

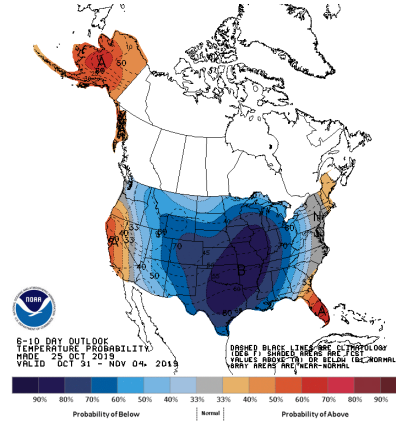


NATURAL GAS MARKET UPDATE

October 25, 2019

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NOAA 6 TO 10 DAY TEMPERATURE ANOMALY FORECAST:



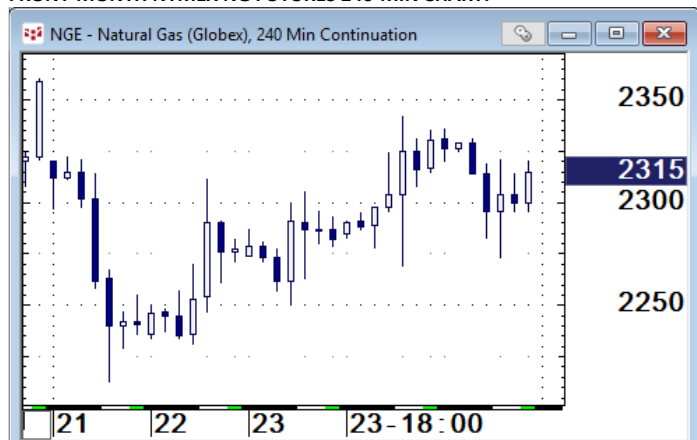
NYMEX HENRY HUB SETTLEMENT PRICES:

10/25/19	Settle	Season		Year	
Nov19	2.300	Nov19-Mar20	2.452	Cal 20	2.372
Dec19	2.459	Apr20-Oct20	2.283	Cal 21	2.418
Jan20	2.561	Nov20-Mar21	2.577	Cal 22	2.475
Feb20	2.525	Apr21-Oct21	2.303	Cal 23	2.544
Mar20	2.413	Nov21-Mar22	2.602	Cal 24	2.617
Apr20	2.234	Apr22-Oct22	2.368	Cal 25	2.690
May20	2.220	Nov22-Mar23	2.662	Cal 26	2.765
Jun20	2.260	Apr23-Oct23	2.435	Cal 27	2.884
Jul20	2.307	Nov23-Mar24	2.752	Cal 28	2.984

DOMINION-SOUTH FIXED-PRICE MARKETS (NYMEX/HENRY+ ICE DOM-SOUTH BASIS):

Nov-19	1.7225	Nov19-Mar20	2.0461
Dec-19	2.0840	Apr20-Oct20	1.8043
Jan-20	2.1910	Nov20-Mar21	2.1877
Feb-20	2.1725	Apr21-Oct21	1.7865
Mar-20	2.0605	Nov21-Mar22	2.1953
Apr-20	1.8790	Nov19-Oct20(1-Year)	1.9050
May-20	1.8325	Calendar 2020	1.9306
Jun-20	1.8600	Calendar 2021	1.9552
Jul-20	1.9120	Calendar 2022	1.9640
Aug-20	1.9115	Calendar 2023	1.9671
Sep-20	1.6300	Calendar 2024	2.0284
Oct-20	1.6050	Calendar 2025	2.1041

FRONT-MONTH NYMEX NG FUTURES 240-MIN CHART:



CQG Inc. © 2019 NGE,240C | 10/25/2019 17:02:49, CQG 20.9.8037 Alpha

DAILY CASH MARKET PRICES (for GD25):

Columbia Gas Transmission (TCO)	1.850
Dominion South Point	1.710
Henry Hub	2.255
Socal, citygate	3.230
Sumas	2.740
Transco Leidy	1.700
Transco Zone 5 South	2.175
Waha	0.225

WORKING NATURAL GAS IN STORAGE, LOWER 48 STATES:

As of Week Ending:	10/18/2019	Build/(Draw)
Current Storage	3,606 Bcf	+87 Bcf
		Surplus/(Deficit)
Last Year Storage	3,087 Bcf	519 Bcf
5-Year Average	3,578 Bcf	28 Bcf
ICE Traded Markets:		ICE Settle:
Weekly Storage Inventory Number (10/31/2019)		+91 Bcf
End of Injection Season Storage (11/14/2019)		3,780 Bcf

Market Commentary: The Nymex market has quieted right down lately, as both bulls and bears have been largely unable to get much traction in moving prices in either direction, with the 2.30 level acting as a magnet. The Nymex market tracks Henry Hub prices in Erath, Louisiana, which when the contract was launched in 1990 was known as the “producing area” of the natural gas market. As time has moved on and shale has become the dominant driver of production growth, most notably in the Marcellus and Utica plays in the Northeast, and more recently in the Permian play in West Texas and New Mexico, the Nymex delivery point on the Gulf Coast has become more of a demand center, with petrochemical complexes sprouting up and rapidly growing LNG exports. As such, pricing cues there reflect more of proxy for demand, whereas the Dominion South and Waha hubs in the Marcellus and Permian have become proxies for natural gas supply, as they represent the two largest contributors to NG production and the remarkable growth we have seen there. Since Nymex prices only reflect Gulf Coast values, it has been the DomSouth and Waha basis markets that have become the mechanism by which the market sends pricing cues to producers in these areas, and that has been where the volatility has moved to recently. As Nymex prices raced up to 2.70 last month in the wake of the attack on Saudi oil infrastructure, basis prices moved up nicely as well, with fixed-price Waha (Nymex + Waha basis) for November trading up as high as 2.00 in mid-September and fixed-price DomSouth for Nov19 approaching 2.20 at the same time, as energy markets grappled with the prospect of losing 5% of the world’s oil output for an extended period of time. But as the reality that the lost production would instead be temporary in nature was digested, Nymex and basis prices have both come under pressure, and prices for both plays for next month have tumbled, with DomSouth currently pointing toward 1.72 for Nov19 based on tonight’s close, and Waha is 1.16 lower at just 56 cents. Weather may provide some short-term help, with the 6 to 10 day outlook from NOAA above showing extreme cold in the center of the country, but the 8 to 14 day outlook is not as extreme, and the 6 to 10 day has the cold concentrated where it is not as heavily populated and is also skewed slightly south where the intensity of the cold is likely to be less extreme. Production seems to have outpaced demand lately, which has yielded lower prices, so the way that gets resolved would be either a jump in demand (from weather) or drop in supply (from producer discipline), or if neither of those comes to pass, lower prices may be needed to work their magic.

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