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Week Ending May 11, 2018

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

Price Action: The June contract rose 9.5 cents (3.5%) to \$2.806 on a 12.5 cent range (\$2.820/\$2.695).

Price Outlook: Prices rose as the EIA reported a much smaller than expected storage injection and heat began to creep into Southern cities. Storage injections in coming week should surpass +100 bcf, but are needed to reduce the still massive storage deficit. For daily updated storage projections, subscribe to our joint publication with RBN Energy. The current weather forecast is now warmer than 10 of the last 10 years. CFTC data indicated a (39,004) contract reduction in the managed money net long position as longs liquidated and shorts added. The is smallest speculative net position since December 26, 2107. This is the largest short position since January 16, 2018. Total open interest rose 63,523 to 3.553 million as of May 08. Aggregated CME futures open interest rose to 1.482 million as of May 11. While we still favor slightly higher prices from this level, the market is comfortable and our weekly special topics report focusing on E&P company reports suggests impressive US production for the balance of the year.

Weekly Storage: US working gas storage for the week ending May 4 indicated an injection of +89 bcf. Working gas inventories rose to 1,432 bcf. Current inventories fall (869) bcf (-37.8%) below last year and fall (505) bcf (-26.1%) below the 5-year average.

Storage Outlook: Our EIA weekly storage estimate was (7) bcf from the actual EIA implied flow and was outside our tolerance. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.

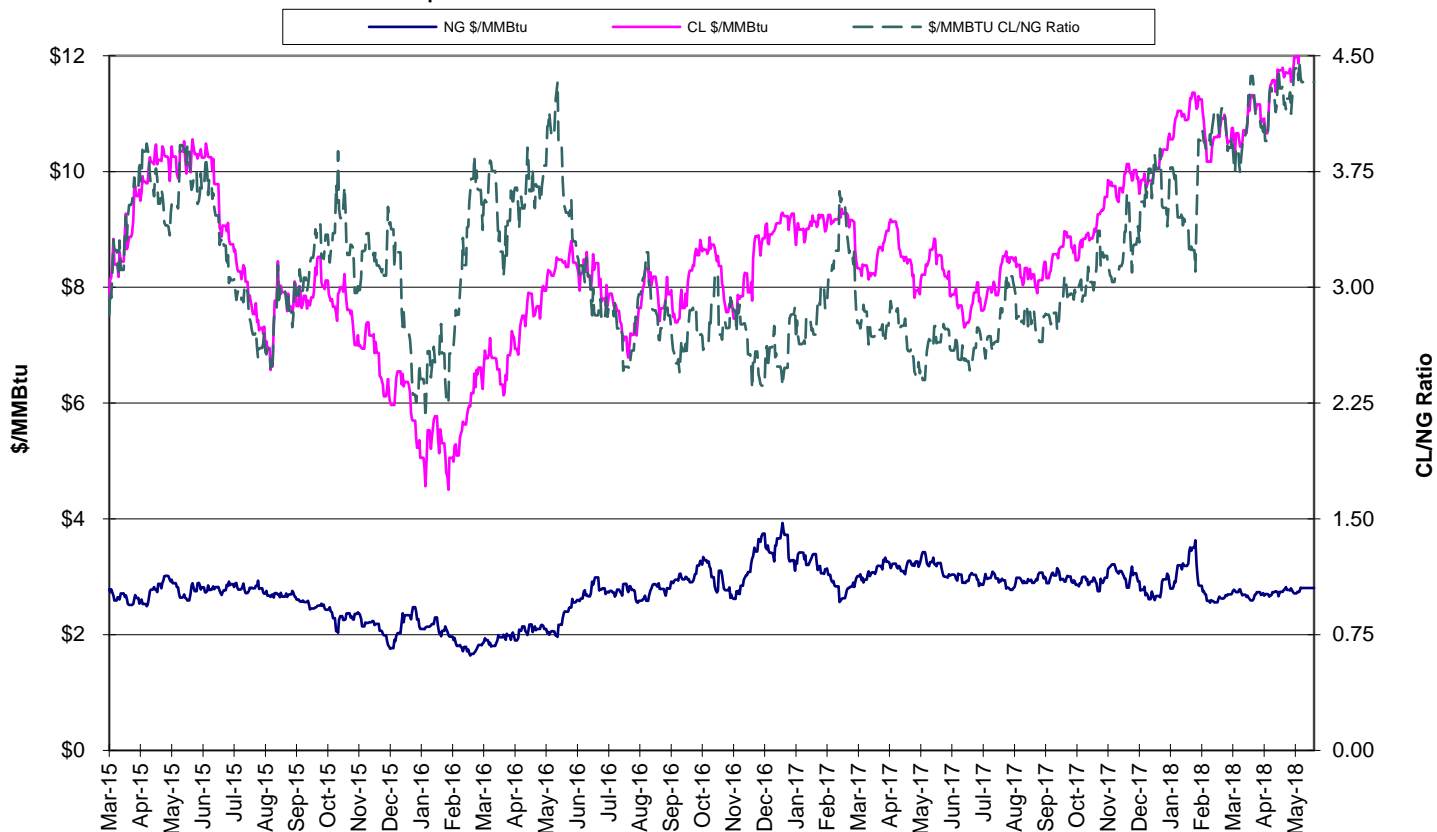
Supply Trends: Total supply rose 0.9 bcf/d to 77.0 bcf/d. US production rose. Canadian imports rose. LNG imports exports fell. LNG exports fell. Mexican exports rose. The US Baker Hughes rig count rose +13. Oil activity increased +10. Natural gas activity increased +3. The total US rig count now stands at 1,045. The Canadian rig count fell (7) to 79. Thus, the total North American rig count rose +6 to 1,124 and now exceeds last year by +159. The higher efficiency US horizontal rig count rose +5 to 918 and rises +176 above last year.

