



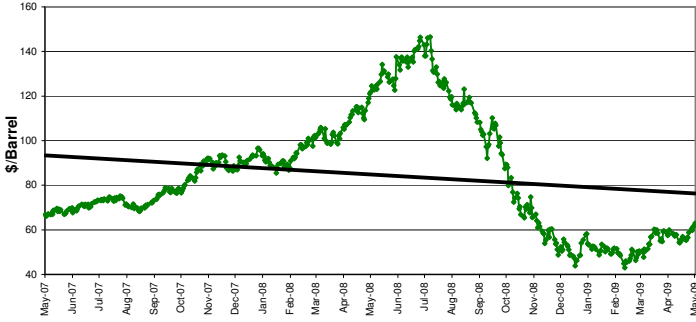
# COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 19

WEEK ENDING 5/8/09

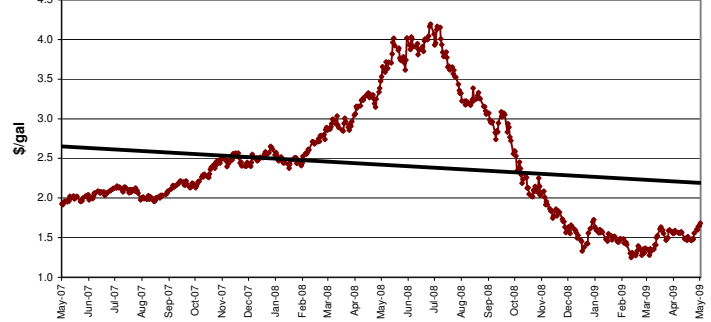
## Oil Market

NYMEX Crude Futures - 12 Month Forward Strip



The May 2009 crude oil contract expired on April 21st at \$46.51/barrel on the NYMEX. June is currently the prompt month. As of May 8th, the 12 month NYMEX forward strip starting June 2009 was \$63.03/barrel, up 7% from the previous week. The current price is 46% above the 24 month low set on February 18th at \$43.06/barrel. Strip prices are 57% below the 24 month high for the 12 month strip, which was set July 14, 2008 at \$146.44/barrel.

NYMEX #2 Heating Oil Futures - 12 Month Forward Strip



The May 2009 heating oil contract expired on April 30th at \$1.315/gal. June is currently the prompt month. As of May 8th, the 12 month NYMEX forward strip starting June 2009 was \$1.68/gal. This is up 8% from the previous week and is 34% above the 24 month low set at \$1.25/gal on February 18th, 2009. Strip prices are 60% below the 24 month high, set on July 3rd at \$4.19/gal.

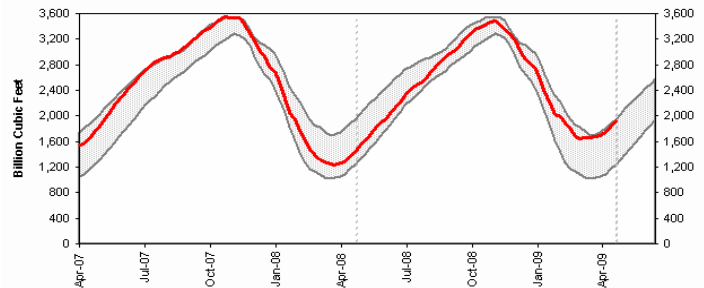
## Natural Gas Market

NYMEX Henry Hub Futures: 12 Month Forward Strip



The future price of natural gas is the single most important determinant of the future price of electricity. Natural gas fired generation plants are most often called upon to provide incremental electricity and because of the structure of the competitive electricity market, these plants generally set the price of electricity for all consumers. Electricity suppliers, therefore, follow the natural gas market closely and base their prices to consumers on the forward prices for natural gas.

Working Gas in Storage Compared to 5-Year Range



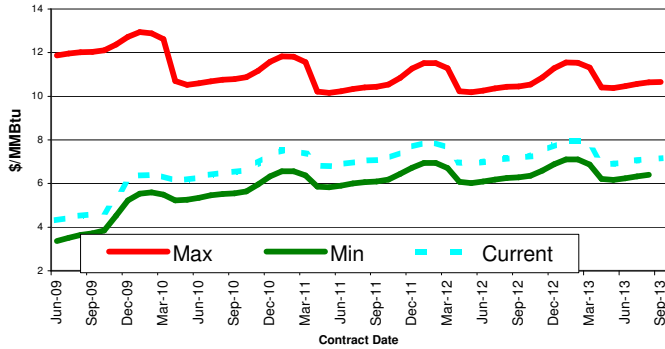
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected to rise. Conversely, high amounts of natural gas in storage will, all other things being equal, have a dampening effect on prices.

