

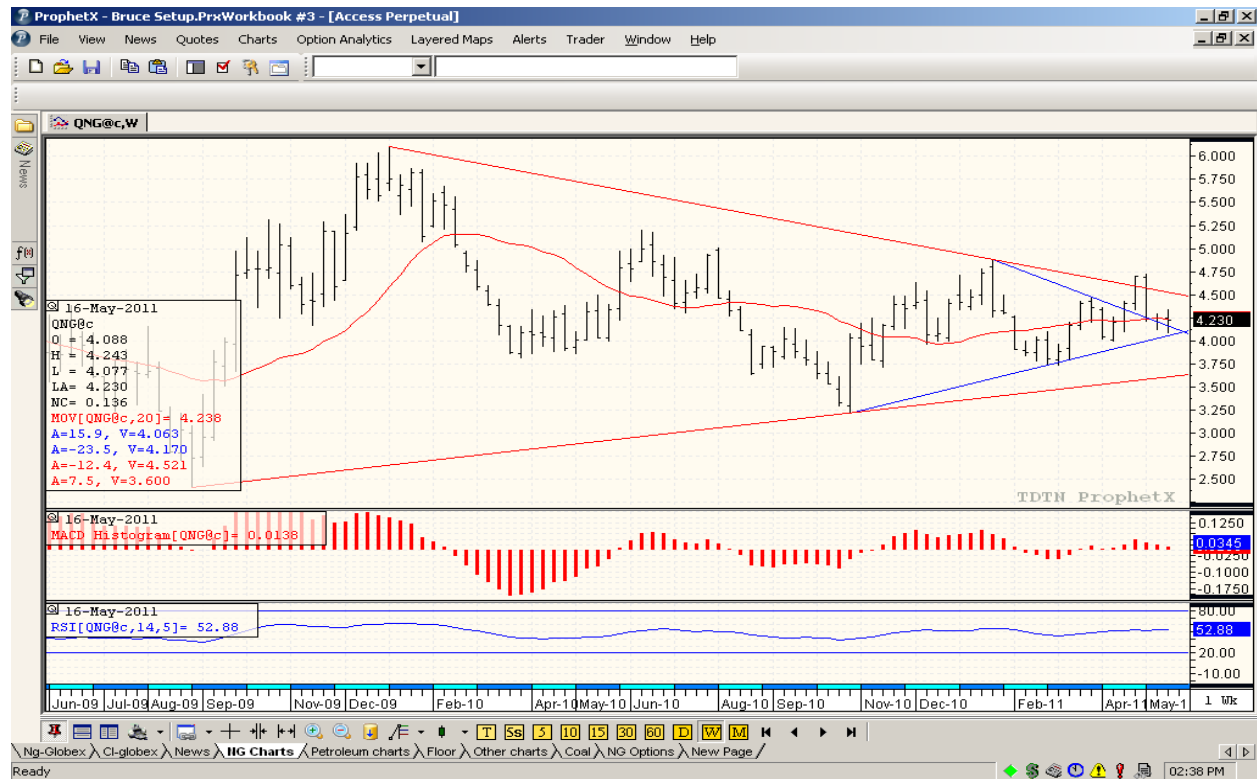
5/20/11

## Natural Gas Market Summary

*These views are provided by SCANA Energy Marketing for information purposes only – please see last page for details.*

On Monday, the May contract opened trading about \$.01/dt above the previous week's closing price, then as thought likely, traded higher to the second level of technical price resistance at +/- \$.435/dt. After failing to 'breach' that resistance level, prices reversed lower with the June contract first trading below the 20-week simple moving average followed by a test of next level of technical price support found at +/- \$.411/dt. When the Weekly Storage Report was released, the June price traded below \$.411/dt, only to once again reverse higher on Friday.....ultimately posting a weekly closing price of \$.423/dt, down \$.015/dt from last week's closing price.

Below is a weekly continuation chart showing that price activity



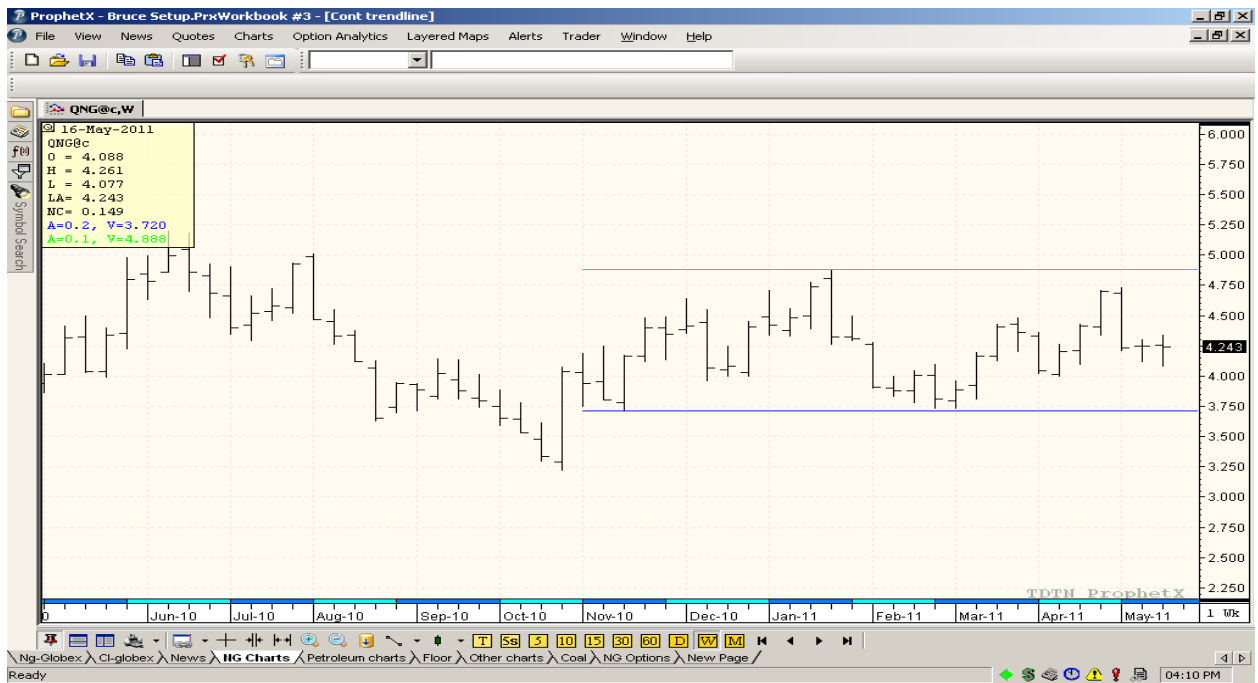
Strip prices:

