



August 18, 2011

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CTA

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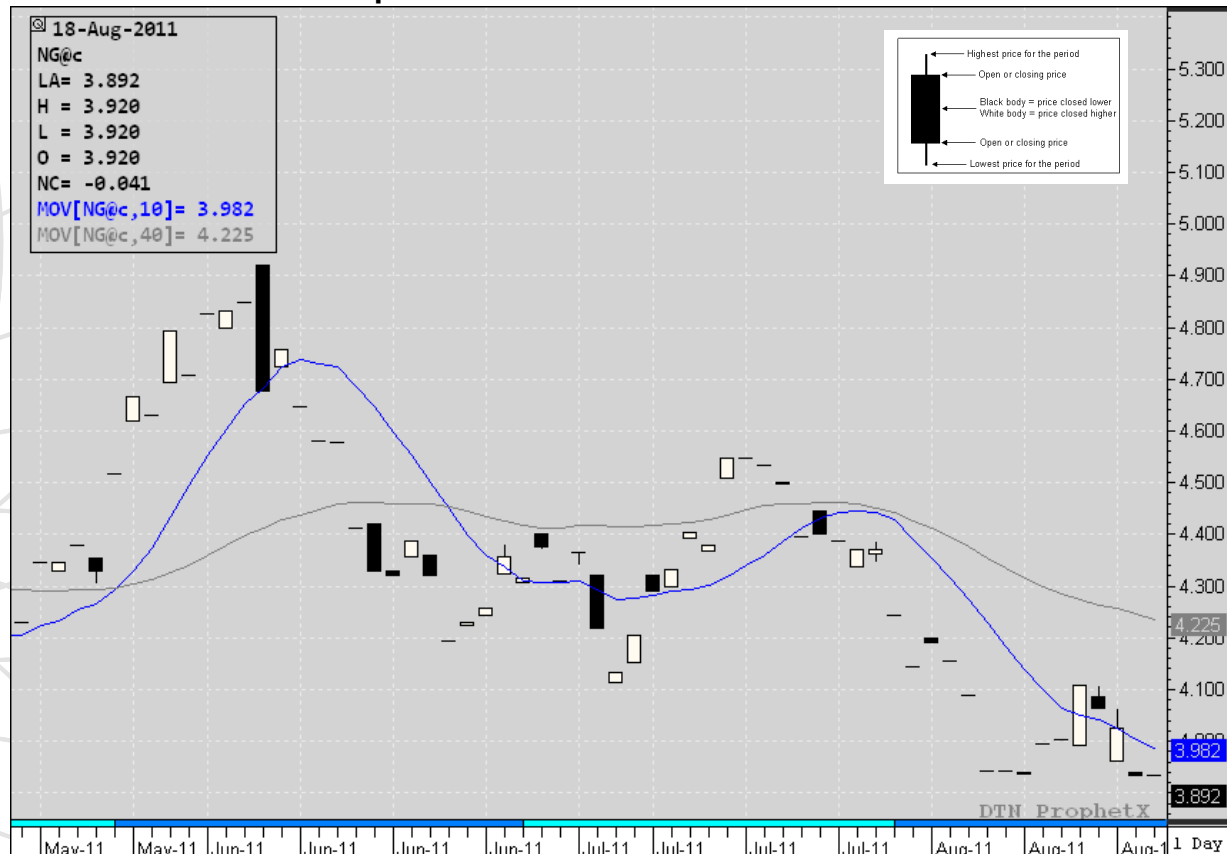
Did you know?

Worldwide NGV sales will increase from 1.9 million vehicles per year in 2010 to more than 3.2 million units annually by 2016. Corporate and government fleets will represent two thirds of the total market by 2013. The U.S. market for NGVs will have the strongest growth, with a prediction that 32,619 vehicles will be sold in the U.S. in 2016.

Source: Pike Research

Market Update

NYMEX Natural Gas Prompt Month Continuation Chart



Source: NYMEX chart provided by DTN ProphetX. The market data is the property of Chicago Mercantile Exchange Inc and its licensors. All rights reserved.

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Commodity Trading Commentary

MARKET OUTLOOK

The small injection into weekly storage was due to high temps in the Gulf of Mexico region. CDDs in the South Atlantic region for the reference week came in at 126, the highest recorded by a significant margin (and 19.32% above the 2005-09 average of 105.6). The East South Central saw CDDs at the second highest level ever seen for the region (beaten only by last year) and the West South Central was another record breaker of 167 CDDs, 28.46% above the seasonal average.

