STAND ENERGY CORPORATION

Natural Gas Weekly Update

June 16, 2017

PRICES

Nymex prices fall to three-month low. At the Nymex, the price of the July 2017 contract decreased 9¢, from $3.020/MMBtu last Wednesday to $2.933/MMBtu yesterday. This price is the lowest price for the front-month Nymex contract since mid-March. The price of the 12-month strip averaging July 2017 through June 2018 futures contracts declined 8¢ to $3.020/MMBtu.

Supply remains flat. According to data from PointLogic, the average total supply of natural gas remained the same as the previous report week, averaging 77.2 Bcf/d. Dry natural gas production remained constant week over week. Average net imports from Canada increased by 1% from last week.

Demand rises. Total U.S. consumption of natural gas rose by 3% compared with the previous report week, according to data from PointLogic. Power burn climbed by 11% week over week because of warm temperatures in the East. Industrial sector consumption decreased by 1% week over week. In the residential and commercial sectors, consumption declined by 13%. Natural gas exports to Mexico increased 13%.

U.S. LNG exports increase week over week. Five vessels (combined LNG-carrying capacity of 18.2 Bcf) departed Sabine Pass last week (Thursday to Wednesday), and one vessel (LNG-carrying capacity 3.8 Bcf) was loading at the terminal on Wednesday.

Near-month natural gas futures prices (Nymex)

eia Source: Natural Gas Intelligence

STORAGE

Reported net implied flows into storage are just below the range of market expectations for the week. According to Bloomberg's survey of natural gas analysts, estimates of net injections to working natural gas storage ranged from 80 Bcf to 95 Bcf with a median of 89 Bcf, compared with EIA's figure of 78 Bcf. The price of the Nymex futures contracts for July 2017 delivery at Henry Hub increased in the seconds after the release of the *Weekly Natural Gas Storage Report* (WGNSR), climbing to around $3.00/MMBtu, about 5¢ above the pre-release price. At the release of the WNGSR, 834 trades were executed.

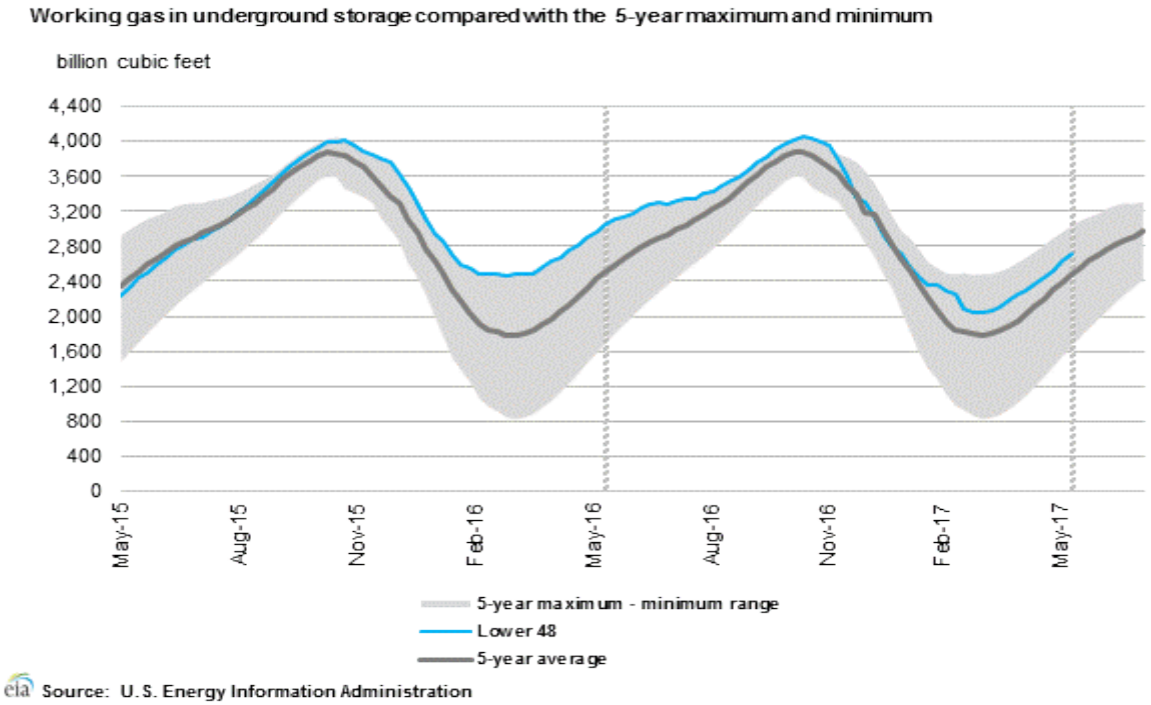
Nationally, temperatures averaged near seasonal norms. Temperatures in the Lower 48 states averaged 69°F, 1°F higher than the normal and 3°F lower than last year at this time. Cooling degree days (CDD) in the Lower 48 states totaled 38, compared to 55 last year and compared to a normal of 39. Heating degree days (HDD) in the Lower 48 states totaled 12, compared with 4 last year and a normal of 17.

