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Week Ending May 25, 2018

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

Price Action: The June contract rose 9.2 cents (3.2%) to $2.939 on a 15.8 cent range ($2.964/$2.806).

Price Outlook: **Prices rose as weather forecasts remain very bullish. Although US production remains a well known bearish factor, early summer heat is increasing demand and it is possible the recent +106 bcf injection is the largest injections witnessed. If that proves true, prices are expected to remain well supported. 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. Pipeline data indicates total flows to Cheniere's export facility were at 2.2 bcf. Cove Point is net exporting 0.7 bcf. CFTC data indicated a 39,006 contract increase in the managed money net long position as longs added and shorts covered. Total open interest rose 57,976 to 3.713 million as of May 22. Aggregated CME futures open interest rose to 1.519 million as of May 25. Our weekly special topics report highlights monthly electricity data.**

Weekly Storage: US working gas storage for the week ending May 18 indicated an injection of +91 bcf. Working gas inventories rose to 1,629 bcf. Current inventories fall (815) bcf (-33.3%) below last year and fall (486) bcf (-23.0%) below the 5-year average.

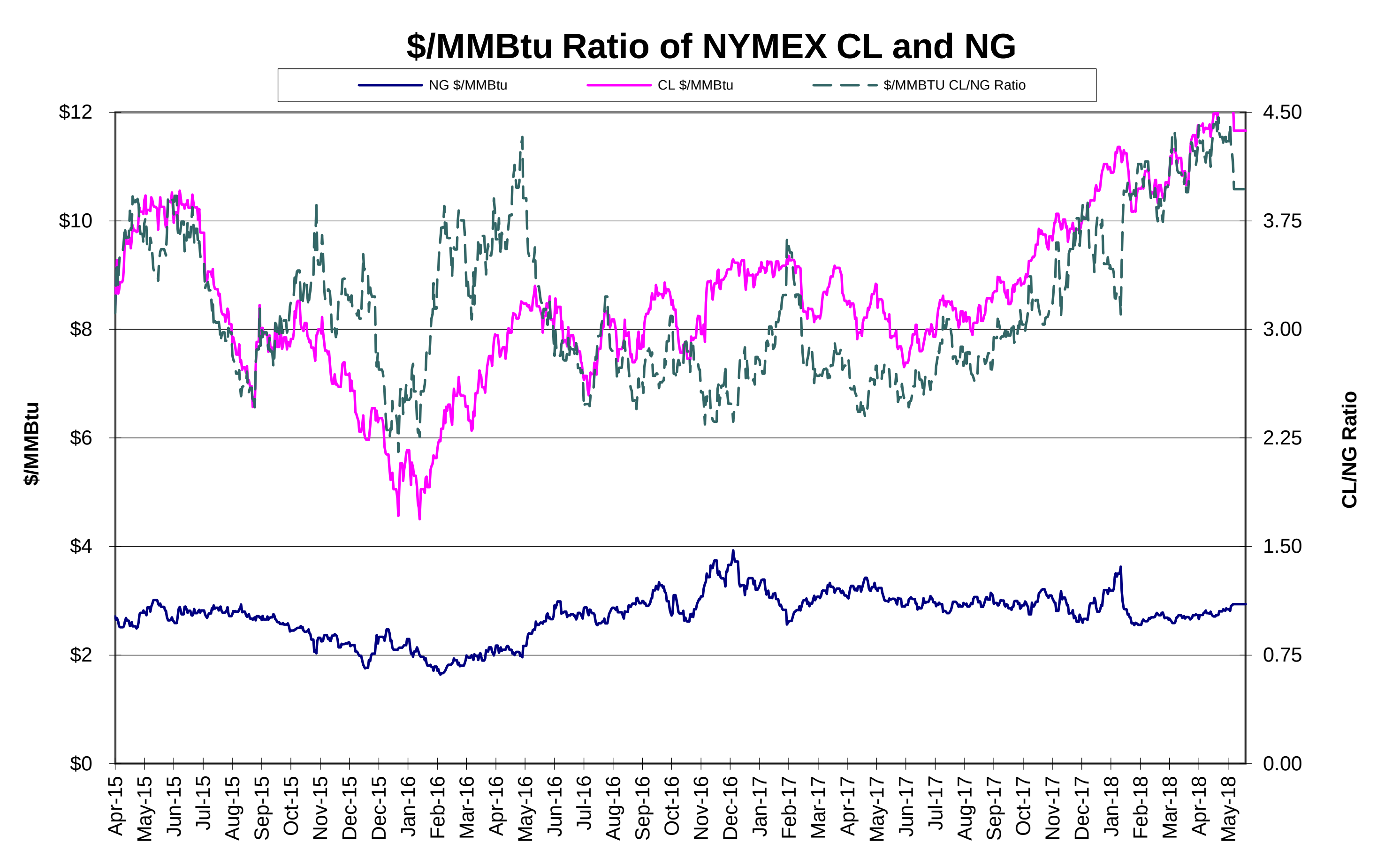
Storage Outlook: **Our EIA weekly storage estimate was 1 bcf from the actual EIA implied flow and was within our tolerance. The forecasts use a 10-year rolling temperature profile past the 15-day forecast. Our joint publication with RBN updates storage projections daily.**

