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Happy Independence Day!

It is a pretty quiet week in the energy markets as we just completed the bidweek and many folks got their month-end chores finished so they could leave early for the long weekend.

Continuing bad economic data have begun to weigh on the crude oil markets as does news that this week's eight-month high in CL prices was apparently caused by a drunken rogue trader in England, not bullish sentiment. Perhaps we will get the long overdue correction for which we've been looking. Our daily continuation target is \$62.50.

Natural gas continues to puzzle with its resiliency. I think it is more a lack of motivated sellers than anything else, but reality has to set in here at some point. Mind you, I think NG could simply tread water, *on average*, at these levels. But, there are going to be some ugly days come September or October. Continued cool temperatures and continued recession mean larger and larger surpluses (not to mention any LNG imports). We are on pace to have more inventory than ever at the beginning of this winter, and some expect us to actually approach "full" storage of 4200 Bcf. There are already places approaching their maximum capacity and there will in fact be regions where injections become impossible. Prices will reflect that reality and there will be ugly days.

On a final note, let's all remember this weekend that the reason we can do all of this that we do is because of all of the past and current service men and women who work here and abroad to keep us safe and free. If you know one, take a moment on Friday to send them a thank you card or care package. If you don't, then just remember to raise a glass to all of them!



JULY BIDWEEK ROUNDUP

The Nymex natural gas futures contract for July delivery at Henry Hub settled at **3.949**. This is approximately 40 cents higher than June's settlement and is the strongest settlement price we've seen since the March contract. Although we saw sharp price declines leading up to the Bidweek, the final three days of trading saw prices stabilize then rally. In the West, in general, prices remained low, but were firmer than recent months (almost breaking \$3.00 in the San Juan) and firmed throughout the week.

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

<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>
3.27	2.98	2.61	2.65	3.19	3.36	3.85	3.96



Market Outlook

The NG market has been consolidating near its lows after falling more than 70% from its highs of last summer. The wedge formation that we have been building since May is not showing any signs of ascendancy nor descent so directional indications don't exist here. The bulls would say that this sort of consolidation on the lows of such a massive move must be interpreted as a developing reversal. However, with all of the bearish fundamentals facing natural gas, it is hard to see how any rallies will sustain.

A break below \$3.68 sets up a test of \$3.55 and then the recent \$3.15 low. A breach of that price would likely lead us to test \$2.90. Trading above \$4.04 sets up a test of \$4.155, and then \$4.275. Although today's natural gas storage report showed a build in line with expectations, the year over year surplus now stands at 615 Bcf.

Underground Storage Summary, Week Ending June 26, 2009 (Bcf)

<u>National Total</u>	<u>Last Year</u>	<u>Consuming East</u>	<u>Consuming West</u>	<u>Producing</u>
2,721	2,106	1,289	420	1,001