

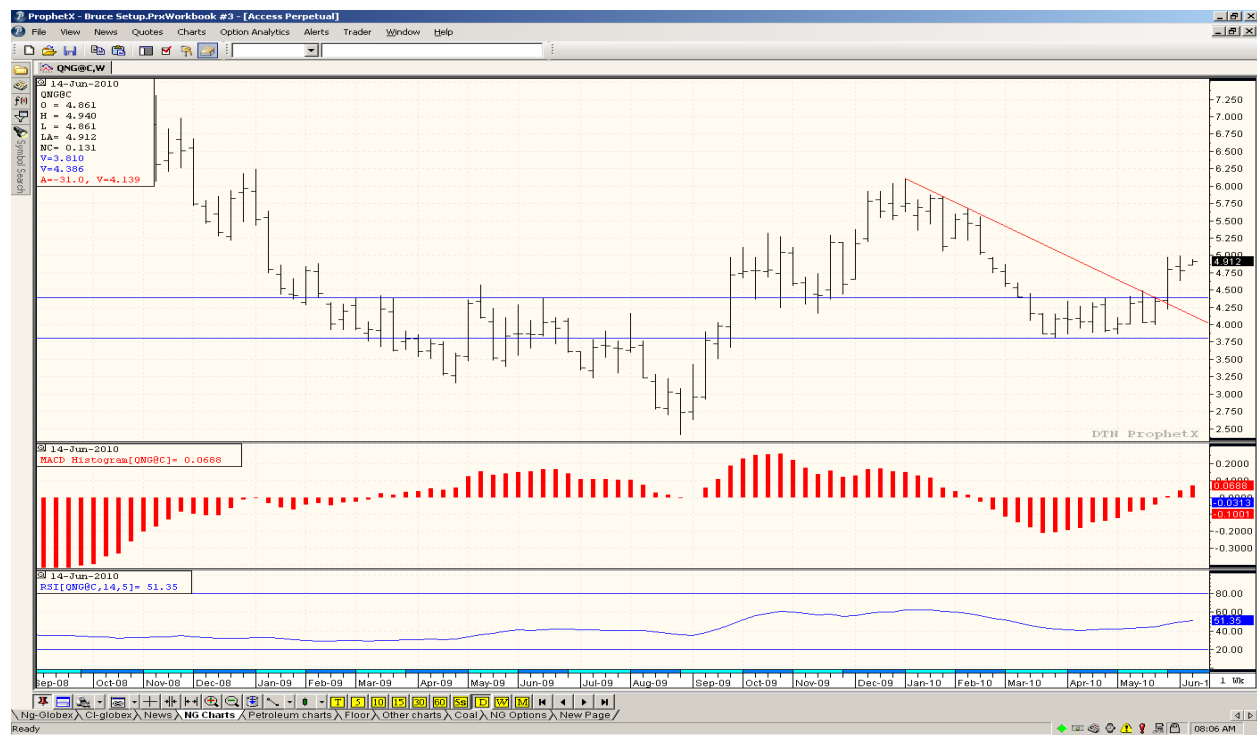
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## Natural Gas Market Summary

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Monday, the July contract opened trading about \$.05/dt above the previous week's closing price then rallied to meet the technical price target mentioned in last week's Summary found at +/- \$.50/dt. By mid-week, the July contract moved about \$.40/dt lower before rebounding to post a weekly closing price of \$4.781/dt, down \$.016/dt from the previous week's closing price.

Below is a weekly continuation chart showing that price activity.



### Strip prices:

1. July 10 through Oct 10 “strip” closed at \$4.86/dt, no change from last week.
2. July through December 2010 closed at \$5.03/dt, up \$.01/dt from last week.
3. July through June 2011 closed at \$5.24/dt, up \$.01/dt from last week.

### Bearish price factors:

1. U.S. Rig counts – as of this week, the number of operating rotary rigs in the United States is 1527, **up 21 from last week and 651 above from this same week in 2009.**

2. Volume of gas in storage. Working gas in storage was 2,456 Bcf as of Friday, June 4, 2010, according to EIA estimates. This represents a net increase of 99 Bcf from the previous week. Stocks were 28 Bcf higher than last year at this time and 310 Bcf above the 5-year average of 2,146 Bcf.

3. **Bullish price factors:**

1. Alternate fuels – Prompt month crude oil closed at \$73.78/barrel, up \$2.27/barrel from last week's closing price. #2 oil closed today at \$2.005/gallon, up \$.05/gallon from last week's closing price – this equates to roughly \$14.42/dt equivalent natural gas price.
2. Weather forecast – both the 6 – 10 day and the 8 – 14 day forecasts reflect normal to above normal temperatures all along the east coast.
3. Seasonal tendency for natural gas prices to post a second quarter price high.

**Technical indicators:**

Short-term technical indicators appear to be neutral to positive while long-term indicators appear to be positive. The price path of least resistance appears to be sideways to higher.

**Summary:**

Now that the technical price target at +/- \$5.00/dt has been met, I wouldn't be surprised to see the market trade 'sideways' to 'moderately higher' in near future. However, as with last week, intermittent price moves lower could also be expected. That being the case, technical price resistance should be found in the vicinity of 5.25/dt and technical price support should be found in the vicinity of \$4.50/dt.

If you still need price protection for July and beyond, you may want to take advantage of price weakness to acquire that protection.

Please be reminded the thoughts conveyed above are based on recent price movement and apparent Market sentiment. Random events that could occur may change the Market sentiment and as such, may result in price movement counter to what is mentioned above.

**Hedging:**

Depending on your risk tolerance and your need for price protection, below are some prices that may be considered as a possible purchase points.

July 10 = +/- \$4.50/dt

July 10 – Oct 10 = +/- \$4.80/dt

July 10 – June 11 = +/- \$5.10/dt

Of course, the commodity markets are impossible to predict with accuracy. I hope that you find these views helpful, but I cannot guarantee that my expectations will be accurate or that any particular strategy will be advantageous.

*Please call your account manager if you have questions or want to purchase a fixed price hedge.*

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