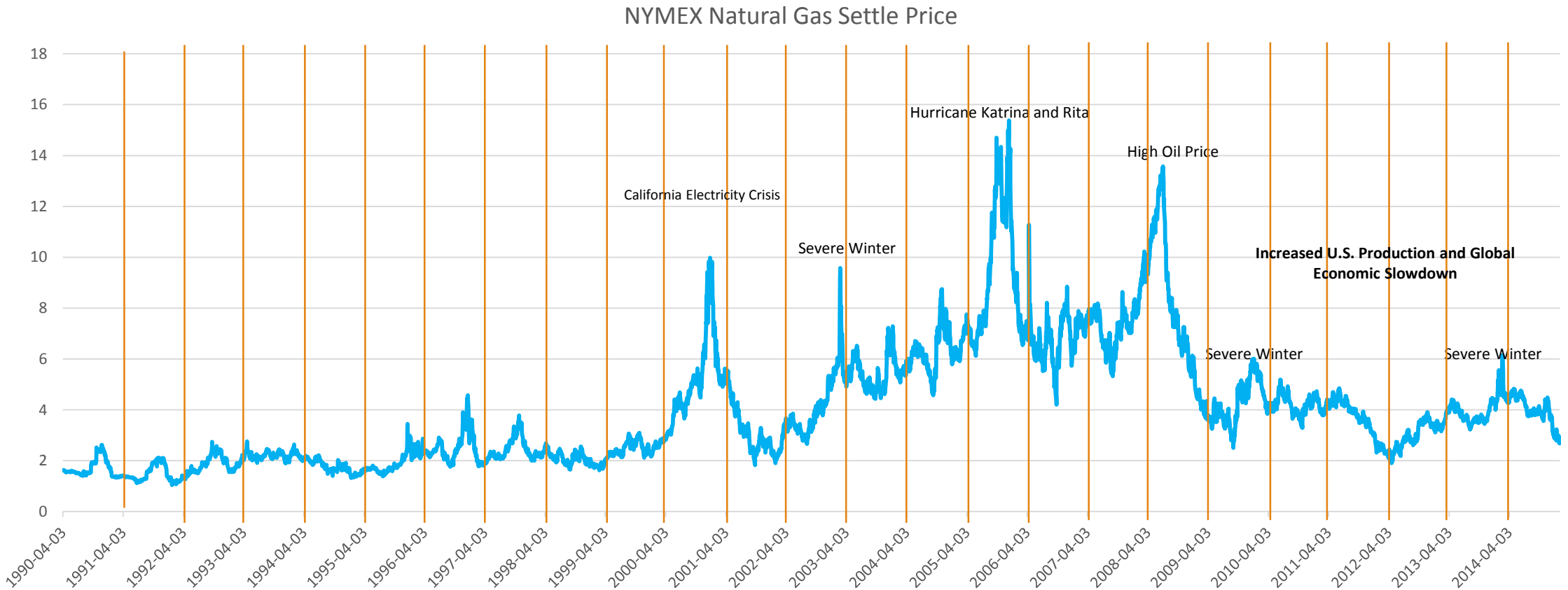


United States Natural Gas Research

United States Natural Gas Historical Price Timeline

NYMEX Natural Gas Timeline: almost every major price peak is associated with weather events or special events. In the short term, natural gas is not a good buy due to the seasonality; historically in most cases, early springs have been worst performing months for the natural gas price.

