

# COMPETITIVE ENERGY SERVICES MARKET SUMMARY

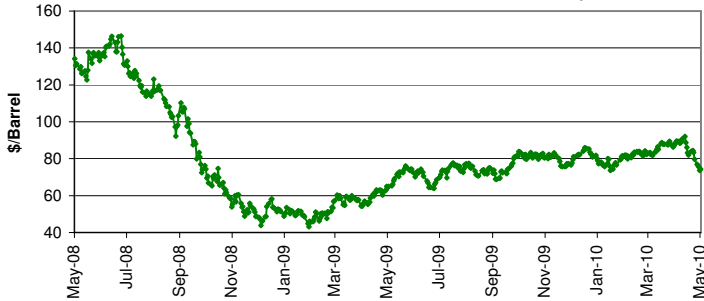
VIII - Issue 21

WEEK ENDING 5/21/10

## Oil Market

### Crude Oil

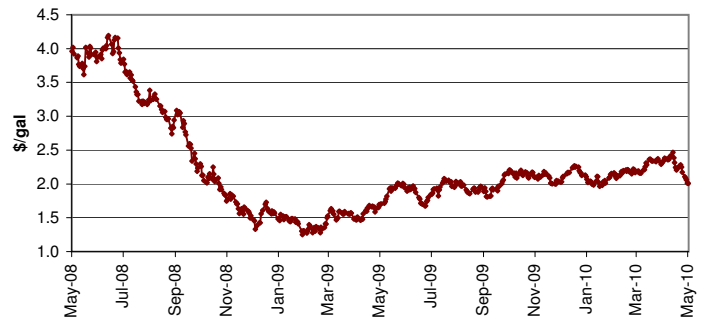
NYMEX Crude Futures - 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/bbl	\$74.42	\$79.64	\$146.44	\$43.06
date	5/21/10	5/14/10	7/14/08	2/18/09
change from last close		-6.6%	-49%	73%

STORAGE (in million bbls)	crude oil
domestic stocks as of 5/14/2010	362.7
gain / loss from previous week	0.2
comparison to historic range	above

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

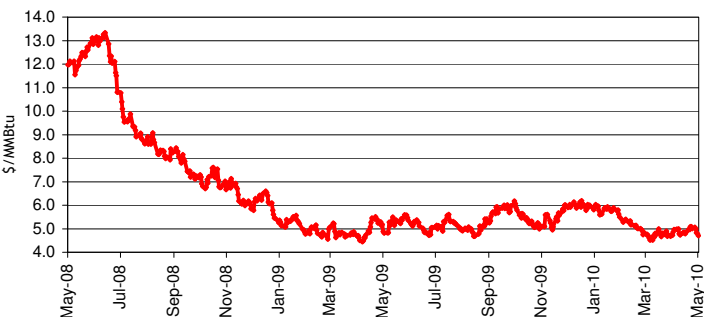


NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/gal	\$2.01	\$2.17	\$4.19	\$1.25
date	5/21/10	5/14/10	7/3/08	2/18/09
change from last close		-7.6%	-52%	60%

STORAGE (in million bbls)	distillate	propane	gasoline
domestic stocks as of 5/14/2010	152.8	39.5	221.8
gain / loss from previous week	-1.0	0.6	-0.3
comparison to historic range	above	within	above

## Natural Gas Market

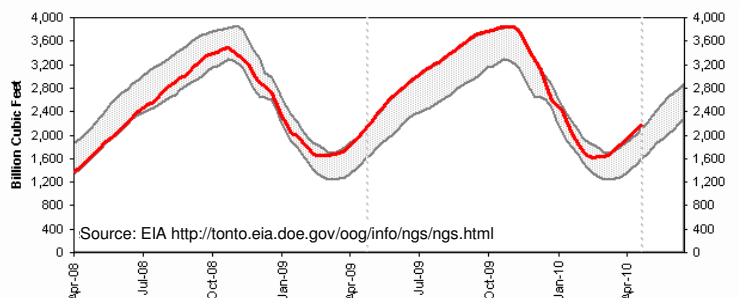
NYMEX Henry Hub Futures: 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 mo. strip, \$/MMBtu	\$4.71	\$5.01	\$13.33	\$4.45
date	5/21/10	5/14/10	7/3/08	4/27/09
change from last close		-5.9%	-65%	6%

Forward Strips	18 month	24 month	36 month	48 month
\$/MMBtu	\$4.89	\$5.11	\$5.35	\$5.53

