

Oil Market

Crude Oil

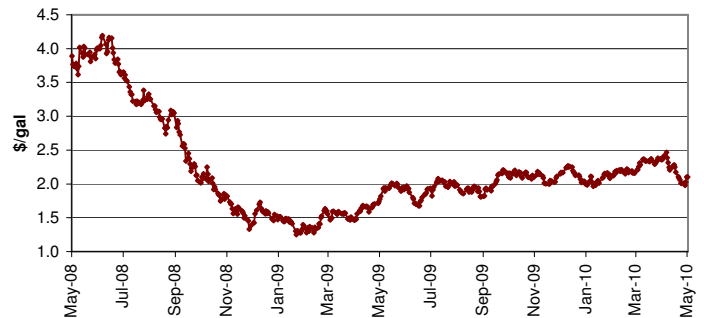
NYMEX Crude Futures - 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/bbl	\$77.97	\$74.42	\$146.44	\$43.06
date	5/28/10	5/21/10	7/14/08	2/18/09
change from last close		4.8%	-47%	81%

STORAGE (in million bbls)	crude oil
domestic stocks as of 5/21/2010	365.1
gain / loss from previous week	2.4
comparison to historic range	above

NYMEX #2 Heating Oil Futures - 12 Month Forward Strip

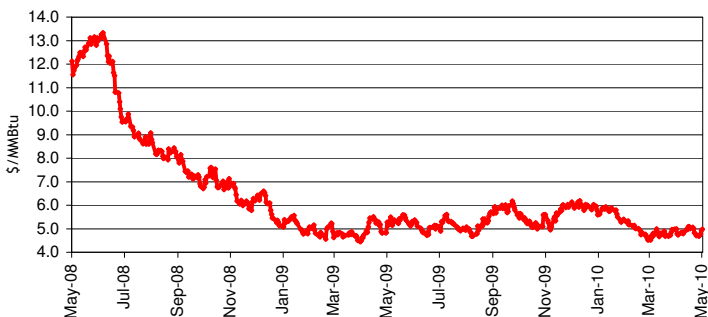


NYMEX PRICING	last close	previous week	24-month high	24-month low
12 month strip, \$/gal	\$2.10	\$2.01	\$4.19	\$1.25
date	5/28/10	5/21/10	7/3/08	2/18/09
change from last close		4.6%	-50%	68%

STORAGE (in million bbls)	distillate	propane	gasoline
domestic stocks as of 5/21/2010	152.5	39.7	278.6
gain / loss from previous week	-0.3	0.2	-7.8
comparison to historic range	above	within	above

Natural Gas Market

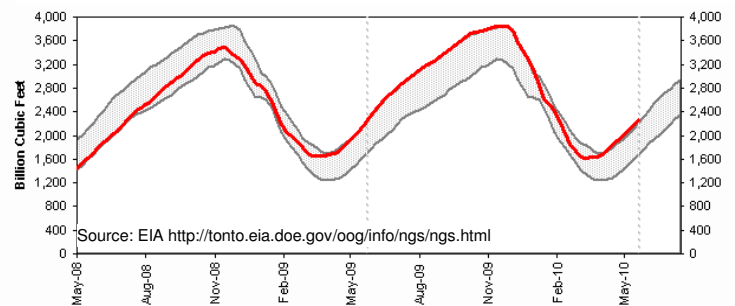
NYMEX Henry Hub Futures: 12 Month Forward Strip



NYMEX PRICING	last close	previous week	24-month high	24-month low
12 mo. strip, \$/MMBtu	\$4.98	\$4.71	\$13.33	\$4.45
date	5/28/10	5/21/10	7/3/08	4/27/09
change from last close		5.6%	-63%	12%

Forward Strips	18 month	24 month	36 month	48 month
\$/MMBtu	\$5.16	\$5.33	\$5.54	\$5.70

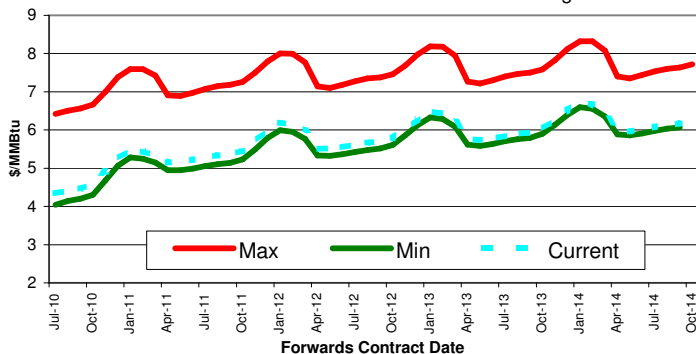
Working Gas in Storage Compared to 5-Year Range



