

# COMPETITIVE ENERGY SERVICES MARKET SUMMARY

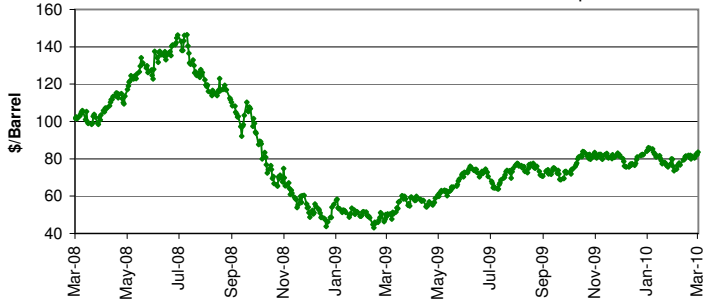
VIII - Issue 10

WEEK ENDING 3/5/10

## Oil Market

### Crude Oil

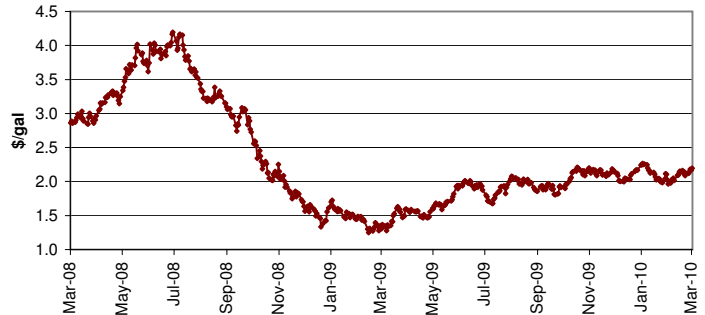
NYMEX Crude Futures - 12 Month Forward Strip



| NYMEX PRICING          | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 month strip, \$/bbl | \$83.48    | \$81.36       | \$146.44      | \$43.06      |
| date                   | 3/5/10     | 2/26/10       | 7/14/08       | 2/18/09      |
| change from last close |            | 2.6%          | -43%          | 94%          |

| STORAGE (in million bbls)       | crude oil |
|---------------------------------|-----------|
| domestic stocks as of 2/26/2010 | 341.6     |
| gain / loss from previous week  | 4.1       |
| comparison to historic range    | above     |

### NYMEX #2 Heating Oil Futures - 12 Month Forward Strip

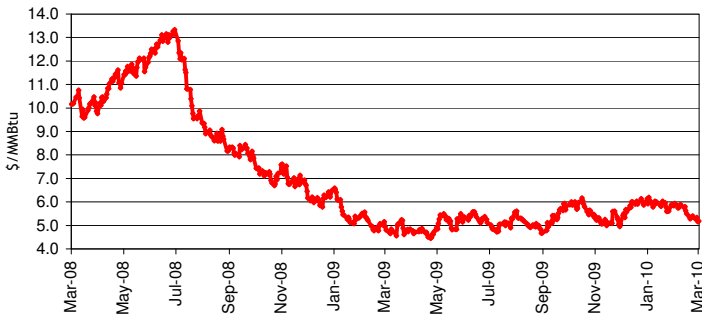


| NYMEX PRICING          | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 month strip, \$/gal | \$2.19     | \$2.12        | \$4.19        | \$1.25       |
| date                   | 3/5/10     | 2/26/10       | 7/3/08        | 2/18/09      |
| change from last close |            | 4%            | -48%          | 75%          |

| STORAGE (in million bbls)       | distillate | propane | gasoline |
|---------------------------------|------------|---------|----------|
| domestic stocks as of 2/26/2010 | 151.8      | 26.8    | 231.9    |
| gain / loss from previous week  | -0.9       | -0.5    | 0.7      |
| comparison to historic range    | above      | below   | above    |

## Natural Gas Market

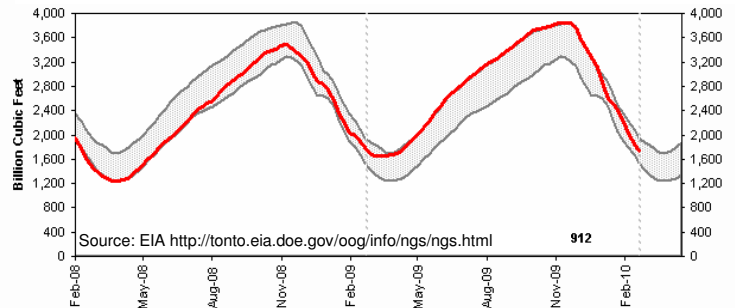
NYMEX Henry Hub Futures: 12 Month Forward Strip



| NYMEX PRICING          | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 mo. strip, \$/MMBtu | \$5.18     | \$5.41        | \$13.33       | \$4.45       |
| date                   | 3/5/10     | 2/26/10       | 7/3/08        | 4/27/09      |
| change from last close |            | -4.1%         | -61%          | 16%          |

| Forward Strips | 18 month | 24 month | 36 month | 48 month |
|----------------|----------|----------|----------|----------|
| \$/MMBtu       | \$5.29   | \$5.50   | \$5.68   | \$5.81   |

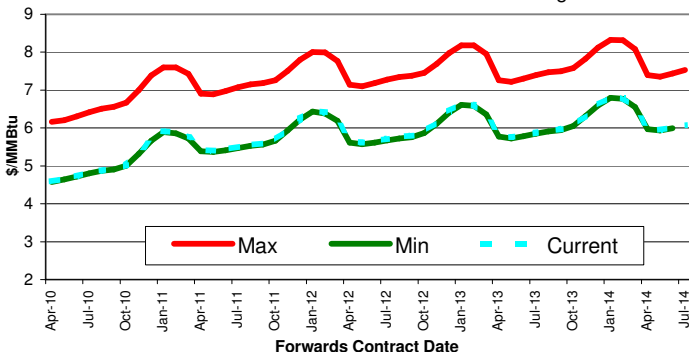
Working Gas in Storage Compared to 5-Year Range



This chart shows the amount of natural gas in storage at each point in time (red line) compared to the highest and lowest amounts in the past 5 calendar years. The record storage levels during 2009 now set the top of this range.

