Month	Settle	5/20/2016	Strip Avg,
Jun-16	2.062	Jun16-Aug16	2.184
Jul-16	2.207	Jun16-Oct16	2.258
Aug-16	2.284	Nov16 - Mar17	2.909
Sep-16	2.329	Apr17-Oct17	2.814
Oct-16	2.409		
Nov-16	2.610	Jun16-May17	2.615
Dec-16	2.901	Calendar 2017	2.895
Jan-17	3.033	Calendar 2018	2.915
Feb-17	3.024	Calendar 2019	2.935
Mar-17	2.978	Calendar 2020	3.021
Apr-17	2.776	Calendar 2021	3.178
May-17	2.763	Calendar 2022	3.349

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NEXT DAY GAS PRICES:

TETCO M2 (rec)	1.2736	Henry Hub	1.8104	Dom-SP	1.3384

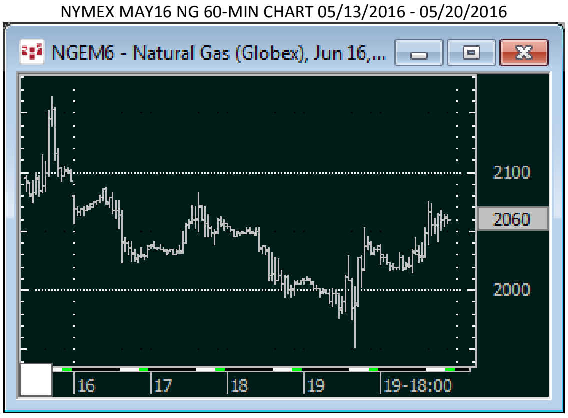
ICE BASIS FUTURES PRICES:

Tetco M2 Basis	5/20/2016	Dominion-South Basis	
Jun-16	-0.6700	Jun-16	-0.6550
Jul-16	-0.7325	Jul-16	-0.7300
Jun16-Oct16	-0.8305	Jun16-Oct16	-0.8210
Nov16-Mar17	-0.7260	Nov16-Mar17	-0.7695
Jun16-May17	-0.7798	Jun16-May17	-0.7929
Calendar 2017	-0.7721	Calendar 2017	-0.7900
Calendar 2018	-0.5935	Calendar 2018	-0.6096
Calendar 2019	-0.5254	Calendar 2019	-0.5365
Calendar 2020	-0.4573	Calendar 2020	-0.4865
Calendar 2021	-0.4035	Calendar 2021	-0.4529

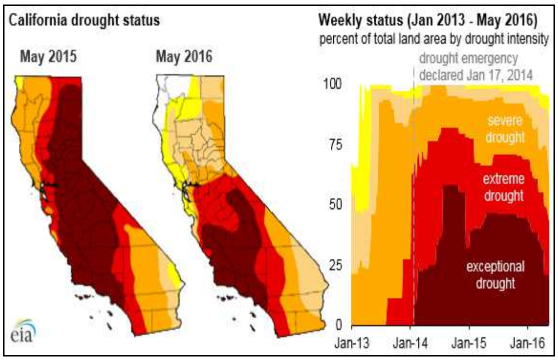
As of Week Ending:	5/13/2016	Build/(Draw)
Current Storage	2,754 Bcf	+73 Bcf
		Surplus/(Deficit)
Last Year Storage	1,963 Bcf	791 Bcf
5-Year Avg. Storage	1,959 Bcf	795 Bcf

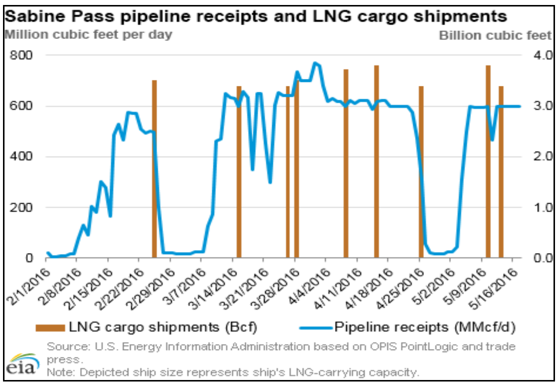
Market Commentary: After a weaker start to the trading week prices touched a 3- week low of 1.952 yesterday in the wake of the storage report, but regained lost ground fairly quickly, and today we made it almost back to the ~2.09 level that we have closed at on the previous two Fridays. Price action remains subdued and a definitive trend is not evident in the short-term, as production held pretty steady at ~71 Bcf/day for the week and the storage surplus dwindled slightly more after yesterday's report. Weather conditions have remained below normal for much of the East which has prevented an early season demand spike, but even with mild conditions the weekly storage report came in by less than we saw for last year and the 5-year average, and the surpluses continue to get pared down with both having broken through 800 Bcf for the first time this injection season. The expectation for yesterday's report had been for a build just below 80 Bcf, which would have been shy of the +98 from last year and the +91 Bcf 5-year average injection. When the EIA announced that storage was only up by 73 Bcf, the knee-jerk reaction was surprisingly lower, but that decline was very short-lived and the market had perked back up within a few minutes and managed to finish up on the day, and we built on that strength today with another few cents of upside into today's close. The fact that we are seeing the storage surplus continue to decline despite mild weather conditions is partly the result of increased gas burns in the electricity generation space, despite the fact that hydroelectric facilities in the Pacific Northwest are seeing a reduction in drought conditions and a corresponding increase in hydroelectric generation capacity. The first graphic from the EIA shows the current drought situation in California in comparison to last year, with this year's El Nino creating much-needed precipitation that has seen the area denoted by "exceptional drought" (in dark red) reduced to 21% of California's land area, and more than 5% of the state is now considered to be out of drought, with both of those figures the best we have seen in the past few years. From 2011 to 2015 the level of hydro power produced in the West declined each year, falling from 177 million MWh to 120 million over the period, but with the Columbia River Basin having seen significant precipitation this winter, conditions have returned close to normal and hydroelectric capacity has started to ramp back up this year, with the first 4 months of 2016 exceeding the 5-year average. Much of the lost hydroelectric capacity was replaced by gas-fired generation, so that is one area where demand may disappoint somewhat, but on the whole utilities are taking advantage of low prices and helping to push storage balances back into more comfortable territory as the injection season moves along. The final graphic plots the first LNG cargoes to flow from the Lower 48 from Train 1 at Cheniere's Sabine Pass, the first 7 of which were part of the "commissioning phase", and on May 3rd the company received official authorization to begin commercial operations with two shipments since then. The commissioning phase also began for Train 2 at Sabine Pass on May 5th, so export capacity will continue to expand and should slowly help push the US market back closer into balance as time moves forward.

NYMEX MAY16 NG 60-MIN CHART 05/13/2016 - 05/20/2016



CQG Inc. © 2016 Fri May 20 2016 15:12:08, CQG 17.5.810 Alpha





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