ABQ ENERGY GROUP
Energy Asset Management

Eye on the Market

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MAY BIDWEEK ROUNDUP

No other way to describe it: UGLY. Buyers were scarce and trading was very light throughout the week. Prices were relatively stable though, dipping early and then rebounding within a tight range. Much index related trading was completed during mid-month as the market seems to have bottomed (for now) around the $1.90 level basis the Nymex May contract.

Here are the "Inside FERC" First of the Month Index prices for ***May 2012***:

SoCal	San Juan	Questar	CIG	Permian	Ventura	HSC	Henry
2.18	**1.83**	**1.75**	**1.75**	**1.93**	**1/97**	**1.96**	**2.03**

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Market Outlook

After making a new a new ***ten year*** low with a print of $1.902 per MMBtu, the market has staged a rebound, rising 30% since April 20th. As we approach the $2.50 level there is likely to be resistance, however that resistance should ultimately fail. Technical targets litter the chart above us, many above the $3 level.

With the funds exiting the short side and producer hedgers getting nervous, there are simply not many sellers. Evidence of substantial increases in demand coal switching, and reduced supplies is kicking this market into gear, even in the face of mild weather. When we throw in some summer heat…

A close above $2.50 should lead to a test of the $2.65 level, then $2.75. A failure here could cause the market to take a breather and this could lead to retracement to the $2.325 level and possibly $2.15.

Underground Storage Summary, Week Ending April 27, 2012 (Bcf)

National Total	Last Year	Consuming East	Consuming West	Producing
2,576	**1,736**	**1,165**	**371**	**1,040**

Turning Tide?

There is much talk about fuel switching from coal plants to natural gas fired generation due to the low price environment for the latter. That talk may in fact be a reality as we start to enter the injection season and things are looking more bullish on the supply/ demand front. In a recent e-mail from a colleague who represents end-users:

"This week's EIA Natural Gas Weekly Update has supply and demand numbers from Bentek for the week ending 5/2/2012 showing totally supply (production and imports) up 3% over last year and total demand up 15% (electricity demand alone was up 41%). Using the STEO monthly numbers for May 2011 (I don't have any weekly data) that works out to a supply increase of about 2 bcf/day (67 bcf times 3%) and a demand increase of about 8 bcf/day (54 bcf times 15%). Even assuming 5 bcf/day for the next 6 months, storage would be down 900 bcf compared to last year. Going to take extraordinary weather to mitigate this trend.

More likely it seems is that some coal generation will come back on line as nat gas prices rise. "

Some are estimating the difference to be more like 6-8 Bcf per day.

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