

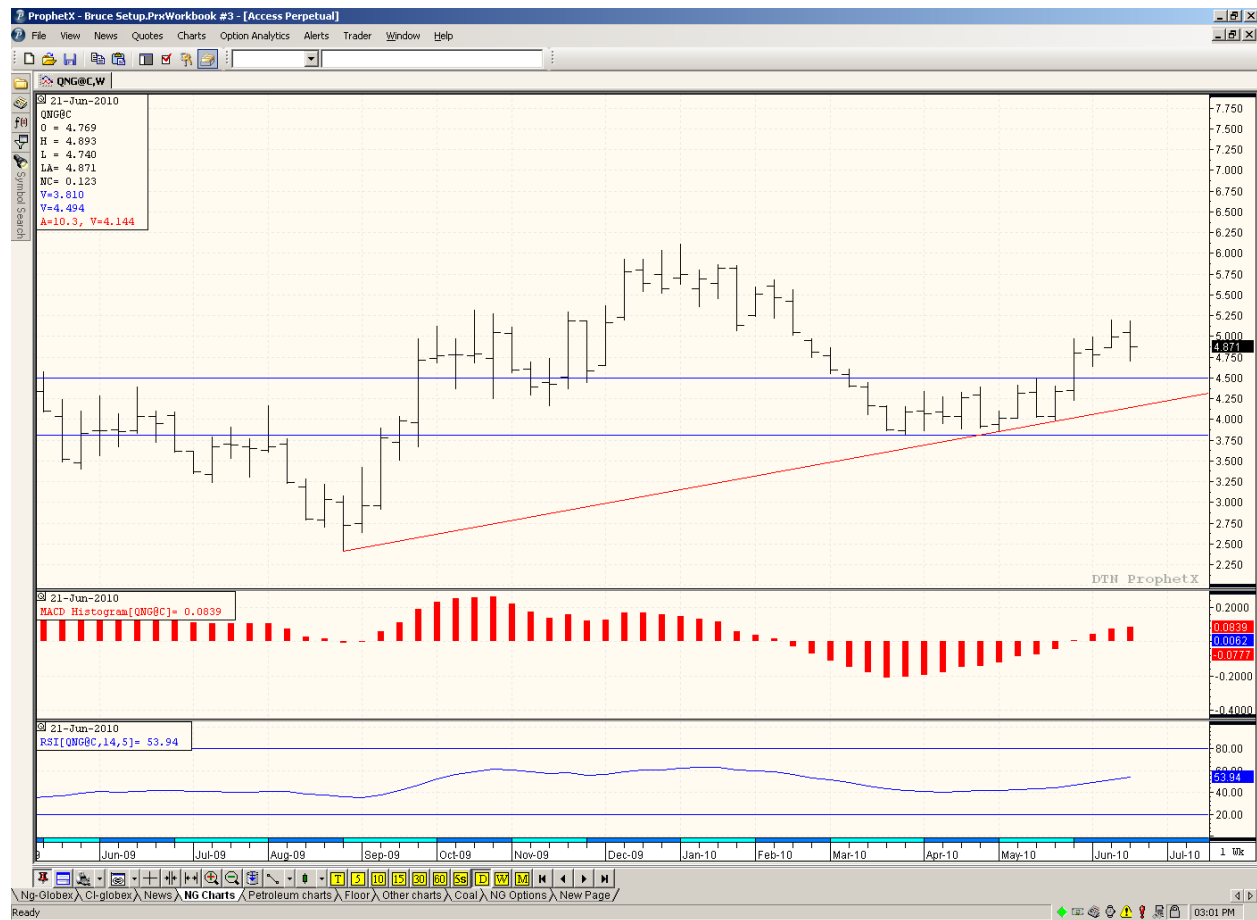
6/18/10

Natural Gas Market Summary

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Monday, the July contract opened trading about \$.07/dt above the previous week's closing price then rallied to within \$.01/dt of the previous week's high price before making a substantial move lower. For the remainder of the week, the July contract traded between \$4.88/dt and \$4.69/dt ultimately posting a weekly closing price of \$4.861/dt, down \$.136/dt from last week's closing price and equal to last week's low price.

Below is a weekly continuation chart showing that price activity.



Strip prices:

1. July 10 through Oct 10 “strip” closed at \$4.94/dt, down \$.12/dt from last week.

2. July through December 2010 closed at \$5.10/dt, down \$.12/dt from last week.
3. July through June 2011 closed at \$5.30/dt, down \$.06/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 1539, **up 12 from last week and 640 above from this same week in 2009.**
2. Volume of gas in storage. Working gas in storage was 2,624 Bcf as of Friday, June 18, 2010, according to EIA estimates. This represents a net increase of 81 Bcf from the previous week. Stocks were 14 Bcf less than last year at this time and 309 Bcf above the 5-year average of 2,315 Bcf.

Bullish price factors:

1. Alternate fuels – Prompt month crude oil closed at \$78.90/barrel, up \$1.73/barrel from last week's closing price. #2 oil closed today at \$2.11/gallon, down \$.02/gallon from last week's closing price – this equates to roughly \$15.17/dt equivalent natural gas price.
2. Weather forecast – both the 6 – 10 day and the 8 – 14 day forecasts reflect normal temperatures for the eastern half of the country.

Technical indicators:

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

Summary:

As mentioned last week, the time period surrounding July 4th is traditionally one of the more bearish times of the year. Signs of that price weakness began surfacing this week as the prompt month traded as much as \$.30/dt below last week's closing price before rebounding into the close. I continue to think it's possible we could see additional price weakness as the July contract approaches expiration and also possibly see the August contract move lower in early calendar month July. If so, a 'test' of the upper boundary of the trading range that contained all prompt month price movement from late March 2010 through late May 2010 could occur. As a reminder, the upper boundary is valued at approximately \$4.50/dt. If you still need price protection, you may want to take advantage of price weakness, should it occur, to acquire that protection.

On the chart at the top of the first page, notice I have drawn a slightly ascending trend line (red) from the third quarter 2009 price lows to the second quarter 2010 price lows. If the prompt month trades below the \$4.50/dt technical price support area, it's possible this trend line could serve as the next line of technical price support. Conversely, I believe the price area of +/- \$.30/dt (prompt month) is significant in that a closing price above that could lead to another \$.20 - \$.30/dt price move higher.

We are now approaching the end of the second quarter of 2010. In next week's Summary, I will address historical seasonal price tendencies during the third quarter of each year.

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 – no change from last week

July 10 – Oct 10 = +/- \$4.70/dt – revised lower from last week's price of \$4.80/dt. The low price of the 'strip' this week was \$4.759/dt, providing a purchasing opportunity for those who had triggers in place.

July 10 – June 11 = +/- \$5.10/dt – no change from last week. The low price of the 'strip' this week was \$5.117/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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