



**FUNDAMENTAL
PETROLEUM
TRENDS**

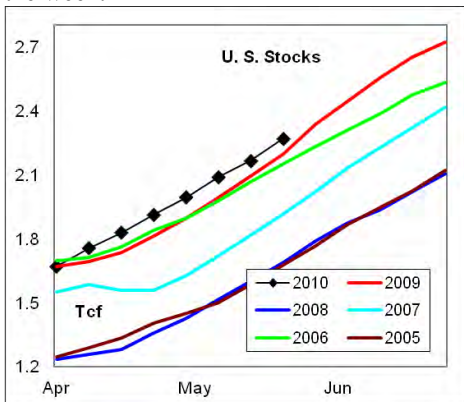
WEEKLY NATURAL GAS SUPPLY and PRICE TRENDS

A Fundamental Petroleum Trends Weekly Report

Lehi German Tel: 816.505.0980 www.fundamentalpetroleumtrends.com Monday, May 31, 2010



Summary¹ Stocks increased +104 Bcf last week, a level which matched the 5-year weekly high for the period. Heating degree days were -11% below normal for the week.



In the East Region stocks increased +55 Bcf, which was below the mid range for the period. The +18 Bcf build in the West Region was the 7th consecutive weekly record build. The stock build of +31 Bcf in the Producing Region was also a record build for the period.

Heating degree days were -14% below normal in the East Region, -4% below normal in the West Region and +6% above normal in the Producing Region for the week ending May 22nd.

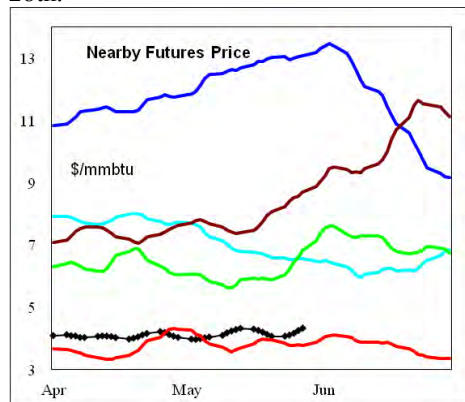
Heating degree days were -11% above normal for the week ended May 22nd, -70% below normal for the week ended May 29th and forecast to be -74% below normal for the week ending June 5th.

The 6-10 day NWS forecast for the week ending June 9th is for warmer than normal weather in the southwest and cooler than normal temperatures in the eastern 1/2 of the country.

The 8-14 day NWS forecast for the week ending June 13th is for warmer than normal temperatures near the Mexican border region and cooler than normal temperatures across the northern tier states, great lakes and northeast.

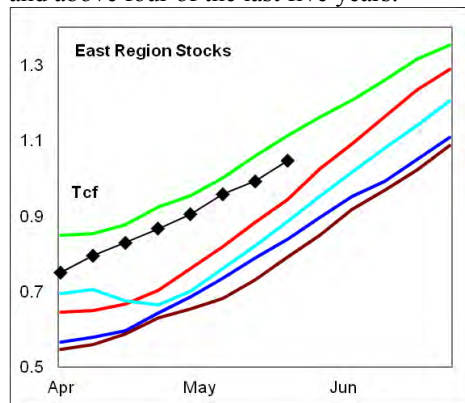
Prices: Nearby gas futures prices increased

+\$0.30/mmbtu for the week ending May 28th.



The 1st - 4th month forward price curve trended lower on the week. The forward curve was above the historic range, indicating the market expects very ample supplies during the foreseeable future.

East Region stocks increased +55 Bcf on the week, which was below the mid range for the period. The latest 4-wk stock build was at the low end of the historic range. Stock levels were +11% above last year and above four of the last five years.

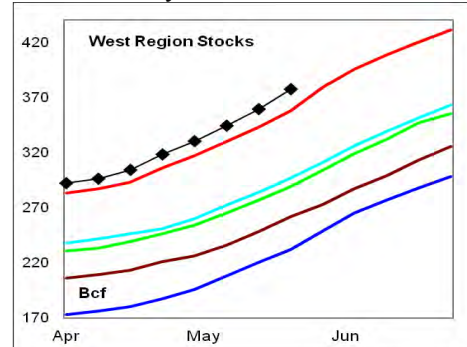


Heating degrees in the region were -11% below normal for the week ended May 22nd, -93% below normal for the week ended May 29th and forecast to be -78% below normal for the week ending June 5th. Cooler than normal temperatures are forecast for the next 10-days.

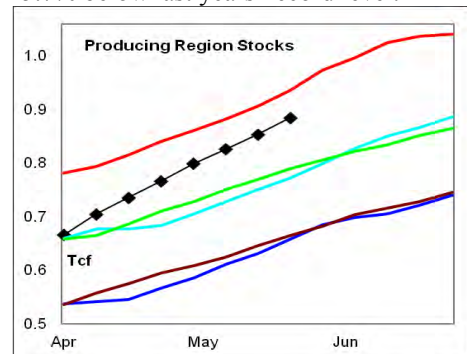
West Region stocks increased +18 Bcf on the week, which was the 7th consecutive weekly record stock build. The latest 4-wk stock build was above the historic range. Stock levels are +5.3% above the prior 5-year high.

