



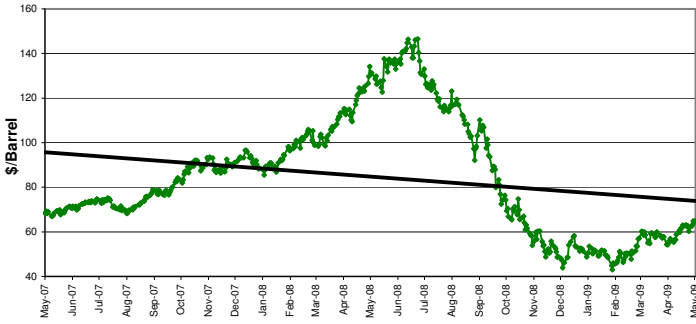
# COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 21

WEEK ENDING 5/22/09

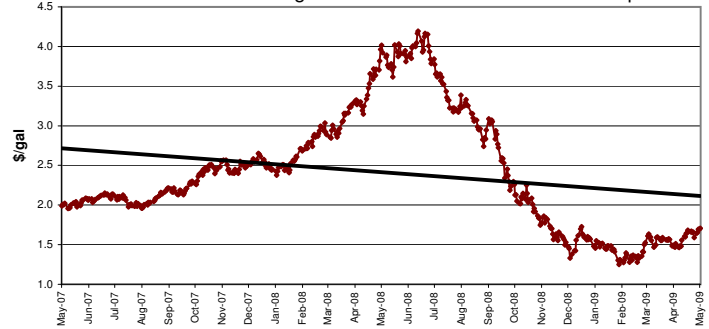
## Oil Market

NYMEX Crude Futures - 12 Month Forward Strip



The June 2009 crude oil contract expired on May 19th at \$59.65/barrel on the NYMEX. July is currently the prompt month. As of May 22nd, the 12 month NYMEX forward strip starting July 2009 was \$64.89/barrel, up 8% from the previous week. The current price is 51% above the 24 month low set on February 18th at \$43.06/barrel. Strip prices are 56% below the 24 month high for the 12 month strip, which was set July 14th, 2008 at \$146.44/barrel.

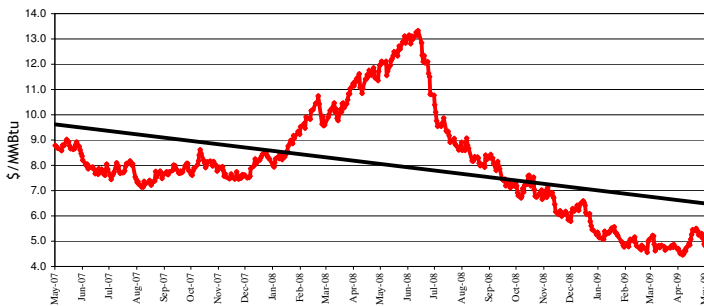
NYMEX #2 Heating Oil Futures - 12 Month Forward Strip



The May 2009 heating oil contract expired on April 30th at \$1.315/gal. June is currently the prompt month. As of May 22nd, the 12 month NYMEX forward strip starting June 2009 was \$1.71/gal. This is up 7% from the previous week and is 36% above the 24 month low set at \$1.25/gal on February 18th, 2009. Strip prices are 59% below the 24 month high, set on July 3rd at \$4.19/gal.