Supply Trends: Total supply fell (0.0)bcf/d to 77.5 bcf/d. US production fell. Canadian imports rose. LNG imports exports rose. LNG exports fell. Mexican exports fell. The US Baker Hughes rig count rose +13. Oil activity increased +15. Natural gas activity decreased (2). The total US rig count now stands at 1,059 .The Canadian rig count fell (2) to 81. Thus, the total North American rig count rose +11 to 1,140 and now exceeds last year by +139. **The higher efficiency US horizontal rig count rose +7 to 926 and rises +160 above last year.**

Demand Trends: Total demand rose +2.2 bcf/d to +65.2 bcf/d. Power demand rose. Industrial demand rose. Res/Comm demand rose. Electricity demand rose +2,970 gigawatt-hrs to 76,149 which trails last year by (296) (-0.4%) and exceeds the 5-year average by 4,210 (5.9%%).

Nuclear Generation: Nuclear generation rose 5,979 MW in the reference week to 87,765 MW. This is +10,441 MW higher than last year and +5,095 MW higher than the 5-year average. **Recent output was at 92,257 MW.**

- The cooling season is beginning. With a forecast through June 8 the 2018 total cooling index is at 510 compared to 325 for 2017, 332 for 2016, 123 for 2015, 338 for 2014, 327 for 2013, 389 for 2012 and 521 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
Apr-15
May-15
Jun-15
Jul-15
Aug-15
Sep-15
Oct-15
Nov-15
Dec-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
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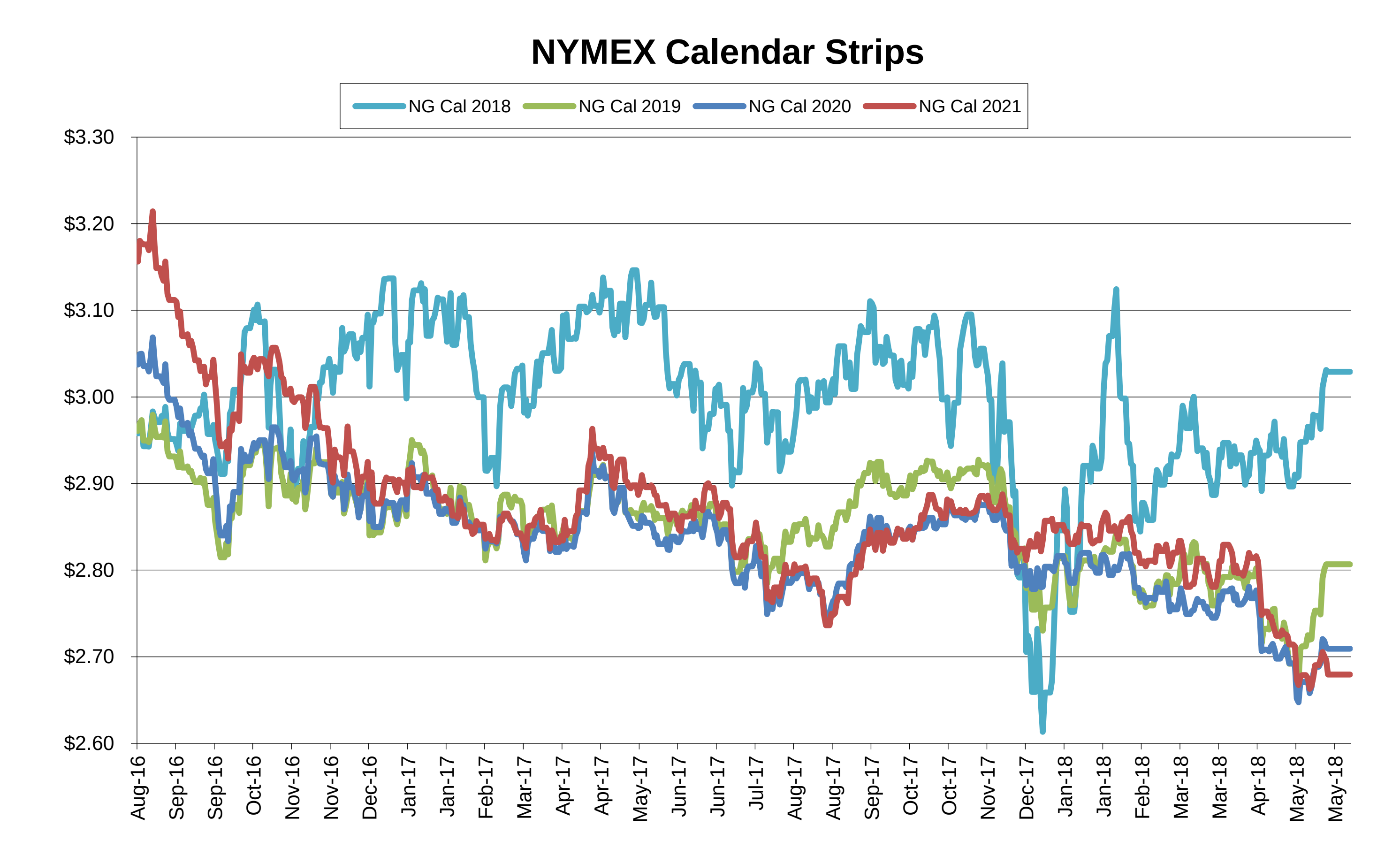
Jan-18
Feb-18
Mar-18
Apr-18
May-18


