

# COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 42

WEEK ENDING 10/16/09

## Oil Market

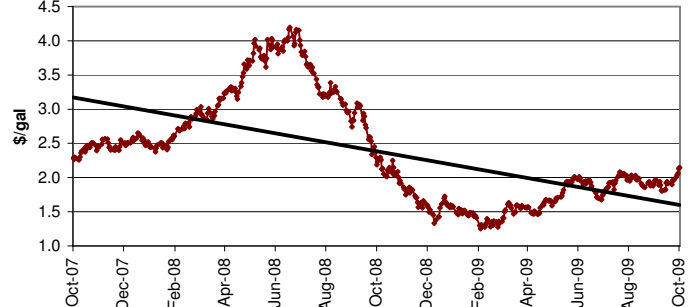
NYMEX Crude Futures - 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/bbl	\$80.91	\$74.52	\$146.44	\$43.06
date	10/16/09	10/9/09	7/14/08	2/18/09
change from last close		9%	-45%	88%

STORAGE (in million bbls)	crude oil
domestic stocks as of 10/9/2009	337.8
gain / loss from previous week	0.4
comparison to historic range	above

NYMEX #2 Heating Oil Futures - 12 Month Forward Strip

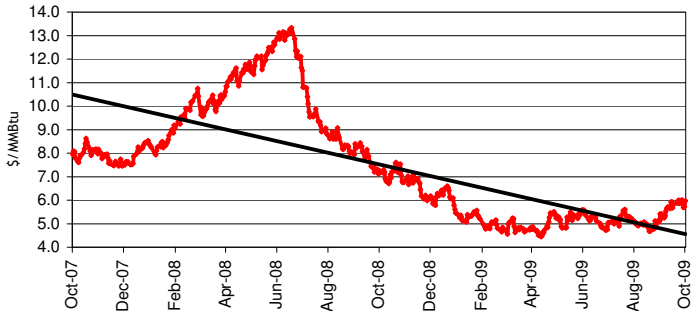


NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/gal	\$2.15	\$1.97	\$4.19	\$1.25
date	10/16/09	10/9/09	7/3/08	2/18/09
change from last close		9%	-49%	71%

STORAGE (in million bbls)	distillate	propane	gasoline
domestic stocks as of 10/9/2009	170.7	73.0	209.2
gain / loss from previous week	-1.1	0.1	-5.2
comparison to historic range	above	above	above

## Natural Gas Market

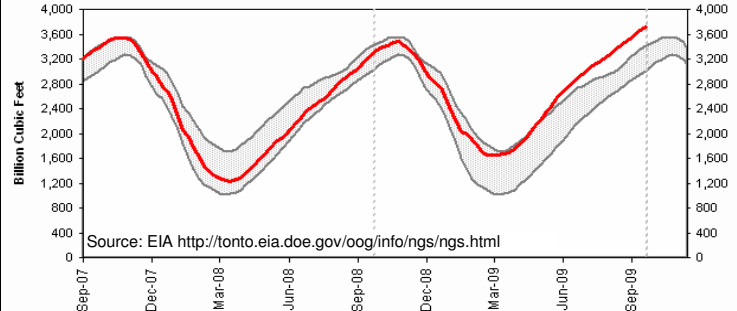
NYMEX Henry Hub Futures: 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 mo. strip, \$/MMBTu	\$5.97	\$5.86	\$13.33	\$4.45
date	10/16/09	10/9/09	7/3/08	4/27/09
change from last close		2%	-55%	34%

Forward Strips	18 month	24 month	35 month	48 month
\$/MMBTu	\$6.35	\$6.45	\$6.69	\$6.85

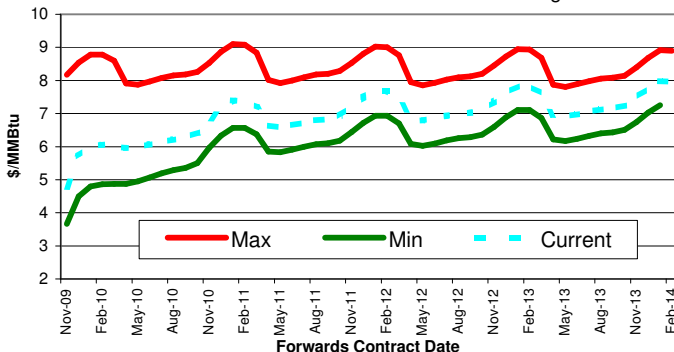
Working Gas in Storage Compared to 5-Year Range



This chart shows the amount of natural gas in storage at each point in time (red line) compared to the highest and lowest amounts over the past 5 years.