Heating degree days were -4% below normal for the week ended May 22nd, +32% above normal for the week ended May 29th and forecast to be -55% below normal for the week ending June 5th. Near normal temperatures are forecast for

the next 10-days.



Producing Region stocks increased +31 Bcf on the week, another record weekly build. The latest 4-wk stock build was a record high for the period. Stock levels are -5.7% below last years' record level.



Heating degree days were +6% above normal for the week ended May 22nd, -85% below normal for the week ended May 29 and forecast to be -100% below normal for the week ending June 5th. 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 extended the recent downtrend last week on continued weakness in residual fuel prices and strength in natural gas prices. The spread now matches last year record high level in favor of natural gas substitution. Residual fuel oil demand (including exports) was +11% above year ago levels for the latest 4-wk period.

Outlook: Stock builds continue at record rates in both the West and Producing regions. Stock build rates in the East Region (the largest consuming region, with limited production) have declined to below the mid range during the past month. This latter trend is driven in part by a very flat forward price curve that offers limited storage economics. A sharp early summer warming trend forecast to extend through the first week of June should provide some short term price support.

¹ 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 31, 2010

For the week ending: 21-May-10

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

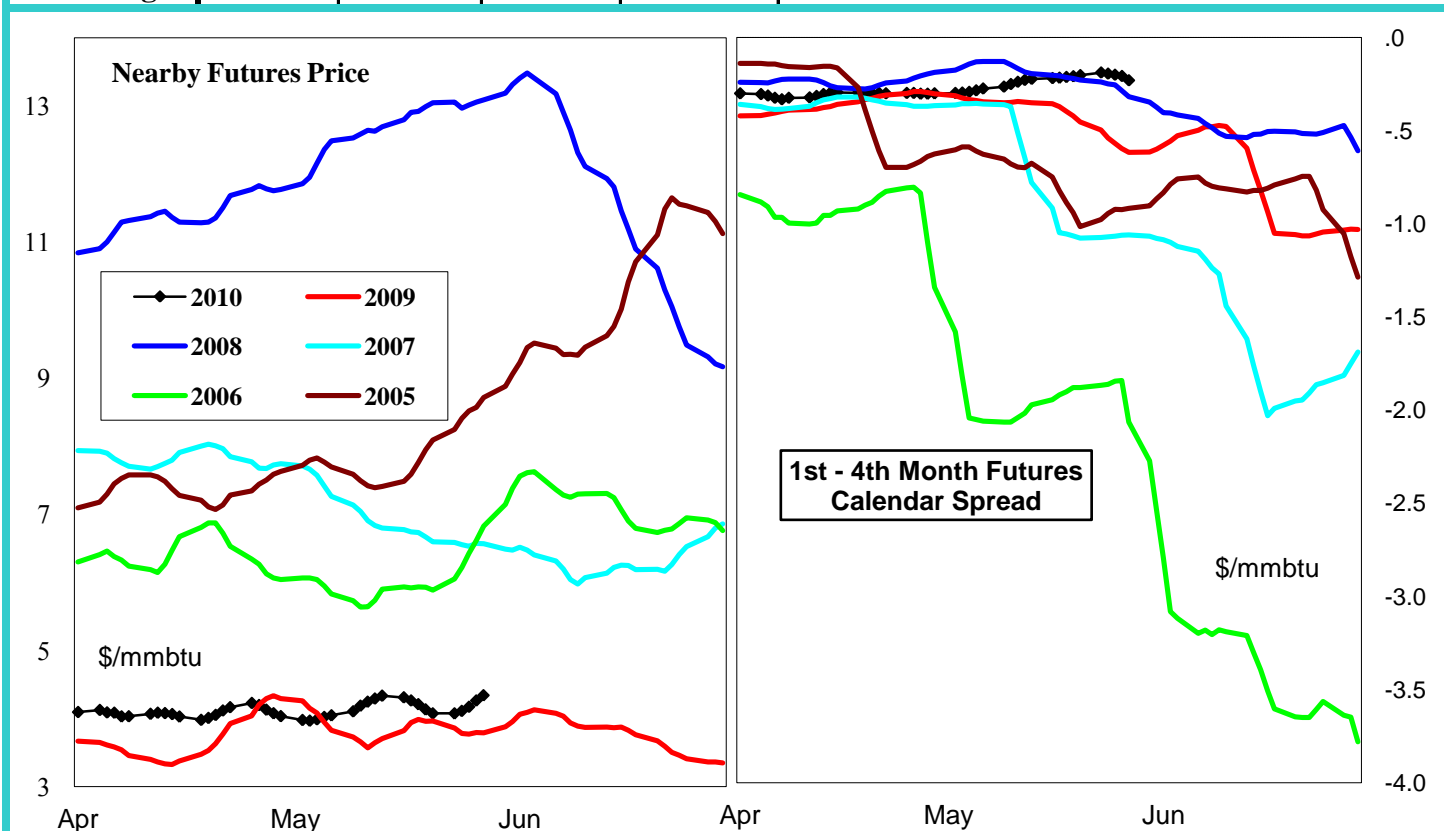
Week ending:	21-May-10			22-May-10		29-May-10		5-Jun-10	
Region	Weekly Stocks			Weekly Heating Degree Days					
	Bcf	Change vs prior:		Change vs prior week	% of normal	Change vs prior week	% of normal	Change vs prior week	% of normal
		Week Bcf	Year (%)						
U.S. Total	2,269	104	3.2	-36	-11%	-23	-70%	-3	-74%
East	1,047	55	10.9	-43	-14%	-32	-93%	3	-78%
West	377	18	5.3	-36	-4%	6	32%	-39	-55%
Producing	845	31	-5.7	-10	6%	-7	-85%	-1	-100%

