



PRICING ALERT

May 6, 2011

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 or impact natural gas prices.

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

Numerous markets posted declines on Thursday, May 5, 2011, as there appears to have been a liquidation of commodity contracts taking place. At one point, the June 2011 crude oil NYMEX contract had fallen by around \$10 per barrel, dipping to below \$100 per barrel for the first time since March 17. Similarly, the June 2011 natural gas NYMEX contract fell by more than \$.30 per MMBtu to end the day at \$4.261 per MMBtu. The price decline in natural gas started even before the release of the weekly storage report. However, the announcement that 72 Bcf had been injected into storage for the week ending April 29, 2011, accelerated the downward price momentum even though that injection was still below last year's date-adjusted injection of 83 Bcf.

Meanwhile, economic news was disappointing as new U.S. claims for unemployment rose last week to their highest level in eight months. This takes the total seeking unemployment benefits to a seasonally adjusted number of 474,000, whereas, economists were forecasting a drop that was expected to take total claims to 410,000. In addition, another report showed that non-farm productivity slowed sharply in the first quarter. This news easily overshadowed the Lloyds' Bank Corporate Markets Business Barometer that reflected an improved confidence in the economic outlook.

Thursday's price plunges were noteworthy as both natural gas and crude oil prices effortlessly pushed through what should have been some strong support price levels. This indicates that the recent price rally in both commodities was not precipitated by underlying fundamentals of supply and demand, but rather was likely fueled by speculative buying, and those buyers are now exiting those positions.

If you need some summer natural gas supplies, now would be a good time to consider a layer of price stability. Buyers should refer to the most recent [Weekly Edition](#) for specific pricing recommendations. For comparison purposes, below are some average natural gas NYMEX strip settlement prices per MMBtu from May 5, 2011.

Jun 11-Oct 11: \$4.36	Nov 11-Mar 12: \$4.82	Jan-Jun 2012: \$4.83
Jun 11-Dec 11: \$4.46	Jan 12-Mar 12: \$4.90	Jan-Dec 2012: \$4.90

At this time, a price dip to below \$4 per MMBtu is viewed as unlikely, but such a price move is expected at some point this fall. However, it is never advised to put all of one's eggs in a single basket. Natural gas buyers are advised to review their current supply portfolio and consider the addition of a layer of natural gas supplies. These actions will insure that buyers are capable of waiting out unexpected rallies associated with hurricane activity and hotter summer weather.

Conclusion: Complacency often leads to panic when natural gas prices rally. Buyers who implement a proactive, disciplined approach of purchasing their natural gas supplies during periods of price weakness typically have an overall better price portfolio than those who wait for the bottom because they are better equipped to "wait out" the rallies and make more informed purchasing decisions.