

COMPETITIVE ENERGY SERVICES MARKET SUMMARY

VIII - Issue 26

WEEK ENDING 6/25/10

Oil Market

Crude Oil

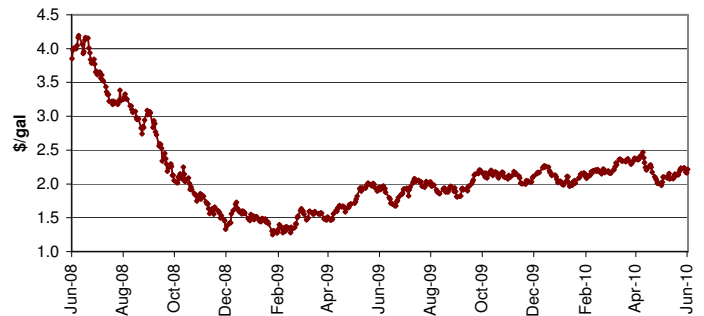
NYMEX Crude Futures - 12 Month Forward Strip



| NYMEX PRICING | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 month strip, \$/bbl | \$81.20 | \$80.90 | \$146.44 | \$43.06 |
| date | 6/25/10 | 6/18/10 | 7/14/08 | 2/18/09 |
| change from last close | | 0.4% | -45% | 89% |

| STORAGE (in million bbls) | crude oil |
|---------------------------------|-----------|
| domestic stocks as of 6/18/2010 | 365.1 |
| gain / loss from previous week | 2.0 |
| comparison to historic range | above |

NYMEX #2 Heating Oil Futures - 12 Month Forward Strip

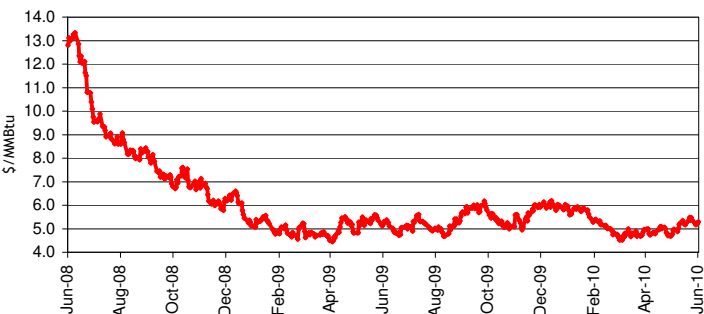


| NYMEX PRICING | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 month strip, \$/gal | \$2.21 | \$2.22 | \$4.19 | \$1.25 |
| date | 6/25/10 | 6/18/10 | 7/3/08 | 2/18/09 |
| change from last close | | -0.3% | -47% | 77% |

| STORAGE (in million bbls) | distillate | propane | gasoline |
|---------------------------------|------------|---------|----------|
| domestic stocks as of 6/18/2010 | 156.9 | 46.2 | 217.6 |
| gain / loss from previous week | 0.3 | 1.1 | -0.7 |
| comparison to historic range | above | within | above |

Natural Gas Market

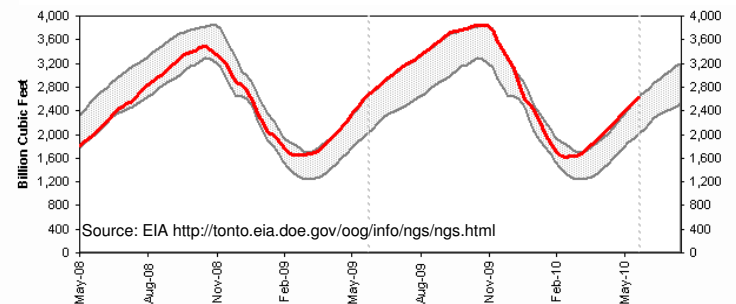
NYMEX Henry Hub Futures: 12 Month Forward Strip



| NYMEX PRICING | last close | previous week | 24-month high | 24-month low |
|------------------------|------------|---------------|---------------|--------------|
| 12 mo. strip, \$/MMBtu | \$5.29 | \$5.36 | \$13.33 | \$4.45 |
| date | 6/25/10 | 6/18/10 | 7/3/08 | 4/27/09 |
| change from last close | | -1.2% | -60% | 19% |

| Forward Strips | 18 month | 24 month | 36 month | 48 month |
|----------------|----------|----------|----------|----------|
| \$/MMBtu | \$5.41 | \$5.52 | \$5.67 | \$5.80 |

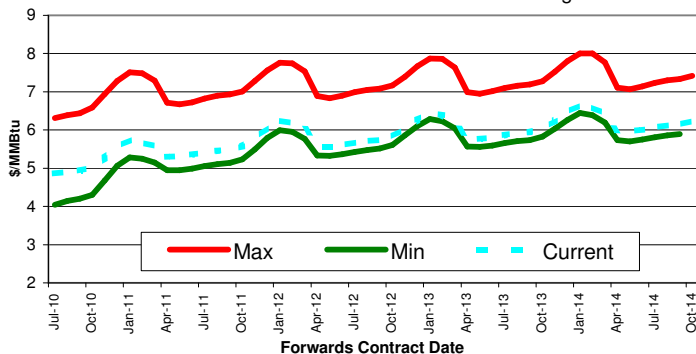
Working Gas in Storage Compared to 5-Year Range