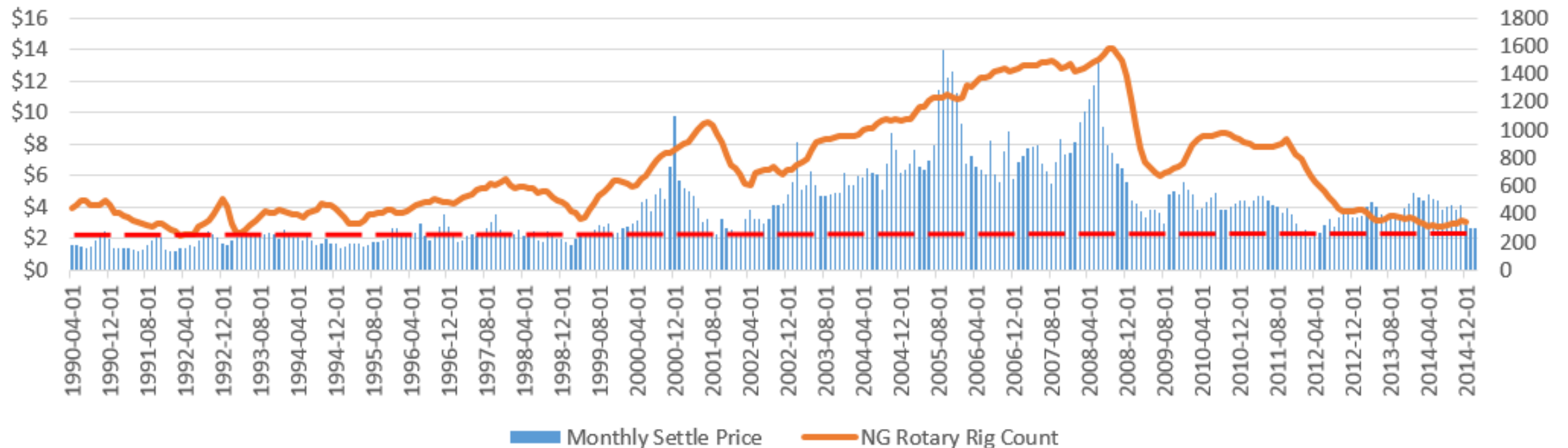


Source: Quandl and PWU; compiled by Contrarian Capitalist

United States Natural Gas Price Historical Correlations

Rig Count has been the best leading indicator of price bottoms; the current rig count is close to the historical bottom line marked by red color, however the price could stay low as long as the temperature remains within ranges and there is no major weather event happening. Please note that Rig Count is a lagging indicator of price peaks.