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
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
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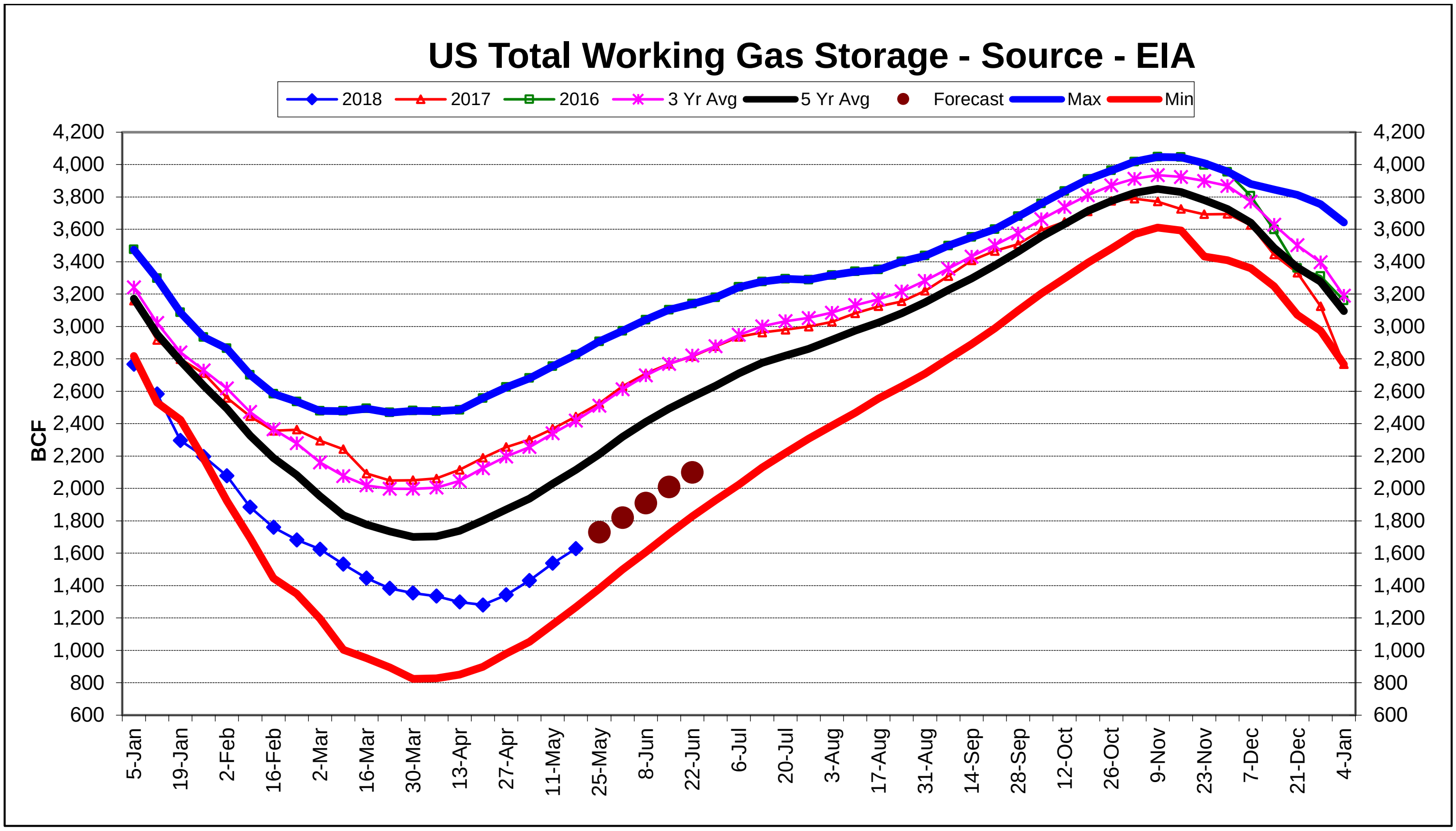