The EIA (Energy Information Administration) reported that natural gas in storage was 3,716 Bcf as of Friday, October 9th. This implies a net weekly injection of 58 Bcf, compared to a 5-year average injection of 64 Bcf and last year's injection of 81 Bcf for the same report week. Gas in storage was about 14% above last year's level and 15% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range

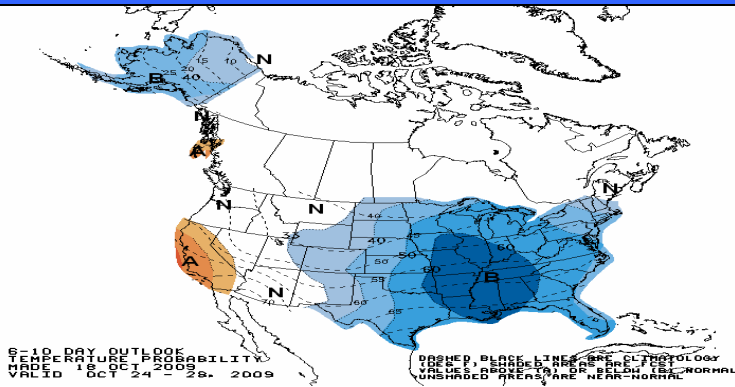


Natural gas futures are useful to monitor for natural gas and electricity consumers because they drive electricity pricing in many US markets, including Texas and New England. This chart compares the current natural gas price for each forward month on the NYMEX exchange to the highest and lowest prices for the same month over the past 12 months.

Forwards	Score
12 Month	68
24 Month	67
36 Month	65

The Score provides a measure of how current prices compare to the historic range. A score close to 0 indicates that current prices are close to their historic highs; a score close to 100 indicates that current prices are close to their historic lows.

## Weather Forecast



For the period October 24 - 28, 2009

This chart depicts forecasted temperatures for next week compared to the long term average. The blue/purple areas are forecast to be colder than normal, white areas are normal, and yellow/orange/red areas are warmer than normal. Abnormally hot weather in the summer and cold weather in the winter can increase the price for natural gas, oil, and electricity.

Currently, there are no hurricanes in the Atlantic threatening the Gulf of Mexico. The Atlantic hurricane season ends November 30.

Source: Chart from the National Weather Service Climate Prediction Center

## Market Assessment

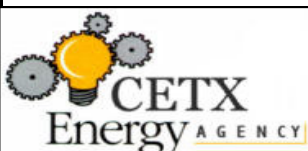
Crude oil and heating oil futures rallied last week, closing each day higher than the start. The U.S. dollar continued to weaken against the euro last week while equities rallied domestically and globally, signifying a possible rebound in demand. Speculation of increased demand was further fueled by last week's EIA storage report, which showed an unexpected decrease in gasoline inventories and a lower than projected increase in crude oil stocks. Crude oil inventories are now 10% above the 5-year average, partially due to refineries shutting down for seasonal maintenance. Crude oil for the prompt month closed on Friday at a one-year high after the Federal Reserve reported that output for factories, mines, and utilities increased by 0.7% in September, better than forecasted. Analysts are split as to whether last week's rally is sustainable; high levels of storage should keep prices from rallying, but signs of increased global and domestic demand may drive the market instead.

The October crude oil contract expired on September 22nd at \$71.55 per barrel; November is the current prompt month. Crude oil for the 12 months starting November 2009 rose an average of 9% last week on the NYMEX, with all contracts rising around the same percent. The November 2009 contract ended the week at \$78.53 per barrel, the lowest priced crude oil futures contract with delivery in next 12 months. The most expensive contract in the next 12 months was October 2010 at \$82.79 per barrel. NYMEX heating oil futures contracts for delivery in the next 12 months starting November 2009 also rose 9% on average last week. The October 2009 contract expired on September 30th at \$1.80 per gallon. November 2009, the current prompt month, closed the week at \$2.03 per gallon and was the cheapest contract for delivery in the next twelve months. The rest of the winter heating months (December '09 – March '10) averaged \$2.10 per gallon on Friday.

Natural gas behaved very differently than crude oil last week, responding to weather forecasts in addition to signs of industrial demand. Gas prices fell early in the week in response to a mild weather forecast. However, natural gas began to climb on Thursday as the Federal Reserve announced that the general economic index rose to the highest point in five years, and the Labor Department reported that the number of initial applications for unemployment benefits fell to a nine-month low. On the bearish side, the EIA reported on Thursday that the weekly natural gas injection was higher than projected, and natural gas in storage set a record for the third week in a row. Despite this news, natural gas continued to climb on Friday as Baker Hughes rig count went down by 5 rigs last week and is down 54% from the same period last year.

The October 2009 natural gas contract expired on September 28th at \$3.73 per MMBTU on the NYMEX. Natural gas contracts for the next 12 months starting November 2009 rose 2% on average between Friday, October 16th, and the previous Friday. The November 2009 contract ended last week at \$4.78 per MMBtu and was the lowest priced contract with delivery in next 12 months. The remaining heating season contracts closed at an average price of \$5.95 per MMBtu, and the October 2010 contract ended the week at \$6.43 per MMBtu, the highest priced natural gas contract in the next 12 months.

The National Weather Service forecasts cooler than normal temperatures for almost all of the areas east of the Rockies, while California is projected to be warmer than normal (see map above). Despite recent market increases, clients with commodity contracts expiring in 2009, 2010 or 2011 may want to consider locking in some portion of their energy budgets. Please consult with your CES or CETX representative for customized guidance on executing a forward energy market hedge, as hedging decisions are very dependent on unique budgetary circumstances and goals.



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