

Month	Settle	1/29/2016	Strip Avg,
Mar-16	2.298	Mar16-May16	2.333
Apr-16	2.332	Apr16 - Oct16	2.428
May-16	2.368	Nov16 - Mar17	2.767
Jun-16	2.405	Apr17-Oct17	2.680
Jul-16	2.451		
Aug-16	2.469	Mar16-Feb17	2.527
Sep-16	2.472	Calendar 2017	2.754
Oct-16	2.501	Calendar 2018	2.878
Nov-16	2.573	Calendar 2019	2.989
Dec-16	2.742	Calendar 2020	3.109
Jan-17	2.859	Calendar 2021	3.238
Feb-17	2.853	Calendar 2022	3.366

ICE NEXT DAY GAS PRICES:

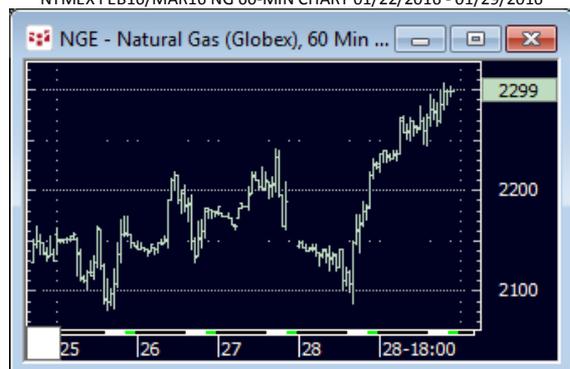
Transco Z5 non-WGL	2.2869	TCO	2.1562	Dominion-South	1.4689
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ICE BASIS FUTURES PRICES:

TCO Basis	1/29/2016	Dominion-South Basis	
Mar-16	-0.1400	Mar-16	-0.8100
Mar16-May16	-0.1142	Mar16-May16	-0.8683
Apr16-Oct16	-0.1454	Apr16-Oct16	-1.0146
Nov16-Mar17	-0.1500	Nov16-Mar17	-0.8180
Mar16-Feb17	-0.1481	Mar16-Feb17	-0.9348
Calendar 2017	-0.1992	Calendar 2017	-0.8058
Calendar 2018	-0.2660	Calendar 2018	-0.6321
Calendar 2019	-0.2565	Calendar 2019	-0.5894
Calendar 2020	-0.2606	Calendar 2020	-0.5631
Calendar 2021	-0.2548	Calendar 2021	-0.5346
Calendar 2022	-0.2508	Calendar 2022	-0.5142
Calendar 2023	-0.2579	Calendar 2023	-0.5069

Market Commentary: This week kicked off in normal fashion with a Globex open that was flat to last week's final prints around 2.13, and the first few days of the week experienced fairly tame price action with only one brief dip below 2.10, and two relatively short-lived forays up above the 2.20 mark, as prices largely consolidated in the mid-teens. A cooling off in the back end of the weather forecast was largely to blame for the resurgent strength, with previously prevailing sentiment for a mild month of February looking as though it may turn out to have been overly pessimistic, and with a large speculative short-position in the market, it does not take a tremendous shift in sentiment to generate a significant short-covering rally. Yesterday's storage withdrawal of 211 Bcf marked the largest drawdown of the season and came in well above consensus for a draw of around ~205 Bcf, so the storage report helped propel us to new highs yesterday, and we built on that today. Dry-gas production remains stuck near the 72 Bcf/day level that we have spent most of the past year hovering around, and without an available export outlet for the excess supply, prices have trended lower to incentivize demand (and also to disincentivize supply, but that part has failed to materialize). Utilities have taken advantage of low prices to increase coal-to-gas switching where economics justify it, and that phenomenon has seen domestic demand for natural gas in power generation grow by nearly 2.5 Bcf/day this January versus last January, despite the prevalence of the moderating El Nino effect on temperatures. The first graphic to the right from the EIA illustrates this trend, with this season's actual demand from utilities for power generation well above the

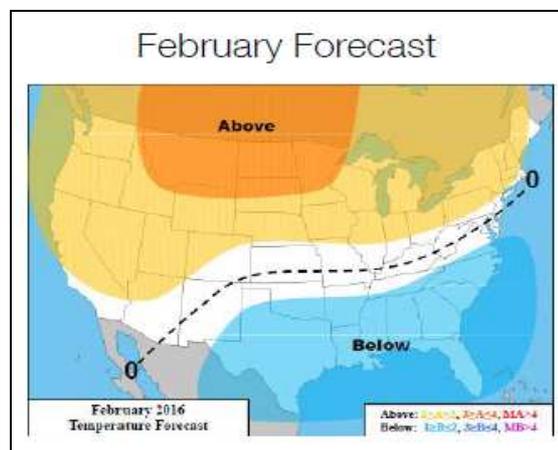
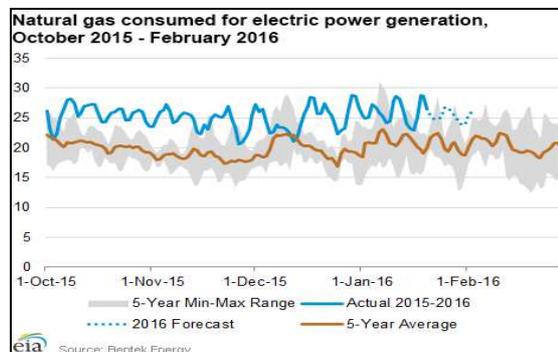
NYMEX FEB16/MAR16 NG 60-MIN CHART 01/22/2016 - 01/29/2016



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As of Week Ending:	1/22/2016	Build/(Draw)
Current Storage	3,086 Bcf	(211) Bcf
		Surplus/(Deficit)
Last Year Storage	2,556 Bcf	530 Bcf
5-Year Avg. Storage	2,654 Bcf	432 Bcf

5-year average, and it has come in above the top of the prior 5-year range on many days so far this winter. The notion that the best cure for low prices is low prices is of course true, but given the nature of the natural gas industry and the lengthy lead times and degree of sunk costs on many large production projects, the "cure" is taking a long time to work its magic. The overall number of insolvencies has remained low despite the price environment, but many companies stock prices' continue to languish and themselves suggest that the end may not be far off for some of the more leveraged E&P names with limited access to additional capital. Publicly traded energy companies have debts to pay and require revenue to make those payments, so drilling continues as long as the capital to pay for it remains, and for some of the weaker hands the ability to continue on given current prices may not last much longer. While a mid-month cool down is forecast for the Eastern part of the country, which should help underpin demand in major consuming markets, the forecast for the full month is still dominated by the El Nino trend, with the February forecast from Macquarie below showing above normal temperatures expected across Northern regions for next month.



Source: Macquarie Weather

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