



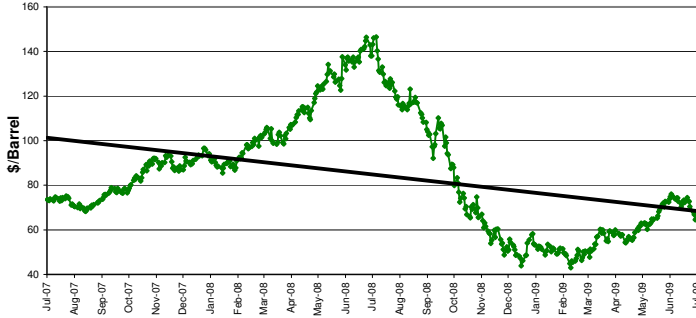
# COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 28

WEEK ENDING 7/10/09

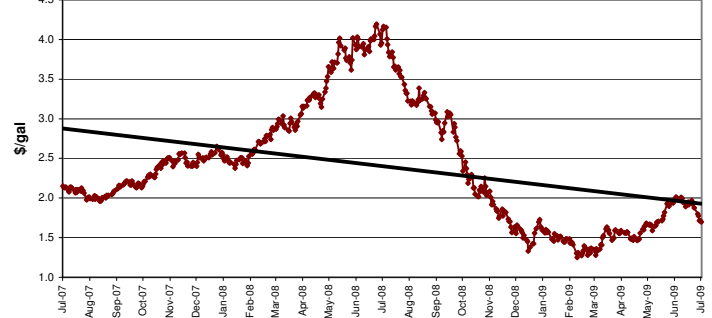
## Oil Market

NYMEX Crude Futures - 12 Month Forward Strip



The July 2009 crude oil contract expired on June 22nd at \$66.93/barrel on the NYMEX. August is currently the prompt month. As of July 10th, the 12 month NYMEX forward strip starting August 2009 was \$64.37/barrel, down 9% from the previous week. The current price is 49% 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.

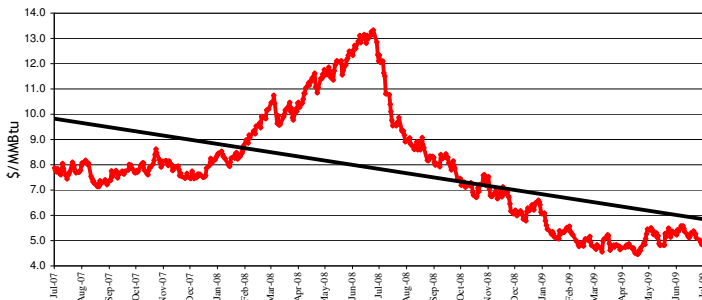
NYMEX #2 Heating Oil Futures - 12 Month Forward Strip



The July 2009 heating oil contract expired on June 30th at \$1.72/gal. August is currently the prompt month. As of July 10th, the 12 month NYMEX forward strip starting August 2009 was \$1.70/gal. This is down 9% 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, 2008 at \$4.19/gal.

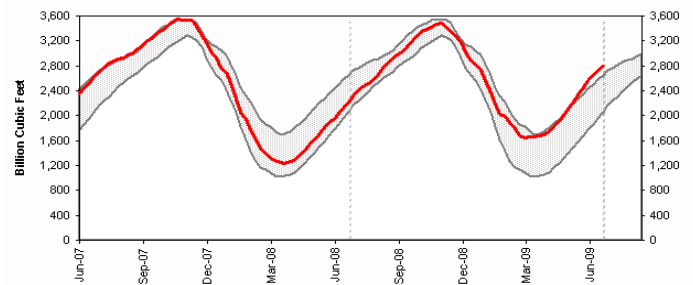
## Natural Gas Market

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



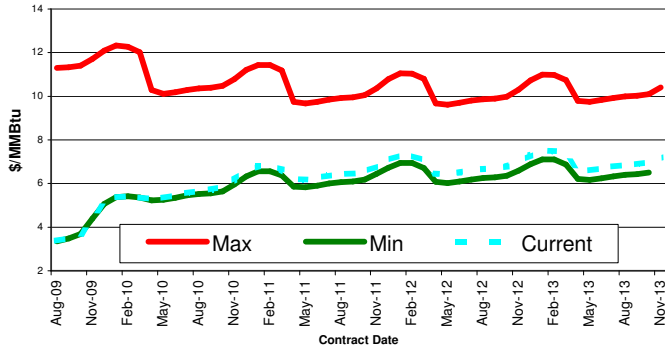
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected 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 July 2009 natural gas contract expired on June 26th at \$3.95/MMBtu. August is currently the prompt month. As of July 10th, the 12 month NYMEX strip starting August 2009 was \$4.82/MMBtu, down 6% 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, 2008 at \$13.33/MMBtu. For comparison the 18, 24, 36, and 48 month NYMEX forward natural gas strips starting August 2009 were \$5.26/MMBtu, \$5.55/MMBtu, \$5.95/MMBtu, and \$6.20/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 2,796 Bcf as of Friday, July 3rd, 2009. This implies a net injection of 75 Bcf for the week, compared to a 5-year average injection of 90 Bcf and a 89 Bcf injection for the same report week last year. Gas in storage was about 27% above last year's level and 19% above the 5-year average.

