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Month	Settle	1/27/2017	Strip Avg,
Feb-17	3.391	Feb17-Apr17	3.376
Mar-17	3.358	Apr17-Oct17	3.448
Apr-17	3.380	Nov17-Mar18	3.609
May-17	3.403	Apr18-Oct18	2.919
Jun-17	3.444		
Jul-17	3.484	Feb17-Jan18	3.477
Aug-17	3.486	Calendar 2018	3.116
Sep-17	3.465	Calendar 2019	2.870
Oct-17	3.476	Calendar 2020	2.865
Nov-17	3.514	Calendar 2021	2.880
Dec-17	3.621	Calendar 2022	2.887
Jan-18	3.697	Calendar 2023	2.925

NEXT DAY GAS PRICES:

TETCO M2 (rec)	3.0006	Henry Hub	3.2904	Dom-SP	2.9231

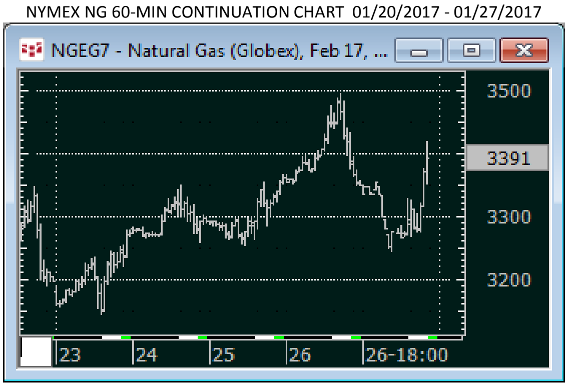
ICE BASIS FUTURES PRICES:

Tetco M2 Basis	1/27/2017	Dominion-South Basis	
Feb-17	-0.3850	Feb-17	-0.4100
Mar-17	-0.5475	Mar-17	-0.5450
Feb17-Apr17	-0.5317	Feb17-Apr17	-0.5367
Apr17-Oct17	-0.9800	Apr17-Oct17	-0.9589
Nov17-Mar18	-0.7955	Nov17-Mar18	-0.8345
Feb17-Jan18	-0.8519	Feb17-Jan18	-0.8506
Calendar 2018	-0.7381	Calendar 2018	-0.7550
Calendar 2019	-0.6373	Calendar 2019	-0.6456
Calendar 2020	-0.6225	Calendar 2020	-0.6263
Calendar 2021	-0.5735	Calendar 2021	-0.6006
Calendar 2022	-0.5602	Calendar 2022	-0.5756
Calendar 2023	-0.5175	Calendar 2023	-0.5556
Calendar 2024	-0.4275	Calendar 2024	-0.5504

As of Week Ending:	1/20/2017		Build/(Draw)	
Current Storage	2,798	Bcf	(119)	Bcf
			Surplus/(Deficit)	
Last Year Storage	3,146	Bcf	(348)	Bcf
5-Year Avg. Storage	2,818	Bcf	(20)	Bcf

Market Commentary: An absence of wintry weather has not had the devastating impact that last year's mild conditions resulted in, as a slipping production profile has taken center stage in the natural gas market and helped keep prices buoyed despite a lack of significant weather-driven near-term demand. The cold temps that we saw in December, and the resultant high storage withdrawals, helped the shift in sentiment to be sustainable and not a mere flash in the pan. The increase in drilling activity that has come along with higher prices in recent months, has so far not manifested into appreciable production growth, and the result of that has been increased uncertainty around supply that has helped support prices even as demand has lagged. Local basis markets have appreciated as well given the need for more production from the prolific Marcellus and Utica plays, but if history is our guide then the producing sector is likely to respond in kind in the months ahead, which may serve as a corrective force for the prices of both local basis and broad Nymex NG (Henry Hub) as that new production begins to come online and show up in the data. Today was contract termination for the Feb17 Nymex NG contract, which experienced significant intraday volatility, as has been the hallmark of the season to-date. Prices have been stuck in a broad range of 3.25 to 3.75 over the past few months, with a few brief spikes beyond those parameters, and repeated wide swings in both directions that have provided ample opportunity for traders on both sides of the market. The week kicked off to the downside with a slight gap lower into the upper teens, but moved steadily higher as the week unfolded, with an eventual peak just below 3.50 yesterday post-storage on a number that was not at all bullish but was slightly bullish versus expectations, but that was the top for the week and we saw significant two-way volatility in the final day or so from that peak. Prices tumbled overnight to an eventual low just below 3.25, then spiked into the close as high as 3.415 before backing off to settle at 3.391 for the Feb17 contract. The below graphic from the EIA helps to give a visual on recent production and consumption trends and the forecast for the next few years, plotting gas demand (in orange/brown to the left) broken down by sector, versus production in green to the right. Demand is on the steady uptick over the 4 years, while supply dipped between 2015 and 2016 (owing to the extremely weak market of last winter), but is expected to begin to increase again this year as producers respond to pricing cues. Next year supply is expected to tick higher once again, and that expected increase in output helps explain why the forward 1-year strip remains at nearly 3.50, while the 2018 strip dips back to just 3.12, and the Cals 2019 - 2024 strips are all clustered within a few pennies of 2.90. This seems to be suggesting the market's enthusiasm for higher prices is likely to be a relatively short-lived event which should eventually yield to a flatter market over the next several years.

NYMEX NG 60-MIN CONTINUATION CHART 01/20/2017 - 01/27/2017



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