Seasonal Trends in Stocks and Heating Degree Days

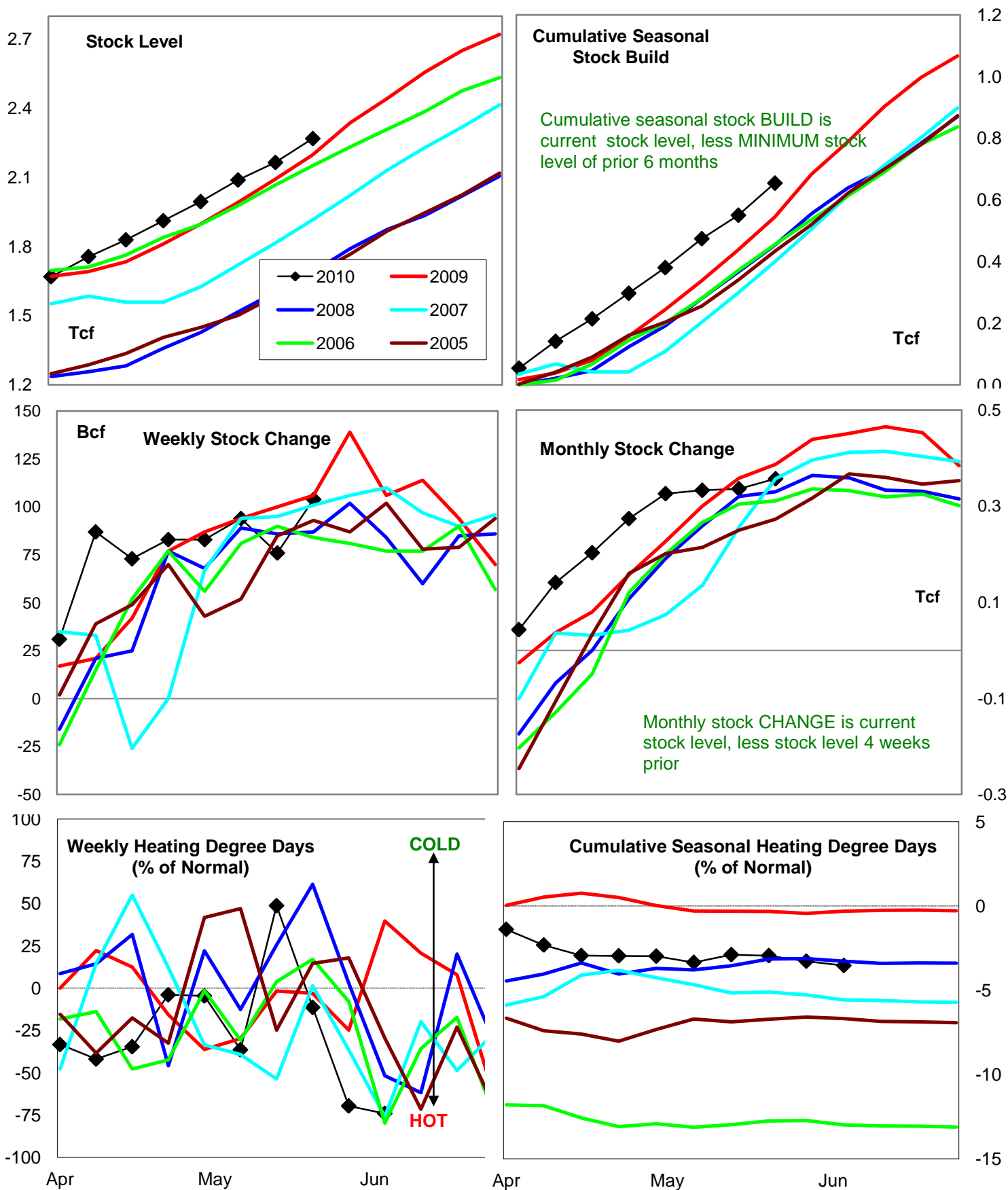
	Cumulative Stock Draw			Cumulative Heating Degree Days					
	Bcf	Change vs prior year Bcf	%	CHDD's vs normal	% of normal	CHDD's vs normal	% of normal	CHDD's vs normal	% of normal
U.S. Total	654	110	16.8	30	-3.0	8	-3.3	5	-3.5
East	297	-3	-1.0	34	-5.1	2	-5.6	4	-5.8
West	94	14	14.9	48	-2.4	54	-2.2	15	-2.5
Producing	297	94	31.6	8	10.8	1	10.7	0	10.5