Electricity demand for the week ended August 05 was coupled with weak nuclear output. Nuclear generation averaged 22.09 K megawatts for the reference week, 0.76% below last year, and recently weakened to just 20.53K megawatts, 12.50% below last year. At the same time, spot electricity prices in the ERCOT North region spiked to \$596.25 on Thursday of the reference week, not just the highest price for this timestep, but the highest price on record for any timestep. In turn, ERCOT North regional spark spreads jumped from an average of ~\$25.70/Mwh in July to a peak of \$552.54/Mwh during the reference week, a 1,933.23% increase. Unfortunately for the bulls, electricity prices and spark spreads have moderated sharply in the GoM region. Thus we maintain our bearish biases for now.

REGIONAL SUMMARY - West

Rockies (Opal) temps should rise to +8° above normal per the latest 6 to 10 day outlook (with the warmest regions lying to the South) and the 11 to 15 day outlook. Bids through our \$3.931 weekly inflection-point alert to further strength towards our \$4.002 intra-week. However, a drop below our \$3.789 lower inflection-point clears a path to our \$3.718 weekly limit. We calculate a 65% probability that this market ranges \$3.833 - \$3.887 over the next week and \$3.671 - \$4.059 over the next month.

West Coast temps should be above normal per the 6-10 day outlook and the 11 to 15 day forecast. Bids in PG&E and the SoCal border through our respective \$4.381 and \$4.238 upside inflection-points call for strength towards our \$4.443 and \$4.305 limits. On the other hand, weakness through our respective \$4.259 and \$4.103 weekly lower inflection-points alerts to knock-on momentum towards our \$4.197 and \$4.035 limits. We calculate a 65% probability that the PG&E market ranges \$4.287 - \$4.353 over the week and \$4.077 - \$4.577 over the month. In the SoCal market we calculate a 65% probability that the market ranges \$4.146 - \$4.194 over the week and \$3.953 - \$4.399 over the month.

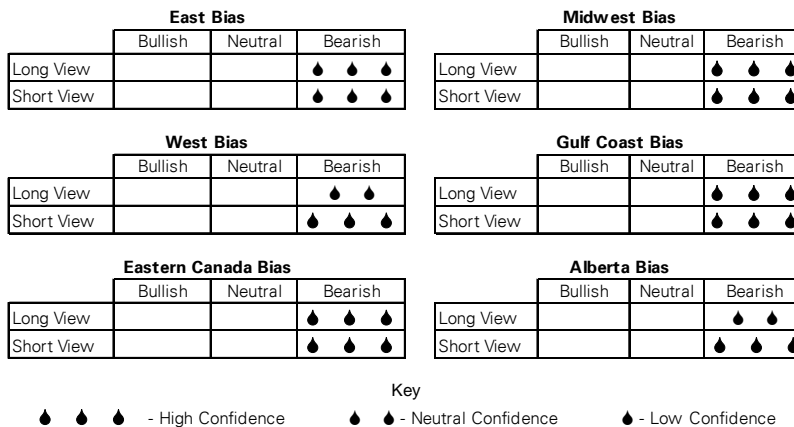
FUNDAMENTALS SUMMARY

Last week EIA reported a 25 Bcf increase, the second smallest ever seen for this timestep and 32.80% below the 2005-09 average. The breakdown remains mixed. Consider the Gulf of Mexico Producing region: on average, the cumulative injection between the first report of July and the first report of August comes to 63 Bcf (and hit highs of 148 Bcf in 2003). Yet 2011 saw a 9 Bcf delivery over the same timestep, the first year on record to ever see a delivery.

However, the cumulative injection between the first week of July and August for the West region came to 69 Bcf, the largest ever seen for the timestep, more than double last year's 31 Bcf injection and 80.74% above the historical average of 38 Bcf. This week's injection from the West comes to 8 Bcf as compared to the 3 Bcf seen last year, a disappointing number considering that CDD's in the Mountain and Pacific region came in 11.25% and 35.71% above last year respectively. Finally, the East region continues to trend along seasonal norms in terms of both weather and injections: CDD's in New England came to 51, the fifth largest and fifth smallest on record, and the weekly delivery came to 38 Bcf.

