

Month	Settle	9/6/2016	Strip Avg,
Oct-16	2.717	Oct16-Dec16	2.873
Nov-16	2.842	Nov16-Mar17	3.088
Dec-16	3.059	Apr17-Oct17	2.976
Jan-17	3.187	Nov17-Mar18	3.207
Feb-17	3.194		
Mar-17	3.158	Oct16-Sep17	2.998
Apr-17	2.948	Calendar 2017	3.054
May-17	2.927	Calendar 2018	2.949
Jun-17	2.960	Calendar 2019	2.927
Jul-17	2.992	Calendar 2020	2.990
Aug-17	3.003	Calendar 2021	3.110
Sep-17	2.988	Calendar 2022	3.284

NEXT DAY GAS PRICES:

TETCO M2 (rec)	1.2491	Henry Hub	2.8169	Dom-SP	1.2634
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ICE BASIS FUTURES PRICES:

Tetco M2 Basis	9/6/2016	Dominion-South Basis	
Oct-16	-1.5400	Oct-16	-1.5900
Nov-16	-1.3300	Nov-16	-1.3750
Nov16-Mar17	-1.0915	Nov16-Mar17	-1.1800
Apr17-Oct17	-1.1361	Apr17-Oct17	-1.1593
Oct16-Sep17	-1.1429	Oct16-Sep17	-1.1958
Calendar 2017	-1.0390	Calendar 2017	-1.0948
Calendar 2018	-0.7102	Calendar 2018	-0.7656
Calendar 2019	-0.6171	Calendar 2019	-0.6456
Calendar 2020	-0.5131	Calendar 2020	-0.5792
Calendar 2021	-0.4415	Calendar 2021	-0.5185
Calendar 2022	-0.4002	Calendar 2022	-0.4869
Calendar 2023	-0.3646	Calendar 2023	-0.4608

Market Commentary: With the Sep contract now out of the way, the new prompt Oct16 contract has taken center stage with a fairly bearish debut in its first week or so in the prompt position. After briefly breaching the 2.90 level to the upside at the very tail end of August, sellers have regained control to some extent and provided a little selling pressure for the market to help push it back down into its prior trading range. After a steep selloff down to the 2.80 level last Tuesday, the market recovered a few cents and consolidated in the mid-2.80's ahead of last week's storage report, and when the +51 Bcf hit the wires (which was 5 Bcf or more above consensus) prices dropped by a nickel or so fairly quickly, and after a quiet finish to the week last Friday, we have continued to follow the path lower in the limited trading we have seen take place so far this week. The trend can be seen in the below hourly chart from CQG, with a general stair-step pattern lower, but with a series of fits and starts along the way. Things finished up right around 2.80 last week after failing to get more than a few cents either side of there on Friday, but then gapped down a few more cents on the weekly open on Sunday night, and we have yet to regain that 2.80 level since that time. The fact that demand has been elevated this

NYMEX SEP16 NG 60-MIN CHART 08/29/2016 - 09/06/2016



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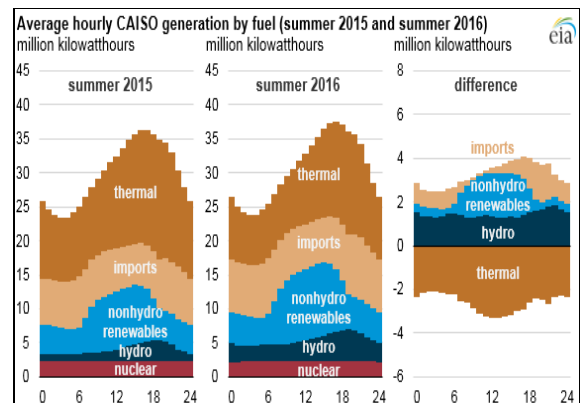
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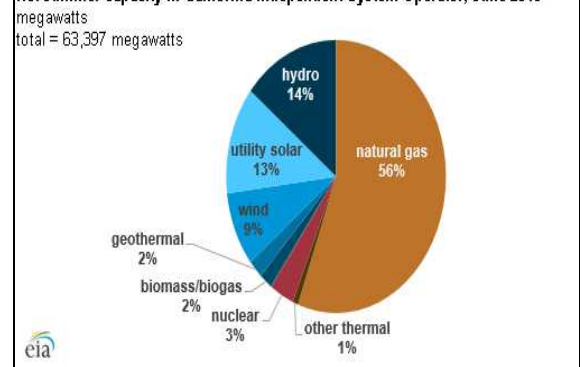
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As of Week Ending:	8/26/2016	Build/(Draw)
Current Storage	3,401 Bcf	+51 Bcf
		Surplus/(Deficit)
Last Year Storage	3,163 Bcf	238 Bcf
5-Year Avg. Storage	3,067 Bcf	334 Bcf

season has been widely reported on, with utilities taking advantage of low natural gas prices, but weather factors have also played a major role in keeping demand robust. One area where demand was significant in 2015 but is falling shy this year is in California, as drought conditions have moderated somewhat and allowed hydroelectric capacity to ramp back higher, as can be seen in the below graphics from the EIA. While the thermal component represents almost exclusively natural gas and has come down year-over-year, non-hydro renewable fuel sources are on the uptick and now represent more than a quarter of capacity. Solar has seen a 27% increase in capacity between June of this year and June of last year, which is a staggering jump and has also helped to reduce demand for thermal generation fuels, such as natural gas.



Net summer capacity in California Independent System Operator, June 2016



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