

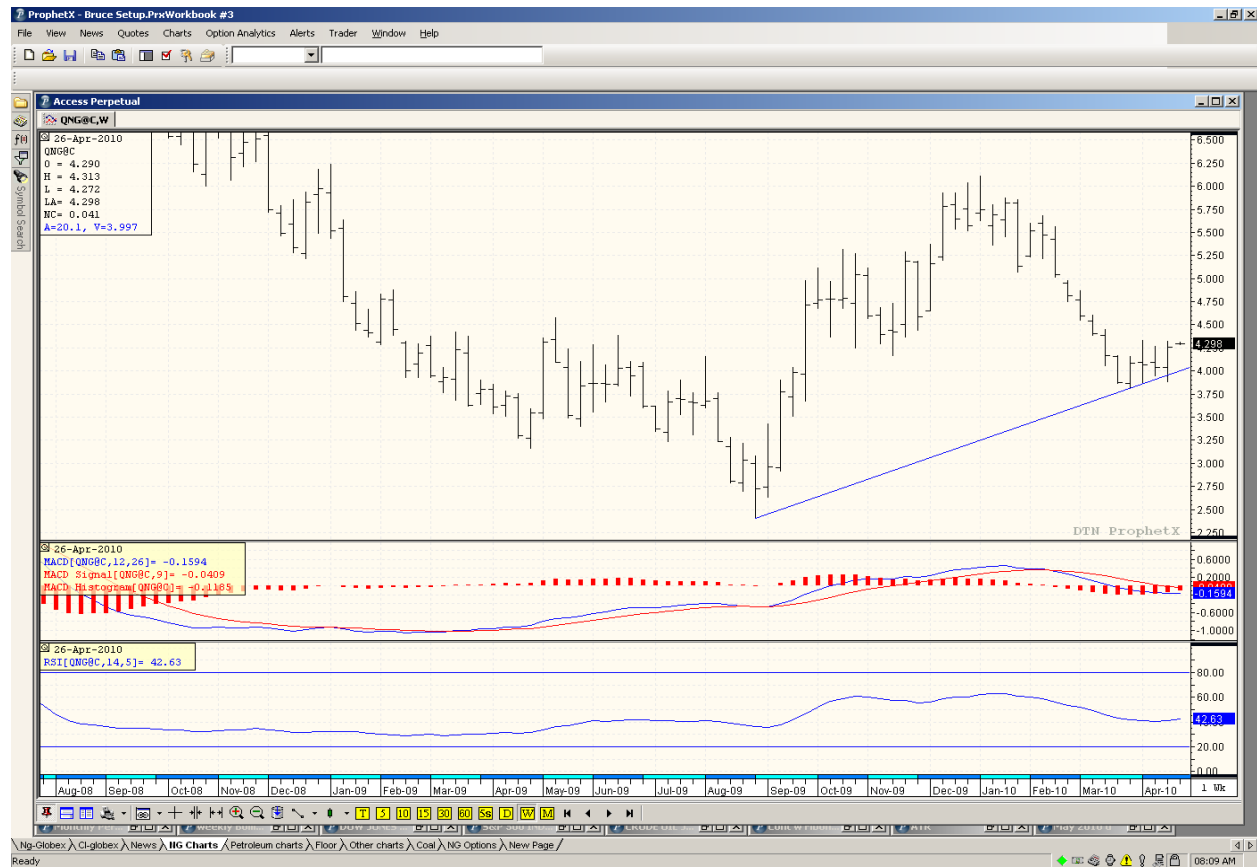
4/23/10

Natural Gas Market Summary

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On Monday, the May contract opened trading at about the same price as last week's closing price. Price weakness then emerged taking the May contract below the previous week's low price and then marginally below trend-line price support found in the vicinity of \$3.95/dt. On Tuesday, the price move lower continued but stalled within \$.02/dt of the low price from two weeks ago then reversed higher. When the Weekly Storage report was released on Thursday morning, prices immediately rallied about \$.20/dt, setting the stage for an even larger price move up.

For the week, the May contract closed at \$4.257/dt, up \$.218/dt from last week's closing price. Below is a weekly continuation chart showing that price activity.



Strip prices:

1. May 10 through Oct 10 "strip" closed at \$4.482/dt, up \$.2167/dt from last week.

2. May through December 2010 closed at \$4.677/dt, up \$.2203/dt from last week.
3. May through April 2011 closed at \$4.968/dt, up \$.222/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 1491, *up 15 from last week and 516 above from this same week in 2009.*
2. Volume of gas in storage. Working gas in storage was 1,829 Bcf as of Friday, April 16, 2010, according to EIA estimates. This represents a net increase of 73 Bcf from the previous week. Stocks were 95 Bcf higher than last year at this time and 286 Bcf above the 5-year average of 1,543 Bcf

Bullish price factors:

1. Alternate fuels – Prompt month crude oil closed at \$85.12/barrel, up \$1.88/barrel from last week's closing price. #2 oil closed today at \$2.25/gallon, up \$.04/gallon from last week's closing price – this equates to roughly \$16.18/dt equivalent natural gas price.

Neutral price factors:

1. Weather forecast - the 6 – 10 day forecast shows above normal temperatures for the eastern half of the country and the 8 – 14 day forecasts reflects normal temperatures for the eastern half of the country.

Technical indicators:

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

Summary

As mentioned in last week's Summary, for the 21 trading days prior to this week, the prompt month was 'stuck' between technical price support at \$3.81/dt and technical price resistance at \$4.33/dt. That price pattern continued this week and the streak now stands at 26 trading days, although the prompt month price 'tested' and posted a weekly close very near the upper end of that range. Purely from a traders perspective, I would expect an early week attempt to push the May price above \$4.33/dt. If that attempt is successful, I would expect a rapid price move higher. On the other hand, if this attempt is unsuccessful, technical orthodox points to a 'test' of the lower boundary of the trading range.

Considering this uncertainty, if you need price protection for the summer months, you may want to consider a reactive strategy whereby you wait to see which direction the breakout of the above range will take. In other words, be prepared to quickly purchase needed gas on a break above \$4.33/dt or take advantage of the likely quick price move lower on a break below \$3.81/dt. As I mentioned in last week's summary, a market that remains 'range-bound' for a considerable time is building momentum and whichever way it breaks will likely see a considerable extension of that move.....in this case, I think

by +/- \$.30/dt. If it breaks higher, it wouldn't surprise me to see the prompt month trade to the middle \$4.60's/dt and if it breaks lower, the prompt month gas may trade as low as +/- \$3.50/dt.

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 from last week

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 10 = +/- \$3.85/dt

May 10 – Oct 10 = +/- \$4.05/dt

May 10 – April 11 = +/- \$4.55/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

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