Futures Market Price Trends

Date:	30-Jun-10	Change vs prior week, month, year		
		24-Jun-10	3-Jun-10	30-Jun-09
1st month Futures	4.34	0.32	0.34	0.41
% change	xxxxx	8.0	8.5	10.4



United States Natural Gas Stock and Weather Trends



Variance to prior year

Stock Level

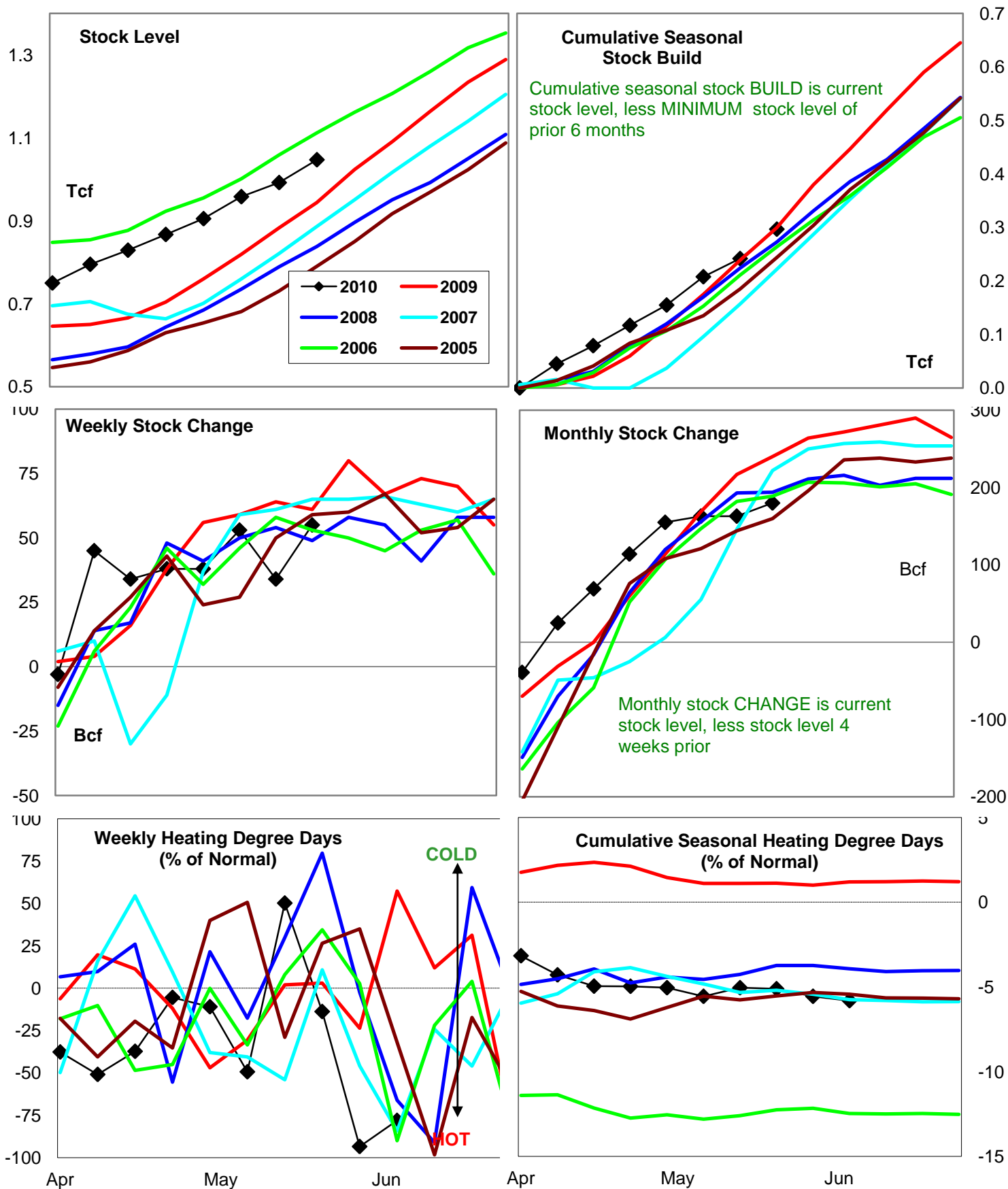
Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF
Percent Change (%)71
3.2-2
-1.9-30
-7.8110
20.2

