

Early Morning Update:

The Mar17 natural gas contract is trading up \$0.07 at \$2.98. The Mar17 crude contract is down \$0.20 at \$53.00.

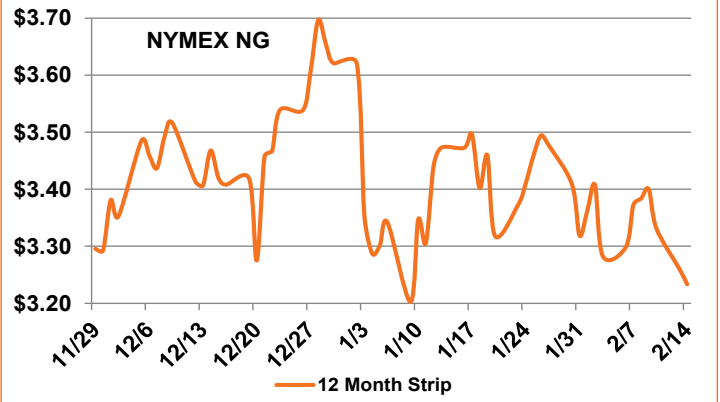
Summary: After breaking through the \$3.00 support level earlier this week, the NYMEX natural gas prompt month continued to slide on Tuesday, eventually settling at \$2.905/MMBtu for the day. Calendar 2018-2023 strips lost an average of a penny yesterday. Despite slightly colder revisions to the National Weather Service's 8-14 day outlook for the West coast, the overall weather outlook for the remainder of February has grown confidently bearish over the past week. Estimates for U.S. dry natural gas production dipped below 70 bcf/d yesterday for the first time since January 10, 2017. Despite this news, the EIA reported an increase of 92 drilled but uncompleted wells (DUC) between December 2016 and January 2017 in their Drilling Productivity Report released yesterday. Three out of the seven monitored shale gas regions had slight declines in DUCs month over month, however, the Permian region grew by 84 wells, more than offsetting the declines witnessed by other regions. This was the fourth consecutive report of DUC well count increases and brought the total DUC wells to 5,381 for the seven regions for the month of January 2017.

Bullish Factors

- Stagnant production
- Exports to Mexico at record high
- Growing LNG exports

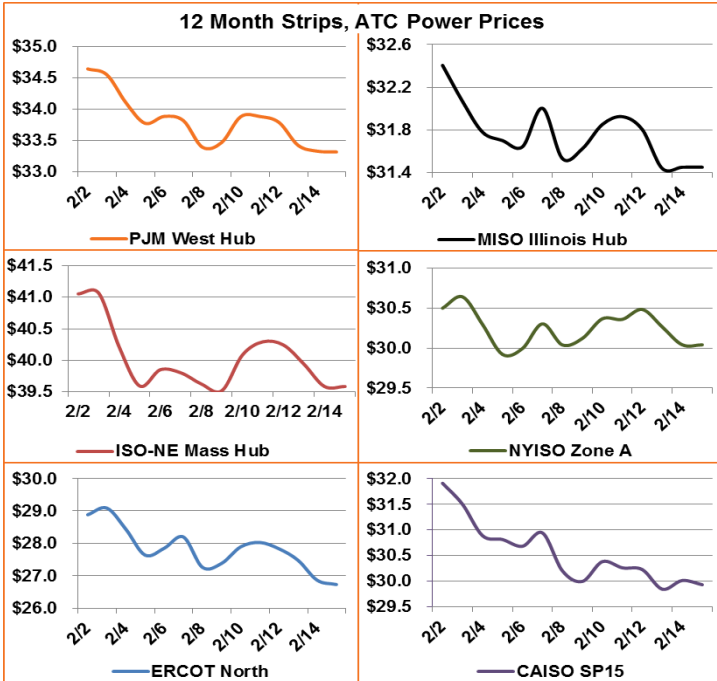
Bearish Factors

- Warming weather forecasts
- Producer hedging
- Less coal-to-gas switching



Next Day On-Peak Power (traded for 2/15/2017)

ISO-NE Mass Hub \$33.25	MISO Indiana Hub \$30.38	NYISO Zone G \$36.35
PJM West Hub \$30.19	ERCOT North \$24.25	CAISO SP15 \$29.43
NYMEX NG	Close	Change
Mar-17	2.905	-0.039
Apr-17	3.005	-0.027
12 Month	3.233	-0.027
Bal 17	3.179	-0.026
Cal 18	3.046	-0.017



EIA Natural Gas Storage

EIA Reported Storage (Bcf)	This Week	Last Week	Last Year	5-Year Avg.
Total	2,559	2,711	2,884	2,514
Diff v. Current		-152 (-147)	-325	45
% Diff			-11.3%	1.8%

