

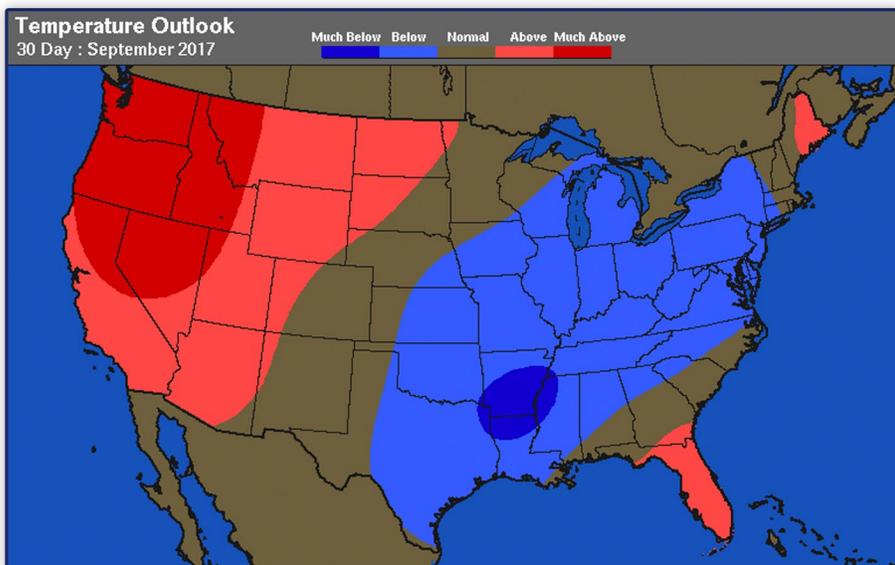
September 2017

Market Update

Market Summary

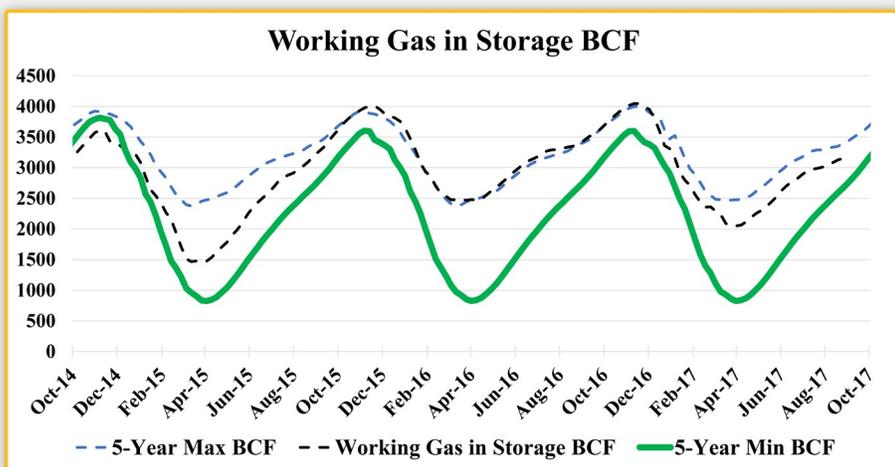
While the gas industry continues to make great strides in increased production efficiencies, cooler-than-normal national weather patterns and one of the warmest winters marks a stable summer coming to a close. Great opportunity for long term hedges as global exports and increased gas generation ramp up in the coming years.

Weather



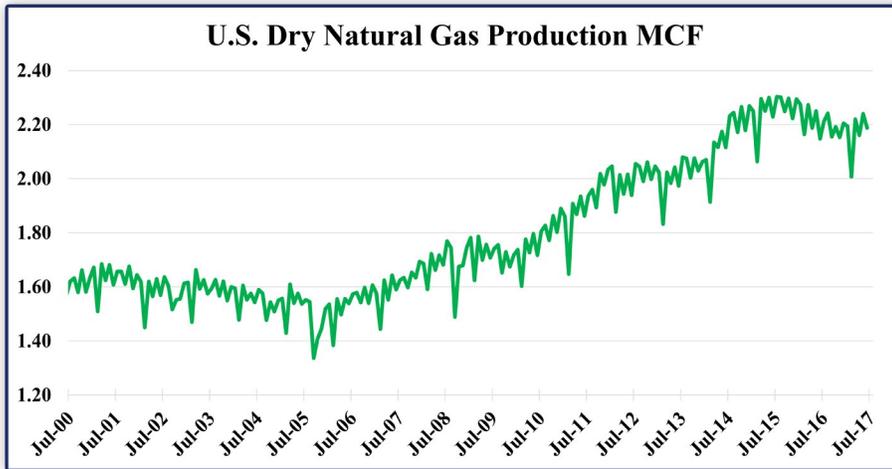
- Even with Hurricane Harvey's impact, natural gas prices remained relatively stable (\$2.95) compared to Hurricane Katrina, when prices hit \$13.50.
- Barring a drastic heat wave in the southwest and hurricane weather in the Gulf, much of the national weather in key areas has been cooler than normal.

