

**FUNDAMENTAL  
PETROLEUM  
TRENDS**

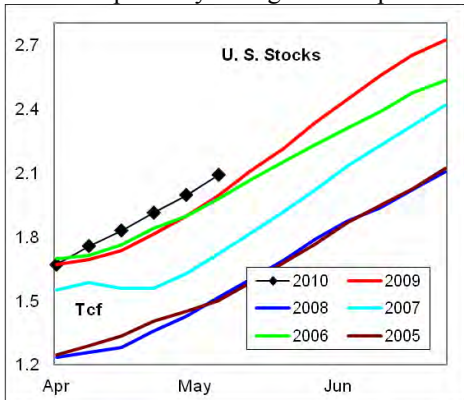
## WEEKLY NATURAL GAS SUPPLY and PRICE TRENDS

### A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 [www.fundamentalpetroleumtrends.com](http://www.fundamentalpetroleumtrends.com) Sunday, May 16, 2010



**Summary** <sup>1</sup> Stocks increased +94 Bcf last week, a level near the 5-year high for the week. Weekly stock builds remain exceptionally high. Stock levels are +5% above the prior 5-year high for the period.



In the East Region stocks increased +53 Bcf, which was above the mid range for the period. The +14 Bcf build in the West Region was a record build for the week. The stock build of +27 Bcf in the Producing Region was a record build for the period.

Heating degree days were -49% below normal in the East Region, +22% above normal in the West Region and -9% below normal in the Producing Region for the week ending May 8th.

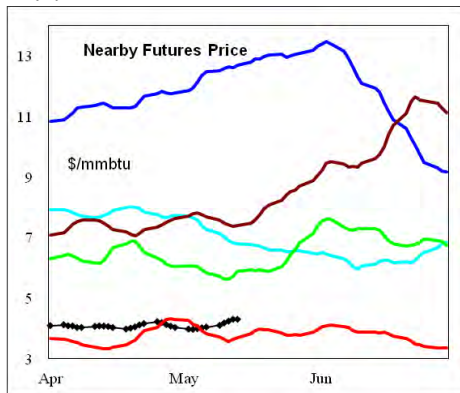
**Heating degree days** were -36% below normal for the week ending May 8th and forecast to be +24% below normal for the week ending May 15th.

The 6-10 day NWS forecast for the week ending May 25th is for cooler than normal temperatures across the western 1/3rd of the country and warmer than normal in the northern plains great lakes and northeast.

The 8-14 day NWS forecast for the week ending May 29th is for warmer than normal temperatures in the plains and Midwest regions and near normal elsewhere.

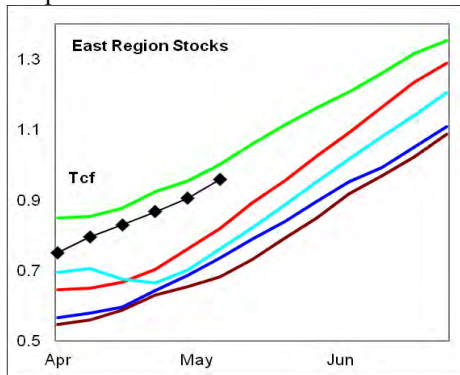
**Prices:** Nearby gas futures prices increased +\$0.29/mmbtu for the week ending May

14th.



The 1<sup>st</sup> - 4<sup>th</sup> month forward price curve trended higher on the week. The forward curve matches the high set in 2008 for the period. The flat forward price curve, even with very price levels, reflects market expectations of ample supplies for future months.

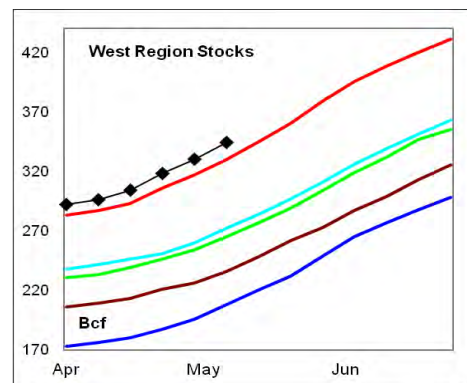
**East Region** stocks increased +53 Bcf on the week, which was above the mid range for the period. The latest 4-wk stock build was at the upper end of the historic range for the week. Stock levels were +17% above last year and near record highs for the period.



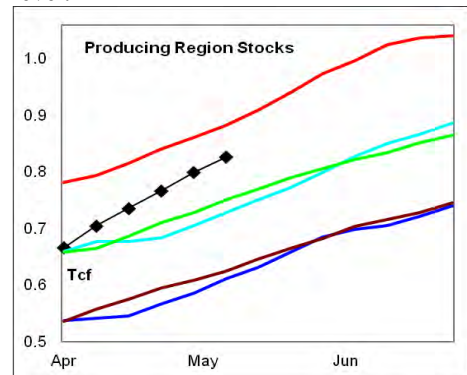
Heating degrees in the region were -49% below normal for the week ending May 8th and forecast to be +30% above normal for the week ending May 15th. Warmer than normal temperatures are forecast for the next 10-days.