The EIA (Energy Information Administration) reported that natural gas in storage was 1,737 Bcf as of Friday, February 26th. This implies a net weekly withdrawal of 116 Bcf, compared to a five-year average withdrawal of 124 Bcf and a withdrawal of 101 Bcf for the same report week last year. Gas in storage was about 4% below last year's level and 1% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range



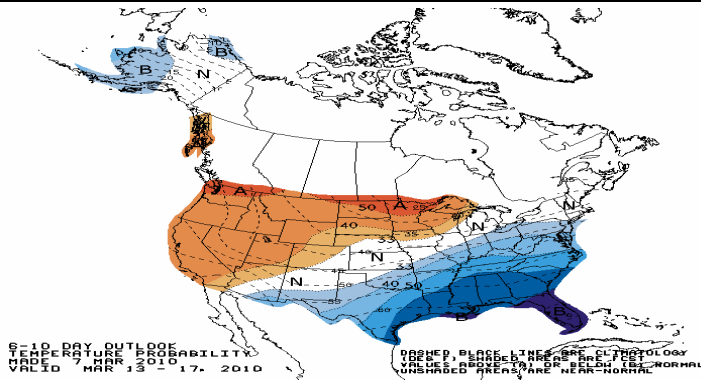
Natural gas futures are useful to monitor for both natural gas and electricity consumers because they drive electricity pricing in many U.S. markets including New England, Texas and, to a lesser extent, New York and the Mid-Atlantic. This chart compares the current natural gas price for each forward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

| Forwards | Score |
|----------|-------|
| 12 Month | 99    |
| 24 Month | 98    |
| 36 Month | 98    |

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 March 13 - 17, 2010



This map 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.

Source: Chart from the National Weather Service Climate Prediction Center  
www.cpc.ncep.noaa.gov

## Market Assessment

Crude oil and heating oil moved up in the market last week. Crude oil fell on Monday as the U.S. dollar strengthened against the euro. However, prices climbed on Tuesday and Wednesday as equities rose, raising hopes of a rebound in fuel demand. Also, the EIA reported that refinery rates increased to 82% in the last week of February, indicating an increase in demand for refined products. This was enough to overshadow a gain in crude oil stocks that was three times more than projected, which would normally push prices downward. Prices dipped on Thursday as the US dollar gained, but gained on Friday after the Labor Department reported that fewer jobs were eliminated during the previous week than projected.

The March crude oil contract expired on February 22nd at \$80.16 per barrel, and April 2010 is the current prompt month. Crude oil contracts for delivery in the forward 12 months rose 3% last week on the NYMEX. The April 2010 contract ended the week at \$81.50 per barrel, the lowest priced crude oil contract with delivery in next 12 months. The most expensive contract in the next 12 months was March 2011 at \$84.96 per barrel. For NYMEX heating oil futures, the March 2010 contract expired on February 26th at \$2.02 per gallon, and April 2010 is the prompt month. Heating oil contracts for delivery in the next 12 months rose 3% on average last week. The lowest-priced contract for the next 12 months was April 2010, which closed the week at \$2.10 per gallon. The most expensive contract in the next 12 months was February 2011, which ended the week at \$2.29 per gallon.

Natural gas prices experienced a weekly loss for the fourth consecutive week. Gas fell on Monday in response to a warmer than normal forecast for early March in the Midwest and Northeast. However, prices rose mid-week in anticipation that the EIA's storage report would show a higher than normal decline in gas stocks. The report, released on Thursday, showed that the current surplus actually expanded to 1.2% more than the five-year average. Furthermore, the oil and gas firm Baker Hughes reported that the total number of rigs drilling for natural gas rose last week to 905; of this total, horizontal drill rigs - the predominant technology used for unconventional shale gas exploration - are at a record high of 679. This pushed prices to a three-month low, but some of these losses were pared on Friday as favorable unemployment numbers raised hopes that fuel demand will recover soon.

The March 2010 natural gas contract expired on February 24th at \$4.82 per MMBtu on the NYMEX. Natural gas contracts for the next 12 months starting April 2010 fell 4% on average between Friday, March 5th, and the previous Friday. April 2010, the lowest priced contract with delivery in next 12 months, ended the week at \$4.59 per MMBtu. The highest priced contract in the next twelve months was January 2011 at \$5.919 per MMBtu.

The National Weather Service forecasts cooler than normal temperatures for the southeastern US, while the West and central Northern states are expected to be warmer than normal (see chart above). The CES market score (see first page) improved again over the previous week, with futures close to the 24-month lows. Clients with electricity or natural gas contracts expiring in 2010 or 2011 should consult with a CES representative for customized guidance on executing a forward energy market hedge. As always, hedging decisions are very dependent on unique budgetary circumstances and goals.



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