



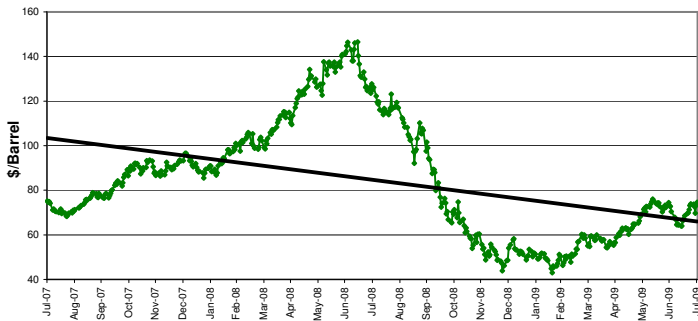
COMPETITIVE ENERGY SERVICES CETX ENERGY AGENCY MARKET SUMMARY

VIII - Issue 31

WEEK ENDING 7/31/09

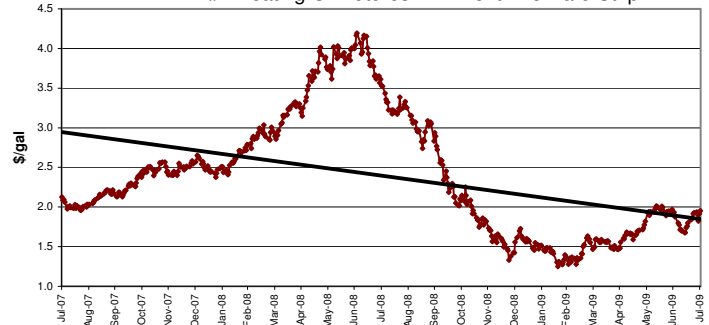
Oil Market

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 31st, the 12 month NYMEX forward strip starting September 2009 was \$74.60/barrel, up 1% from the previous week. The current price is 73% above the 24 month low set on February 18th, 2009 at \$43.06/barrel. Strip prices are 49% below the 24 month high for the 12 month strip, which was set July 14th, 2008 at \$146.44/barrel.

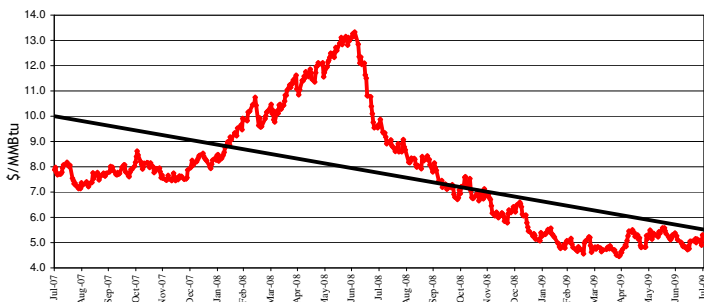
NYMEX #2 Heating Oil Futures - 12 Month Forward Strip



The August 2009 heating oil contract expired on July 31st at \$1.79/gal. September is currently the prompt month. As of July 31st, the 12 month NYMEX forward strip starting August 2009 was \$1.95/gal. This is up 1% from the previous week and is 56% above the 24 month low set at \$1.25/gal on February 18th, 2009. Strip prices are 53% below the 24 month high, set on July 3rd, 2008 at \$4.19/gal.

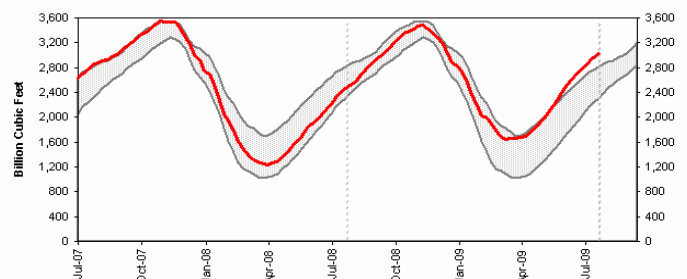
Natural Gas Market

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



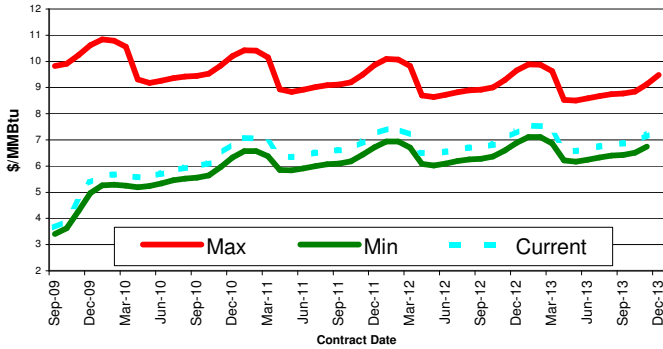
This chart shows the amount of natural gas in storage at each point in time compared to the highest and lowest amounts over the past 5 years (shown as shaded region). When current storage levels approach their lowest levels, gas markets will be tight during the winter months and prices can be expected 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 August 2009 natural gas contract expired on July 29th at \$3.38/MMBtu. September is currently the prompt month. As of July 31st, the 12 month NYMEX strip starting September 2009 was \$5.27/MMBtu, up 3% from last week. The current strip price is 18% above the 24 month low, set April 27th at \$4.45/MMBtu, and 60% 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 September 2009 were \$5.71/MMBtu, \$5.91/MMBtu, \$6.23/MMBtu, and \$6.42/MMBtu respectively.