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 2,269 Bcf as of Friday, May 21st. This implies a net weekly injection of 104 Bcf, compared to a net injection of 94 Bcf for the 5-year average and 106 Bcf for the same report week last year. Gas in storage was 3% greater than last year's level and 16% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range

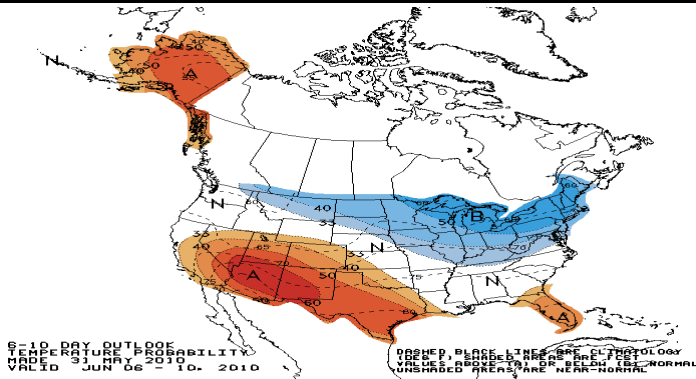


Natural gas futures are useful to monitor for both natural gas and electricity consumers because they drive electricity pricing in many U.S. markets including New England, Texas and, to a lesser extent, New York and the Mid-Atlantic. This chart compares the current natural gas price for each forward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

Forwards	Score
12 Month	90
24 Month	90
36 Month	90

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 June 6 - 10, 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 climbed last week, reversing the losses from the prior week. Crude prices were steady on Monday and fell on Tuesday as investors feared that the Greek debt crisis is spreading to Spain, causing the euro to weaken against the US dollar. Tensions also escalated between North Korea and South Korea after a report found that the South Korean warship *Cheonan* was likely sunk by a North Korean torpedo. Crude oil began to climb on Wednesday after the Commerce Department announced that orders for durable goods gained 2.9 percent in April. Also, the EIA reported that total domestic crude stocks rose 2.46 million barrels, almost ten times what was projected, but inventories at Cushing, Oklahoma, fell for the first time in 10 weeks after reaching a record during the week ending May 14th. Cushing, Oklahoma is the hub for crude oil traded on the NYMEX. Crude oil continued to rise on Thursday as China announced that it would not be offloading euro-based holdings. By the end of trading on Thursday, the prompt month contract had risen 8.4% over Wednesday and Thursday. Crude oil prices pared some of these gains on Friday as the Commerce Department announced that consumer spending remained at the same level in April compared to March, and furthermore Fitch Ratings downgraded Spain's credit rating from AAA to AA+, causing the euro to weaken against the US dollar.

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 rose 5% on average last week. The July 2010 contract ended the week at \$73.97 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 \$80.44 per barrel. For NYMEX heating oil futures, the June 2010 contract expired on Friday, May 28th at \$1.98 per gallon, and July 2010 is the prompt month. Heating oil contracts for delivery in the next 12 months rose 5% on average last week. The July 2010 contract ended the week at \$2.00 per gallon, and the most expensive contract in the next 12 months was March 2011, which ended the week at \$2.18 per gallon.

Natural gas prices dipped on Monday and then rose every day for the remainder of the week. Prices were bearish on Monday with a surplus in domestic stocks and mild weather predicted for June with no hurricanes on the horizon. Gas began to climb on Tuesday after the group Tropical Storm Risk announced that hurricane season activity is expected to be above normal. Furthermore, consumer confidence rose to the highest levels since March 2008. On Thursday, the EIA inventory report showed that domestic stocks increased by 104 billion cubic feet, compared to a prediction of 100 Bcf. However, gas prices responded instead to the National Oceanic and Atmospheric Administration's projection that this year's hurricane season will be one of the most active on record. Also, the Labor Department reported that the number of initial unemployment applications and the number of people received an extension of unemployment benefits declined. Prices continued the trend on Friday as the oil and gas firm Baker Hughes reported that the rig count fell by 2 rigs last week, and above-normal temperatures were predicted to boost air conditioner use over Memorial Day weekend throughout the Midwest and Northeast.

The June 2010 natural gas contract expired on May 26th at \$4.16 per MMBtu on the NYMEX. Natural gas contracts for the next 12 months starting July 2010 rose 4% on average last week. July 2010, the lowest priced contract with delivery in the next 12 months, ended the week at \$4.34 per MMBtu. The highest priced contract in the next twelve months was January 2011 at \$5.47 per MMBtu.

The National Weather Service forecasts cooler than normal temperatures for most of the Northern US, while the Southwest and Florida are expected to be warmer than normal (see chart above). The CES market score (see first page) decreased 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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