Front Contract Settle Price/ Gas Rotary Rig Count

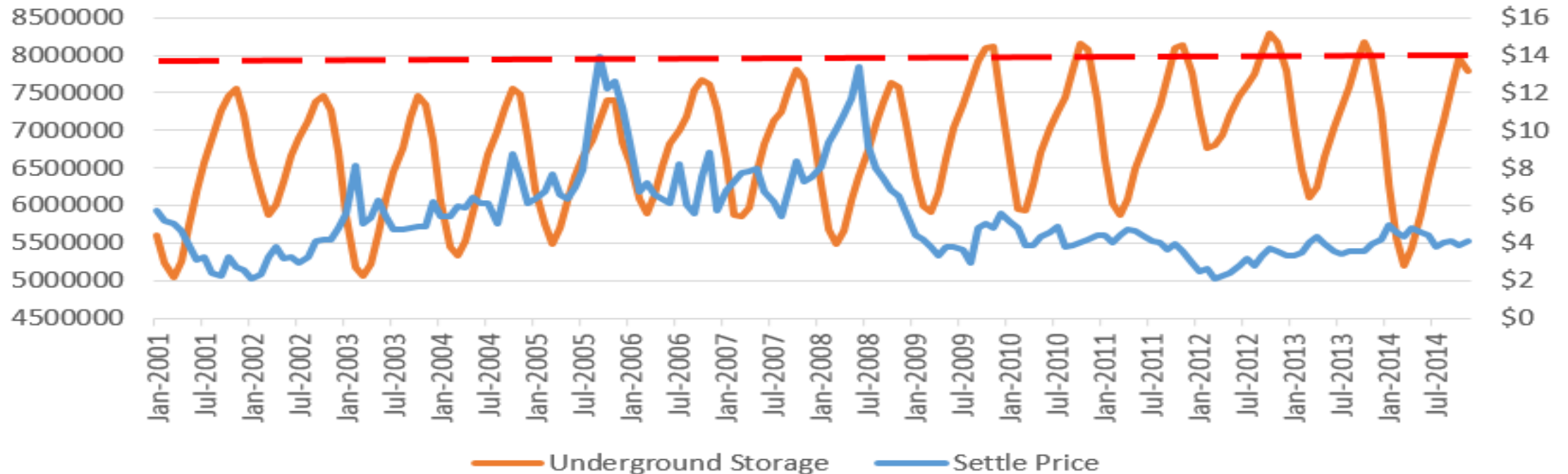


Source: Quandl, EIA; compiled by Contrarian Capitalist

United States Natural Gas Price Historical Correlations

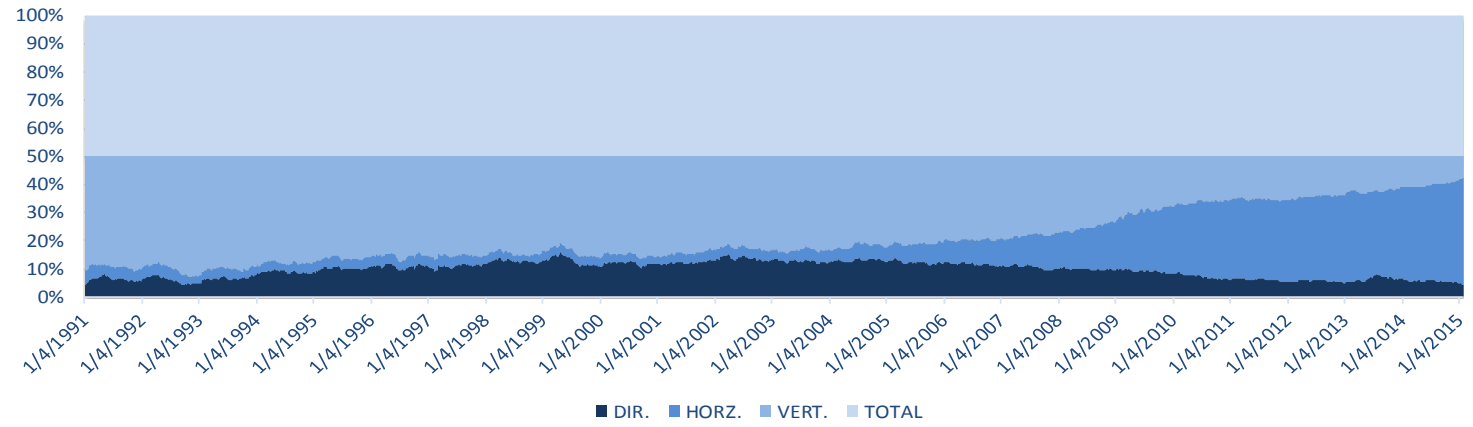
The underground natural gas storage has had negative correlation with the natural gas price in a lot of the time periods historically. And recently, the storage has hit a peak as of November 2014. Although this is not the best indicator, it does provide some sense that where the price could potentially go through different cycles of the storage number.

Underground Natural Gas Storage vs. Settle Price



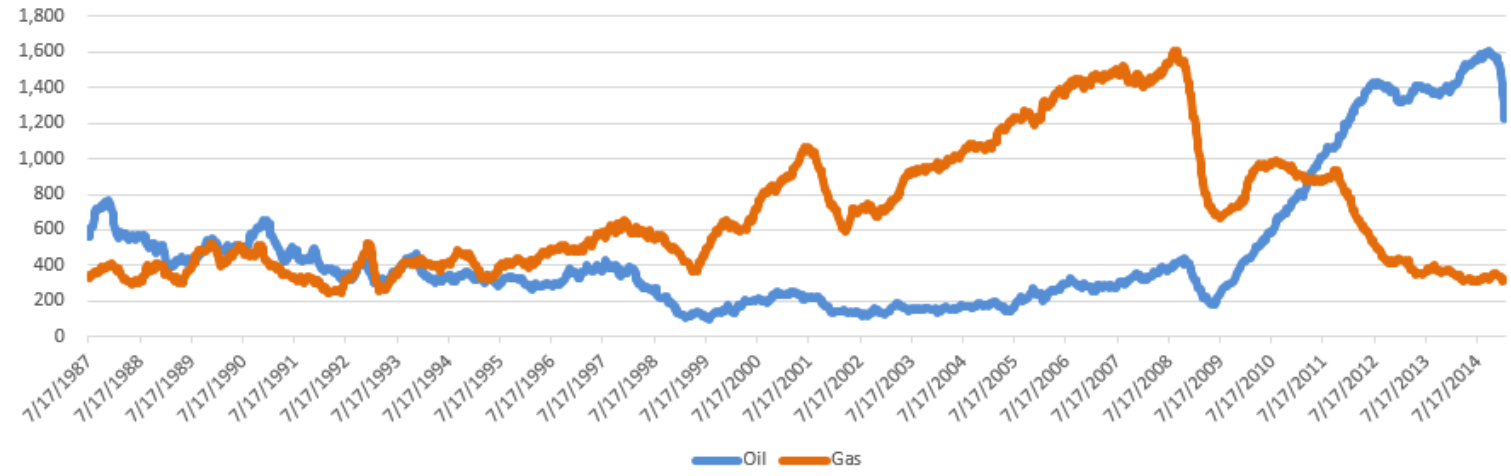
Source: EIA; compiled by Contrarian Capitalist

