



THE Marcellus Update

Q2 - 2018

GAME ON.

2017 partnership is producing gas;
distributions to begin this summer

First wells show initial production numbers in 12MMcf/d range



We are happy to report the first two MDS 2017 partnership wells on the “Kuhns pad” have been completed and started production. Continuing our strong production rates, both came online producing gas in the 12 million cubic feet per day range. This is on par with the Dynamite Shack pad wells in the 2016 partnership, which have been the strongest producing wells in the northern tier of our acreage position.

On the “Nolder” pad, we’ve drilled 4 additional wells and have hydraulic fracturing crews set to begin in early June. We have also spud several

additional wells on the Kuhns pad which we plan to complete later this year.

We are also very pleased to announce that we’ve been able to cut our time to first distribution in half. **We plan to make our first distribution sometime in the third quarter of 2018.**

Our investor services department will be in touch prior to first distribution to confirm the information you provided at the time of subscription remains current.

2016 Distributions Start Strong 2.42% return from one pad

The first two distributions are on the books for the MDS 2016 partnership. The first month’s distribution was a partial distribution as the four Dynamite Shack wells were being brought online one by one throughout the month. In it’s second month, the first month of full production, our early investor discount investors saw a very strong 2.42% cash-on-cash distribution.

The other four wells on the Renshaw pad are producing even better, with initial production numbers north of 15MMcf/d. That production will be seen in distributions starting later this summer.

Natural Gas: Powering America's Future



The 5.2GW of new gas fired capacity coming to PA in 2018 is enough to power 77% of the state's households...with more to come in 2019 and 2020.



Gas & renewables make big gains in power production

The EIA expects nearly 21 gigawatts of new natural gas generating capacity to come online in 2018, About half of the 21 GW will come from units to be added to the PJM Grid, which spans parts of several Mid-Atlantic and Midwestern states. In the PJM region, Pennsylvania plans to add 5.2 GW; Maryland will add 1.9 GW, and Virginia will add 1.9 GW.

For perspective, Each gigawatt can power approximately 700,000 homes. The 5.2GW of new capacity in Pennsylvania alone could power 3.6 million of the state's 4.7million homes, or about 77% of all Pennsylvania households.



LNG EXPORTS: Dominion Cove Point makes first shipments

Second U.S. world class Liquefied Natural Gas (LNG) export facility fully commissioned and operating at full capacity, sending gas to Asia and Britain.

After several years and several billion dollars, the massive LNG exporting facility just south of Annapolis, MD in Cove Point is now fully operational and delivering on its contractual obligations.

It will supply gas to a consortium of companies to which it sold 100% of its capacity for the next 20 years.

During its commissioning, it has sent several loads to both the UK and Japan. Most of the gas will go to India and Japan.

What does this mean for the MDS partnerships and for the gas industry in general?

This is a major gas export facility.

It will move close to 1 Billion cubic feet of gas out of the Marcellus Shale basin every day, which equates to 7% of all the gas currently being produced in Pennsylvania.

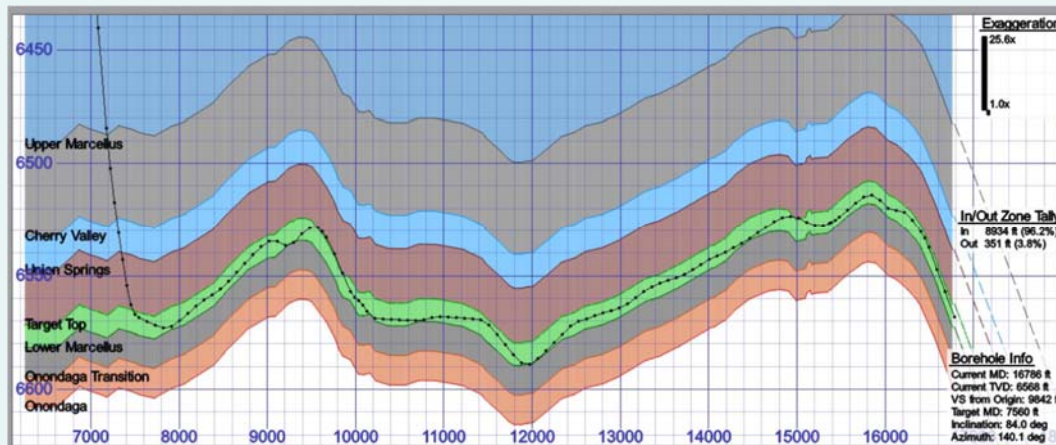
This should have a positive impact on natural gas pricing and thus, your investor returns.

It's worth noting that this facility, owned and operated by Dominion Energy, is the same company which buys the majority of the partnership's natural gas. The pipeline we feed into is called the Dominion TL-400, a major pipeline that bisects our acreage position.

This line is a major artery which carries gas to the Dominion South hub, about 15 miles east of our acreage position. From there the gas is distributed all across the eastern seaboard.