**West Region** stocks increased +14 Bcf on the week, which was a record build for the week. The latest 4-wk stock build was above the historic range last week. Stock levels are +4% above the prior 5-year high.

Heating degree days were +22% above normal for the week ending May 8th, and forecast to be +7% above normal for the week ending May 15th. Colder than normal temperatures are forecast for the next 10-days.



**Producing Region** stocks increased +27 Bcf on the week, another record weekly build. The latest 4-wk stock build was another record high for the period. Stock levels are -6.6% below last years' record level.



Heating degree days were -9% below normal for the week ending May 8th, and forecast to be -13% below normal for the week ending May 15th. Slightly warmer than normal temperatures are forecast for the next 10 days.

**Residual Fuel Oil Switching:** The price spread between residual fuel oil and natural gas decreased last week on weakness in residual fuel prices and strength in natural gas prices. The spread remains extremely favorable for natural gas substitution. Residual fuel oil demand (including exports) was +4% above year ago levels for the latest 4-wk period.

**Outlook:** The rate of stock building remains very high, but has not exceeded prior years by the magnitude as occurred during the month of April. Increased activity in the industrial sector of the economy has provided some strength in demand. Record stocks and high production levels have led to a flat forward price curve, even at low price levels. Expect weak prices on moderate temperature forecast.

#### <sup>1</sup> Related Web Sites:

[Data Source is EIA Weekly Statistics](#)

[National Weather Service 6-10 Day](#)

[National Weather Service 10-14 Day](#)



## NATURAL GAS: Graph Link and Weekly Summary

Report prepared as of: May 16, 2010

For the week ending: 7-May-10

### Weekly Trends in Stocks and Heating Degree Days for the week ending:

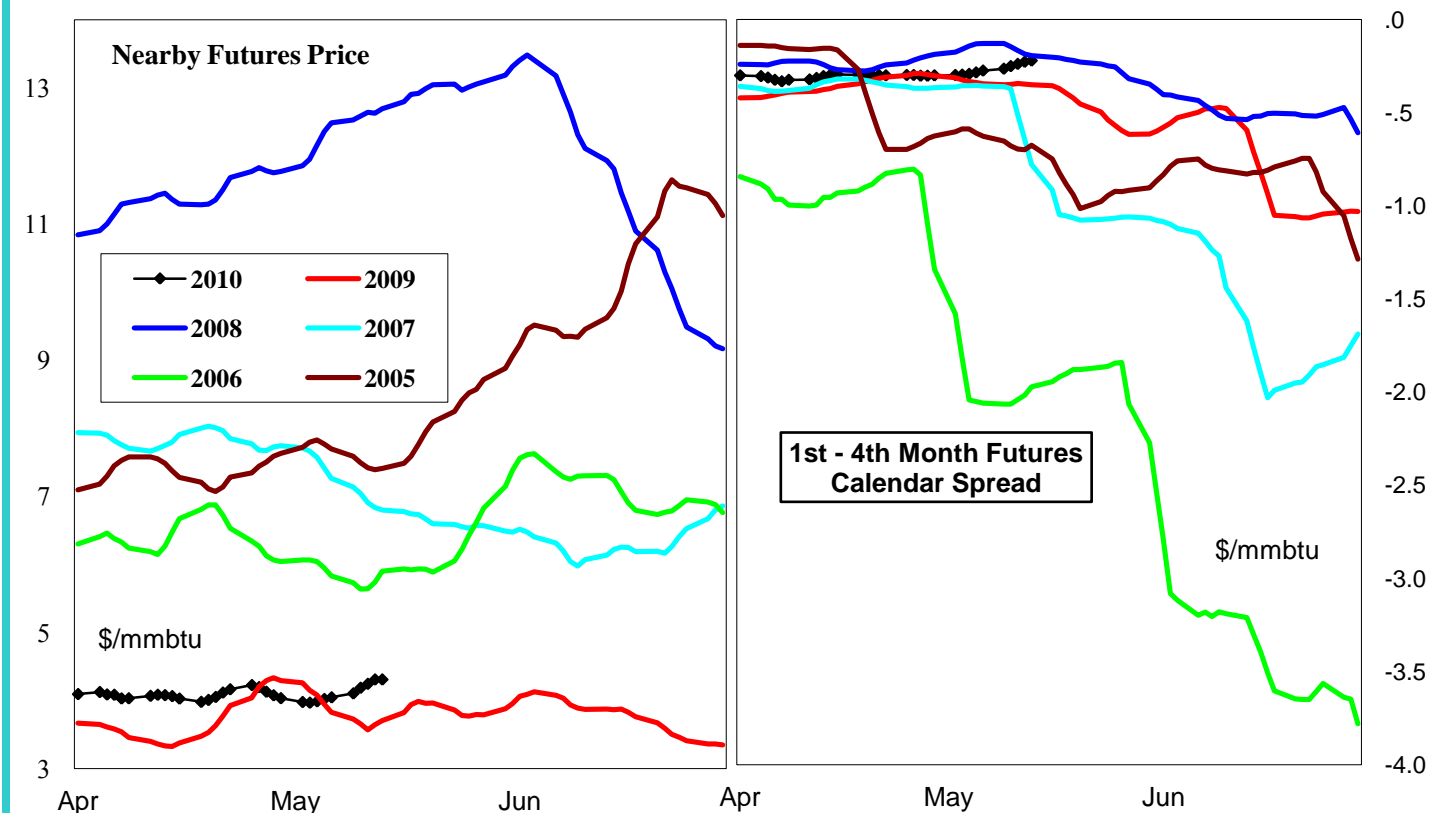
Week ending:	7-May-10			1-May-10		8-May-10		15-May-10	
Region	Weekly Stocks			Weekly Heating Degree Days					
	Bcf	Change vs prior:		Change vs prior week	% of normal	Change vs prior week	% of normal	Change vs prior week	% of normal
		Week Bcf	Year (%)						
U.S. Total	2,089	94	4.9	-13	-5%	-28	-36%	20	24%
East	958	53	17.0	-18	-11%	-36	-49%	34	30%
West	344	14	4.2	6	16%	-8	22%	-22	7%
Producing	787	27	-6.6	-5	29%	-13	-9%	-5	-13%