Working Gas in Underground Storage Stocks

billion cubic feet (bcf)

Region	06/09/17	06/02/17	change
East	491	457	34
Midwest	634	614	20
Mountain	177	172	5
Pacific	274	269	5
South Central	1,133	1,119	14
Total	2,709	2,631	78

Source: U.S. Energy Information Administration

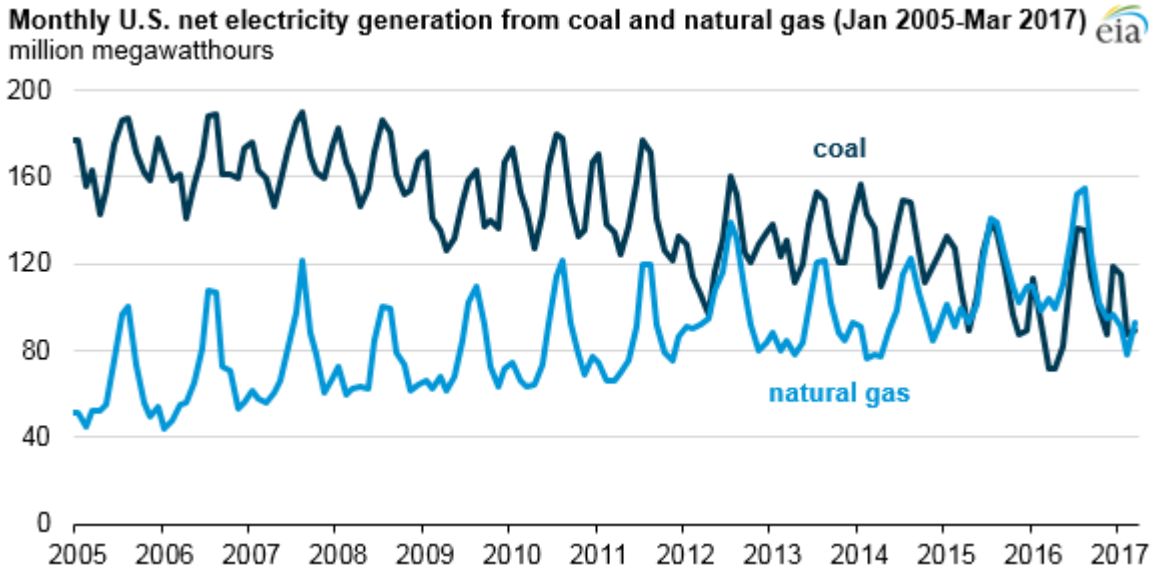


IN THE NEWS

Competition between coal and natural gas affects power markets

In 2016, natural gas provided 34% of total electricity generation, surpassing coal to become the leading generation source. Natural gas first exceeded coal as the most common electricity fuel on a monthly basis in April 2015 and on an annual basis in 2016. The increase in natural gas generation since 2005 is primarily a result of the continued cost competitiveness of natural gas relative to coal.

Natural gas-fired capacity is widely distributed across the United States. Every state except Vermont has at least one natural gas plant. In the past 15 years, nearly 228 gigawatts (GW) of capacity fueled by natural gas was added, far exceeding retirements of 54 GW. Over that same period, 20 GW of coal-fired capacity was added, while more than 53 GW was retired.



Regionally, coal remains the dominant fuel for electricity generation in the Midwest, although its share has decreased over the past several years. In the Northeast, electricity generation with natural gas has exceeded coal-fired generation since February 2011. In the South, monthly natural gas generation surpassed that of coal in every month since January 2015. In the West, electricity generated by coal and natural gas has remained in close competition over the past decade; however, natural gas exceeded coal in the power sector for 11 months during 2016.

The competition of coal and natural gas for electricity generation plays an important role in setting wholesale electricity prices. The changing use of natural gas and coal in electricity generation also has implications for the production, transport, and storage of coal and natural gas.

To better examine coal and natural gas competitiveness in the power market, the 2017 EIA Energy Conference will include a session on coal-natural gas competition. The topic will be explored from three perspectives: technology for coal to natural gas conversions, impact on the electric system dispatch order, and the effect of lower coal demand on the railroad industry. The panel will be moderated by Stan Kaplan, director of EIA's Office of Electricity, Renewables, and Uranium Statistics.