Steering Straight Precision accuracy on MDS wells boost returns

As we drill out into the Marcellus shale, the formation goes up and down. New technology has helped MDS to not only stay within the formation, but to pinpoint and stay within small geologically advantageous zones that yield better results. This well, drilled in 2017, had a total measured depth of nearly 17,000', more than three miles. In the 9,800' of treatable wellbore, we were able to stay in the Marcellus 100% of the time, and within our target zone for 96.2% of the lateral, despite significant undulations.



Gas to help plug U.S./China trade imbalance

As the Trump administration continues its renegotiation of U.S./China trade, it has been quite vocal that the export of American natural gas to China will play a major role in helping to reduce the massive trade deficit that's been in place for many years now.

"In energy, I think there's a massive opportunity for the U.S. to become a major supplier of energy to China," Mnuchin told CNBC's "Squawk Box". "They have incredible amounts of demand at these prices for our shale and our liquid natural gas." "I think we can easily get about \$40 or \$50 billion of energy, and if we can produce and send more with infrastructure, they can even take more," he said.

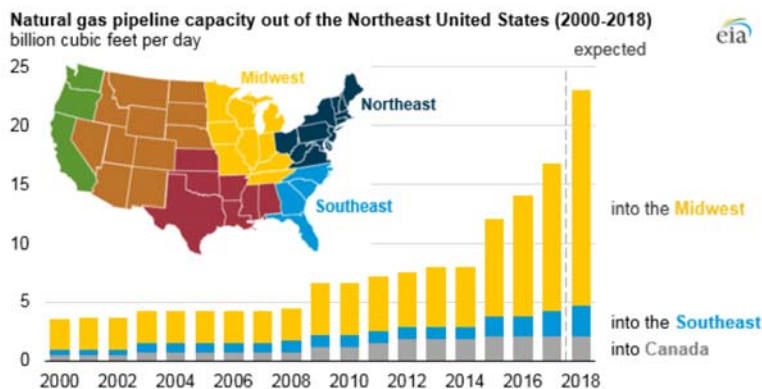
Source: <https://www.cnbc.com/2018/05/21/how-energy-factors-into-the-breakthrough-in-us-china-trade-talks.html>

Northeast U.S. slated for record pipeline buildout in 2018

The Energy Information Administration (EIA), a government agency which tracks energy statistics and trends, just released a new update on natural gas pipeline projects, specifically focusing on takeaway capacity in the northeast.

By the end of 2018, if all projects come online by their scheduled service dates, more than 23 billion cubic feet per day (Bcf/d) of takeaway capacity will be online out of the Northeast, up from an estimated 16.7 Bcf/d at the end of 2017 and more than three times the takeaway capacity at the end of 2014.

This is fantastic news, as additional takeaway capacity serves to increase gas pricing and partnership returns. Source: EIA <https://www.eia.gov/>



Want to keep up to date on the Marcellus Shale and developments that could impact your investment? Visit the news section of our website at www.mdsed.com/articles



5 Important updates On MDS partnerships

1 2016 Partnership Now Distributing Gas production from the first of two pads is now producing distributable cash flow, which will be mailed to you or deposited monthly moving forward.

2 2017 Distribution to Start this Summer Gas production from the first 2017 pad began this spring, which will set us up for first distributions to go out towards the end of summer, cutting our time to first distribution IN HALF! Stay tuned!

3 2015 & 2014 Make Largest Distributions Despite having been online for several years, each of these partnerships just made their largest distributions ever, a testament to how little these wells are declining in production as time goes on.

4 2017 Update Videos Due to starting our 2017 partnership much earlier in the year, inclement weather and travel schedules combined to scuttle flying our drone for the aerial videos. Now that spring has sprung finally, we'll resume with the update videos soon.

5 Pre-distribution for 2017 Investors MDS staff will begin contacting our 2017 investors soon via mail and phone to confirm addresses and bank information are up to date prior to making first distributions this summer.

A little bit about us

MDS Energy Development is a vertically integrated natural gas E&P company located in Pittsburgh, Pennsylvania. We sponsor tax-advantaged natural gas partnerships to help high net worth individuals mitigate taxes and create a potential long-term, non-correlated income stream. MDS president Michael Snyder is a member of the Snyder family office, which is one of the largest well operators in Pennsylvania, with whom we co-invest on drilling projects. We are the largest investor in these projects by far, and when not drilling our own projects, we are drilling as a subcontractor for companies like Exxon-Mobil, EQT Corporation, Rice Energy, Range Resources, etc.



inside this issue:

Big news on 2016 & 2017

More pipelines coming

LNG exports from Maryland

Big gains in gas fired power

Summer time! FIRE UP THAT GRILL AND A/C!

Ever stop to think about where the gas for your backyard grill comes from? Or the power to keep that air conditioner running?

Why, all-American natural gas, of course! Natural gas is now the #1 fuel source in the United States for electricity.



So when you're cooking up steaks and burgers out back, or inside enjoying a break from the heat, think of us!



603 Stanwix St, Unit 1750
Pittsburgh, PA 15222