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CTA commentary provided by Stephen Schork, CTA, www.schorkreport.com, 529 Atterbury Road, Villanova, PA 19085



Prices

NYMEX Natural Gas: Monthly

Month	Price \$/MMBtu 08/18/11	Weekly Change \$	Weekly Change %	Last Settle \$/MMBtu 08/11/11
Sep-11	\$3.892	-\$0.216	-5.26%	\$4.108
Oct-11	\$3.899	-\$0.228	-5.52%	\$4.127
Nov-11	\$4.038	-\$0.241	-5.63%	\$4.279
Dec-11	\$4.271	-\$0.226	-5.03%	\$4.497
Jan-12	\$4.377	-\$0.209	-4.56%	\$4.586
Feb-12	\$4.379	-\$0.205	-4.47%	\$4.584
Mar-12	\$4.349	-\$0.196	-4.31%	\$4.545
Apr-12	\$4.322	-\$0.171	-3.81%	\$4.493
May-12	\$4.350	-\$0.167	-3.70%	\$4.517
Jun-12	\$4.388	-\$0.160	-3.52%	\$4.548
Jul-12	\$4.432	-\$0.155	-3.38%	\$4.587
Aug-12	\$4.456	-\$0.154	-3.34%	\$4.610
Sep-12	\$4.464	-\$0.149	-3.23%	\$4.613
Oct-12	\$4.494	-\$0.148	-3.19%	\$4.642
Nov-12	\$4.667	-\$0.129	-2.69%	\$4.796
Dec-12	\$4.917	-\$0.105	-2.09%	\$5.022
Jan-13	\$5.049	-\$0.097	-1.88%	\$5.146
Feb-13	\$5.024	-\$0.093	-1.82%	\$5.117
<i>Prior Two Month Closes</i>				
July	\$4.326			
August	\$4.370			

NYMEX Natural Gas Strips*

Strip	Price \$/MMBtu 08/18/11	Weekly Change (\$)	Weekly Change (%)	Last Settle \$/MMBtu 08/11/11
Summer (07/11-10/11)	\$3.896	-\$0.22	-5.39%	\$4.118
Winter (11/11-03/12)	\$4.283	-\$0.22	-4.78%	\$4.498
Summer (04/12-10/12)	\$4.415	-\$0.16	-3.45%	\$4.573
Winter (11/12-03/13)	\$4.923	-\$0.10	-2.03%	\$5.025
Cal 11	\$4.025	-\$0.23	-5.36%	\$4.253
Cal 12	\$4.466	-\$0.16	-3.49%	\$4.628

*Source: NYMEX The market data is the property of Chicago Mercantile Exchange Inc and its licensors. All rights reserved.

Current Commodity Prices: September

Product	Price 08/18/11	Weekly Change (\$)	Weekly Change (%)	Last Settle 08/11/11	Delivered Price (\$/mmbtu)
NYMEX Natural Gas	\$3.892 US/mmbtu	-0.216	-0.053	4.108	3.892
NYMEX WTI Crude	\$82.38 US\$/bbl	-3.340	-0.039	85.720	14.130
Heating OilNo. 2	\$2.8748 US\$/gal	-0.024	-0.008	2.899	20.727
NYH RBOB Gasoline	\$2.7832 US\$/gal	-0.044	-0.016	2.827	22.266
Central App. Coal	\$76.95 US\$/ton	1.850	0.025	75.100	3.206
Propane	\$1.533 US\$/gal	0.026	0.017	1.507	16.846
Butane	\$1.88 US\$/gal	0.094	0.053	1.786	18.324
C5 (Natural Gasoline)	\$2.3066 US\$/gal	0.122	0.056	2.185	20.054
Ethane	\$0.4554 US\$/gal	-0.020	-0.041	0.475	-0.267

Commodity Prices Wednesday, August 17, 2011 Natural Gas Spot Prices for Wednesday Delivery with Basis to Henry Hub (US\$/MMBtu)

