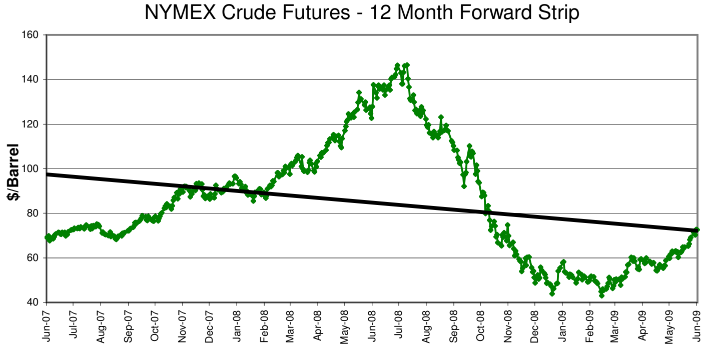
COMPETITIVE ENERGY SERVICES
CETX ENERGY AGENCY
# MARKET SUMMARY

**VIII - Issue 23** **WEEK ENDING 6/5/09**

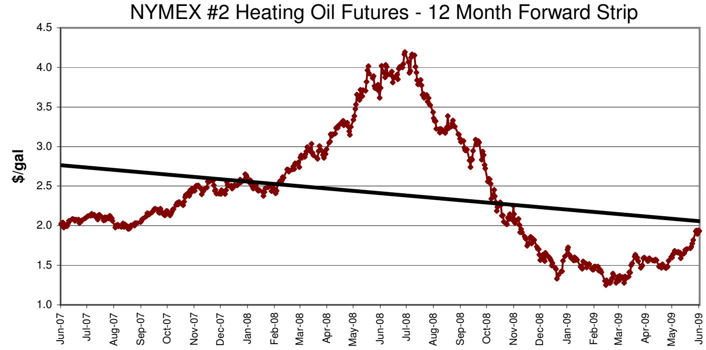
## Oil Market

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 June 5th, the 12 month NYMEX forward strip starting July 2009 was $72.61/barrel, up 5% from the previous week. The current price is 69% above the 24 month low set on February 18th at $43.06/barrel. Strip prices are 50% below the 24 month high for the 12 month strip, which was set July 14th, 2008 at $146.44/barrel.

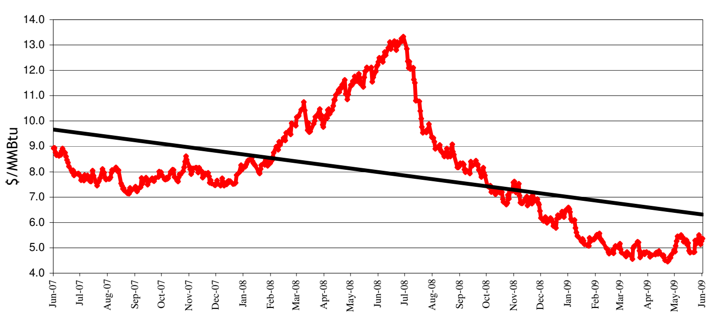
NYMEX #2 Heating Oil Futures - 12 Month Forward Strip




The June 2009 heating oil contract expired on May 29th at $1.642/gal. July is currently the prompt month. As of June 5th, the 12 month NYMEX forward strip starting June 2009 was $1.93/gal. This is up 6% from the previous week and is 54% above the 24 month low set at $1.25/gal on February 18th, 2009. Strip prices are 54% below the 24 month high, set on July 3rd at $4.19/gal.

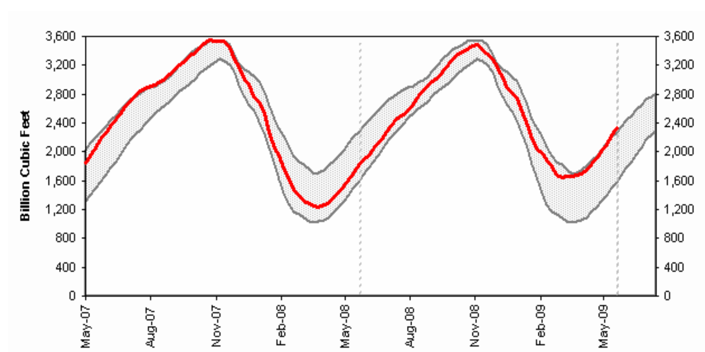
## Natural Gas Market

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



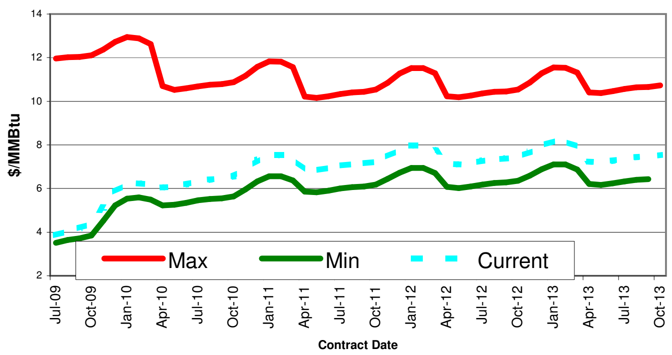

compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected to rise. Conversely, high amounts of natural gas in storage will, all other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