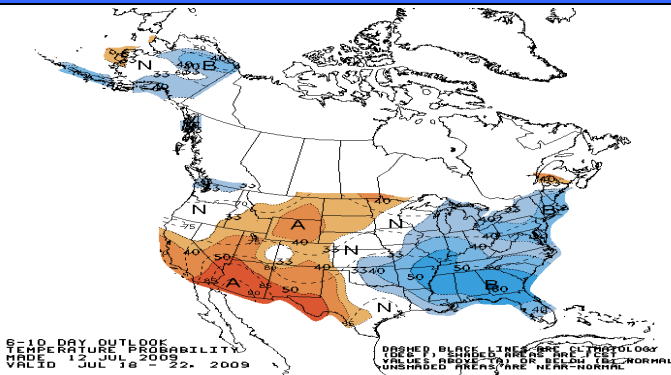
## NYMEX Natural Gas Forwards vs. 1 Year Range



Score 12 Month Forward Strip	99
Score 24 Month Forward Strip	97
Score 36 Month Forward Strip	94

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 July 18 - 22, 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

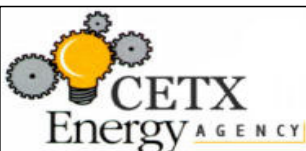
Commodity prices for oil and natural gas fell again last week, continuing the trend from the previous week but with steeper declines. Although optimism for a recovery had been driving up crude oil prices during the spring, persistently low demand is now driving oil prices down in what many analysts see as a market correction. Although domestic crude oil stocks declined last week, gasoline stocks actually gained ahead of the July 4th weekend, increasing analysts' pessimism for a recovery. By the close of the week, the August crude oil contract had lost over 10% from the previous week. Natural gas followed the same trend for similar reasons. Domestic stocks are almost 20% greater than the five year average, and summer weather has been mild, suppressing the demand for natural gas-fueled electricity. The bullish factors currently in play are the potential decline in the dollar against the euro (increasing the appeal of investing in commodities) and also the exploration and production rig count, which reached a seven year low last week.

NYMEX natural gas futures prices for the next 12 months fell 5.8% between Friday, July 10th, and the previous Thursday (NYMEX trading was closed on Friday July 3rd for the holiday). The current natural gas prompt month – August 2009 – declined 6.7% and closed last week at \$3.37 per MMBtu. It was the lowest price for a NYMEX natural gas futures contract with delivery in next 12 months. The upcoming fall contracts (September – November) averaged \$3.86 per MMBtu while the winter contracts (December '09 – March '10) closed at an average price of \$5.31 per MMBtu. The July 2010 contract was at \$5.57 per MMBtu, the highest priced natural gas futures contract in the next 12 months.

Crude oil futures for the next 12 months decreased an average of 8.7% last week on the NYMEX, with the August and September contracts both falling more than 10%. The August contract ended the week at \$59.89 per barrel, the lowest priced crude oil futures contract with delivery in next 12 months. The most expensive contract in the next 12 months was July 2010, which closed the week at \$67.60 per barrel. The NYMEX heating oil futures contracts for delivery in the next 12 months fell 9.4% last week. August 2009, the prompt month, closed the week at \$1.53 per gallon while the winter heating oil contracts (November – March) settled at an average of \$1.68 per gallon on Friday.

The EIA reported last week that the U.S. crude oil stocks decreased by 2.9 million barrels over the week ending Friday, July 3rd. This is the fifth straight weekly decline but the current inventory level is still slightly above the historical average range. Gasoline inventories increased by 1.9 million barrels, a fourth weekly increase and an unusual occurrence during the peak of the U.S. driving season. Distillate (including heating oil) and propane inventories rose by 3.7 and 1.3 million barrels respectively, and both are above their historically average range.

The National Weather Service forecast calls for cooler than normal weather east of the Plains and warmer than normal for the Western states (see map above). Energy prices are very attractive compared to historical levels. Most clients with contracts before the end of 2010 should seriously consider hedging remaining energy costs through at least the end of the 2010 calendar year. Clients with contracts expiring in 2011 and beyond 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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