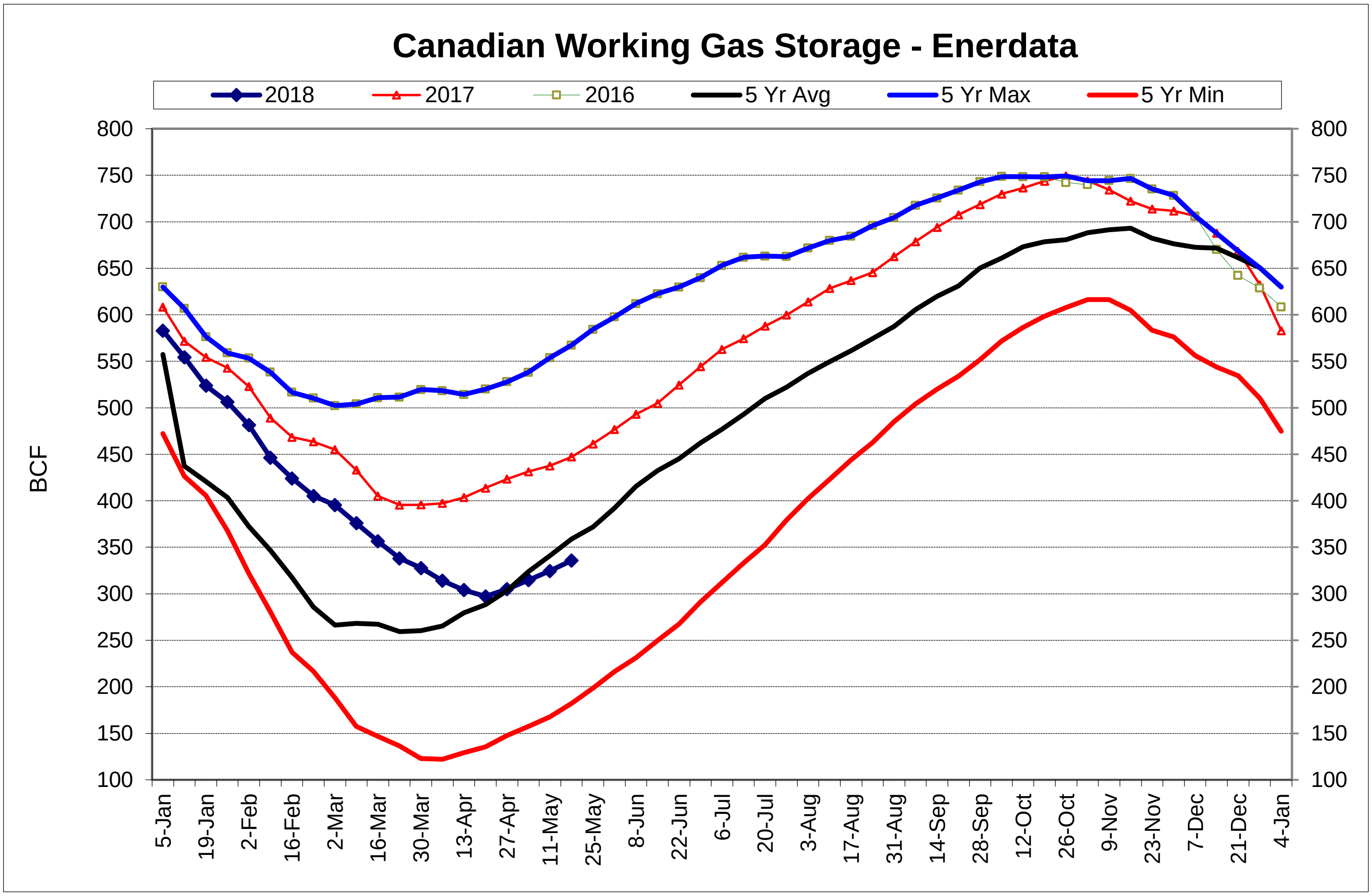
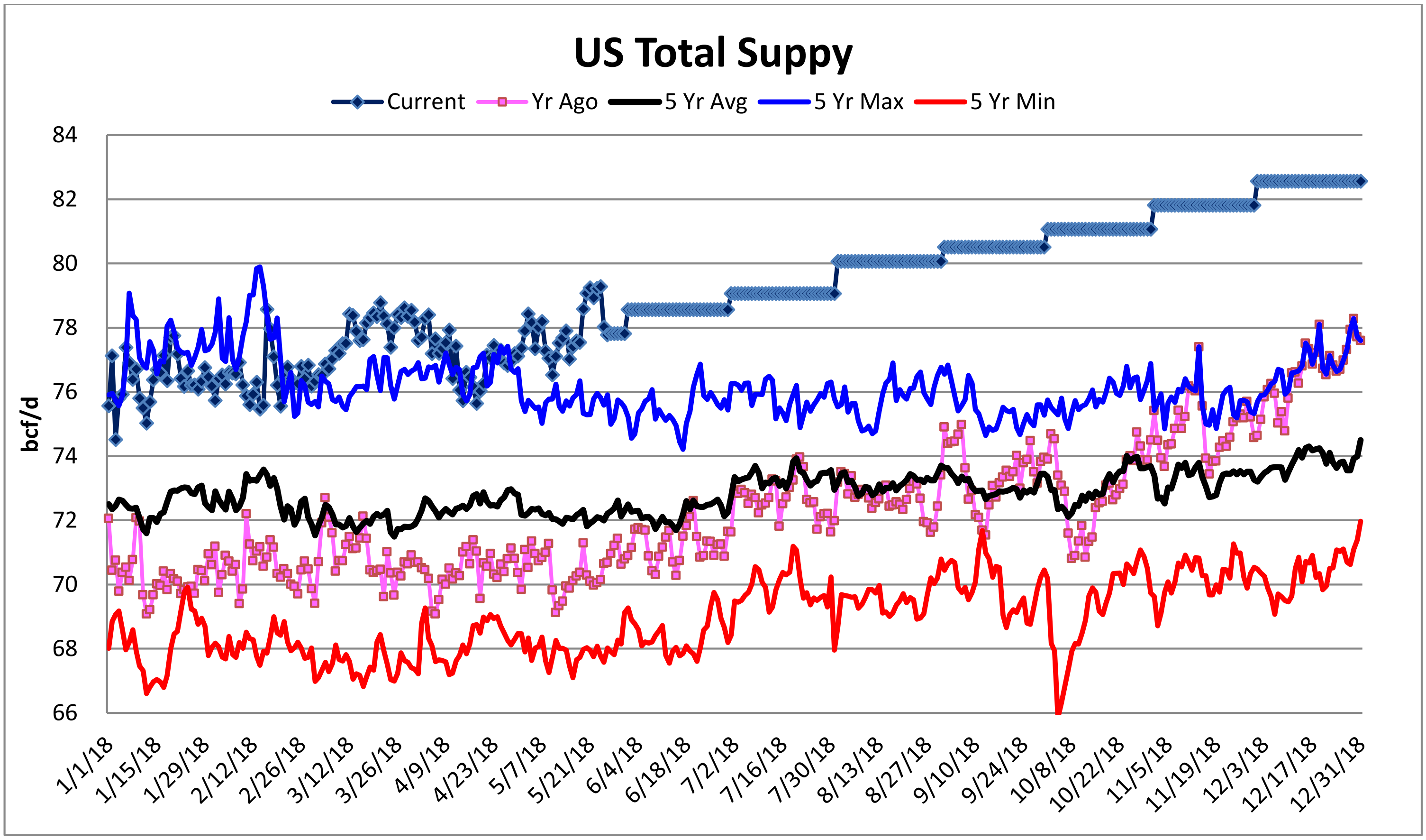
Feb-18
Mar-18
Mar-18
Apr-18
May-18
May-18


