

MARKET UPDATE

10/10/16



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Market News

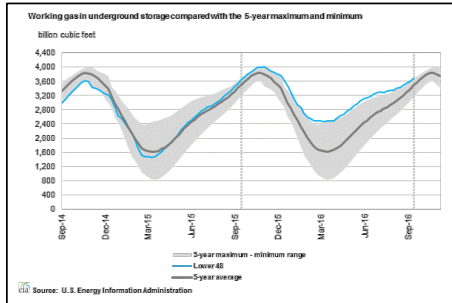
Market Recap - Natural gas spot prices were mixed this report week. The Henry Hub spot price fell from \$2.98 per million British thermal units (MMBtu) last Wednesday to \$2.86/MMBtu yesterday. At the New York Mercantile Exchange (Nymex), the October 2016 contract expired last Wednesday at \$2.952/MMBtu. The November 2016 contract closed at \$3.041/MMBtu yesterday, up 4¢ Wednesday to Wednesday.

Storage Report - Working gas in storage was 3,680 Bcf as of Friday, September 30, 2016, according to EIA estimates. This represents a net increase of 80 Bcf from the previous week. Stocks were 74 Bcf higher than last year at this time and 205 Bcf above the five-year average of 3,475 Bcf. At 3,680 Bcf, total working gas is above the five-year historical range.

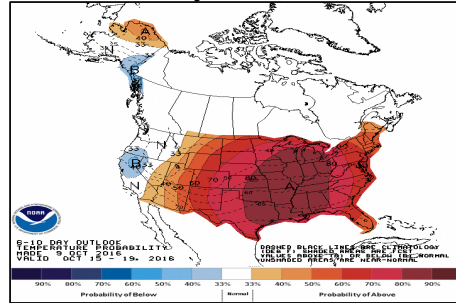
Word on the Street - November Henry natural gas was slightly lower overnight as it consolidates some of last Friday's rally. Stochastics and the RSI remain neutral to bullish signaling that sideways to higher prices are possible near-term. If November extends this month's rally, the May-2015-high crossing at 3.309 is the next upside target. Closes below the 10-day moving average crossing at 3.025 would confirm that a short-term top has been posted.

Observations - The price of natural gas delivered to electric generators averaged \$2.23/MMBtu in March of this year, which was the lowest price (in nominal terms) since 1999. Low natural gas prices have encouraged the power industry to use more of the fuel for electricity generation. In 2016, natural gas is expected to supply 34.5% of electricity generation, up from 32.7% last year. Coal is forecast to supply 30.1% of electricity generation this year, compared with 33.2% in 2015. Natural gas prices have increased in recent months, and EIA expects this trend to continue through the forecast horizon, with the delivered natural gas price reaching almost \$4.00/MMBtu by the end of 2017. These higher prices should encourage more electricity generation from coal-fired power plants during 2017.

Inventories



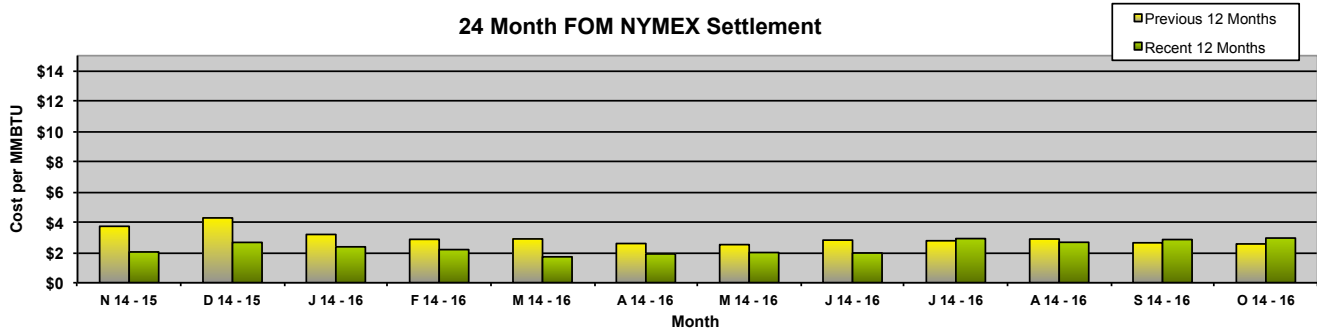
6-10 Day Forecast



Month	Last Price	Change	Updated - 10/10/2016 3:30 PM EST		Summer / Winter	
Nov-16	\$3.28	0.08			April 17 - Oct 17	\$3.19
Dec-16	\$3.45	0.06			Nov-16 - March 17	\$3.48
Jan-17	\$3.58	0.06			April 18 - Oct 18	\$2.84
Feb-17	\$3.58	0.06			Strip Prices	
Mar-17	\$3.52	0.06			3 Month	\$3.44
Apr-17	\$3.23	0.04			6 Month	\$3.44
May-17	\$3.15	0.06			9 Month	\$3.35
Jun-17	\$3.17	0.06			1 Year	\$3.31
Jul-17	\$3.20	0.06			2 Year	\$3.19
Aug-17	\$3.20	0.06			3 Year	\$3.09
Sep-17	\$3.18	0.06				
Oct-17	\$3.20	0.06				

Source: Nymex

24 Month FOM NYMEX Settlement



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