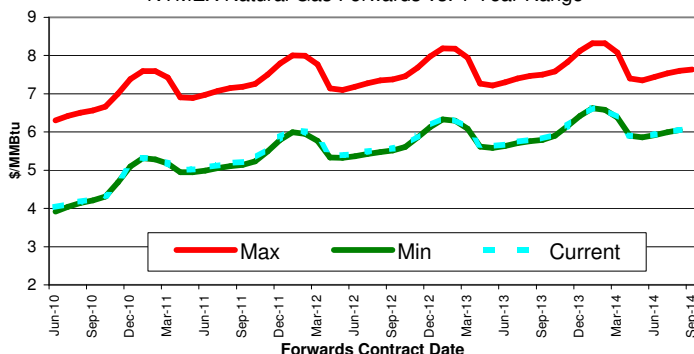
Working Gas in Storage Compared to 5-Year Range



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 2,165 Bcf as of Friday, May 14th. This implies a net weekly injection of 76 Bcf, compared to a net injection of 93 Bcf for the 5-year average and 100 Bcf for the same report week last year. Gas in storage was 4% greater than last year's level and 17% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range

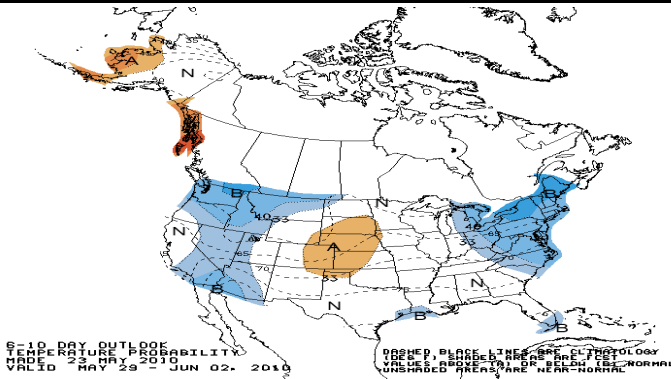


Natural gas futures are useful to monitor for both natural gas and electricity consumers because they drive electricity pricing in many U.S. markets including New England, Texas and, to a lesser extent, New York and the Mid-Atlantic. This chart compares the current natural gas price for each forward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

Forwards	Score
12 Month	98
24 Month	97
36 Month	97

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 May 29 - June 2, 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 prices dropped significantly last week, with the prompt month crude contract finally falling below the \$70 mark. Oil mainly rose and fell in response to the debt crisis in Europe. Prices fell on Monday and Tuesday as the euro fell to four-year lows against the US dollar, decreasing the appeal of investing in commodities. Furthermore, analysts fear that the crisis will hinder recovery from the global economic recession, and fuel demand will remain depressed. On Wednesday, the prompt month rose as the euro briefly recovered, but the other contract months continued to decline. The EIA reported that domestic crude inventory rose slightly less than expected, but stockpiles at Cushing, Oklahoma, where the NYMEX hub is located, reached a new record level. Prices fell on Thursday and Friday as US equities declined and the Labor Department reported that initial applications for unemployment benefits unexpectedly rose during the previous week.

The June crude oil contract expired on May 20th at \$68.01 per barrel, and July 2010 is the current prompt month. Crude oil contracts for delivery in the next twelve months starting July fell 8% on average last week. The July 2010 contract ended the week at \$70.04 per barrel, the lowest priced crude oil contract with delivery in next 12 months. The most expensive contract in the next 12 months was June 2011 at \$76.78 per barrel. For NYMEX heating oil futures, the May 2010 contract expired on April 30th at \$2.29 per gallon, and June 2010 is the prompt month. Heating oil contracts for delivery in the next 12 months fell 8% on average last week. The June 2010 contract ended the week at \$1.90 per gallon, and the most expensive contract in the next 12 months was March 2011, which ended the week at \$2.09 per gallon.

Natural gas prices rose on Monday but then declined every day for the remainder of the week. A warmer than normal forecast for the Midwest and the East during late May caused gas prices to increase on Monday. However, gas fell on Tuesday and Wednesday as traders sold their shares to capture profits from last week's rally into Monday. Gas rose briefly on Thursday morning after the EIA reported smaller-than-projected gains in domestic inventories, but began to fall in response to doubts that an economy recovery will soon bring a rebound in gas demand. Prices continued to fall on Friday as the oil and gas firm Baker Hughes Inc. reported that the number of domestic gas rigs rose 18 rigs to a total of 969.

The May 2010 natural gas contract expired on April 28th at \$4.27 per MMBtu on the NYMEX. Natural gas contracts for the next 12 months starting June 2010 fell 6% on average last week. June 2010, the lowest priced contract with delivery in the next 12 months, ended the week at \$4.04 per MMBtu. The highest priced contract in the next twelve months was January 2011 at \$5.33 per MMBtu.

The National Weather Service forecasts cooler than normal temperatures in the West and Northeast, while most of the central US is expected to experience normal temperatures (see chart above). The CES market score (see first page) increased last week, and 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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