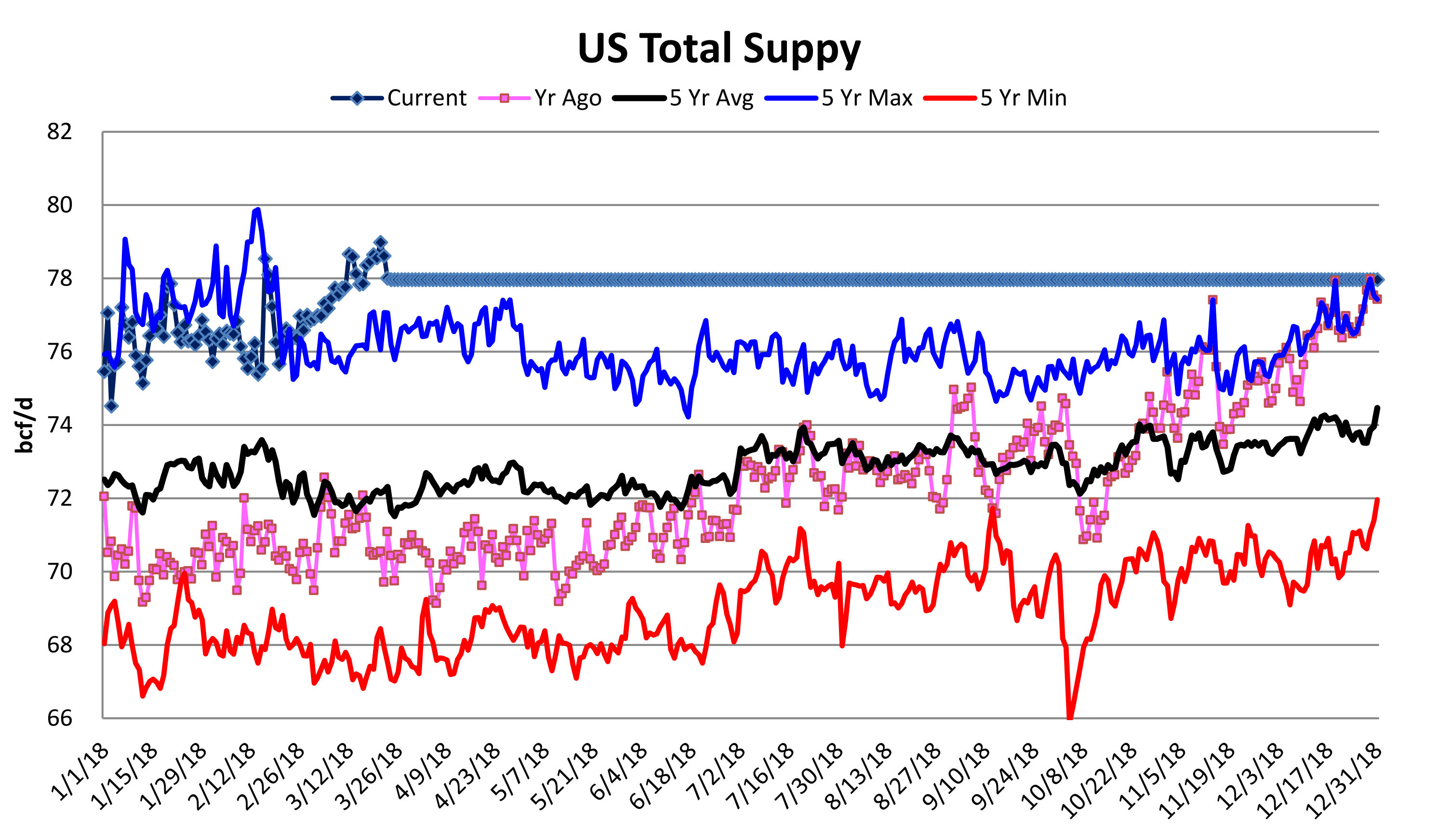
- The heating season is now well past its midpoint. With a forecast through April 6 the 2018 total heating index is at 2,798 compared to 2,249 for 2017, 2,308 for 2016, 2,776 for 2015, 3,122 for 2014, 2,908 for 2013, 2,472 for 2012 and 3,062 for 2011.