Storage



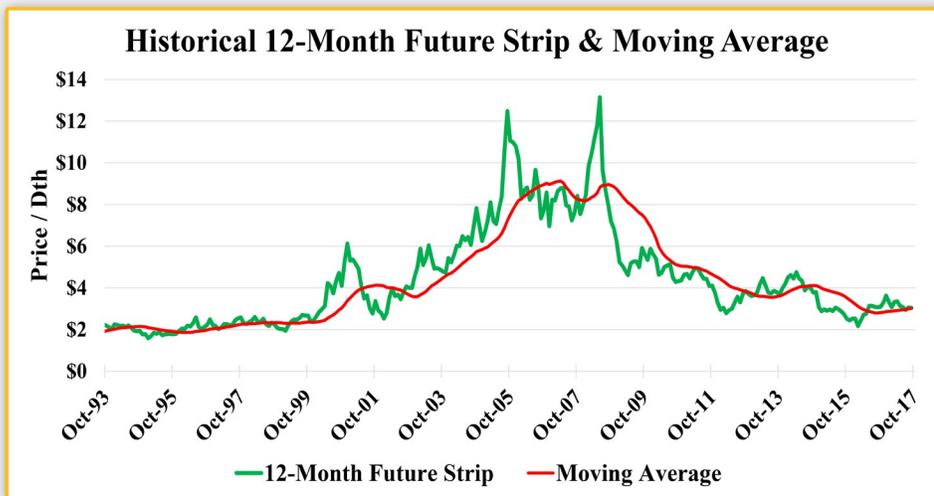
- Smaller-than-expected storage injection in early August saw prices hit a 3-week high, with the storage surplus hitting a 6-month low.
- Late-August saw first above-average natural gas build in 6 weeks.
- Working gas stocks total 3,155 Bcf, which is 8 Bcf more than the five-year average and 239 Bcf less than last year at this time.

Production



- Rising demand from generation and boost in exports caused market production estimates to increase for Q4 and 2018 – growth rates of 2% and over 5.5% in 2017, and 2018 respectively.
- Efficiency of drilling gas wells continues to rise – 34% efficiency increase year over year compared to compound annual growth of 7% from 2012-2015.
- Gas export capacity to Mexico will double to nearly 15 Bcf/day from 2016-2018.

Pricing



Bidweek

Month	SCG	NYMEX
Jan.	\$3.92	\$3.930
Feb.	\$3.53	\$3.391
Mar.	\$2.70	\$2.627
Apr.	\$3.04	\$3.175
May	\$3.06	\$3.142
Jun.	\$3.29	\$3.236
Jul.	\$3.19	\$3.067
Aug.	\$3.21	\$2.969
Sep.	\$3.24	\$2.961

Prices per Mmbtu.

Noteworthy

- By 2020, more than 150 new natural gas power plants are scheduled to come online in the U.S. – concentrated around shale basins.
- FERC has quorum for first time since early February and has huge backlog of unapproved pipeline projects.
- South Carolina deliberates over an in-process nuclear generation station that is now double its expected cost (\$11 billion) and 3 years late. Five such plants have closed since 2013 and another 6 may go in the coming years. The State and utility are struggling to have consumers subsidize nuclear energy for cleaner energy but with higher prices.
- With California's Renewable Portfolio Standards set at 50% by 2030, lawmakers are considering a bill to increase mandate to 100% by 2045.