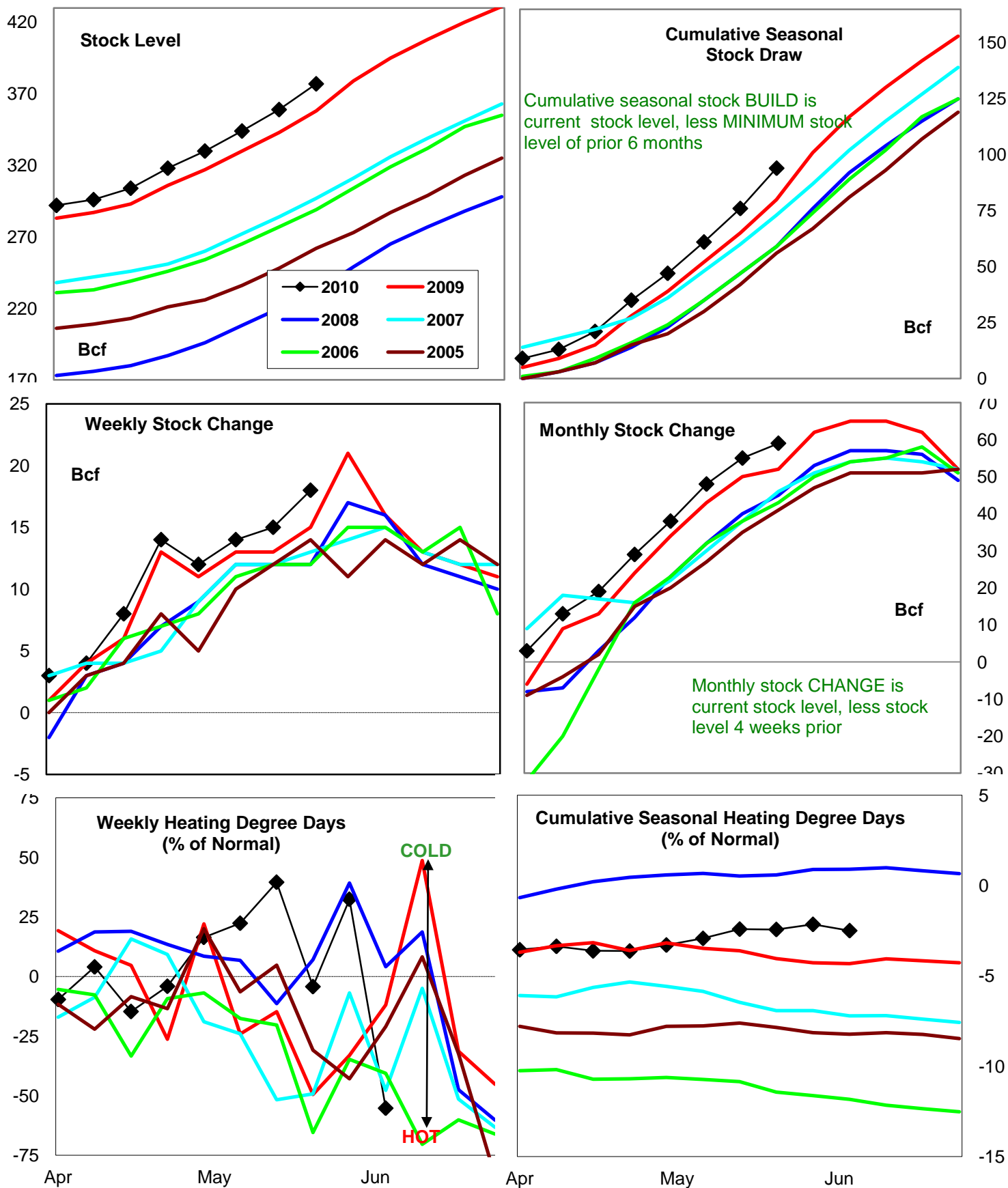
Natural Gas East Region Stock and Weather Trends



Variance to prior year

Stock
LevelWeekly Stock
ChangeMonthly Stock
ChangeCumulative Stock
ChangeBCF
Percent Change (%)103
10.9-6
-9.8-60
-25.0-3
-1.0