U.S. Total Oil & Gas Rotary Count by Trajectory



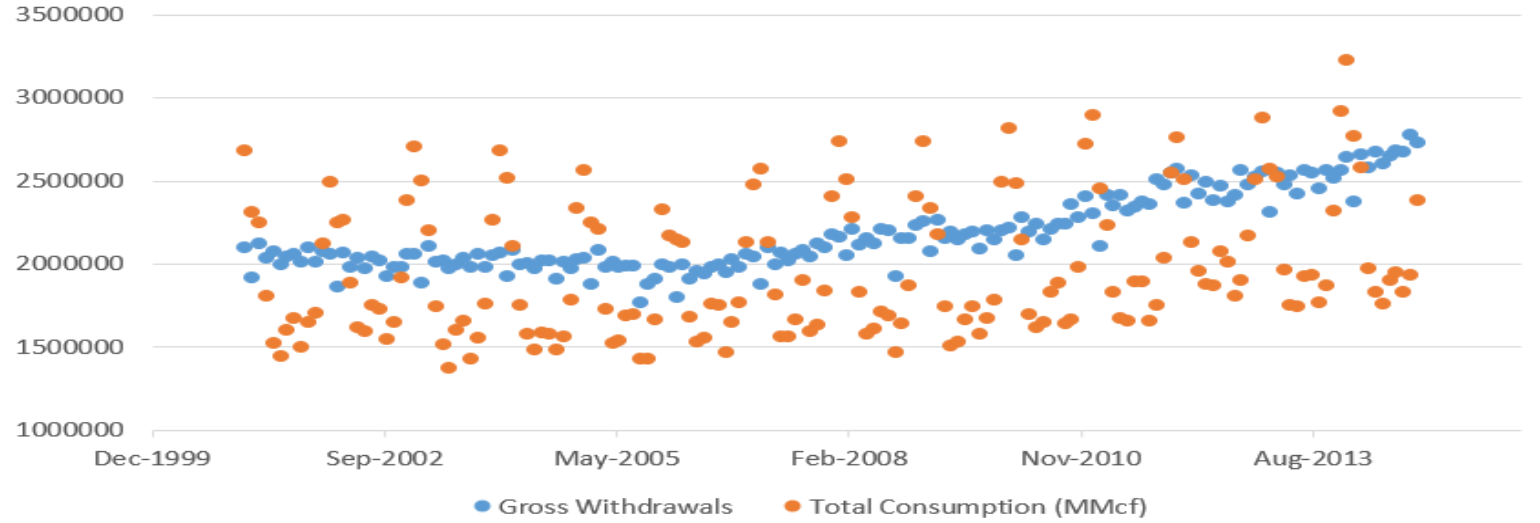
Source: Baker Hughes; compiled by Contrarian Capitalist

North America Rotary Rig Count: Oil and Gas Split



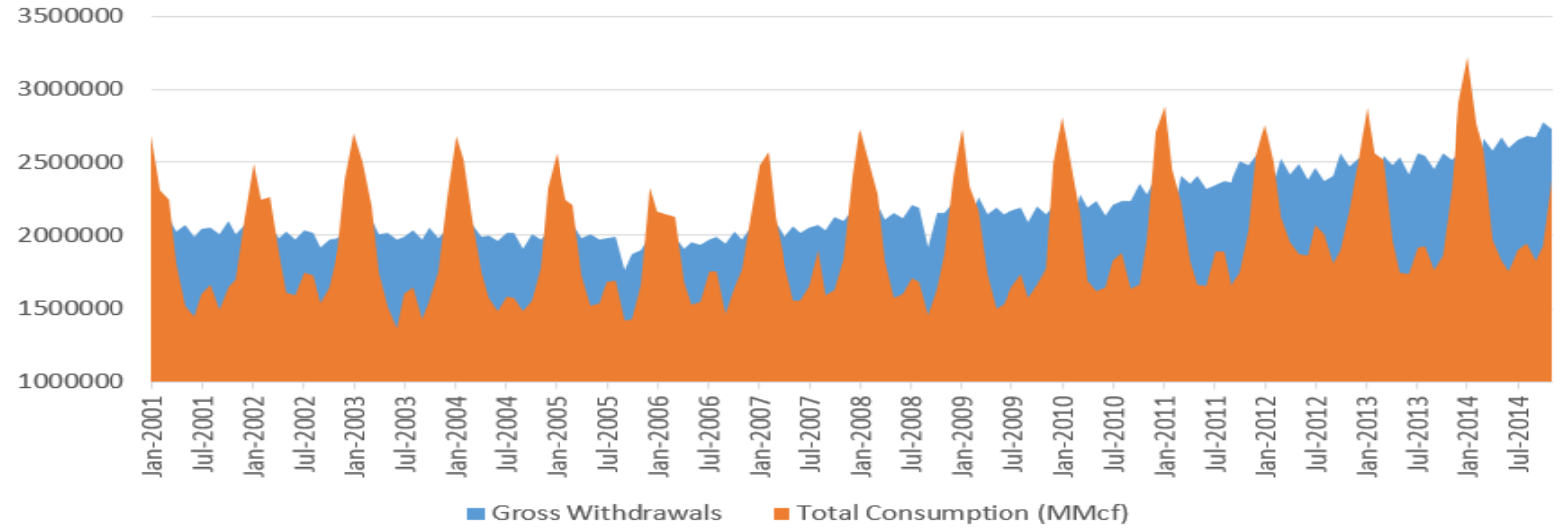
Source: Baker Hughes; compiled by Contrarian Capitalist