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
84
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
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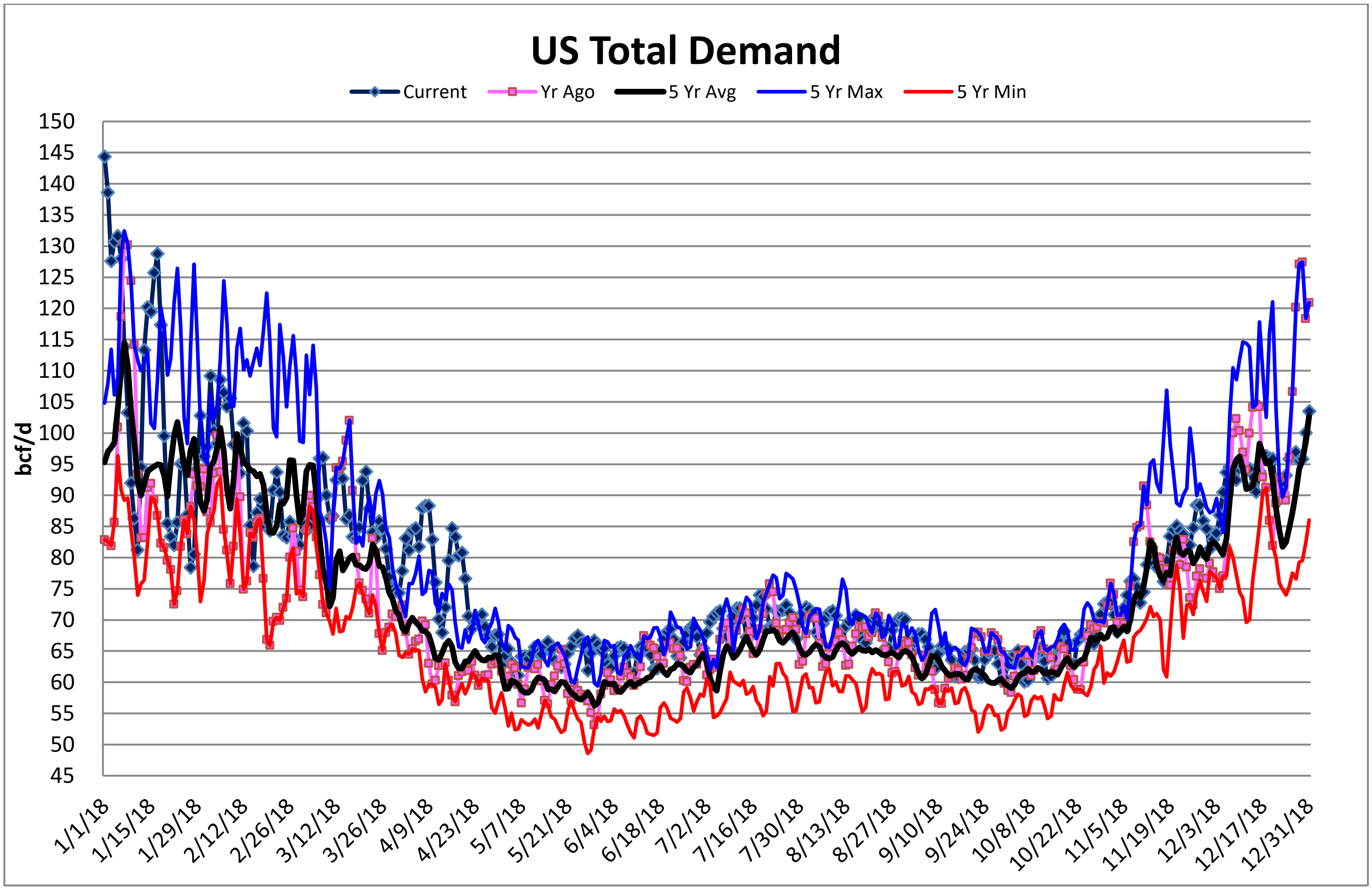
11/5/18
11/19/18
12/3/18
12/17/18
12/31/18


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
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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