### Seasonal Trends in Stocks and Heating Degree Days

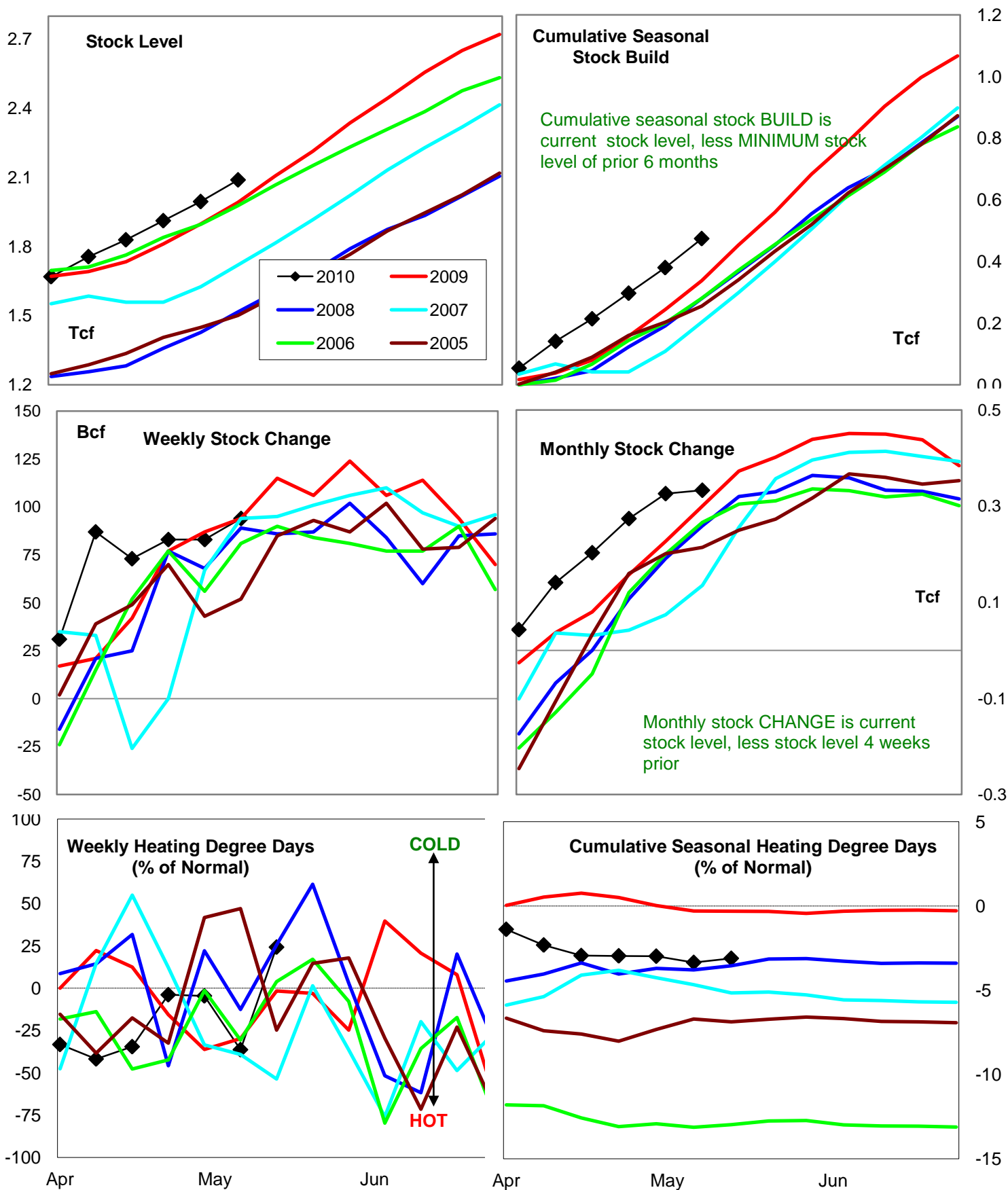
	Cumulative Stock Draw			Cumulative Heating Degree Days					
	Bcf	Change vs prior year Bcf	%	CHDD's vs normal	% of normal	CHDD's vs normal	% of normal	CHDD's vs normal	% of normal
<b>U.S. Total</b>	<b>474</b>	<b>136</b>	<b>28.7</b>	<b>64</b>	<b>-3.0</b>	<b>35</b>	<b>-3.4</b>	<b>55</b>	<b>-3.1</b>
<b>East</b>	<b>208</b>	<b>33</b>	<b>15.9</b>	<b>69</b>	<b>-5.0</b>	<b>32</b>	<b>-5.6</b>	<b>67</b>	<b>-5.2</b>
<b>West</b>	<b>61</b>	<b>9</b>	<b>14.8</b>	<b>94</b>	<b>-3.3</b>	<b>86</b>	<b>-2.9</b>	<b>64</b>	<b>-2.8</b>
<b>Producing</b>	<b>239</b>	<b>89</b>	<b>37.2</b>	<b>28</b>	<b>10.8</b>	<b>15</b>	<b>10.6</b>	<b>10</b>	<b>10.6</b>