Natural Gas: Total Withdrawals vs. Total Consumption



Source: EIA; compiled by Contrarian Capitalist

Natural Gas: Total Withdrawals vs. Total Consumption



Source: EIA; compiled by Contrarian Capitalist

CUMULATIVE HEATING DEGREE DAYS BY CENSUS REGION

Region	2014/ 2015	2013/ 2014	Normal	% Change: 14/15 from 13/14		% Change: 14/15 from Normal	
New England	3290	3481	3430	5.5	Warmer	4.1	Warmer
Middle Atlantic	3172	3312	3235	4.2	Warmer	1.9	Warmer
E N Central	3650	3939	3646	7.3	Warmer	0.1	Colder
W N Central	3761	4193	3927	10.3	Warmer	4.2	Warmer
South Atlantic	2151	2271	2174	5.3	Warmer	1.1	Warmer
E S Central	2241	2436	2228	8.0	Warmer	0.6	Colder
W S Central	1531	1728	1548	11.4	Warmer	1.1	Warmer
Mountain	2771	3046	3196	9.0	Warmer	13.3	Warmer
Pacific	1155	1299	1598	11.1	Warmer	27.7	Warmer
United States	2653	2871	2790	7.6	Warmer	4.9	Warmer

Between October 2014 and January 2015

Source: AGA

CUMULATIVE COOLING DEGREE DAYS BY CENSUS REGION

Region	2014	2013	Normal	% Change: 2014 From 2013		% Change: 2014 From Normal	
New England	437	613	420	28.7	Cooler	4.0	Warmer
Middle Atlantic	632	793	657	20.3	Cooler	3.8	Cooler
E N Central	640	741	704	13.6	Cooler	9.1	Cooler
W N Central	874	975	915	10.4	Cooler	4.5	Cooler
South Atlantic	1745	1675	1609	4.2	Warmer	8.5	Warmer
E S Central	1544	1505	1451	2.6	Warmer	6.4	Warmer
W S Central	2206	2352	2146	6.2	Cooler	2.8	Warmer
Mountain	1278	1430	1156	10.6	Cooler	10.6	Warmer
Pacific	962	868	656	10.8	Warmer	46.6	Warmer
United States	1172	1224	1095	4.2	Cooler	7.0	Warmer

Between May 2014 and October 2015

Source: AGA

Conclusion: Short Term Neutral/Bearish, Long Term Bullish

- Based on aforementioned factors, we believe the price of American natural gas will likely to stay neutral/bearish in the short term and bullish in the long term. The price level and the rig count have dropped close to historically low levels, which indicate that there is not too much downside for the price to go. However, this time around every year is not typically the best time to enter the market.
- A good reward to risk ratio trade will be some time around the beginning/ before of the summer with trades that have low carrying costs and capture high volatility; A trader who is patient enough to wait out for major weather events to happen shall be rewarded with satisfying returns. However, there is certainly a probability that no major events will happen for the next couple years, which will put the natural gas around this level for quite some time with some minor fluctuations.
- Our conclusion could be wrong that there is a small probability that a major storm could play out within the next four weeks; if that happens, the price of American natural gas will rally significantly in the short term.