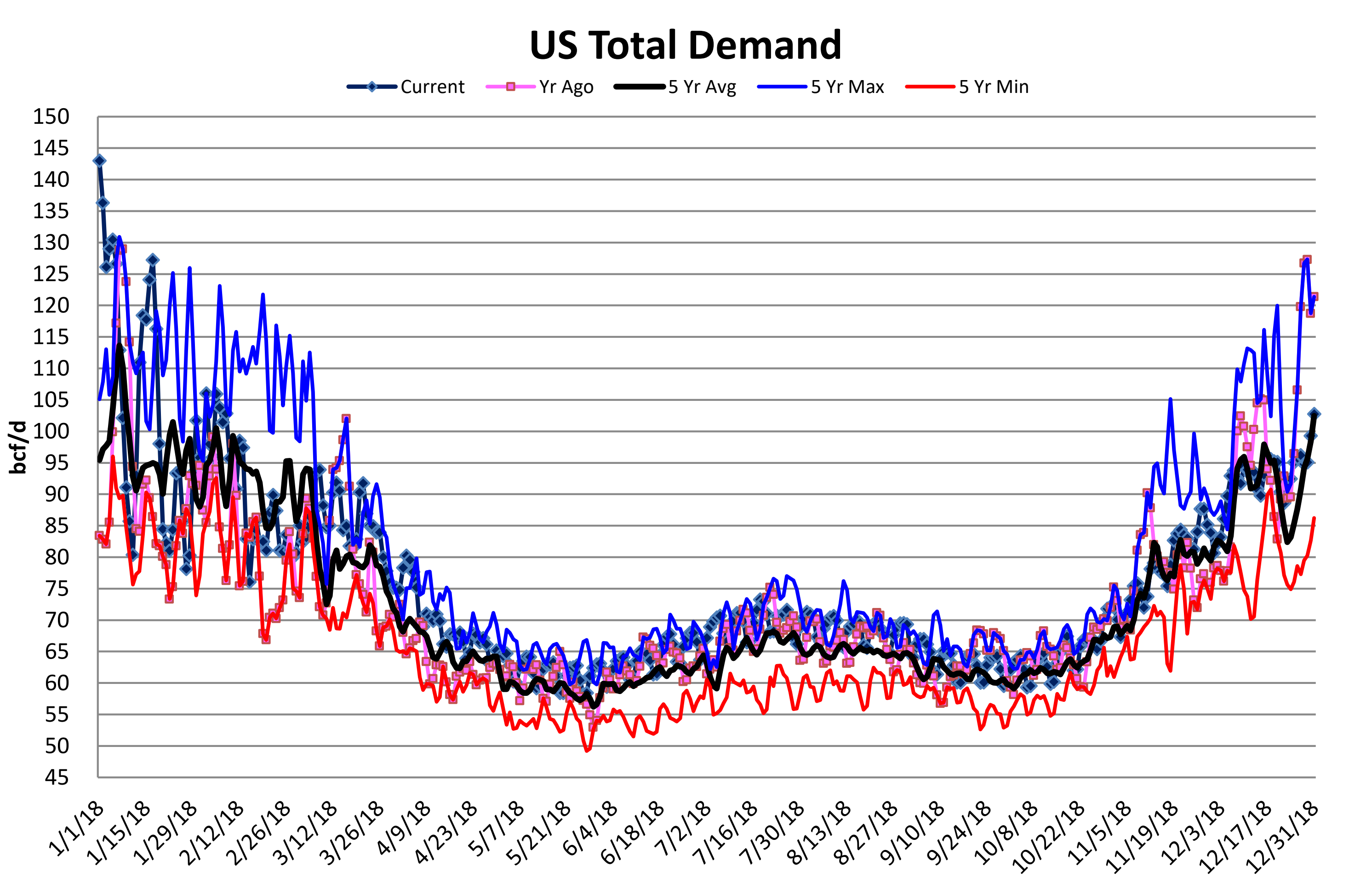

$/MMBtu Ratio of NYMEX CL and NG
NG $/MMBtu
CL $/MMBtu
$/MMBTU CL/NG Ratio
$/MMBtu
CL/NG Ratio
$12
$10
$8
$6
$4
$2
$0
4.50
3.75
3.00
2.25
1.50
0.75
0.00
Feb-15
Mar-15
Apr-15
May-15
Jun-15
Jul-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-15
Jan-16
Feb-16
Mar-16
Apr-16
May-16
Jun-16
Jul-16
Aug-16
Sep-16
Oct-16
Nov-16
Dec-16
Jan-17
Feb-17
Mar-17
Apr-17
May-17
Jun-17
Jul-17
Aug-17
Sep-17
Oct-17
Nov-17
Dec-17
Jan-18
Feb-18
Mar-18


NYMEX Calendar Strips
NG Cal 2018
NG Cal 2019
NG Cal 2020
NG Cal 2021
$3.30
$3.20
$3.10
$3.00
$2.90
$2.80
$2.70
$2.60
Jun-16
Jul-16
Jul-16
Aug-16
Sep-16
Sep-16
Oct-16
Nov-16
Nov-16
Dec-16
Jan-17
Jan-17
Feb-17
Mar-17
Apr-17
Apr-17
May-17
Jun-17
Jun-17
Jul-17
Aug-17
Aug-17
Sep-17
Oct-17
Oct-17
Nov-17
Dec-17
Jan-18
Jan-18
Feb-18
Mar-18
Mar-18


US Total Working Gas Storage - Source - EIA
2018
2017
2016
3 Yr Avg
5 Yr Avg
Forecast
Max
Min
BCF
4,200
4,000
3,800
3,600
3,400
3,200
3,000
2,800
2,600
2,400
2,200
2,000
1,800
1,600
1,400
1,200
1,000
800
600
5-Jan
19-Jan
2-Feb
16-Feb
2-Mar
16-Mar
30-Mar
13-Apr
27-Apr
11-May
25-May
8-Jun
22-Jun
6-Jul
20-Jul