### Futures Market Price Trends

Date:	30-Jun-10	Change vs prior week, month, year		
		24-Jun-10	3-Jun-10	30-Jun-09
<b>1st month Futures</b>	<b>4.31</b>	<b>0.14</b>	<b>0.37</b>	<b>0.35</b>
<b>% change</b>	<b>xxxxx</b>	<b>3.4</b>	<b>9.4</b>	<b>8.8</b>



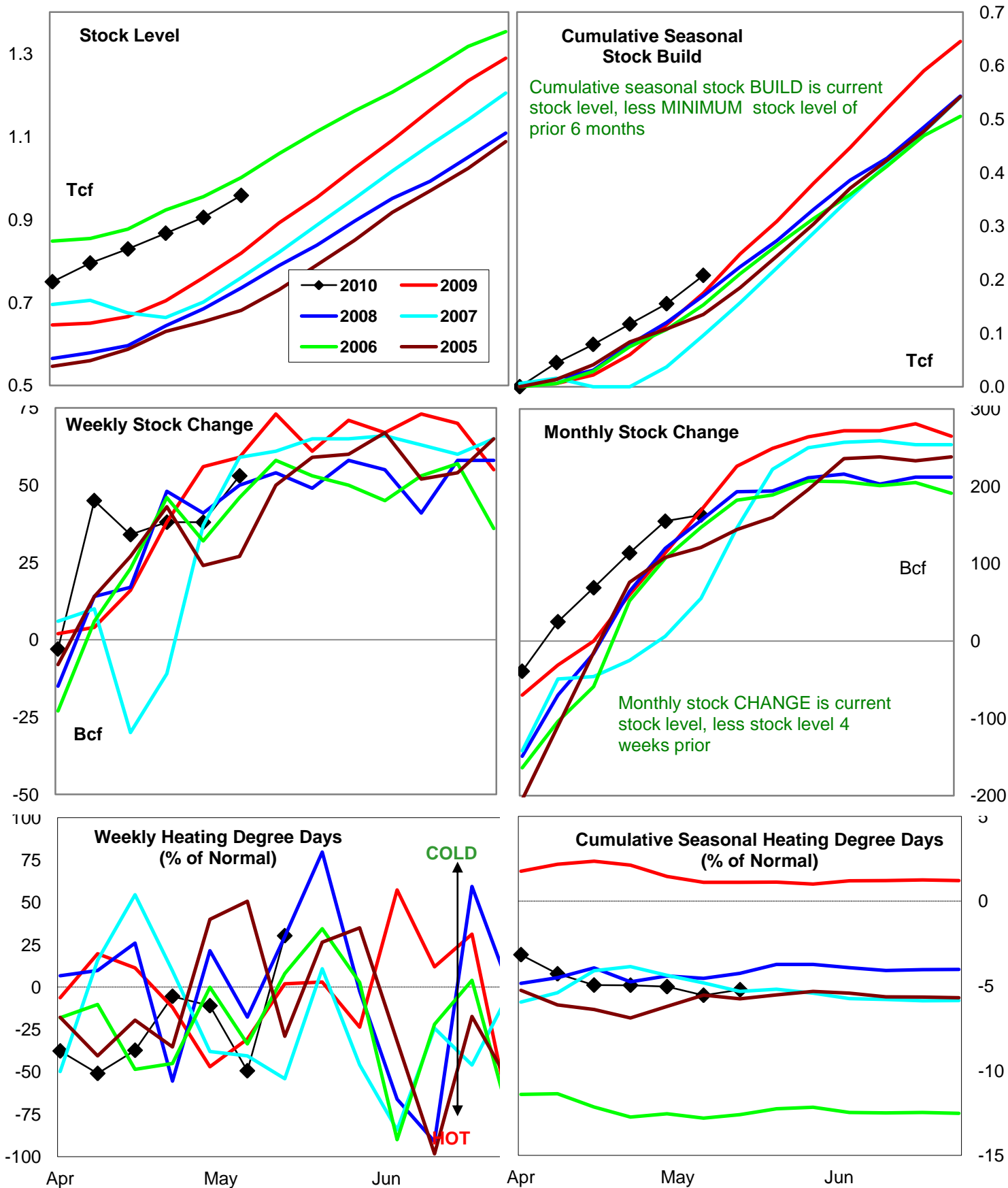
# United States Natural Gas Stock and Weather Trends



