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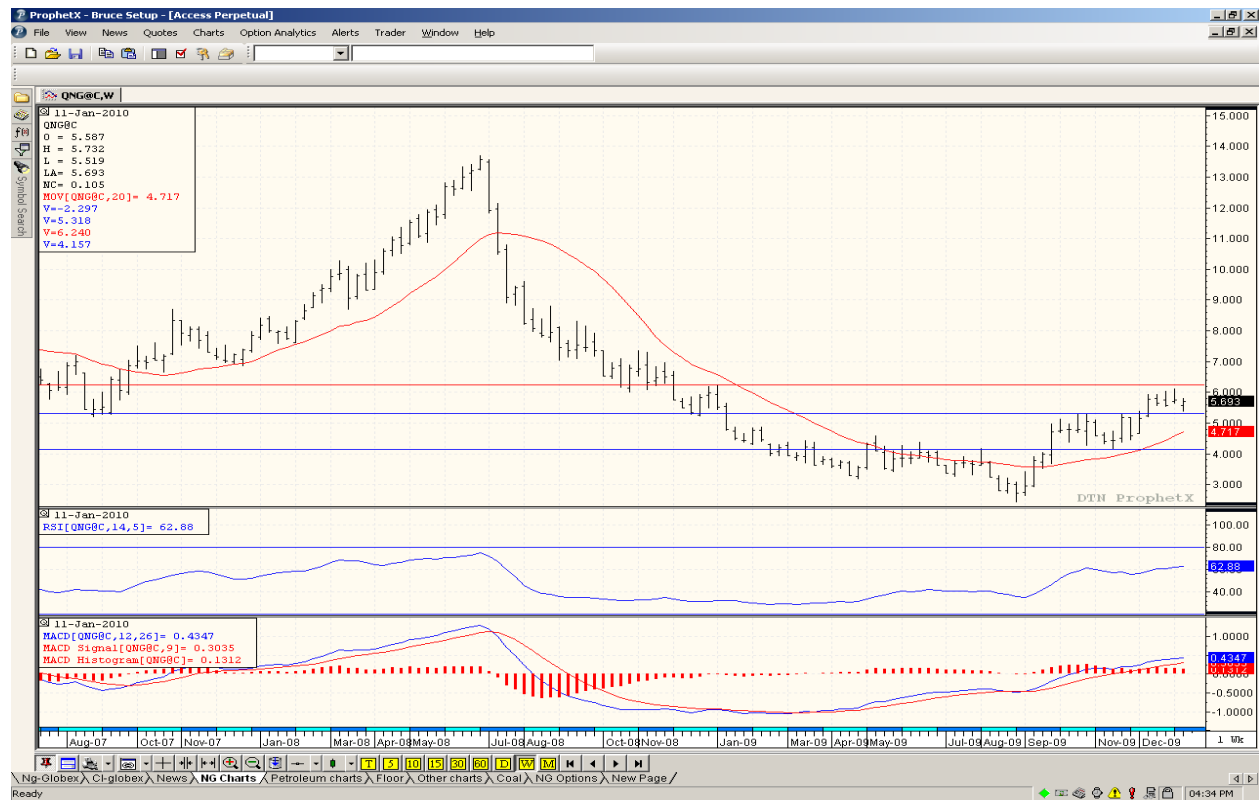
Natural Gas Market Summary

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The February contract opened trading this week about \$.17/dt below last week's closing price, then moved \$.22/dt lower 'testing' the upper boundary of the trend channel that contained all prompt month price movement from late September 2009 through early December 2009. After that 'test', prices rallied equaling last week's closing price before once again moving lower upon the release of the weekly storage report.

For the week, the February contract closed at \$5.691/dt down \$.058/dt from last week's closing price.

A copy of the weekly continuation chart showing this price activity is below.



Notice on the above chart, I have drawn a red horizontal line and two blue horizontal lines. The red line is valued at \$6.24/dt and the blue line below it is valued at \$5.32/dt. The red line represents technical price resistance and the blue line represents technical price support.....these two lines have contained all prompt month price movement since mid-December. Interestingly, prior to mid-December, prices were also range-bound but then the range was bounded by the two blue lines valued at \$5.32/dt and \$4.16/dt.

Strip prices:

1. Feb 10 – Mar 10 “strip” closed at \$5.68/dt, down \$.0495/dt from last week.
2. April 10- Oct 10 “strip” closed at \$5.82/dt, down \$.0173/dt from last week
3. Calendar year 2010 “strip” closed at \$5.922/dt, up \$.02/dt from last week.

Bearish price factors :

1. High volume of gas in storage. Working gas in storage was 2,852 Bcf as of Friday, January 8, 2010, according to EIA estimates. This represents a net decline of 266 Bcf from the previous week. Stocks were 103 Bcf higher than last year at this time and 121 Bcf above the 5-year average of 2,731 Bcf. That represents the largest withdrawal since the week of February 1, 2008 when the withdrawal was 274 Bcf.
2. Addition of shale gas production increasing domestic supply.
3. Weather forecast – 8-14 day forecast shows above normal temperatures for the eastern half of the country, normal in the mid-section and below normal on the west coast.

Bullish price factors:

1. U.S. Rig counts – as of this week, the number of operating rotary rigs in the United States is 1220, ***up 31 from last week but down 369 from this same week in 2009.***
2. Alternate fuels – February crude oil closed at \$78.07/barrel, down \$4.69/barrel from last week’s closing price. #2 oil closed today at \$2.05/gallon, down \$.15/gallon from last week’s closing price – this equates to roughly \$14.74/dt equivalent natural gas price.

Technical indicators:

Technical indicators appear to be positive with a neutral bias. The price path of least resistance appears to be to sideways to higher in volatile trading.

Summary:

Now that the prompt month contract has ‘tested’ but failed to trade and close below technical price support found at \$5.32/dt, it’s possible prices will continue to be ‘range-bound’ and trade between \$6.24/dt to \$5.32/dt. It’s also possible this range-bound trading could continue for the next month or so until the majority of winter is behind us. I still think it’s possible prices will be lower in calendar month March that they are now possibly providing a long-term buying opportunity.

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: no change

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

Feb 10 - \$5.35/dt

Feb 10 – Mar 10 = +/- \$5.45/dt

Feb 10 – Dec 10 = +/- \$5.25/dt

For those that chose the above price points for triggers this past week, you should have been ‘filled’ on the Feb 10 – Mar 10 strip at \$5.45/dt. For those who purchased at that price and have remaining volumes to purchase, you may want to consider \$5.35/dt as a possible second purchase point.

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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