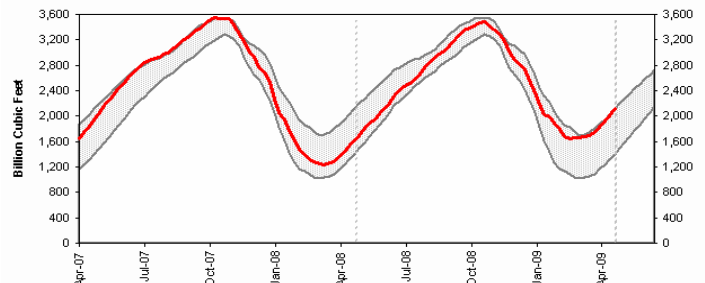
## Natural Gas Market

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



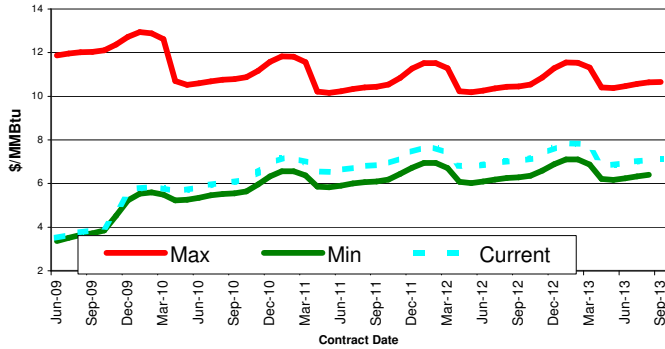
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected 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 22nd, the 12 month NYMEX strip starting June 2009 was \$4.81/MMBtu, down 8% from last week. The current strip price is 8% above the 24 month low, set April 27th at \$4.45/MMBtu, and 64% 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 \$5.24/MMBtu, \$5.65/MMBtu, \$6.12/MMBtu, and \$6.41/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 2,116 Bcf as of Friday, May 15th, 2009. This implies a net injection of 103 Bcf for the week, compared to a 5-year average injection of 90 Bcf and a 86 Bcf injection for the same report week last year. Gas in storage was about 32% above last year's level and 22% above the 5-year average.

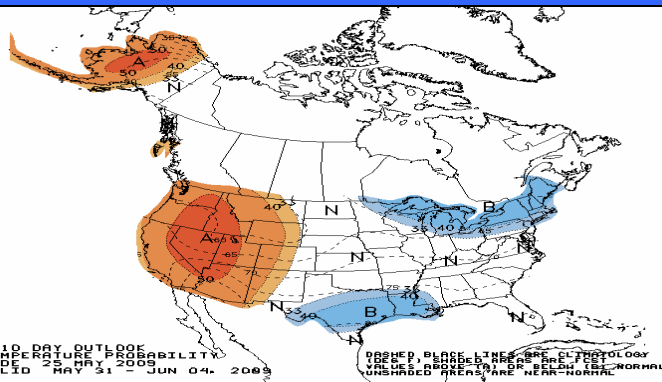
## NYMEX Natural Gas Forwards vs. 1 Year Range



Score 12 Month Forward Strip	97
Score 24 Month Forward Strip	93
Score 36 Month Forward Strip	90

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 31 - June 4, 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 and natural gas prices followed opposite trends last week, with crude oil rising and natural gas falling. Crude oil prices rose every day except Thursday when the Federal Reserve Open Market Committee issued a pessimistic outlook for the economy, warning that it may shrink more than previously expected. Also last week, the Department of Labor reported that the number of people claiming unemployment benefits reached a sixteenth consecutive weekly record, and the Energy Department reported that fuel demand had fallen 7.6% from a year before. Despite these economic indicators, oil prices have been bolstered by a weak dollar and decreased crude oil imports. Natural gas fell every day last week except Wednesday, ending with the biggest weekly decline of the prompt month price in 2 years. On Wednesday natural gas followed a jump in crude oil prices, which was spurred by the EIA's weekly petroleum report showing that crude oil inventories decreased more than expected. As of Tuesday morning, both crude oil and natural gas were falling on fears that fuel demand will be slow to rebound. Additionally, OPEC is expected to maintain its current output even though demand is stagnant.

Overall, NYMEX natural gas futures prices for the next 12 months fell an average of 8.8% between Friday, May 15th, and the previous Friday, with the nearest months decreasing the most. The June 2009 contract, which terminates today, decreased 14% to \$3.515 per MMBtu and was the lowest priced futures contract for delivery in the next 12 months. The February 2010 contract closed the week at \$5.831 per MMBtu, the highest-priced natural gas futures contract for the same period.

NYMEX crude oil prices for the next 12 months rose 6.5% on average. The June 2009 contract closed on May 19th at \$59.65 per barrel, and the July contract rose 8.2% to end the week at \$61.67 per barrel, the least expensive contract for this period. The June 2010 contract was the most expensive at \$63.73 per barrel. Heating oil prices for contracts with delivery in the next 12 months rose an average of 7.4% on the NYMEX last week, with the nearest contracts increasing the most. The current prompt month, June 2009, settled at \$1.583 per gallon on Friday, up 8.4% from the previous Friday. The May 2010 contract, at \$1.819 per gallon, was the highest priced contract for the same period.

The EIA reported that for the period of May 8 - 15, US crude oil stocks decreased by 2.1 million barrels while gasoline in stock also decreased by 4.3 million barrels. Propane stocks and distillate stocks (including heating oil) rose by 1.0 and 0.6 million barrels respectively. Inventories for crude oil, propane, and distillate products are currently well above their 5-year average range while gasoline stocks are below the 5-year average range.

The National Weather Service forecasts warmer than normal temperatures for the West but colder than normal temperatures for the Northeast and the Gulf Coast (see map above). Energy prices remain very attractive compared to historical levels. Most clients with contracts expiring in 2009 or the first half of 2010 should seriously consider hedging remaining energy costs through the end of the 2010 calendar year. Clients with contracts expiring in the second half of 2010 or in 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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