Variance to prior year

Stock  
LevelWeekly Stock  
ChangeMonthly Stock  
ChangeCumulative Stock  
ChangeBCF  
Percent Change (%)97  
4.90  
0.033  
11.0136  
40.2

# Natural Gas East Region Stock and Weather Trends



Variance to prior year

Stock Level

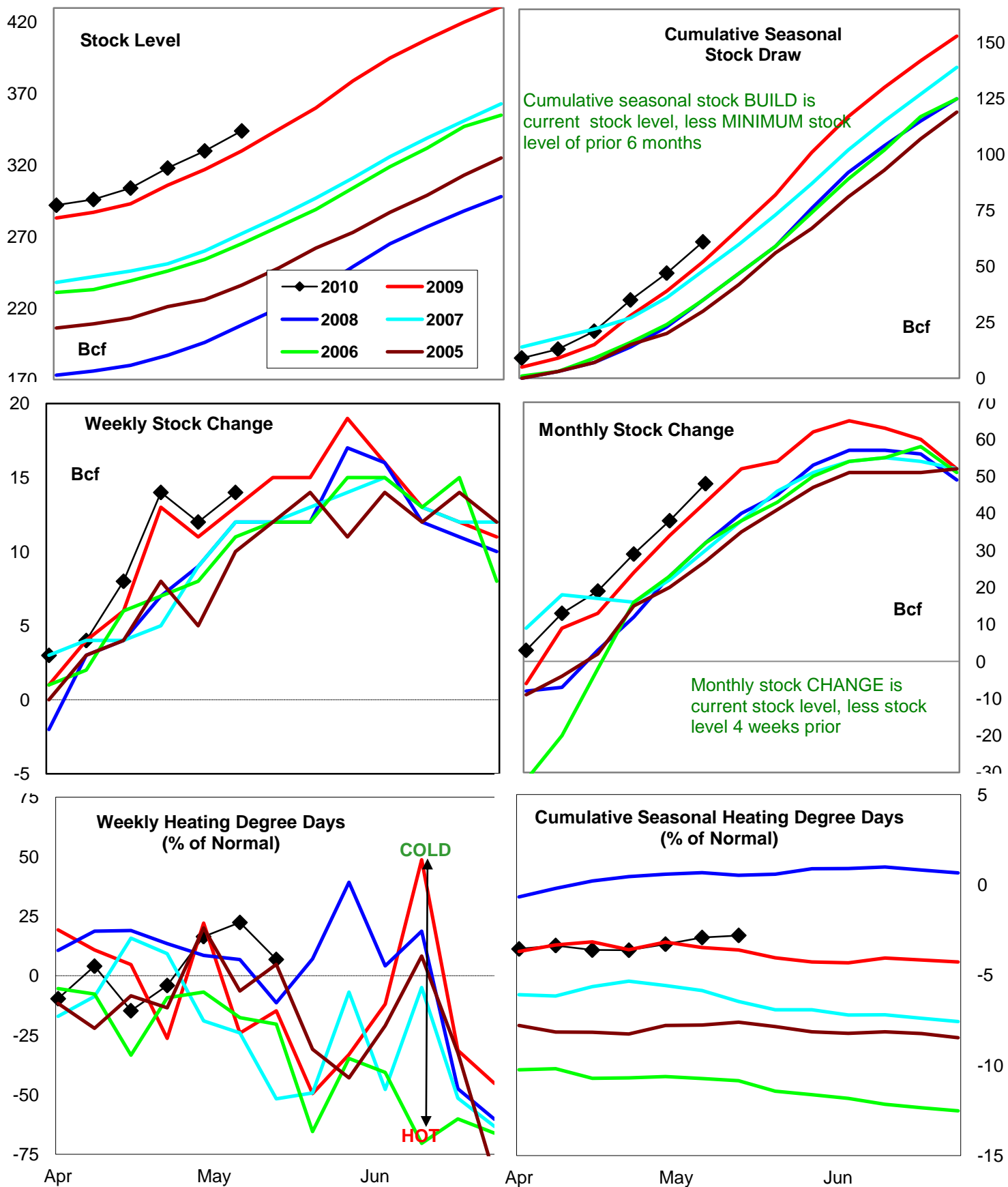
Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF  
Percent Change (%)139  
17.0-6  
-10.2-6  
-3.633  
18.9