Natural Gas West Region Stock and Weather Trends



Variance to prior year

Stock Level

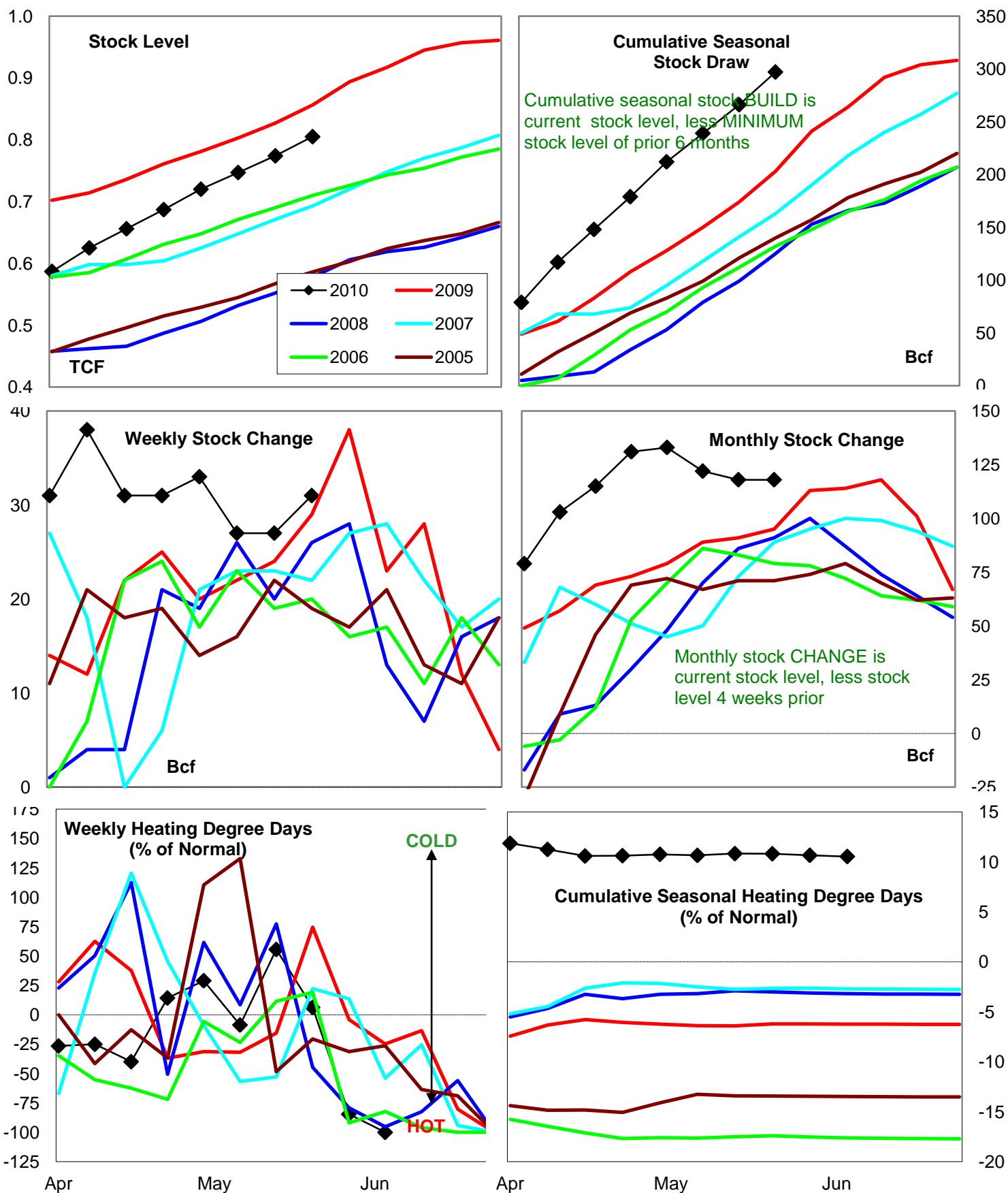
Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF
Percent Change (%)19
5.33
20.07
13.514
17.5