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

The June 2009 natural gas contract expired on May 27th at $3.54/MMBtu. July is currently the prompt month. As of June 5th, the 12 month NYMEX strip starting July 2009 was $5.37/MMBtu, up 4% from last week. The current strip price is 16% above the 24 month low, set April 27th at $4.45/MMBtu, and 61% 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 $5.80/MMBtu, $6.14/MMBtu, $6.56/MMBtu, and $6.82/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 2,337 Bcf as of Friday, May 29th, 2009. This implies a net injection of 124 Bcf for the week, compared to a 5-year average injection of 94 Bcf and a 102 Bcf injection for the same report week last year. Gas in storage was about 31% above last year's level and 22% above the 5-year average.

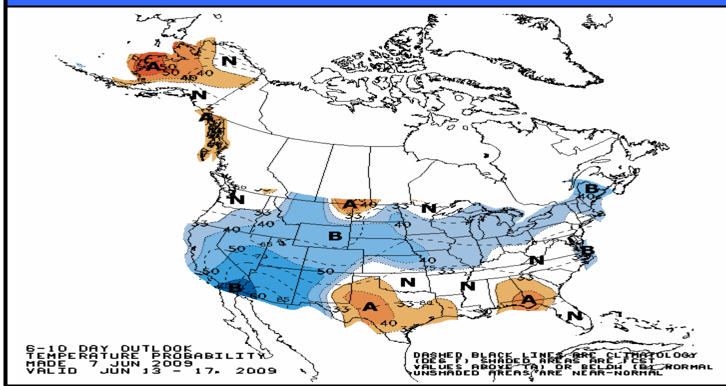
## NYMEX Natural Gas Forwards vs. 1 Year Range




| | |
|---|---|
| **Score 12 Month Forward Strip** | **91** |
| **Score 24 Month Forward Strip** | **86** |
| **Score 36 Month Forward Strip** | **82** |

Natural gas futures are useful to monitor for both natual 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 June 13 - 17, 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

## Market Assessment

Continuing the trend from last week, prices for oil and natural gas rose over the course of the week. Crude oil and heating oil inched higher early in the week but saw the biggest jump on Thursday when Goldman Sachs released a forecast of $85 per barrel for crude oil by the end of the year. This rise was tempered by a drop on Wednesday as the US dollar rose and traders sold their contracts to lock in gains from the recent rally. Natural gas also saw a large drop on Wednesday as analysts anticipated that Thursday's EIA report would show a larger-than-average injection into reserves. Although the EIA's reported injection of 124 Bcf was even larger than anticipated, gas still managed to rise on Thursday and Friday after the Department of Labor reported that fewer jobs were shed in May than projected. Although unemployment hit a 25 year high of 9.4% in May, the fact that the economy shed 345,000 jobs was actually seen by some as positive economic indicator as it was the lowest loss reported since last September. Crude oil is currently at 18 times the cost of natural gas (per MMBtu), compared to an average ratio of 8.4 over the past decade. This is, in part, because OPEC managed to cut crude oil production to prevent a collapse in prices as demand fell, but natural gas producers have not.

Overall, NYMEX natural gas futures prices for the next 12 months rose an average of 4% between Friday, June 5th, and the previous Friday. The July contract rose 1% to end the week at $3.868 per MMBtu, the cheapest contract in this period. The February 2010 contract rose 5% and closed the week at $6.23 per MMBtu, the highest-priced natural gas futures contract for the same period.

NYMEX crude oil prices for the next 12 months rose 5% on average, with the farthest contracts increasing the most. The July contract rose 3% to end the week at $68.44 per barrel, the least expensive contract for this period. The June 2010 contract was the most expensive at $75.84 per barrel. Heating oil prices for contracts with delivery in the next 12 months also rose an average of 5% on the NYMEX last week. The July 2009 contract settled at $1.770 per gallon on Friday, up 5.5% from the previous Friday but still the cheapest contract for this period. The May 2010 contract, at $2.035 per gallon, was the highest priced contract for the same period.

The EIA reported that for the period of May 22 - 29, US crude oil stocks increased by 2.9 million barrels. Propane stocks and distillate stocks (including heating oil) also increased by 2.0 and 1.6 million barrels respectively. Gasoline stocks, however, decreased by 0.2 million barrels. 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 colder than normal temperatures for most of the United States except for the Southeast and Texas, which are projected to be normal or warmer than normal (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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