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## Mideast Oil Saga

**TEHRAN (AP) - An Iranian newspaper quotes a senior commander in Iran's Revolutionary Guard as saying that Tehran's leadership has decided to order the closure of the strategic Strait of Hormuz at the mouth of the Persian Gulf if the country's oil exports are blocked.**

Khorasan daily reported Sunday that Ali Ashraf Nouri says the strategic decision has been made by Iran's top authorities. Iranian politicians have made the threat in the past, but this is the strongest statement yet that a closure of the strait is official policy.

The U.S. has recently enacted new sanctions targeting Iran's central bank and its ability to sell petroleum abroad over Tehran's nuclear program. Washington says Tehran is trying to develop weapons, while Iran denies the charges.

Ships moving through the Strait follow a Traffic Separation Scheme, which separates inbound from outbound traffic to reduce the risk of collision. The traffic lane is six miles (10 km) wide, including two two-mile (3 km)-wide traffic lanes, one inbound and one outbound, separated by a two-mile (3 km) wide separation median.

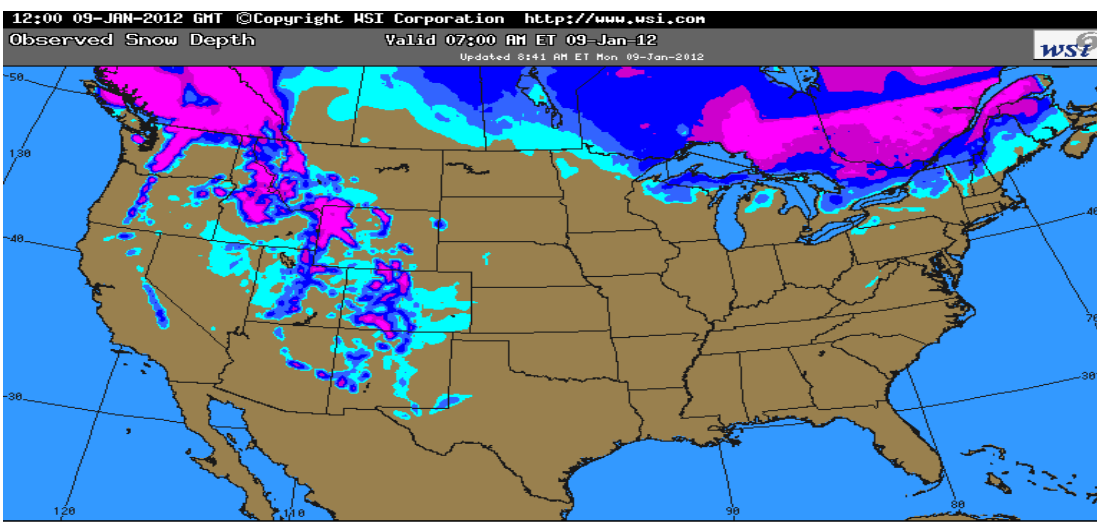
**To traverse the Strait, ships pass through the territorial waters of Iran and Oman under the transit passage provisions of the United Nations Convention on the Law of the Sea.** Although not all countries have ratified the convention, most countries, including the U.S., accept these customary navigation rules as codified in the Convention.

## JANUARY BIDWEEK ROUNDUP

The Nymex natural gas futures contract for January delivery at Henry Hub settled at **\$3.084**. This is exactly \$.28 lower than the December settlement. Most markets were flat throughout the holiday bid week and most indices followed suit coming in 20-30 cents lower than December.

Here are the "Inside FERC" First of the Month Index prices for **January 2011**:

<u>SoCal</u>	<u>San Juan</u>	<u>Questar</u>	<u>CIG</u>	<u>Permian</u>	<u>Ventura</u>	<u>HSC</u>	<u>Henry</u>
3.37	3.08	3.09	2.98	3.07	3.15	3.04	3.08



## Market Outlook

In general, the markets continue to be under pressure from the perception that there's just too much gas, even under "normal" conditions. This is being exacerbated by the fact that weather related demand continues to lag from due to continued relative warmth. While we are entering the coldest time of the year, any chill is short lived due to a lack of snow cover in the US (See map above).

By all accounts, the natural gas market continues to struggle with bearish sentiment. Probably the only thing giving any support whatsoever is that natural gas futures have only traded below \$3.00 on 22 days since 2002. Shorting NG at these levels has not proven very profitable during the past decade. However, in this market we never say never. Prices look to continue their malaise unless there is a major development on either the supply or demand front. Prices on the forward curve remain substantially below \$5.00 out through the end of 2015.

## Underground Storage Summary, Week Ending December 30, 2011 (Bcf)

<u>National Total</u>	<u>Last Year</u>	<u>Consuming East</u>	<u>Consuming West</u>	<u>Producing</u>
3,472	3,116	1,830	430	1,084