

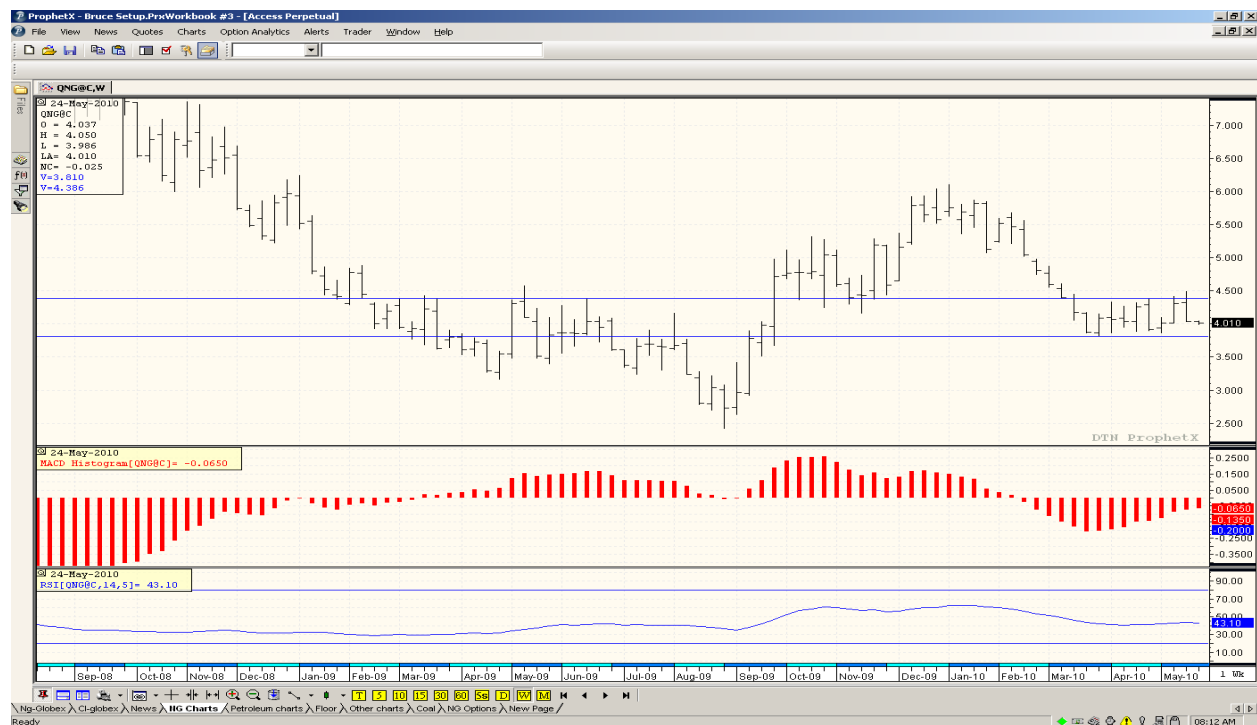
5/21/10

Natural Gas Market Summary

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On Monday, the June contract opened trading marginally higher than the previous Friday's closing price then rallied to post a daily closing price equal to the upper boundary of the long-running trend channel. On Tuesday, the price rally advanced taking the prompt month to its highest price since March 11, 2010 before once again, reversing lower to post a daily closing price back inside the aforementioned trend channel. On Wednesday, the price slide continued with the June contract losing almost \$.20/dt. When the Weekly Storage report was released on Thursday morning, prices immediately moved about \$.12/dt lower, ultimately trading as low as \$4.04/dt before stabilizing.

For the week, the June contract closed at \$4.035/dt, down \$.277/dt from last week's closing price. Below is a weekly continuation chart showing that price activity.



Strip prices:

1. June 10 through Oct 10 "strip" closed at \$4.18/dt, down \$.29/dt from last week.
2. June through December 2010 closed at \$4.39/dt, down \$.30/dt from last week.
3. June through May 2011 closed at \$4.71/dt, down \$.295/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 1506, **up 14 from last week and 588 above from this same week in 2009.**
2. Volume of gas in storage. Working gas in storage was 2,165 Bcf as of Friday, May 14, 2010, according to EIA estimates. This represents a net increase of 76 Bcf from the previous week. Stocks were 73 Bcf higher than last year at this time and 308 Bcf above the 5-year average of 1,857 Bcf.

Bullish price factors:

1. Alternate fuels – Prompt month crude oil closed at \$70.04/barrel, down \$1.57/barrel from last week's closing price. #2 oil closed today at \$1.89/gallon, down \$.16/gallon from last week's closing price – this equates to roughly \$13.59/dt equivalent natural gas price.
2. Weather forecast – both the 6 – 10 day and the 8 – 14 day forecasts reflect normal to below normal temperatures all along the east coast.

Technical indicators:

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

Summary:

In spite of an early-week price move above the upper boundary of the often-mentioned trend channel, the June contract was unable to post a closing price outside that channel. So, nothing has really changed from the past few weeks in that the prompt month price continues to be range-bound within that trend-channel.

Technically speaking, there is a potential price target at \$5.008/dt.....I wouldn't be surprised to see this target 'hit' on an upside price break.

Since posting a first quarter 2010 price low, the prompt month price has now rallied approximately 18%.

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.

June 10 = +/- \$3.95/dt

June 10 – Oct 10 = +/- \$4.15/dt

June 10 – May 11 = +/- \$4.70/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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