Demand Trends: Total demand fell (7.7) bcf/d to +70.6 bcf/d. Power demand fell. Industrial demand fell. Res/Comm demand fell. Electricity demand rose +3,198 gigawatt-hrs to 70,724 which exceeds last year by +1,454 (2.1%) and exceeds the 5-year average by 1,825 (2.6%).

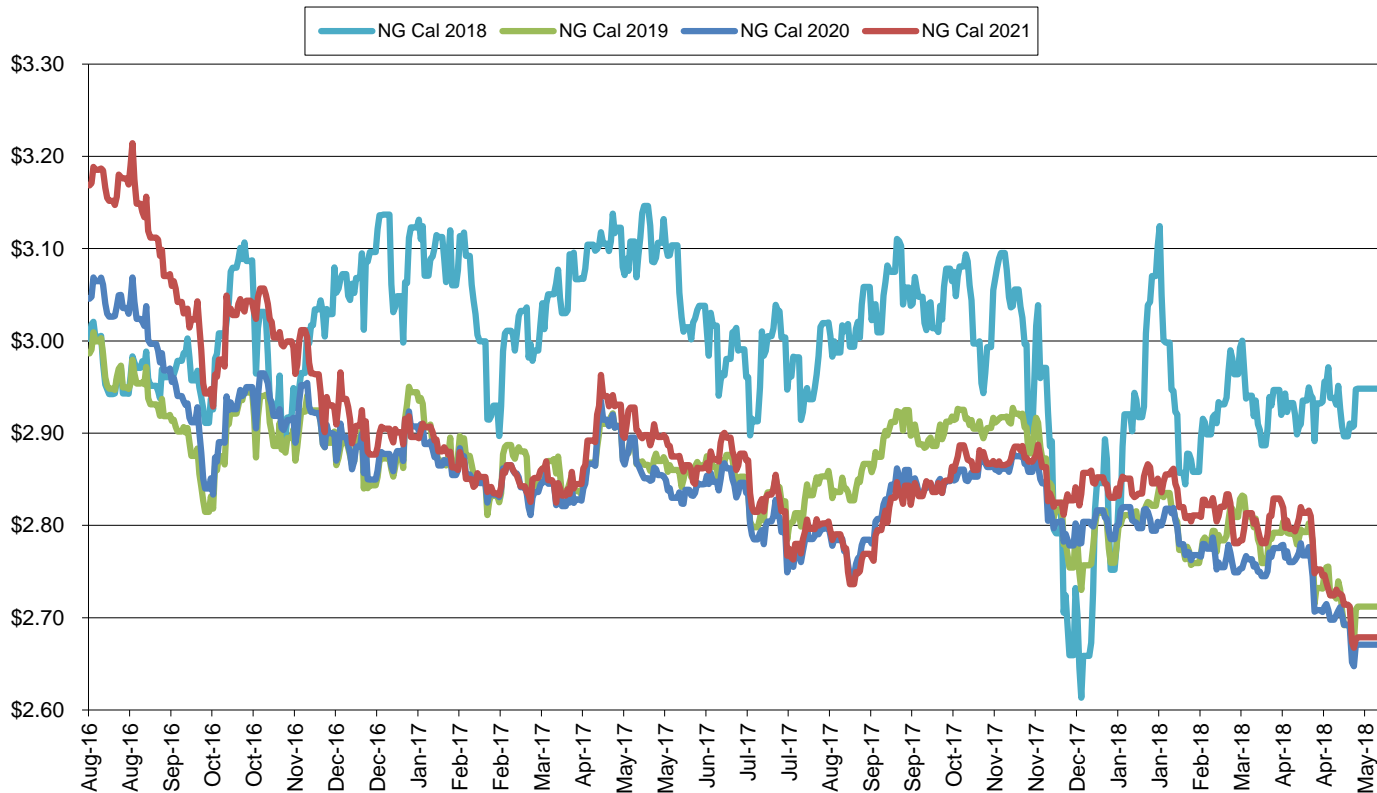
Nuclear Generation: Nuclear generation rose 700 MW in the reference week to 79,337 MW. This is +5,400 MW higher than last year and +1,537 MW higher than the 5-year average. Recent output was at 84,343 MW.