# Natural Gas West Region Stock and Weather Trends



Variance to prior year

Stock Level

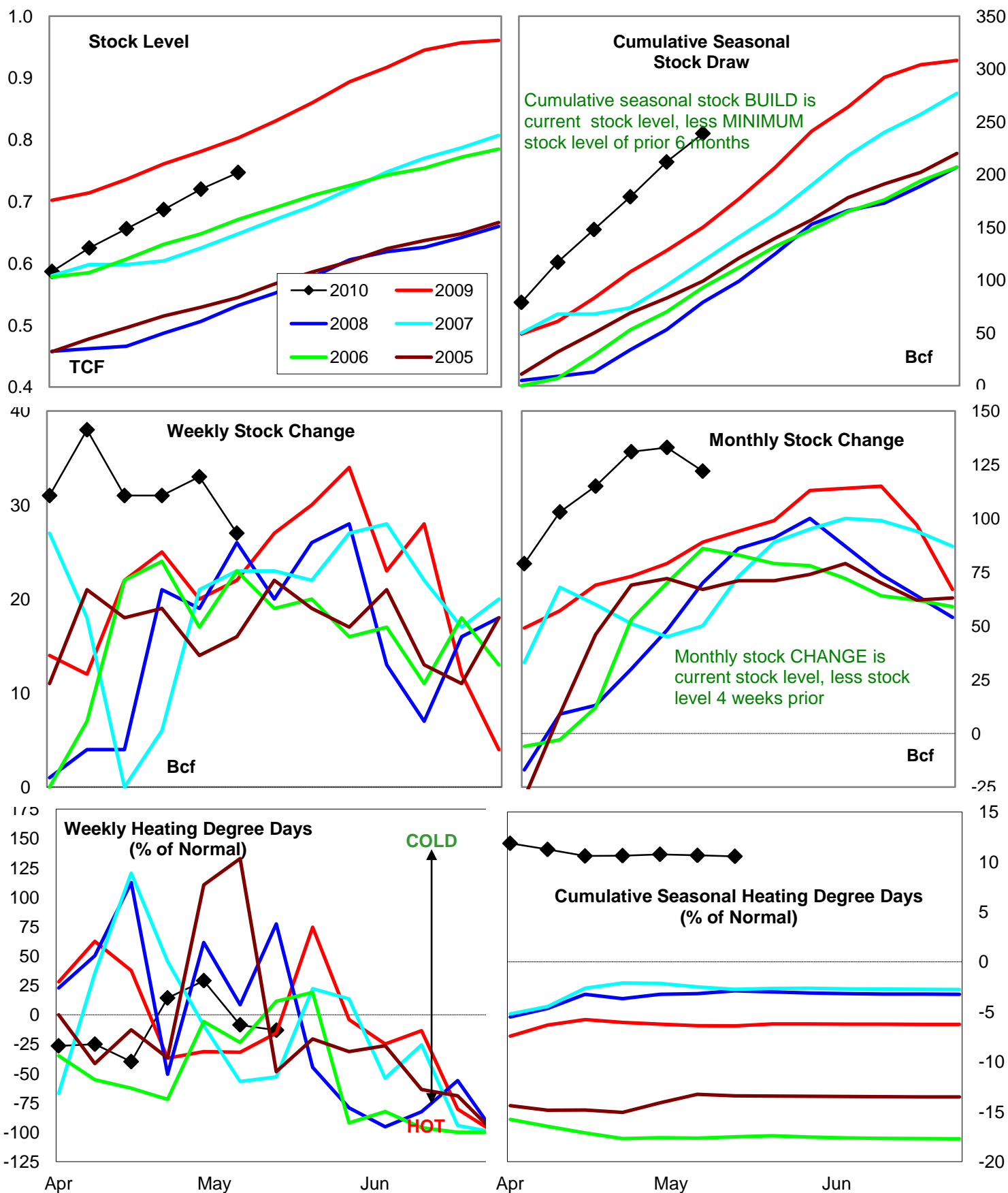
Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF  
Percent Change (%)14  
4.21  
7.75  
11.69  
17.3

# Natural Gas Producing Region Stock and Weather Trends



Variance to prior year

Stock Level

Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF

-56

5

33

89

Percent Change (%)

