

scott@abqenergy.com
Scott Kominiak, President

bryan@abqenergy.com
Bryan Fox, Operations VP

susie@abqenergy.com
Susie Trujillo, Controller

marisa@abqenergy.com
Marisa Welch, Accounting Associate

merle@abqenergy.com
Merle Dennis, Associate

The First Billion is the Hardest to Make

SandRidge Capital, a \$1 billion energy hedge fund that also manages money for Citigroup, said last Thursday that it had lost more than 19 percent on the year after bad bets on U.S. natural gas prices. This, according to Reuters who reported the story that same day.

According to the story, SandRidge, led by Texas-based energy trader Andy Rowe, is also down nearly 15 percent for the month to date in June, according to performance numbers reportedly seen by Reuters on Thursday. Citigroup Managed Futures is one of the fund's investors. Rowe reportedly told Reuters by telephone from Houston that the losses were a result of the gas market moving against SandRidge's trades. He declined to say more. The front-month contract in New York's natural gas market hit a four-month high of nearly \$5.20 per million British thermal units on June 15, rebounding more than 30 percent from a trading range that had taken the market to below \$4 per MMBtu in late May. Presumably the fund was short.

From a separate source, another well known Houston based hedge fund run by a former Enron trader as well as a Boston firm affiliated with a notorious trader involved with the collapse of the \$6 Billion Amaranth fund, each notched \$1 Billion losses as a result of this rally.

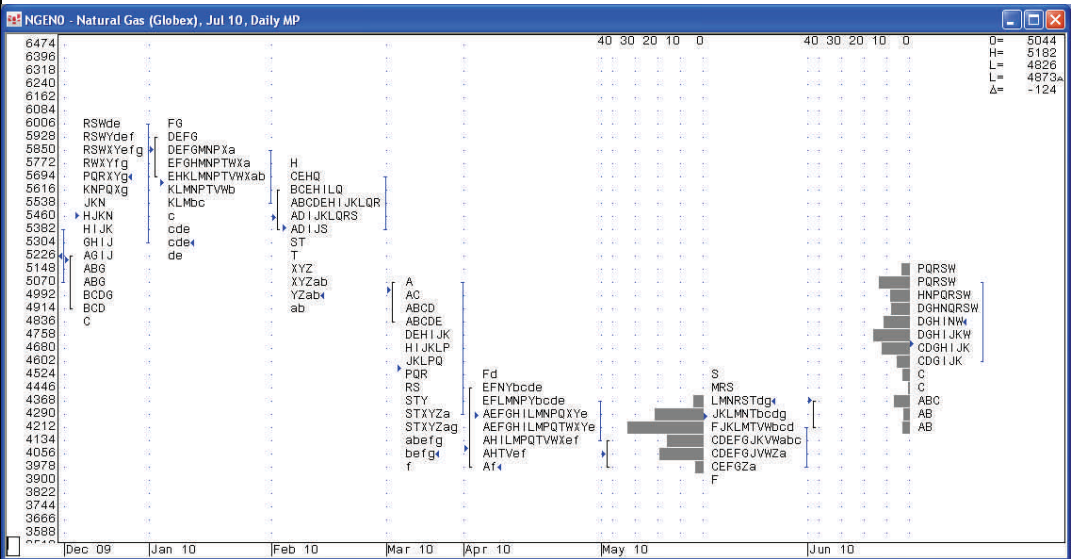
Meanwhile, your little Corrales based ABQ Energy Group continues to deliver superior returns by providing for your participation in this rally rather than fight the tide. We have noted here on several occasions the record short positions held by professional speculators and their almost sick fixation on lower NG prices. No one seems care when prices are manipulated lower. Well, those chickens are starting to come home to roost. The first billion also seems to be the easiest to lose!

JUNE MID-MONTH ROUNDUP

June prices started out relatively strong, and have stayed that way all month. During the month of June, the Nymex has rallied nearly \$1 per MMBtu (although it is retracing some of that as I write this. Weather related demand has been strong. It has been warmer than normal in most places and the cooling season is off to a roaring start. Basis in the western markets has continued to weaken with the San Juan averaging 45.8 cents under Henry Hub so far this month. Storage injections have been mixed versus expectations each week but bullish on balance. According to EIA, we now have 2 Bcf more than at the same time last year. Not bearish.

Here's how the average "Gas Daily" Index prices have run so far for **June 2009**:

SoCal	San Juan	Questar	CIG	Permian	Ventura	HSC	Henry
4.386	4.22	4.024	4.123	4.429	4.616	4.712	4.77



Source: CQG Inc. © 2010 All rights reserved worldwide. <http://www.cqg.com>

Market Outlook

Nymex energy futures started out the month with a down day, but have been staging a nice little rally since, breaching the previous high of \$5.00 mark on June 14. We have since closed above this level several times. Volatility has been picking up but remains average. The pattern remains to trade higher overnight, open strong, face huge selling and thus a breakdown, then rally back near the end of the session. Simply no one believes that it is possible for NG to move higher. Professional speculators remain consummate and aggressive bears.

After rallying above the key \$5.00 resistance level, the July has struggled to extend this rally. We feel that this is largely manipulation by large traders defending short positions, in particular, short call positions. Today's pullback from the high is probably healthy for the rally.

For now, support is seen at the \$4.60 level. That level should hold in the event that the current sell-off continues. A move back above \$5.19 should lead to a test of the \$5.35 level, then \$5.74.

Underground Storage Summary, Week Ending June 11, 2010 (Bcf)

National Total	Last Year	Consuming East	Consuming West	Producing
2,543	2,541	1,200	424	919