

Blake Baxter

Subject: FW: MEP Weekly Gas Update 3-30-2017
Attachments: MEP Gas Storage Chart 2017 3 30.pdf; NG Price Curve 2017 3 30.pdf

Natural gas is currently trading at \$3.191 per Dth

Forty degrees and rain is probably the weather that I hate most of all. I hated it as a soldier and I hate it as a man that is getting up in years. And based on the recent natural gas price action there is no reason for any of my readers to like it either.

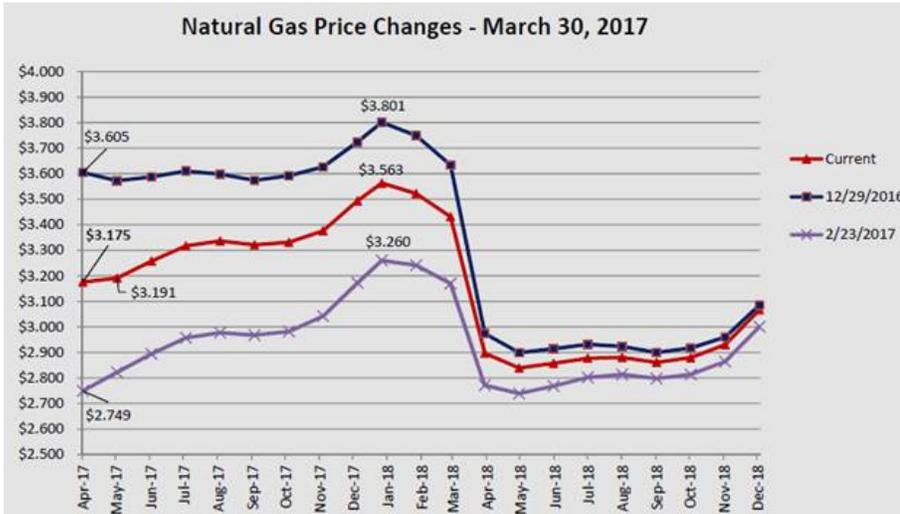


The April natural gas futures contract reached expiration yesterday and after running up another 12 cents it closed at \$3.175 /Dth. Remember that after all that warm February weather the March contract had closed at \$2.627 /Dth. So now we have the May gas contract front and center as prompt.



The May contract lost 4 cents today to close at \$3.191 /Dth. This followed an EIA weekly storage report that showed that we pulled -43 BCF out of storage last week. Quite frankly, while this was close to expectation, I think many traders were relieved that it was not a much bigger draw on storage.

Currently the market is telling us two different narratives. One says that the producers are not drilling fast enough and that demand will force prices higher as the year goes on. That narrative is supported by a storage inventory that is going to require 2 BCF/day of new production to refill storage and even more gas to meet our growing exports and commercial requirements. There is a second narrative out there that says that a lot of gas is on its way, especially from the areas that have benefitted from increased oil prices like the Permian basin. This narrative has found support in the weekly drilling rig count which shows that drilling has rebounded. Just last week 7 more rigs started to drill in the Permian. Nevertheless, the rig count, as it currently stands, is no where near where it was 2 years ago. So at this point there is simply not enough data to say who is going to be right and whether prices for next winter are a bargain or a loser for those that want to speculate on price.



For the week, the 2017 Summer strip moved up 5.7 cents to \$3.275 /Dth while the 2017/18 Winter strip tacked on 3.5 cents to reach \$3.477 /Dth. The 2018 Calendar strip was up 0.7 cents week-on-week to \$3.05 /Dth while the 2019 Calendar strip moved up 2.1 cents to \$2.875 /Dth.

As we mentioned last week, basis in Wisconsin is down sharply this year. If you have not discovered the benefits of competing your gas requirements give us a call to find out how this market move can save you money.

Have a great weekend.

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.

Blake



Blake Baxter | Senior Energy Originator | MEP Solutions, LLC
 Direct: 608.819.4011 | Cell: 423.315.1919 | Fax: 608.273.9764
 3201 Latham Drive Madison, WI 53713
blake.baxter@MEPSolutions.org
PROCUREMENT | ANALYSIS | ENGINEERING

Twitter: @MEPNatGas

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