Natural Gas Producing Region Stock and Weather Trends



Variance to prior year

Stock Level

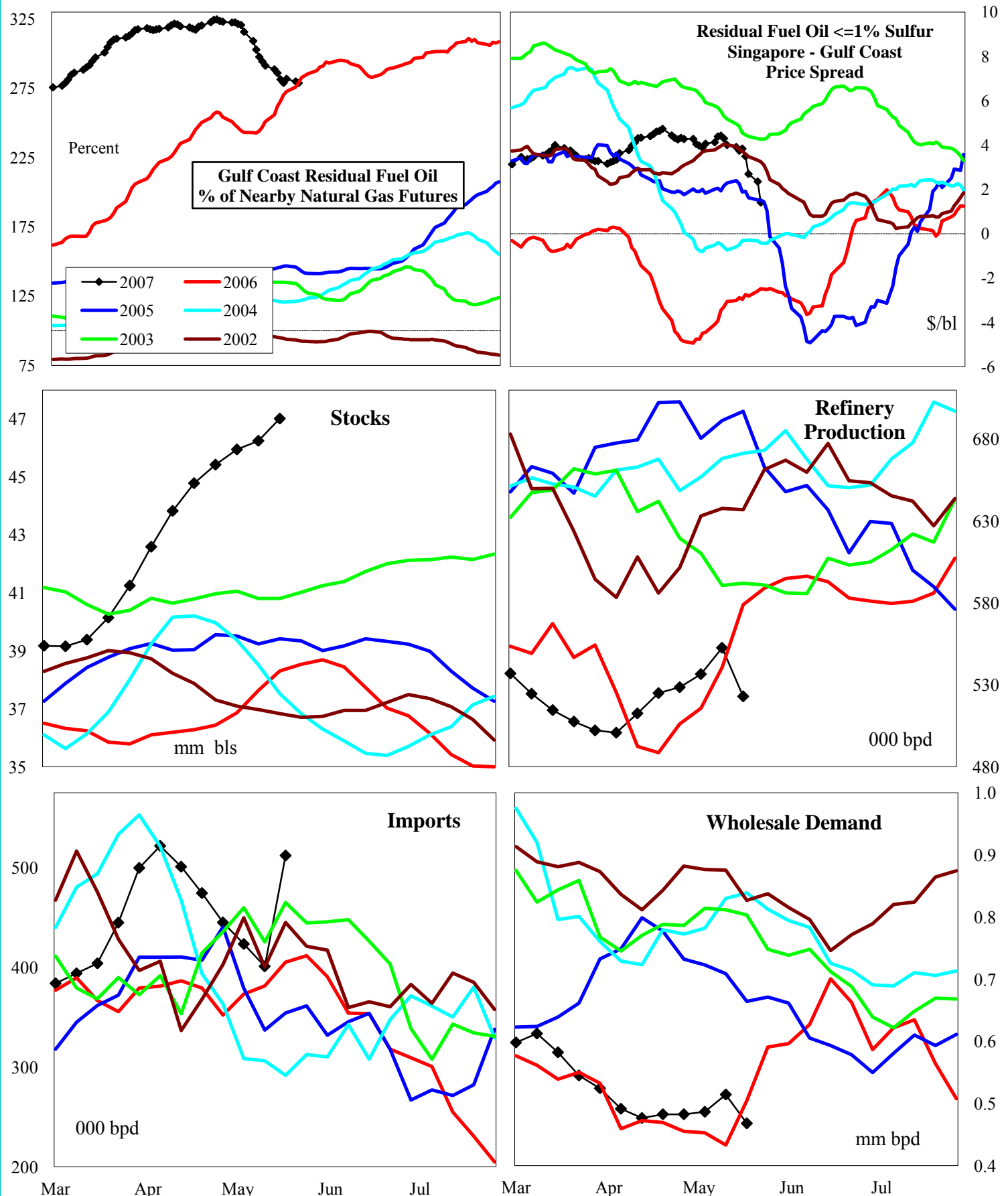
Weekly Stock Change

Monthly Stock Change

Cumulative Stock Change

BCF
Percent Change (%)-51
-5.72
6.923
24.294
46.3

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



4 wk avg variance to prior year
 000 bpd (000 bls stks)
 % change

Stocks
8,544
22.2

