

4/15/11

Natural Gas Market Summary

These views are provided by SCANA Energy Marketing for information purposes only – please see last page for details.

On Monday, the May contract opened trading about \$.03/dt below last week's closing price, trading below significant technical price support found at +/- \$.02/dt before reversing and then posting a daily closing price back above it. On Tuesday and Wednesday, price volatility was low as the prompt month traded in a fairly tight range near Monday's closing price. When the Weekly Storage Report was released on Thursday, volatility increased and prices rallied about \$.10/dt. On Friday, the May contract posting a weekly closing price of \$4.204/dt, up \$.16/dt from last week's closing price.

Below is a weekly continuation chart showing this price movement. Notice this week the prompt month once again closed below the 20-week simple moving average.



Strip prices:

1. May - Dec 11 - \$.45/dt, up \$.15/dt from last week.

2. May – Oct 11 - \$4.35/dt, up \$.16/dt from last week.

Bearish price factors:

1. Storage – Working gas in storage was 1,607 Bcf as of Friday, April 8, 2011, according to EIA estimates. This represents a net increase of 28 Bcf from the previous week. Stocks were 137 Bcf less than last year at this time and 10 Bcf above the 5-year average of 1,597 Bcf.
2. Moving average – this is the second consecutive week the prompt month has posted a weekly closing price below the 20-week simple moving average.

Bullish price factors:

1. Significant pricing events – History indicates we may expect a significant pricing event approximately every 11 – 14 weeks. The 1st quarter price low was printed the week of 2/28/11 so next week will be the seventh week since that low.
2. Historical price rally from the first quarter price low to the second quarter price high - to date, we've only seen a 20% increase from the first quarter low of \$3.731/dt as compared to the historical average of 48%.
3. Open interest – increased by 31,472 contracts as the prompt month price increased from \$4.04/dt to \$4.204/dt.

Technical price support and resistance:

Resistance – \$4.30/dt followed by \$4.48/dt followed by +/- \$4.56/dt.

Support – +/- \$4.00/dt followed by +/- \$3.90/dt followed by +/- \$3.80/dt.

Short-term technical indicators appear to be neutral with a bullish bias while longer-term technical indicators appear to be neutral. The price path of least resistance seems to be sideways.

Summary:

Last week, I wrote the following. *Next week, I think traders will make an early-week effort to take the prompt month below the \$4.02/dt technical price support level. If they are successful, I would expect another round of speculative short-selling to emerge thus pushing the May contract even lower while at the same time, changing the overall technical picture of the market back from 'bullish' to 'bearish'. If they are unsuccessful, the late-coming speculators from last week could begin to cover their short position. If so, we could see higher prices with systematic tests of the technical price resistance levels mentioned above with the market remaining 'bullish', at least for the near term.*

Both of those scenarios occurred this past week. First the prompt month traded slightly below significant technical price support found at \$4.02/dt but couldn't post a daily closing price below it. When the Weekly Storage Report was released, prices moved higher with the May contract first trading to the first level of technical price support found at \$4.15/dt and then later to the next level found at \$4.20/dt.

For about the past two months, the prompt month weekly closing price seems to be alternating between an 'up price week' and a 'down price week'. Technically speaking, price movement such as this seems to indicate a market in 'limbo' with no clearly defined price direction. Ultimately, I think

the prompt month would need to post a closing price above \$5/dt to confirm a longer-term 'bullish' market and would need to post a closing price below \$3.84/dt to confirm a longer-term 'bearish' market. In the meantime, I think we could continue to see prices oscillate between intermediate technical price resistance and support. If you still need price protection for the summer months, you might want to consider acquiring that protection on price moves lower.

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.

May 11 - +/- \$4.10/dt

May 11 – Dec 11 - +/- \$4.25/dt

May 11 – April 12 - +/- \$4.40/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.

Cindy Anthony 828-293-0275
Jill Johnson 888-307-1070
Faye Brodeur 803-217-1313
Rich Klaus 803-217-1382
Terri Carbre 919-241-4013
Renee Locklear 803-217-1340
Bruce Culbertson 803-206-1980
Chip Sanders 404-760-6304
Lynn Jimison 704-834-6681
Debbie Taylor 803-217-1368

Please be advised that although the information contained in this report is compiled by SCANA Energy Marketing from sources believed to be reliable, the views provided herein are based upon a number of estimates and assumptions that are subject to significant business, economic, regulatory and competitive uncertainties. This presentation represents the views of certain traders at SCANA Energy Marketing based upon market information available at the time of the presentation, and those views may change at any time. The prices discussed do not reflect the actual prices at which SCANA Energy Marketing might be willing to enter into a transaction, and SCANA Energy Marketing makes no representation that it is willing to enter into any particular transaction with any particular counterparty. SCANA Energy Marketing makes no representation, warranty or guarantee as to, and shall not be responsible for, the accuracy or completeness of this information, which is provided "as-is", and has no obligation to update any information provided to you. SCANA Energy Marketing is

not liable to any recipient or third party for the use of or reliance on the information contained herein. SCANA Energy Marketing is actively involved in energy trading and may take positions consistent or contrary to the information presented, at its discretion. SCANA Energy Marketing is not acting as your consultant or advisor for any purpose, and you will not construe or rely upon any information provided or statements made by SCANA Energy Marketing, including without limitation as to the advantages or disadvantages of any specific product or service, predictions about future energy prices, or any other statements, information or data, as advice or representations of any sort. Any transactions entered into between us will be arms-length. SCANA Energy Marketing encourages your use of independent consultants, as you deem necessary, prior to entering into any transactions.

