

Month	Settle	12/16/2016	Strip Avg,
Jan-17	3.415	Jan17-Mar17	3.433
Feb-17	3.449	Apr17-Oct17	3.376
Mar-17	3.436	Nov17-Mar18	3.520
Apr-17	3.355	Apr18-Oct18	2.886
May-17	3.345		
Jun-17	3.374	Calendar 2017	3.408
Jul-17	3.405	Calendar 2018	3.073
Aug-17	3.395	Calendar 2019	2.894
Sep-17	3.372	Calendar 2020	2.885
Oct-17	3.388	Calendar 2021	2.908
Nov-17	3.425	Calendar 2022	2.936
Dec-17	3.536	Calendar 2023	3.025

**NEXT DAY GAS PRICES:**

TETCO M2 (rec)	2.9430	Henry Hub	3.4612	Dom-SP	2.8346
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**ICE BASIS FUTURES PRICES:**

Tetco M2 Basis	12/16/2016	Dominion-South Basis	
Jan-17	-0.6725	Jan-17	-0.7450
Feb-17	-0.6725	Feb-17	-0.7300
Jan17-Mar17	-0.7483	Jan17-Mar17	-0.7983
Apr17-Oct17	-1.4136	Apr17-Oct17	-1.3939
Nov17-Mar18	-0.9985	Nov17-Mar18	-1.0475
Calendar 2017	-1.1990	Calendar 2017	-1.2023
Calendar 2018	-0.8977	Calendar 2018	-0.9150
Calendar 2019	-0.7235	Calendar 2019	-0.7258

**Market Commentary:** A lot can change from day to day and week to week in traded markets, and natural gas has certainly proved that statement true just recently. Last Friday we were finishing up at our highest price in close to two years time with Jan in the 3.70's, but that proved to be a short-lived phenomenon as weather conditions moderated, and with that development so too did the impetus for 23-month highs to have occurred to begin with. The trading week kicked off on Sunday night with a sharp gap down on the charts, opening below 3.60 and we have not managed to regain that level since that occurred, with rallies repeatedly capped in the upper 3.50's over the course of the trading week. Yesterday's weekly storage report came in with a larger than expected drawdown from inventories, which was a bullish surprise for the market, but the knee-jerk reaction higher was short-lived and reversed course rather quickly, which is always a telltale sign of a potential reversal in the market (if bullish news is not met with a bullish price response, that is an indication that selling pressure may soon take hold, and the opposite is true for a bullish reaction to seemingly bearish news). The market popped when the -147 Bcf withdrawal was reported, but only by 6 or 7 cents and was unable to take out the 3.60 overhead resistance, and selling pressure mounted from there and we ended up closing lower to finish out the day, and that selling saw overnight follow-through that further knocked prices down into the mid-3.40's early on this AM before natural gas found some firm ground to support prices. We managed to claw back a bit from the lows, but still finished lower on the day, as the market's focus transitions from

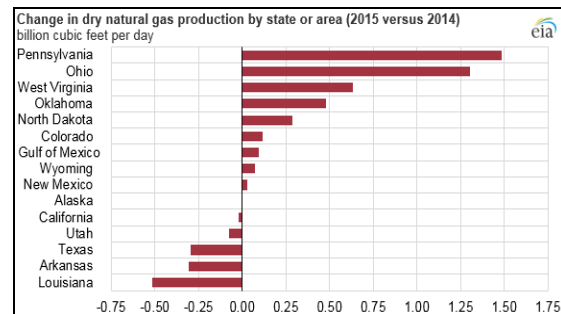
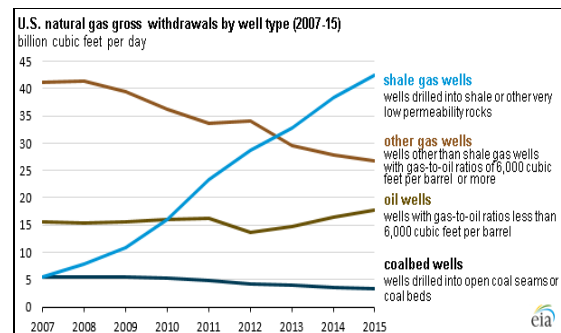
NYMEX NG 60-MIN CONTINUATION CHART 12/09/2016 - 12/16/2016



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As of Week Ending:	12/9/2016	Build/(Draw)
Current Storage	3,806 Bcf	(147) Bcf
		Surplus/(Deficit)
Last Year Storage	3,856 Bcf	(50) Bcf
5-Year Avg. Storage	3,620 Bcf	186 Bcf

the current cold weather that is driving a spike in demand, toward moderating conditions that are set to move in over the next few days and stick around through the end of the month in the population-heavy Eastern half of the country. Production has stabilized above 71 Bcf/day in recent weeks, after briefly dipping below 70 Bcf a month or two ago, but we are still well shy of the production peak of 74 Bcf/day in dry-gas production from the spring of 2015. The makeup of US natural gas production has also shifted markedly in recent years, with the below graphic from the EIA giving a visual illustration of how that has unfolded, with the light blue line plotting growth in shale gas wells over the past decade, the light brown line below that plots the downward sloping trajectory of non-shale wells. Gas produced as a by-product of oil drilling is plotted below that, and has bumped up slightly in recent years, and the last line in dark blue plots coalbed methane wells which are also moving lower but have not represented a major source of output in any case. The final graphic plots the geographic breakdown of where production growth and contraction has occurred, and it comes as no surprise that Pennsylvania has led the nation in production growth over the past year, with growth of ~1.5 Bcf/day between this year and last year, with Ohio and West Virginia rounding out the top three spots for growth in NG production.



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