ABQ ENERGY GROUP
Energy Asset Management

Eye on the Market

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"It's Winter!"

Natural gas storage inventories hit a record level of 3,837 Bcf during the week of November 27. After posting the latest injections in history, late December storage levels still hovered some 21 Bcf above the previous record level of inventory of 3,454 Bcf set November 2, 2007. However, 561 Bcf have been drawn out through Christmas Day. Indications for this week's report suggest Total December withdrawals will approach 750 Bcf. Another 1000-1200 Bcf may come to market from storage during the month of January. The primary driver of this is heating demand and the big questions now are: how cold will it get, and how long will the cold last? Well, if I knew that, I'd be hosting an all expense trip to Key West for all of my clients and their families. Unfortunately, I don't.

But, I do know this: forecasts are conflicting. While most have recently aligned suggesting that fierce cold was here to stay for the foreseeable future, tonight's crystal ball suggests a respite to come in the 6-20 day period. Time will tell.

However it turns out though, there's a bull in the back room for producers. Much of the recent increase in onshore supplies has been due to development in the shale formations of north Texas and Appalachia. That development seems to have ground to a halt (about a year ago), and this is "quick" production. So, after Jack Frost takes his bite out of storage, and the election year recovery takes hold, what will the supply/demand balance look like come Memorial Day?

Moo!

JANUARY BIDWEEK ROUNDUP

The Nymex natural gas futures contract for January delivery at Henry Hub settled at $***5.814.*** This is approximately $1.30 higher than December's settlement! Prices were volatile throughout the bid week after selling off to $5.60 on the first day, prices rallied sharply overnight and throughout the penultimate, reaching $6.00 before failing there and settling back to the ultimate price. Colder than normal weather was the rule in December resulting in large withdrawals from record inventory levels. In the West, prices generally tracked the broader markets higher with the best selling opportunities being captured on the last day.

Here are the "Inside FERC" First of the Month Index prices for ***January 2009***:

SoCal	San Juan	Questar	CIG	Permian	Ventura	HSC	Henry
5.98	**5.72**	**5.55**	**5.54**	**5.75**	**6.19**	**5.83**	**5.82**

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Market Outlook

Energy markets in general have screaming higher throughout December. After putting in an intermediate low of $68.59 per bbl, spot Crude Oil has rallied 16% to trade above $81 today. Likewise, Natural Gas began the month trading around $4.40 per MMBtu but rose 26% to $6.00 as cold weather set in. With forecasts looking brutal, the market seems sustainably bullish. This week the EIA will likely show a draw in the 170 to 180 range, with several weeks of 200+ draws forecast thereafter. Without that additional supply, prices would be sharply higher.

A break below $5.70 could set up a corrective test of $5.30 and then possibly $5.00 if the weather were to turn mild. A convincing move back above $6.00 sets up a test of $6.26, and then $6.45 basis the Nymex.

Underground Storage Summary, Week Ending December 25, 2009 (Bcf)

National Total	Last Year	Consuming East	Consuming West	Producing
3,276	**2,897**	**1,779**	**453**	**1,044**