- The heating season is entering its final leg. With a forecast through May 25 the 2018 total heating index is at 3,005 compared to 2,300 for 2017, 2,419 for 2016, 2,888 for 2015, 3,231 for 2014, 3,050 for 2013, 2,567 for 2012 and 3,168 for 2011.

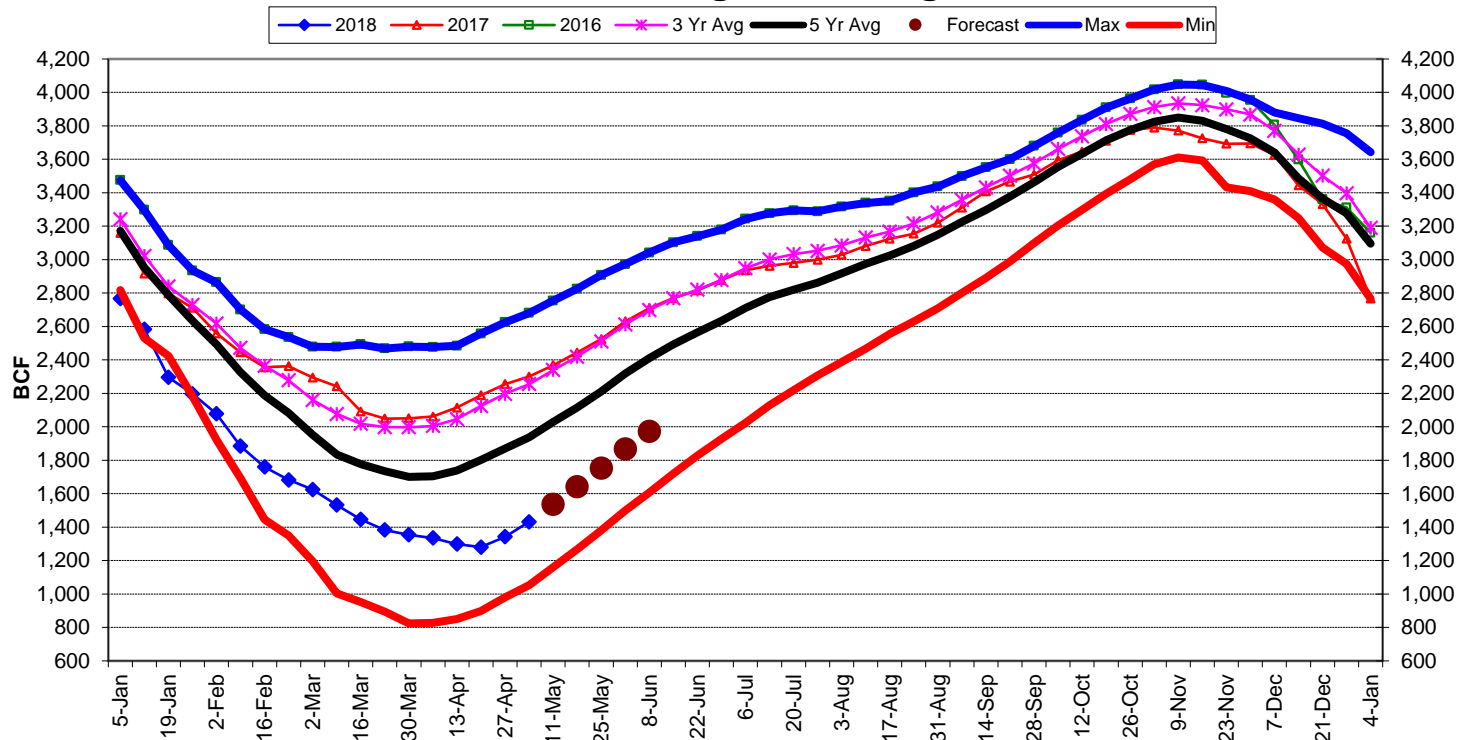
\$/MMBtu Ratio of NYMEX CL and NG