3-Aug
17-Aug
31-Aug
14-Sep
28-Sep
12-Oct
26-Oct
9-Nov
23-Nov
7-Dec
21-Dec
4-Jan


Canadian Working Gas Storage - Enerdata
2018
2017
2016
5 Yr Avg
5 Yr Max
5 Yr Min
BCF
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
5-Jan
19-Jan
2-Feb
16-Feb
2-Mar
16-Mar
30-Mar
13-Apr
27-Apr
11-May
25-May
8-Jun
22-Jun
6-Jul
20-Jul
3-Aug
17-Aug
31-Aug
14-Sep
28-Sep
12-Oct
26-Oct
9-Nov
23-Nov
7-Dec
21-Dec
4-Jan


US Total Suppy
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
82
80
78
76
74
72
70
68
66
1/1/18
1/15/18
1/29/18
2/12/18
2/26/18
3/12/18
3/26/18
4/9/18
4/23/18
5/7/18
5/21/18
6/4/18
6/18/18
7/2/18
7/16/18
7/30/18
8/13/18
8/27/18
9/10/18
9/24/18
10/8/18
10/22/18
11/5/18
11/19/18
12/3/18
12/17/18
12/31/18


US Total Demand
Current
Yr Ago
5 Yr Avg
5 Yr Max
5 Yr Min
bcf/d
150
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
70
65
60
55
50
45
1/1/18
1/15/18
1/29/18
2/12/18
2/26/18
3/12/18
3/26/18
4/9/18
4/23/18
5/7/18
5/21/18
6/4/18
6/18/18
7/2/18
7/16/18
7/30/18
8/13/18
8/27/18
9/10/18
9/24/18
10/8/18
10/22/18
11/5/18
11/19/18
12/3/18
12/17/18
12/31/18

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST