

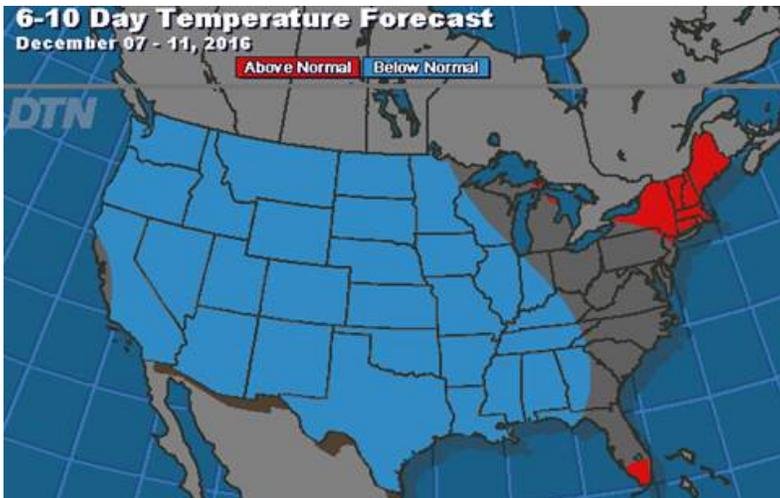
Blake Baxter

Subject: FW: MEP Weekly Gas Update 12-1-2016
Attachments: MEP Gas Storage Chart 2016 12 1.pdf; NG Price Curve 2016 12 1.pdf

From: Blake Baxter
Sent: Thursday, December 01, 2016 4:57 PM
Subject: MEP Weekly Gas Update 12-1-2016

Natural gas is currently trading at \$3.505 per Dth

What a difference 2 weeks makes in the commodity markets. Of course the fact that winter decided to announce itself to most of us on Friday, November 18th, makes it the major culprit for the rather sizeable run up we have experienced since our last update. And more to the point, the expectation is that winter like weather will now be hanging around for a while.



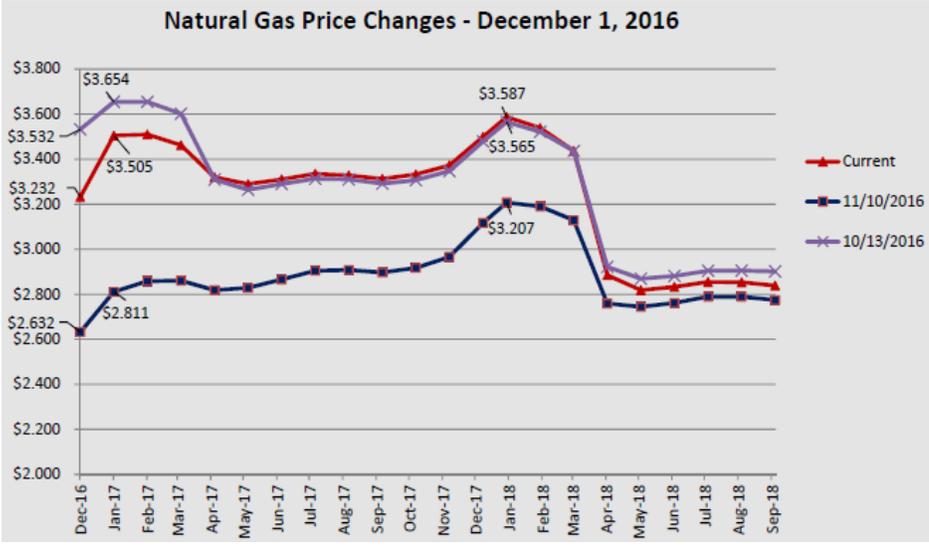
In addition to the weather, we have also seen our first draws out of our gas storage inventory. After setting a new record inventory of 4.047 TCF in the ground 2 weeks ago, we had a draw of -2 BCF reported Thanksgiving week and another draw of -50 BCF reported today. Neither of these numbers were surprises, but they did act as confirmation to the market that winter has shown up.

What will be interesting over the next few weeks will be to see how quickly the inventory shrinks versus last year. On the one hand, the EIA is still reporting that our dry gas production is going down, so supply and demand continue to look much tighter than last year. Also of note is that December last year was also a very warm month. Our total withdrawal from gas storage last year for the next 4 reported weeks combined was a paltry -200 BCF. In cold years we can often do more than that in a single week. Currently there is nothing to indicate that we will be that cold, however, it is very likely that we will easily beat last years -200 BCF draw for December.

All of this served to spook the market again today as the January contract tacked on another 15.3 cents to close the day at \$3.505 /Dth. Yes friends, that is a \$3 handle on that number.



To recap, the December gas contract expired on Monday at \$3.232 /Dth. The Winter Strip (Dec-Mar) finished at \$3.427 /Dth, up 57 cents over the last 2 weeks. The 2017 Calendar strip added 40 cents over the last 2 weeks and settled today at \$3.381 /Dth while the 2018 Calendar Strip increased 8.8 cents for the same period to currently sit at \$2.951 /Dth.



As you can see, we have just about recouped all of the recent down move. Unless we get an unexpected wave of very warm weather I doubt that we will see those lower prices again this winter.

Past copies are available on our website at <http://mepsolutions.org/monthly-market-updates/>

We are also available on **Twitter** at **@MEPNatGas** with updates on natural gas prices as well as national & Wisconsin gas industry news.

Have a great weekend.

Blake