

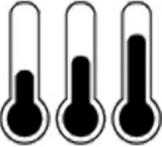
## What's Affecting Gas Prices the Week of November 13, 2018?

Welcome to the next installment in the soft launch of What's Affecting Gas Prices This Week, a new weekly offering from the integrated global energy advisory professionals of Stratas Advisors. We welcome your feedback and intend to continue to build the offering as we have done in with the What's Affecting Oil Prices This Week which has garnered a significant following in the 40+ months since it was launched.

**Key Points:** Bloomberg scrapes show us that gas field production was tighter this week by 425 MMcf/d. The time zones fell back, and the temperatures did too with residential and commercial gas demand up 5.3 bcf/d and industrial gas demand rising .73 bcf/d, while power sector gas demand sagged about 0.4 bcf/d. LNG facilities on a net basis exported about 185 MMscf/d while Canadian imports dropped 75 MMscf/d and Mexican exports sank about 60 MMscf/d. All that said, we believe the EIA will report on Thursday 11/15 that the U.S. gas industry put away about 25 bcf of gas into working storage during the week ended November 9. That is slightly more robust than the 5 year average of just under 20 bcf for the 2nd week of November.

As we have been warning, the storage refill season missed not only the 3.8 Tcf normal fill level by November 1, but we also came in as we expected under 3.2 Tcf versus higher consensus market and EIA expectations of 3.3 Tcf. Henry Hub gas prices have come up a great deal already. The December contract is trading intraday today at \$4.04/MMBtu the July summer low of \$2.72/MMBtu which coincides with when we started to get very vocal about poor refill rates. From here, we are taking a less aggressive stance on future price run ups at least until heart of the winter heating season gets here and more of this early cold fall/winter blast is priced into the market.

WHAT'S AFFECTING GAS PRICES THE WEEK OF NOVEMBER 13, 2018?

|  |   |
|--|---|
| <p>• Storage</p>   | <p>• Weather</p>                |
| <p>• Supply</p>    | <p>• Gas Demand</p>             |
| <p>• Flows</p>     | <p>• Gas Trader Sentiment</p>   |

 Upward pressure on prices   
  Downward pressure on prices   
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**Supply - Positive**

Tighter supply in the days running up to November 9 should show up in lower stocks on the pending report. The US West Coast will continue to receive less imports due to the reduced operating pressure at the Enbridge BC pipeline system. The tightness of imported supply will continue to draw and support Western US gas prices west of the Rockies. While the Baker Hughes rig count showed 2 gas-directed rigs were added last week, we see little immediate effect this week on supply from field production activities. Supply dynamics are likely therefore to be a positive driver for gas prices through this week.

**Weather - Neutral**

Higher demand in the days running up to last Friday should result in a report this week of lower stocks for the week ended November 9. Prices have already moved not only this week but in the last several on poor storage and strong weather-related demands. And while much of the U.S. is in a freeze this week, we think much of the runup in prices on the decline in mercury should be in the December future which already has reached \$4.04/MMBtu intraday today. We therefore see Weather as being a neutral driver for gas prices this week.

**Trader Sentiment – Positive**

It looks like traders are waking to the natural gas tightness resulting from high demand, rising exports and poor injections year to day. Given how long the bears slept through the storage season, it may take a while for all to get positions lined up now, so we think the trading uplift could continue on momentum if not necessarily fundamentals for some weeks yet. Accordingly, we see Trader Sentiment as being a neutral driver for gas prices through this week.

### **Storage - Positive**

We estimate a storage level of 25 Bcf will be reported by the EIA this week for the week ended November 9, which, while a few BCF above the 5-year average, is not a threat in the second week of November given the magnitude of demand growth coming in the next several months as a result of winter seasonality, LNG export facility startups, and industrial and power plant facilities that will begin service in the period. Next week we should see the first week of several consecutive net withdrawals through the winter season. Accordingly, we see Storage changes as being a neutral driver for gas prices this week.

### **Demand - Neutral**

We see a net neutral effect for structural demand side drivers this week. While the seasonal demand side is captured in our discussion on the Weather driver above, we see limited color on new structural demand changes last week and through this week, and therefore we see Demand as being a neutral driver for gas prices this week.

### **Flows - Neutral**

The pressure and flow restriction on the import pipeline in British Columbia has already been known and is likely fully priced in, and short of any 'new' news for the preceding or anticipated days to week's end, we see Flows being a neutral driver for gas prices this week.