



# PRICING ALERT

November 13, 2009, 7:00 a.m. CST

Published by  
**Energy Solutions** INC  
natural gas buying advisors

**Pricing Alerts are issued when there is something happening in the industry or something that is anticipated to happen that has the potential to change natural gas prices quickly.**

## *Natural Gas Pricing Alert (a value-added service of The Advisor)*

The December 2009 through June 2010 natural gas NYMEX contracts are currently trading at below \$5 per MMBtu (or darn close to it). We've continued to talk about the anticipation of the first quarter decline, which we believe will occur between mid-December and the first week of January. During this timeframe, we anticipate that all 2010 natural gas NYMEX contract prices will decline; however, we believe the greatest potential downside benefits will occur for the period of April 2010-March 2011.

Therefore, buyers should evaluate today's prices at least through June 2010 to see how they fit into your budget. Sub-\$5 prices for the first half of a calendar year haven't been available since 2002. We do think prices will get even more attractive during the first quarter decline, but it's hard to quantify what the downside potential is as we also expect production declines to become a bit more pronounced.

**The purpose of this Pricing Alert is simply to draw your attention current market conditions.** It is unusual to see natural gas prices decline to this extent at the start of winter, but winter really hasn't yet shown up as above-normal temperatures have blanketed the eastern half of the nation. Remember — pigs get fat and hogs get eaten. For buyers with specific budgetary requirements, moderate temperatures could push prices lower, but it is just as likely that a changing weather forecast to colder temperatures will pull prices higher. That colder temperature forecast doesn't need to be extreme — it just needs to be a shift from above-normal to normal or below-normal temperatures. As a result, unless you are a high-risk buyer (want only the lowest prices), we believe it is prudent to consider some coverage at today's price levels for at least the upcoming winter and potentially into the middle of 2010, especially if it fits into your budgetary requirements. Having some coverage at the start of your budget year (presuming your budget is a calendar year) is a great way to balance your risks of price volatility and it will also reduce the emotions associated with buying decisions.

**Conclusion:** Having some purchases secured in the first half of 2010 will allow buyers to more patiently wait for both the first quarter decline and better prices for the second half of 2010. Right now, buyers can secure a six-month NYMEX strip purchase of Jan-Jun 2010 at below \$5 per MMBtu. There is probably more downside, but if you're budget conscious, chances are this price fits well into your budget. Conversely, the six-month NYMEX strip purchase of Jul-Dec 2010 is trading at an average of \$5.50 per MMBtu. We're not saying \$5.50 isn't a good price, we're simply pointing out that we believe there will be more downside in the second half of 2010 once we're further into the winter of 2009-2010.