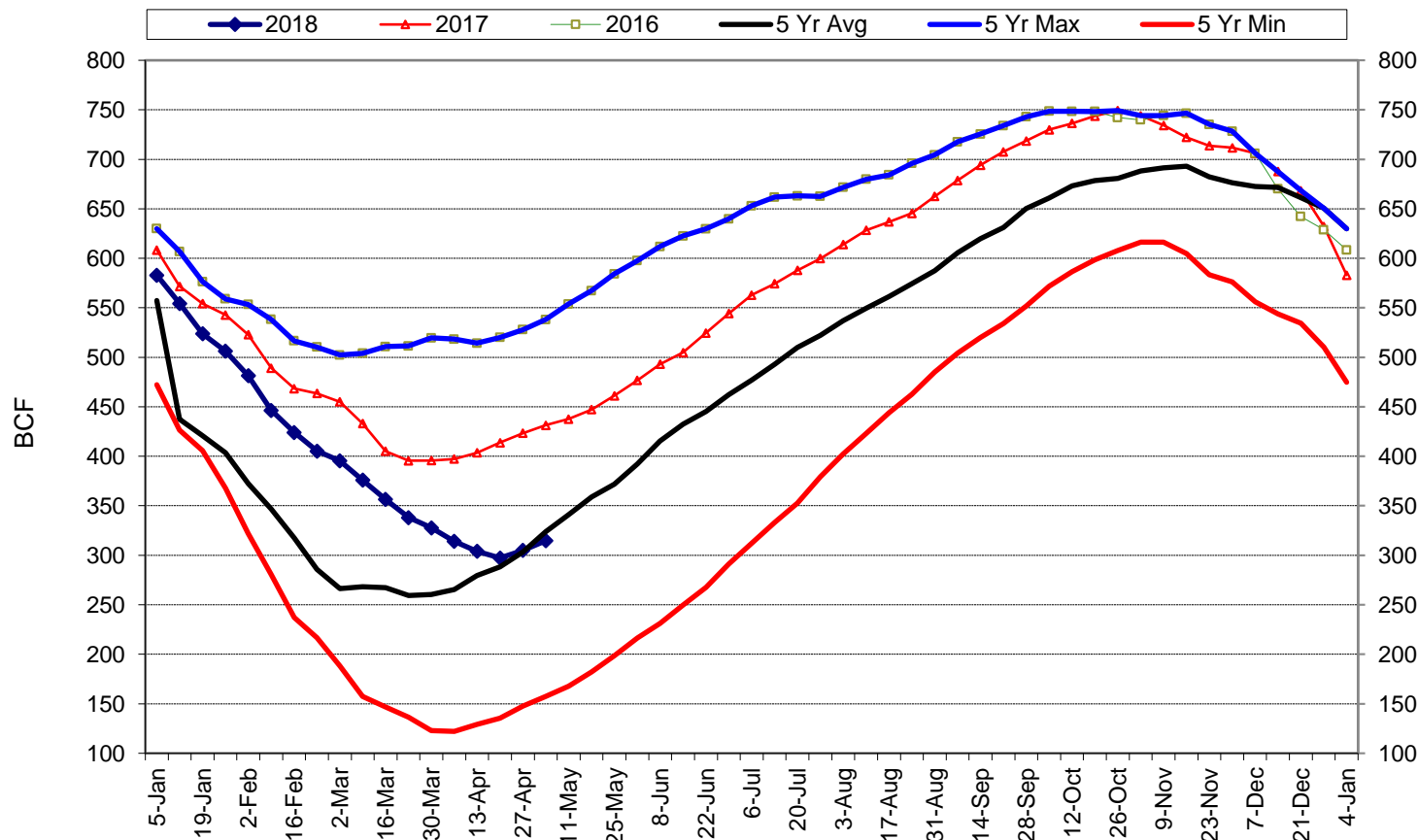
NYMEX Calendar Strips



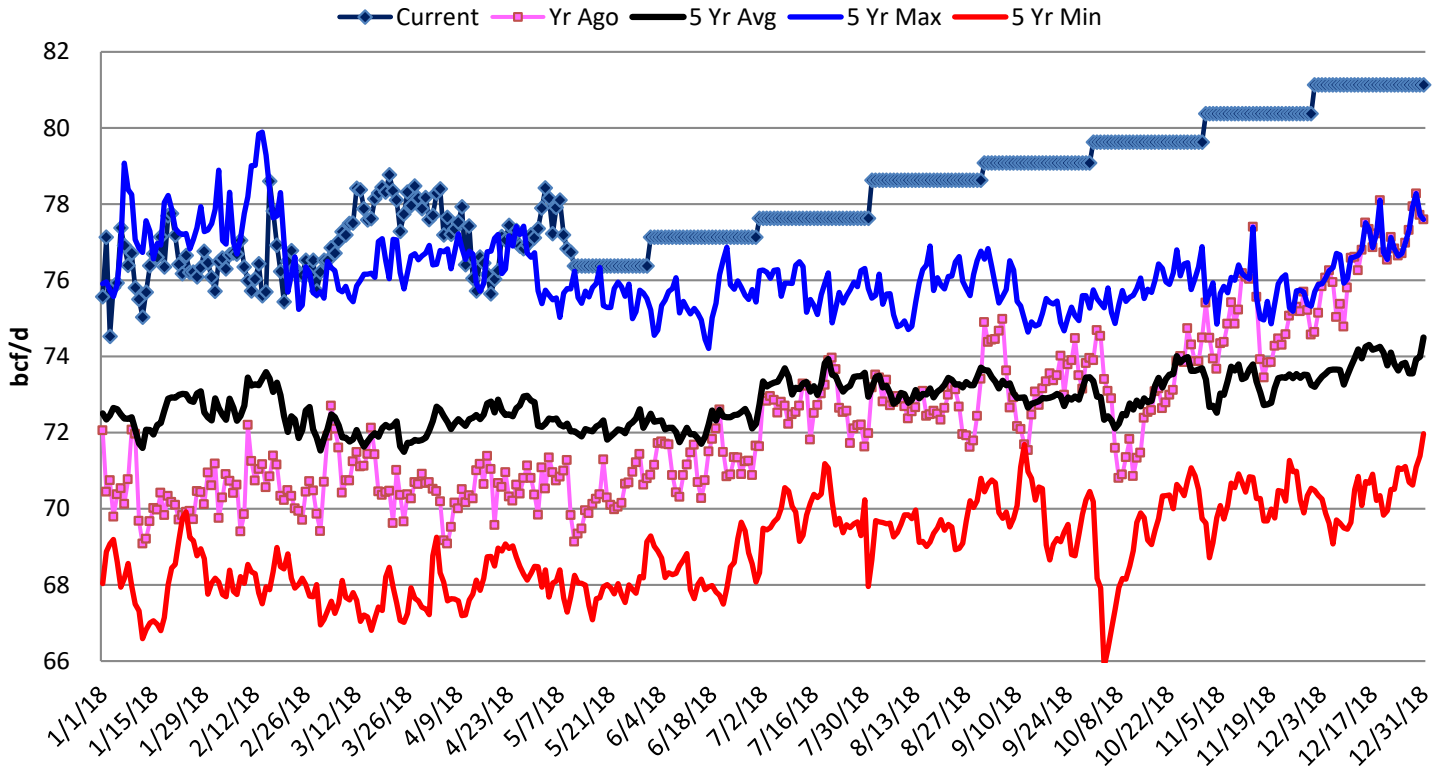
US Total Working Gas Storage - Source - EIA