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 2,624 Bcf as of Friday, June 18th. This implies a net weekly injection of 81 Bcf, compared to a net injection of 85 Bcf for the 5-year average and 97 Bcf for the same report week last year. Gas in storage was slightly lower than last year's level but 13% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range

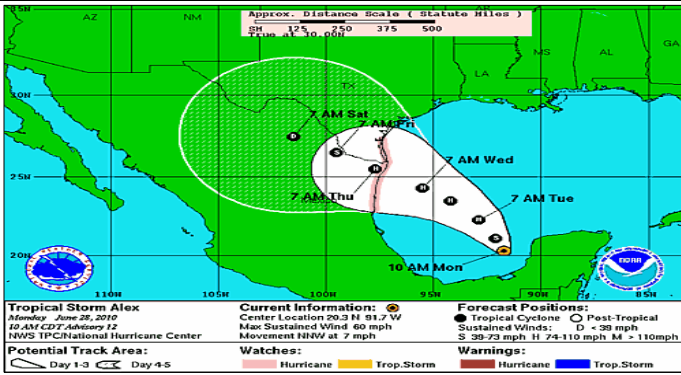


Natural gas futures are useful to monitor for both natural gas and electricity consumers because they drive electricity pricing in many U.S. markets including New England, Texas and, to a lesser extent, New York and the Mid-Atlantic. This chart compares the current natural gas price for each forward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

| Forwards | Score |
|----------|-------|
| 12 Month | 75 |
| 24 Month | 79 |
| 36 Month | 82 |

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



Tropical Storm Alex, 5-day forecast cone

This map shows current tropical storms and depressions in the Atlantic basin which includes the Atlantic Ocean, the Caribbean Sea and the Gulf of Mexico. Tropical Storm Alex is expected to continue traveling northwest while gaining strength over the next 48 hours. It has the potential to reach hurricane status later today or by early tomorrow. A hurricane watch is in effect for South Texas and the eastern coast of Mexico. See below for additional discussion.

Source: National Weather Service - National Hurricane Center
<http://www.nhc.noaa.gov/index.shtml>

Market Assessment

Crude oil and heating oil prices fluctuated but ended the week with little overall change. Crude oil climbed on Monday after China announced it would no longer peg its currency to the US dollar, increasing its purchasing power. Oil prices fell for the next two days on news that existing home sales unexpectedly fell during May and a federal judge ruled against President Obama's moratorium on deepwater drilling in the Gulf of Mexico. Furthermore, the EIA reported a net gain of 2.02 million barrels of crude in stock, compared to a projected decrease of 800,000 barrels. Oil prices pared some of these losses on Friday as a low pressure system began to form in the Gulf (now Tropical Storm Alex), causing concern about the potential for disruption of oil production. As of Monday morning, it appears that Alex's trajectory will move west of the rigs and refineries in the Gulf, and impacts should be minimal. Cleanup efforts of the BP oil spill should also remain unaffected by Alex, although there is some speculation that a hurricane could actually help disperse the oil.

The July crude oil contract expired on June 22nd at \$77.21 per barrel, and August 2010 is the current prompt month. Crude oil contracts for delivery in the next twelve months starting August fell 3% on average last week. The 12-month forward strip increased 0.4% from last week due to the expiration of the July 2010 contract, so the more expensive July 2011 contract rolled onto the strip. The August 2010 contract ended the week at \$78.86 per barrel, the lowest-priced crude oil contract with delivery in next 12 months. The most expensive contract in the next 12 months was July 2011 at \$83.77 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 fell 0.3% on average last week. The July 2010 contract ended the week at \$2.11 per gallon, and the most expensive contract in the next 12 months was April 2011, which ended the week at \$2.27 per gallon.

Natural gas prices fluctuated very little last week. Gas prices slipped early in the week as the US dollar gained and equities fell. However, a heat wave over much of the Northeast caused prices to move up on Wednesday. The EIA's storage report, released every Thursday, showed a gain of 81 Bcf of gas in storage, just above the projected gain of 80 Bcf. On Friday, the National Hurricane Center reported that a weather system in the Gulf had an 80% chance of becoming a tropical storm, sending gas prices upwards. About 10% of domestic natural gas comes from the Gulf. This is down from about 25% in 2006 due to the large increase in onshore natural gas production from shale. The continued expansion of onshore shale gas production should insulate natural gas prices somewhat from hurricane related impacts. On the bearish side, the Baker Hughes rig count for gas increased by 5 to a total of 958 last week.

The June 2010 natural gas contract expired on May 26th at \$4.16 per MMBtu on the NYMEX. The July contract expires at the end of trading today. Natural gas contracts for the next 12 months starting July 2010 fell 1.2% on average last week. July 2010, the lowest priced contract with delivery in the next 12 months, ended the week at \$4.86 per MMBtu. The highest priced contract in the next twelve months was January 2011 at \$5.74 per MMBtu.

The National Weather Service forecasts above-normal temperatures for the Midwest and Northeast, while the Rockies states and the South are expected to be cooler than normal. The CES market score (see first page) is about the same from the previous 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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