Prod
21
3.9

Imports
48
12.8

Demd=>
 4wk avg
49
11.2

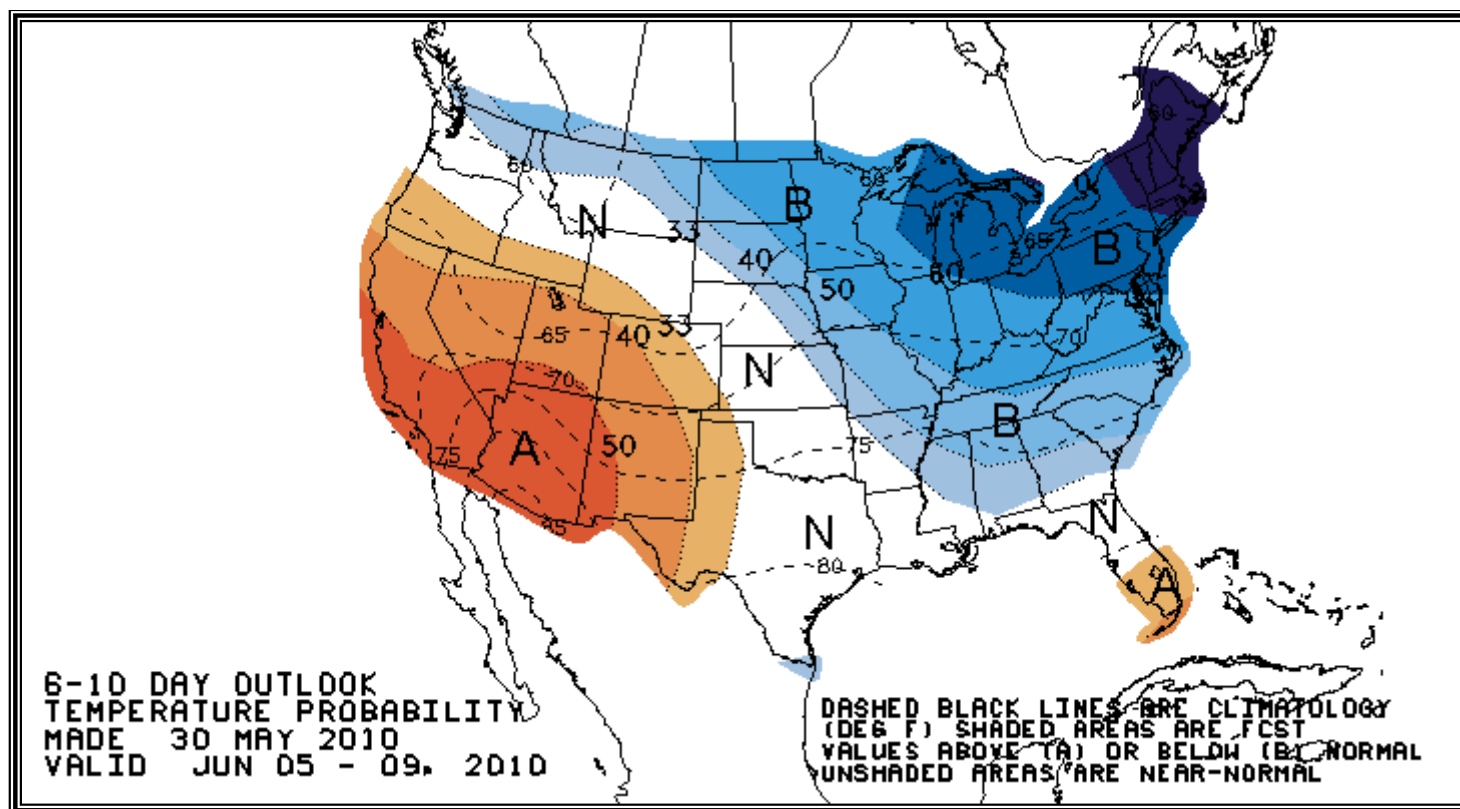
Apr
-206
-30.6

Mar
-32
-5.3

Feb
7
1.4

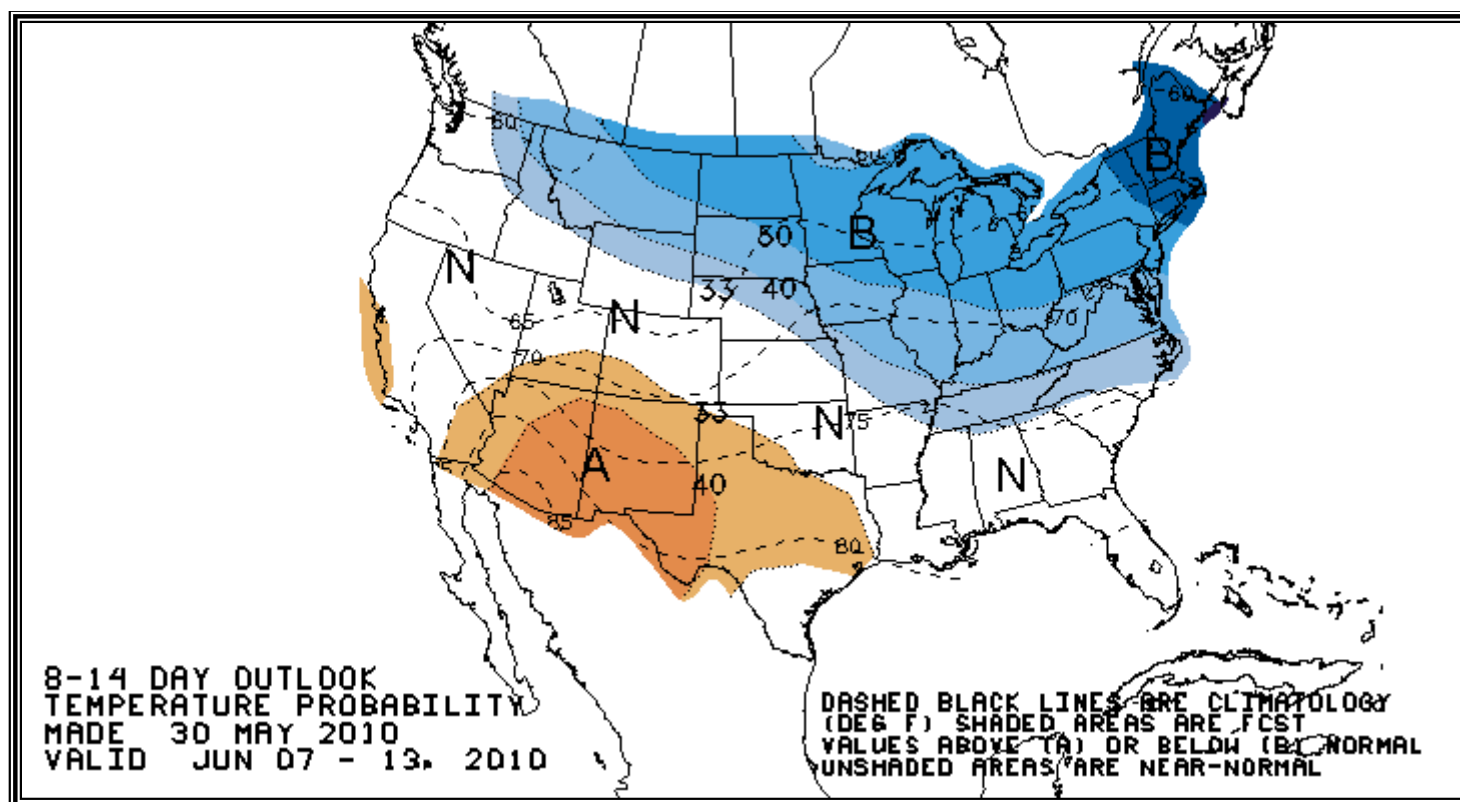
National Weather Service Climate Prediction Center Heating

Degree Days 6 - 10 Day Forecast



National Weather Service Climate Prediction Center Heating

Degree Days 8 - 14 Day Forecast



American Gas Association Regions

