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| Month | Settle | 8/31/2018 | Strip Avg, |
|--------|--------|--------------------|------------|
| Oct-18 | 2.916 | Nov18-Mar19 | 3.026 |
| Nov-18 | 2.939 | Apr19-Oct19 | 2.670 |
| Dec-18 | 3.029 | Nov19-Mar20 | 2.851 |
| Jan-19 | 3.114 | Apr20-Oct20 | 2.521 |
| Feb-19 | 3.078 | Nov20-Mar21 | 2.726 |
| Mar-19 | 2.970 | Oct18-Sep19 (1-yr) | 2.837 |
| Apr-19 | 2.662 | Calendar 2019 | 2.787 |
| May-19 | 2.628 | Calendar 2020 | 2.636 |
| Jun-19 | 2.658 | Calendar 2021 | 2.569 |
| Jul-19 | 2.690 | Calendar 2022 | 2.565 |
| Aug-19 | 2.692 | Calendar 2023 | 2.620 |
| Sep-19 | 2.672 | Calendar 2024 | 2.700 |

ICE BASIS FUTURES PRICES:

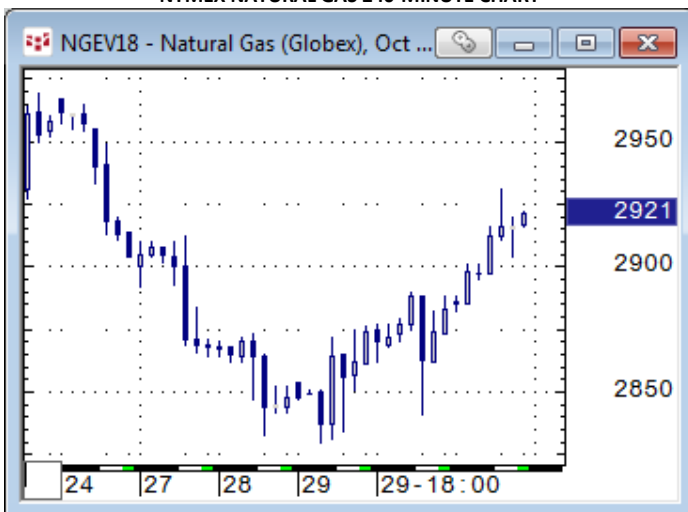
| Tetco M2 Basis | 8/31/2018 | Dominion-South Basis | |
|--------------------|-----------|----------------------|---------|
| Oct-18 | -0.3900 | Oct-18 | -0.3900 |
| Nov-18 | -0.3575 | Nov-18 | -0.3550 |
| Nov18-Mar19 | -0.3300 | Nov18-Mar19 | -0.3630 |
| Apr19-Oct19 | -0.5336 | Apr19-Oct19 | -0.5046 |
| Nov19-Mar20 | -0.4200 | Nov19-Mar20 | -0.4475 |
| Otc18-Sep19 (1-yr) | -0.4308 | Otc18-Sep19 (1-yr) | -0.4294 |
| Calendar 2019 | -0.4671 | Calendar 2019 | -0.4623 |
| Calendar 2020 | -0.5171 | Calendar 2020 | -0.5054 |
| Calendar 2021 | -0.6185 | Calendar 2021 | -0.6027 |
| Calendar 2022 | -0.7213 | Calendar 2022 | -0.7065 |

TODAY'S GAS DAILY CASH MARKET PRICES (for GD31):

| | | | | | |
|------------|-------|-----------|-------|-----------|-------|
| TRAN Z6 NY | 2.905 | Henry Hub | 2.900 | Dom-South | 2.585 |
|------------|-------|-----------|-------|-----------|-------|

Market Commentary: After trading down at the end of last week, natural gas opened up this week with some more downside pressure, first testing 2.90 support on Sunday night, then definitively breaking lower on Monday and Tuesday, before it found its footing on Wednesday into Sep18 Nymex contract termination. The market perked up toward 2.90 into the close, with a final settlement of 2.895 for next month, before passing off the baton to Oct18. Storage concerns had seen Sep trade up over Oct, so the continuation chart dipped a bit on Weds afternoon, but after another probe to the downside the market formed a bottom following weekly storage data, which once again showed a larger than expected injection of +70 Bcf, but given the low level of total storage at just 2,505 Bcf that might not necessarily be viewed as genuinely bearish. After the quick trip down below 2.85 for the prompt Oct contract yesterday, the market began to perk back up and that strength continued overnight into this morning's market activity, with prices breaking back above 2.90 early on today and we have not looked back since then. The 4-hour chart

NYMEX NATURAL GAS 240-MINUTE CHART



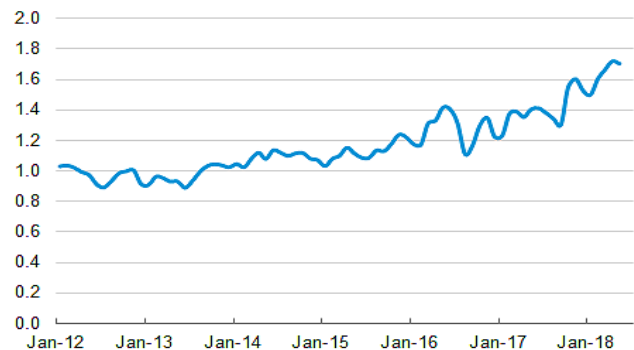
CQG Inc. © 2018 Fri Aug 31 2018 17:18:44, CQG 19.8.8020 Alpha

| As of Week Ending: | 8/24/2018 | Build/(Draw) |
|--------------------|-----------|-------------------|
| Current Storage | 2,505 Bcf | +70 Bcf |
| | | Surplus/(Deficit) |
| Last Year Storage | 3,151 Bcf | (646) Bcf |
| 5-Year Average | 3,093 Bcf | (588) Bcf |

reflects how subdued price-action has tended to be recently, but NG is still finishing at the high end of its trading range this week which may portend additional gains when things resume next week. There has been more talk about ethane recently, with Shell currently working on its massive \$5 billion ethane cracker project in Beaver County, and there have been rumors that a major Thai petrochemical firm is looking into the possibility of constructing its own next door in Ohio to take advantage of plentiful ethane supplies coming out of the Marcellus and Utica plays, with ethane production topping 1.7 million bbls. per day this year. Part of this is attributable to the fact that ethane prices have rallied and less of it is being left in the natural gas stream (where it can remain without causing pipeline quality issues), as the price has increased and justified its extraction for economic reasons. But it is not just ethane production that is growing, but aggregate gas production overall, with dry-gas production achieving another milestone this week after touching a 7-day average of 82.5 Bcf/day, and we have now averaged 82 Bcf/day over the past four weeks, which is a feat. Despite all of that, the storage deficit is not likely to be alleviated anytime soon and should continue to prop up the market to some extent as we await concrete evidence on what the winter heating season might hold. Things could get very interesting this year if it were to get cold and the production we are depending on to prevent a shortage experiences freeze-offs, but on the flip side if we get a mild winter none of that may matter a great deal, and the storage situation may even resolve itself on its own.

U.S. ethane production

million barrels per day



Source: U.S. Energy Information Administration's Natural Gas Monthly

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