



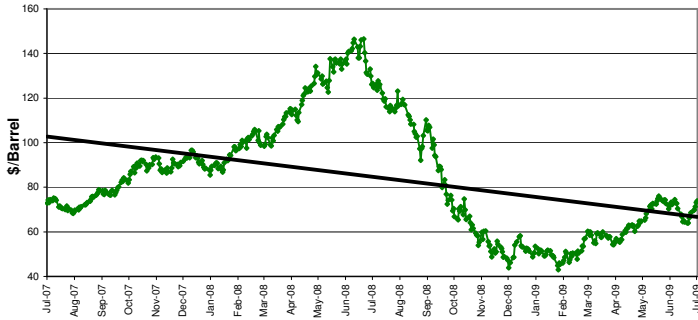
COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 30

WEEK ENDING 7/24/09

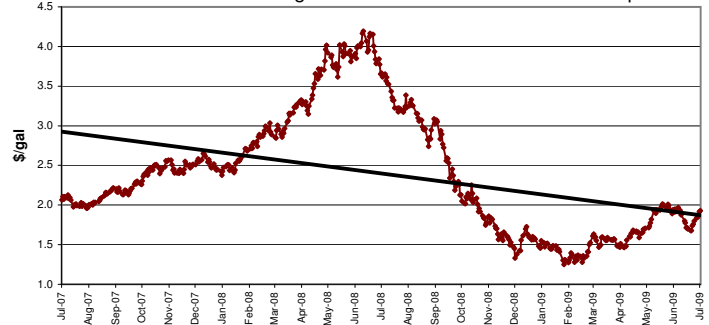
Oil Market

NYMEX Crude Futures - 12 Month Forward Strip



The August 2009 crude oil contract expired on July 21st at \$64.72/barrel on the NYMEX. September is currently the prompt month. As of July 24th, the 12 month NYMEX forward strip starting September 2009 was \$73.83/barrel, up 8% from the previous week. The current price is 71% 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.

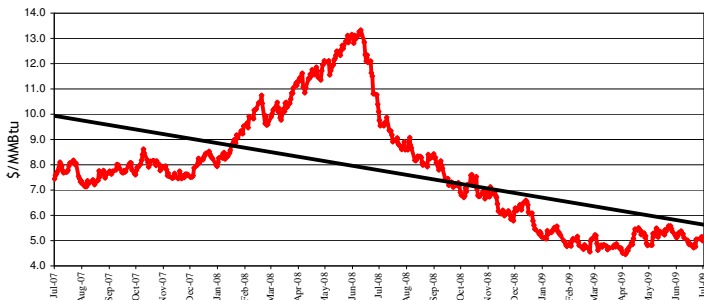
NYMEX #2 Heating Oil Futures - 12 Month Forward Strip



The July 2009 heating oil contract expired on June 30th at \$1.72/gal. August is currently the prompt month. As of July 24th, the 12 month NYMEX forward strip starting August 2009 was \$1.93/gal. This is up 7% 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, 2008 at \$4.19/gal.