The EIA (Energy Information Administration) reported that natural gas in storage was 3,023 Bcf as of Friday, July 24th, 2009. This implies a net injection of 71 Bcf for the week, compared to a 5-year average injection of 51 Bcf and a 68 Bcf injection for the same report week last year. Gas in storage was about 23% above last year's level and 19% above the 5-year average.

NYMEX Natural Gas Forwards vs. 1 Year Range

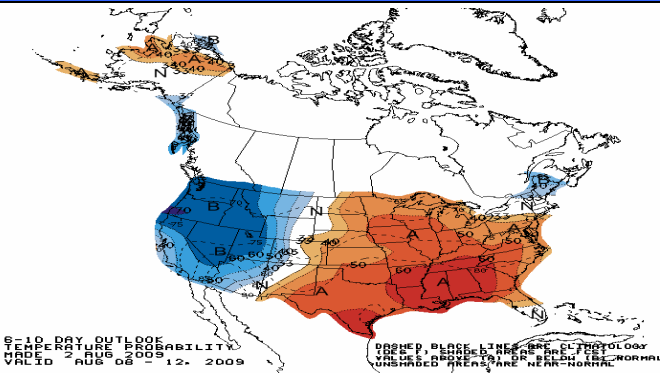


Score 12 Month Forward Strip	92
Score 24 Month Forward Strip	89
Score 36 Month Forward Strip	87

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 8 - 12, 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

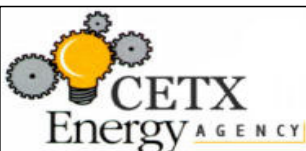
Crude oil's July rally slowed last week, although the 12-month strip still rose 1% from the previous week. Oil fell early in the week and then recovered as stock indexes, positive corporate earnings and jobless reports signaled (at least to some traders) an economic recovery. The rise in prices came despite a Wednesday EIA report showing larger than projected gains in inventory, indicating that demand for crude is still lagging. This was not enough to outweigh the additional bullish forces of a weak US dollar encouraging investment in commodities and gains in Asian stocks pushing up global demand projections. On the natural gas side, the rolling 12-month natural gas strip rose 2.6% last week, although much of this was due to the August 2009 contract closing out and the more expensive August 2010 coming onto the rolling 12-month strip. The current months on the 12-month strip (Sep09 to Aug10) actually fell 1.2% from the previous week, with declines every day last week except Thursday. Gas production in the first five months of 2009 was higher than the same months in 2008, despite a 15% decrease in industrial demand. Furthermore, the summer has been relatively cool in the Midwest and Northeast and no hurricanes are threatening production in the Gulf of Mexico. As of Monday morning, both natural gas and crude were advancing as reports showed that US manufacturing rose in July and construction rose in June.

NYMEX natural gas futures prices for the next 12 months fell 1.2% on average between Friday, July 31st, and the previous Friday. The nearest 8 months fell while the farthest 4 months rose. The current prompt month – September 2009 – fell 5.4% and closed last week at \$3.653 per MMBtu, the lowest priced contract with delivery in next 12 months. October and November averaged \$4.23 per MMBtu while the winter contracts (December '09 – March '10) closed at an average price of \$5.58 per MMBtu. The highest priced natural gas contract in the next 12 months was the August 2010 contract at \$5.94 per MMBtu.

Crude oil for the next 12 months rose an average of 1% last week on the NYMEX, with the nearest contracts gaining the most. The September 2009 contract ended the week at \$69.45 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 \$77.62 per barrel. NYMEX heating oil futures contracts for delivery in the next 12 months rose 1.4% on average last week. September 2009, the prompt month, closed the week at \$1.83 per gallon while the winter heating months averaged \$1.96 per gallon Friday.

The EIA reported that for the week ending Friday, July 24th, U.S. crude oil stocks increased by 5.1 million barrels, the first weekly increase in 8 weeks. Stock levels are above historical average. Gasoline inventories fell 2.3 million barrels and are currently at the high end of the average range. Distillate (including heating oil) and propane inventories rose by 2.1 and 1.9 million barrels respectively, and both are above their historic average range.

The National Weather Service forecasts warmer than normal weather for most of the US east of the Rockies, while the West and northern New England are expected to be cooler 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.



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