1. June 11 - Dec 11 - \$4.43/dt, down \$.01/dt from last week.
2. 12-month strip - \$4.59/dt, down \$.01/dt from last week.
3. 24-month strip – \$4.82/dt, down \$.02/dt from last week.

- 36-month strip - \$5.00/dt, down \$.03/dt from last week.

**Neutral price factors:**

- Open interest – decreased 12810 contracts through Thursday as the prompt price move lower by \$.224/dt. Technically speaking, decreased open interest accompanied by lower prices indicates ‘long’ liquidation, market ‘consolidation’ and indecision as to price direction.
- Storage – Working gas in storage was 1,919 Bcf as of Friday, May 13, 2011, according to EIA estimates. This represents a net increase of 92 Bcf from the previous week. Stocks were 235 Bcf less than last year at this time and 36 Bcf below the 5-year average of 1,955 Bcf.
- Trading Range – as shown below, the prompt month has traded within a well-defined range between \$4.88/dt (green line) and \$3.72/dt (blue line) since late October 2010.



- Lower price highs in each quarter of an entire calendar year – since natural gas began trading on NYMEX there have only been 2 years in which the quarterly price high decreased each quarter of that year. The first year was 2001 and the second year was 2010. Interesting, in both years, the first quarter of the following year broke that trend. In 2001, prices remained relatively low through the third quarter of the following year then began to rally (see below). Not shown is the price high for the first quarter of 2003. That price high was \$8.25/dt.

Year	1 <sup>st</sup> qtr high	2 <sup>nd</sup> qtr high	3 <sup>rd</sup> qtr high	4 <sup>th</sup> qtr high	1 <sup>st</sup> qtr following year	2 <sup>nd</sup> qtr following year	3 <sup>rd</sup> qtr following year	4 <sup>th</sup> qtr following year
2001	9.17	5.4	3.311	3.23	3.505	3.74	3.93	5.344
2010	5.819	4.997	4.923	4.417	4.879	?	?	?

**Bearish price factors:**

- 5. Moving average –this is the third consecutive week the prompt month posted a weekly closing price below the 20-week simple moving average. As shown below, this is also the third consecutive week the price difference has been less than a penny.

Week of	Prompt month (\$/dt)	20-week (\$/dt)	Difference (\$/dt)
5/2/2011	4.235	4.239	0.004
5/9/2011	4.246	4.247	0.001
5/16/2011	4.23	4.238	0.008

- 6. Significant pricing events – History indicates we may expect a significant pricing event approximately every 11 – 14 weeks. 14 weeks from the second quarter price high calculates to be the week of August 8th – the approximate time of year when history tells us we could expect to see the 3<sup>rd</sup> quarter price low.
- 7. Prompt month vs 12-month strip – this week, the difference was \$.36/dt. This same week last year, the difference was \$.6791/dt (prompt month closed at \$4.035/dt and the 12-month strip closed at \$4.714/dt).

**Bullish price factors:**

- 1. Historical price rally from the first quarter price low to the second quarter price high - to date, we've only seen a 25% increase from the first quarter low of \$3.731/dt as compared to the historical average of 48%.

**Technical price support and resistance:**

Resistance – +/-\$.435/dt followed by \$.450/dt, followed by \$.474/dt followed by \$.488/dt.

Support – +/- \$.410/dt followed by +/- \$.395/dt followed by +/- \$.384/dt.

Short and longer-term technical indicators appear to be bearish to neutral. The price path of least resistance seems to be sideways to lower.

**Summary:**

This week, traders were finally able to push the June price below technical price support found at +/- \$.411/dt but failed to post a weekly closing price below it. That late-week reversal higher once-again opens the possibility of a continued short-term price move higher. If so, I would expect technical price resistance first at \$.435/dt followed by \$.450/dt. Conversely, a daily closing price below \$.405/dt for the prompt month likely brings sub-\$.4/dt gas into the picture.

I still need a prompt-month closing price above +/- \$4.75/dt to shift my overall market bias from 'neutral/bearish' to 'bullish'.

Please be reminded the thoughts conveyed above are based on recent price movement and apparent Market sentiment. Random events that could occur may change the Market sentiment and as such, may result in price movement counter to what is mentioned above.

**Hedging:**

Depending on your risk tolerance and your need for price protection, below are some prices that may be considered as a possible purchase points.

June 11 and July 11 - +/- \$4.06/dt followed by +/- \$3.95/dt

Twelve-month strip - +/- \$4.40/dt

Of course, the commodity markets are impossible to predict with accuracy. I hope that you find these views helpful, but I cannot guarantee that my expectations will be accurate or that any particular strategy will be advantageous.

*Please call your account manager if you have questions or want to purchase a fixed price hedge.*

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