Source: EIA <http://tonto.eia.doe.gov/oog/info/ngs/ngs.html>

The May 2009 natural gas contract expired on April 28th at \$3.321/MMBtu. June is currently the prompt month. As of May 8th, the 12 month NYMEX strip starting June 2009 was \$5.45/MMBtu, up 5% from last week. This is 22% above the 24 month low, set April 27th at \$4.45/MMBtu. The current strip price is 59% below the 24 month high, set July 3rd at \$13.33/MMBtu. For comparison the 18, 24, 36, and 48 month NYMEX forward natural gas strips starting June 2009 were \$5.81/MMBtu, \$6.16/MMBtu, \$6.54/MMBtu, and \$6.75/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 1,918 Bcf as of Friday, May 1st, 2009. This implies a net injection of 95 Bcf for the week, compared to an injection of 68 Bcf for both the 5-year average and the same report week last year. Gas in storage was about 34% above last year's level and 23% above the 5-year average.

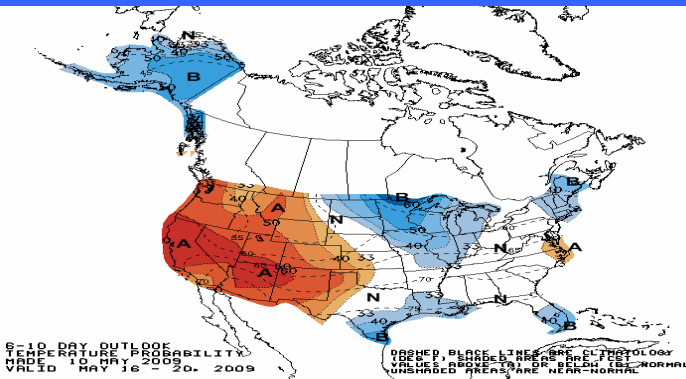
## NYMEX Natural Gas Forwards vs. 1 Year Range



Score 12 Month Forward Strip	88
Score 24 Month Forward Strip	85
Score 36 Month Forward Strip	82

Natural gas futures are useful to monitor for both natural gas and electricity consumers. The natural gas futures market drives electricity pricing in many US markets, including Texas and New England. This chart shows the current forward prices for natural gas on the NYMEX exchange for each forward month shown on the horizontal axis compared to the highest and lowest prices for these same forward months over the past 12-month period. 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 maxima; a score close to 100 indicates that current prices are close to their historic minima.

## Weather Forecast



For the period May 16 - 20, 2009

This chart measures how temperatures for this week compare 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](http://www.cpc.ncep.noaa.gov)

## Market Assessment

Crude oil, heating oil, and natural gas prices all increased over the course of last week. Crude oil rose every day except Tuesday on optimism that the economic crisis would soon be over. Prices dipped on Tuesday when the government's stress test of banks revealed that some may still need more capital, and also on fears that the pending EIA storage report would show inventories at an 18-year high. After the report showed lower-than-expected gains in inventory, crude oil rose for the remainder of the week. Natural gas prices followed the same trend as crude oil, rising each day except Tuesday. Gas dipped on Tuesday due to fears that the previous week's gains may not be supported by demand, but two employment reports released late last week showed that job losses were slowing, boosting optimism that industrial and commercial demand for gas would rise. By the end of the week, natural gas prices for the prompt month showed the biggest weekly gain since March 2006. However, this trend was reversing by Monday morning as analysts feared the gains made by all three commodities were not supported by supply and demand.

Overall, NYMEX natural gas futures prices for the next 12 months rose an average of 16% between Friday, May 8th, and the previous Friday, with the nearest months increasing the most. The June 2009 contract increased 22% to \$4.31 per MMBtu but was still the lowest priced futures contract for delivery in the next 12 months. The February 2010 contract rose 13% and closed the week at \$6.39 per MMBtu, the highest-priced natural gas futures contract for the same period.

NYMEX crude oil prices for the next 12 months increased 7% on average, with the nearest contracts increasing the most. The June 2009 contract rose 10% but was the least expensive at \$58.63 per barrel, while the May 2010 contract was the most expensive at \$66.49 per barrel. Heating oil prices for contracts with delivery in the next 12 months rose an average of 8% on the NYMEX last week, with the nearest contracts increasing the most. The current prompt month, June 2009, settled at \$1.518 per gallon on Friday, up 9% from the previous Friday. The May 2010 contract, at \$1.796 per gallon, was the highest priced contract for the same period.

The EIA reported that for the period of April 25 - May 1, crude oil stocks and propane stocks increased by 0.6 million barrels and 2.4 million barrels respectively. Distillate stocks (including heating oil) also rose by 2.4 million barrels while gasoline stocks decreased by 0.2 million barrels. Inventories for crude oil, propane, and distillate products are currently above their 5-year average range while gasoline stocks are at the high end of the 5-year average range.

The National Weather Service forecasts warmer than normal temperatures for the western half of the United States while the rest of the nation is expected to be normal or colder than normal (see map above). Energy prices remain very attractive compared to historical levels. Most clients with contracts expiring in 2009 should seriously consider hedging remaining energy costs through the end of the calendar year. Clients with contracts expiring in 2010 or even 2011 could also benefit from extending their hedged position. Hedging decisions are very dependent on unique budgetary circumstances and goals and clients should consult with their representatives at CES or CETX for customized assistance.



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