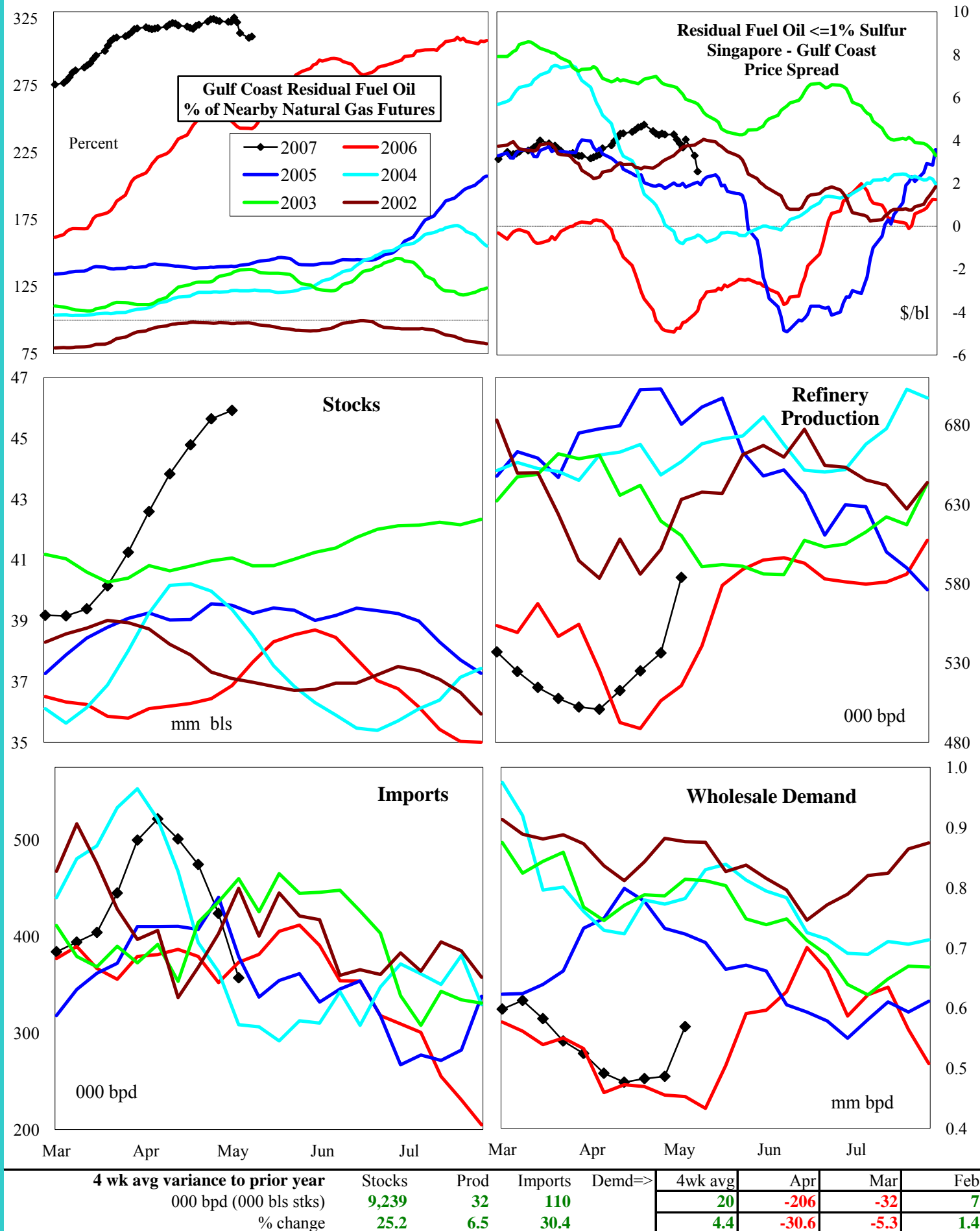
-6.6

22.7

37.1

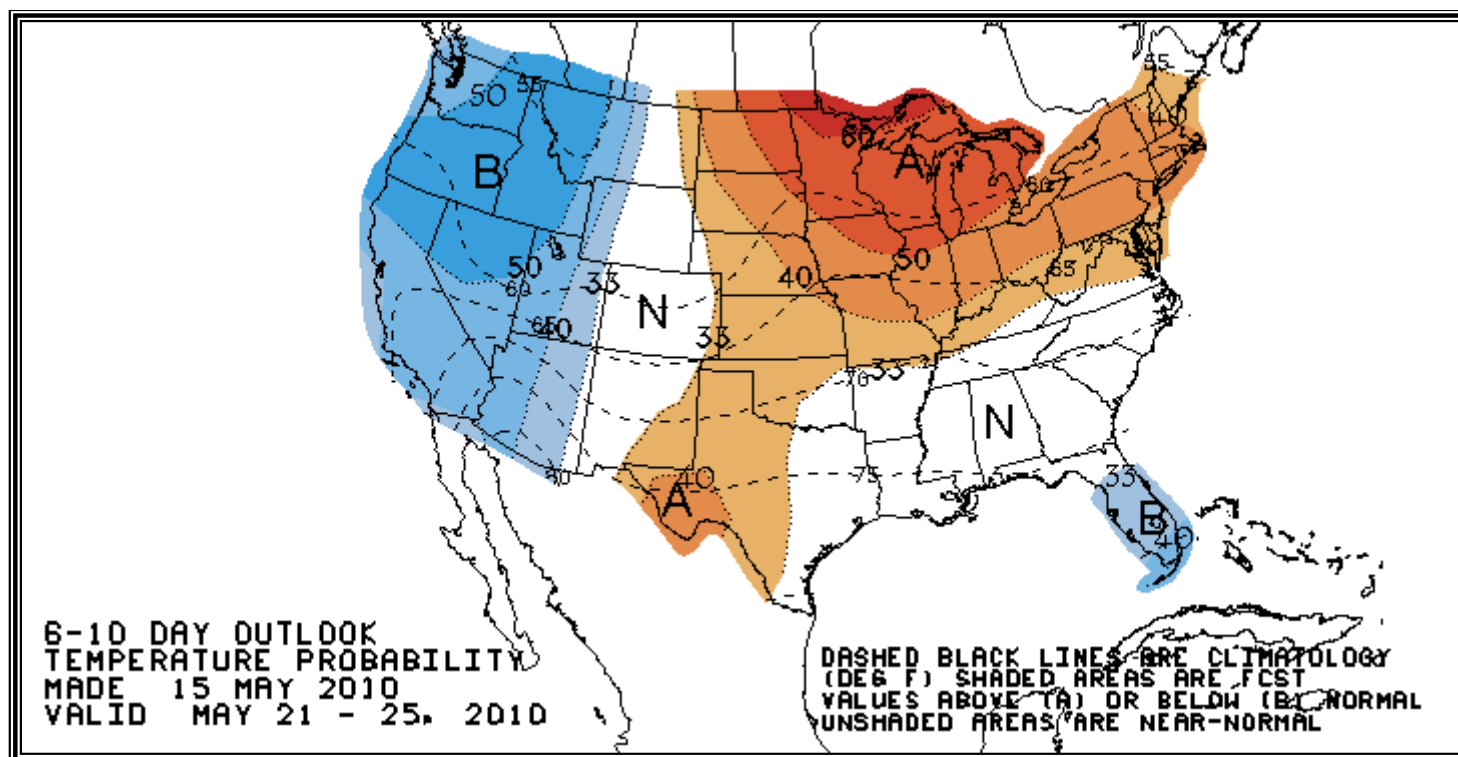
59.3

# U.S. Residual Fuel Oil Price Spreads and Supply Balance



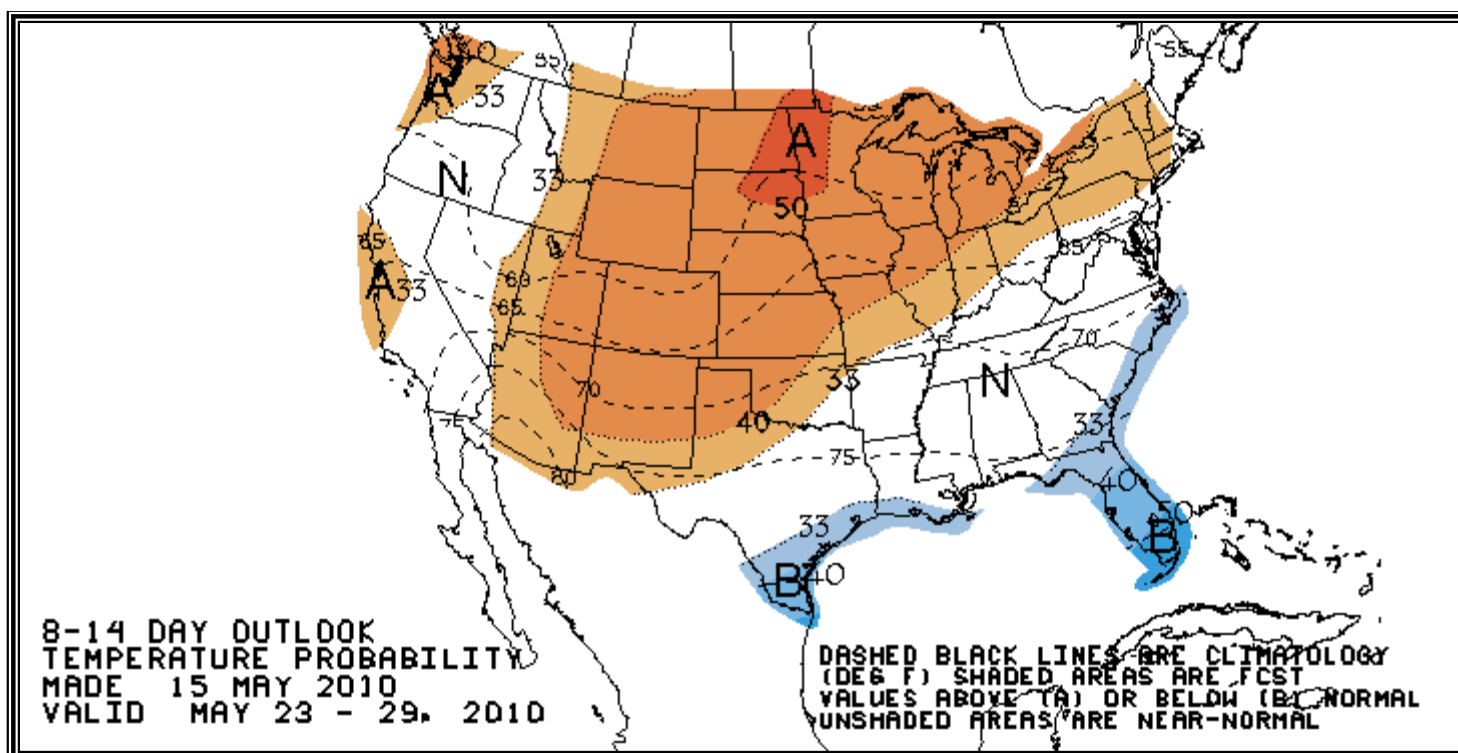
# National Weather Service Climate Prediction Center Cooling

## Degree Days 6 - 10 Day Forecast



# National Weather Service Climate Prediction Center Cooling

## Degree Days 8 - 14 Day Forecast



# American Gas Association Regions