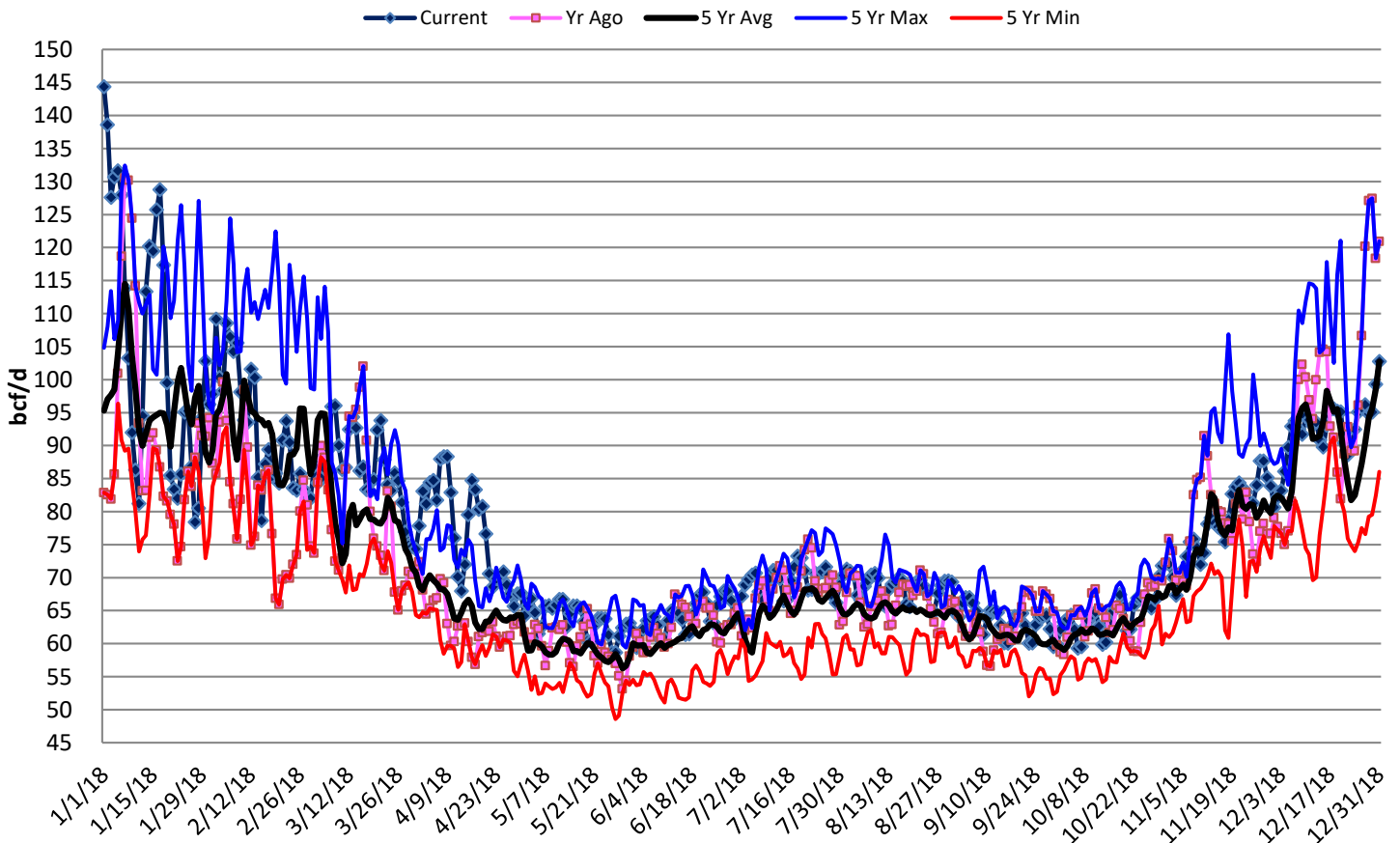
Canadian Working Gas Storage - Enerdata



US Total Supply



US Total Demand



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

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