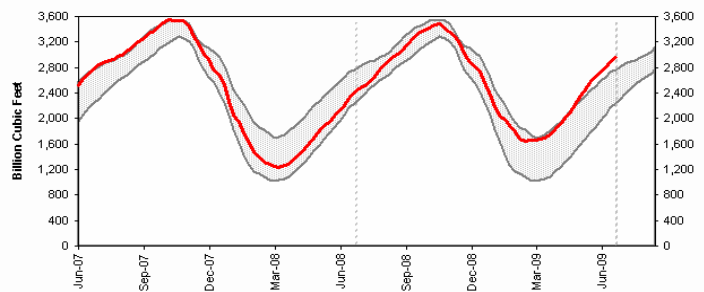
Natural Gas Market

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



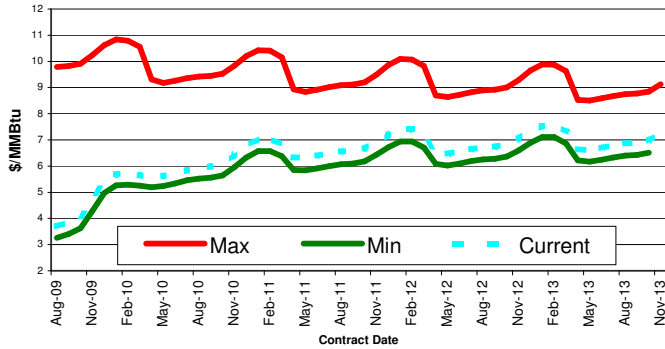
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected 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 24th, the 12 month NYMEX strip starting August 2009 was \$5.14/MMBtu, up 2% from last week. The current strip price is 15% above the 24 month low, set April 27th at \$4.45/MMBtu, and 61% 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 \$5.55/MMBtu, \$5.80/MMBtu, \$6.15/MMBtu, and \$6.36/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 2,952 Bcf as of Friday, July 17th, 2009. This implies a net injection of 66 Bcf for the week, compared to a 5-year average injection of 62 Bcf and a 87 Bcf injection for the same report week last year. Gas in storage was about 23% above last year's level and 18% above the 5-year average.

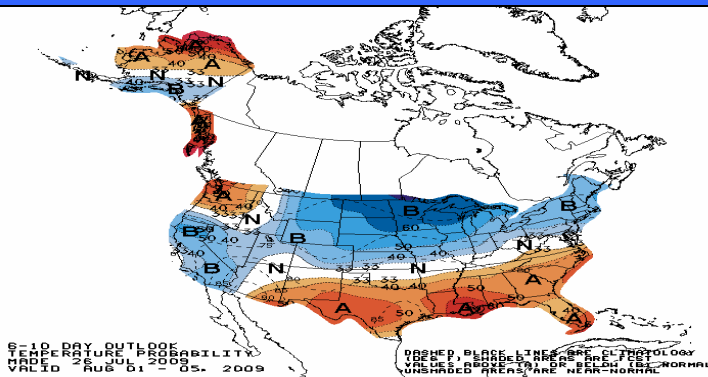
NYMEX Natural Gas Forwards vs. 1 Year Range



Score 12 Month Forward Strip	92
Score 24 Month Forward Strip	89
Score 36 Month Forward Strip	88

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 August 1 - 5, 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

Oil and natural gas gained over the course of last week, continuing the trend from the previous week. Crude oil price for the last month has tracked the stock market more closely than normal, with less regard to current market fundamentals. The rise in equities last week fueled optimism that an economic recovery is around the corner, boosting crude oil. An exception came on Wednesday when crude oil for September dipped after the EIA reported that inventories declined less than projected. Natural gas followed the exact same trend, rising every day except the day the EIA released its weekly report. On Thursday, natural gas for August fell 6.4% after the EIA reported that inventories once again increased more than average. Despite mild weather and a lack of hurricanes on the horizon, natural gas followed the stock market up on Friday. As of Monday morning, natural gas was reversing last week's rally, while crude oil was rising as Asian and European stocks gained, spurring hopes that global energy demand is also on the rise.

NYMEX natural gas futures prices for the next 12 months rose 2% between Friday, July 24th, and the previous Friday. The current prompt month – August 2009 – closed last week at \$3.695 per MMBtu, the lowest priced contract with delivery in next 12 months. The upcoming fall contracts (September – November) averaged \$4.24 per MMBtu while the winter contracts (December '09 – March '10) closed at an average price of \$5.62 per MMBtu. The highest priced natural gas futures contract in the next 12 months was the July 2010 contract at \$5.835 per MMBtu,

Crude oil futures for the next 12 months rose an average of 6.5% last week on the NYMEX. The September 2009 contract ended the week at \$68.05 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 August 2010, which closed the week at \$77.28 per barrel. NYMEX heating oil futures contracts for delivery in the next 12 months rose 7% on average last week. August 2009, the prompt month, closed the week at \$1.78 per gallon while the winter heating oil contracts (November – March) averaged \$1.95 per gallon on Friday.

The EIA reported that for the week ending Friday, July 17th, U.S. crude oil stocks decreased by 1.8 million barrels. Although this is the seventh straight weekly decline, levels are still slightly above historical average. Gasoline inventories increased by 0.5 million barrels and are now at the high end of the average range. Distillate (including heating oil) and propane inventories rose by 1.2 and 2.0 million barrels respectively, and both are above their historic average range.

The National Weather Service forecasts cooler than normal weather for most of the northern US and for California, while the South is expected to be warmer than normal (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.



2121 Sage Rd. Suite 310
Houston, TX 77056
Tel: (800) 475-5315
Fax: (800) 884-3996
www.cetxenergy.com

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148 Middle St. Suite 506
Portland, ME 04101
Tel: (866) 408-4591
Fax: (866) 743-4968
www.competitive-energy.com