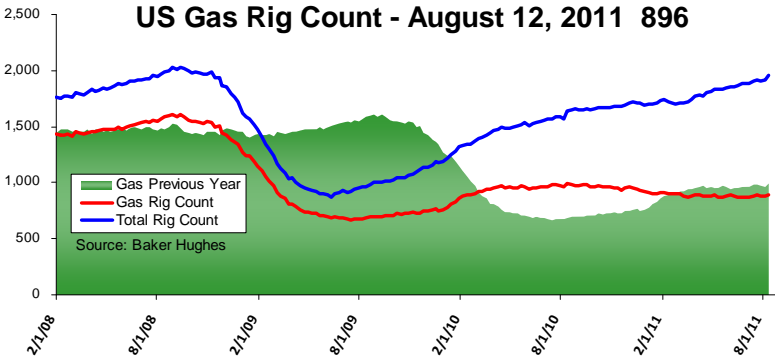


Basis shown in bold Source: Global Energy Decisions



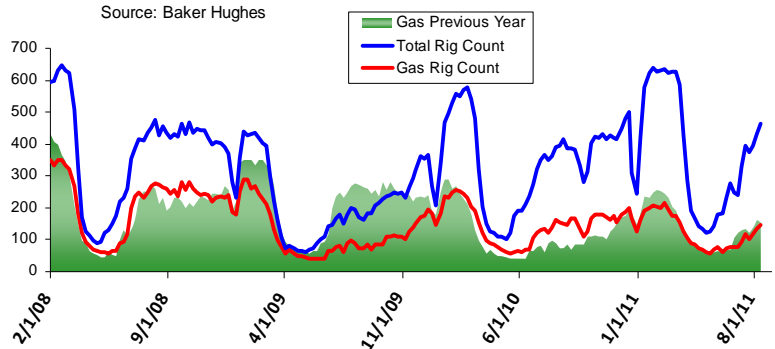
Rig Counts

US Gas Rig Count - August 12, 2011 896



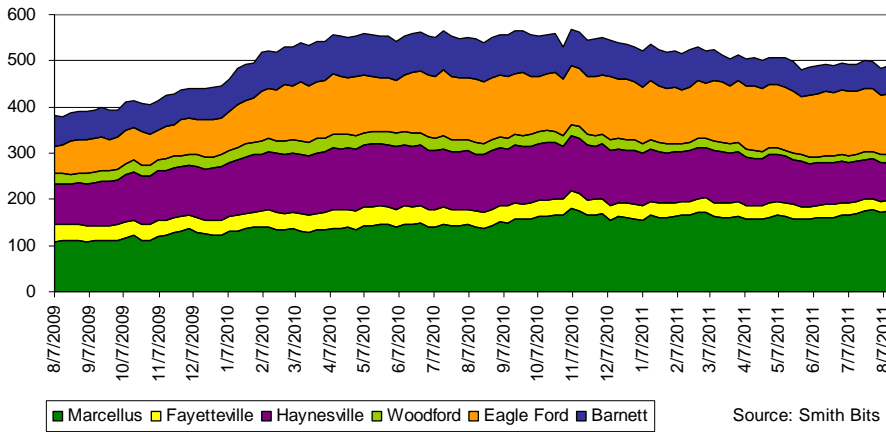
Competing Fuels

Canada Gas Rig Count - August 12, 2011 147

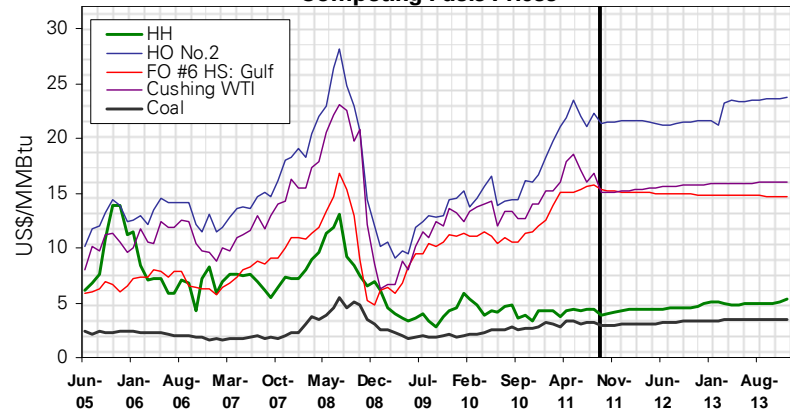


For the week ending August 12, 2011, the US gas rig count increased to 896, an increase of 13 rigs from last week but a decrease of 96 rigs from the same week last year. In Canada, the rig count rose to 147, an increase of 12 rigs from last week but a decrease of 6 rigs versus last year.

Major Unconventional Rig Count for 08/12/2011: 488

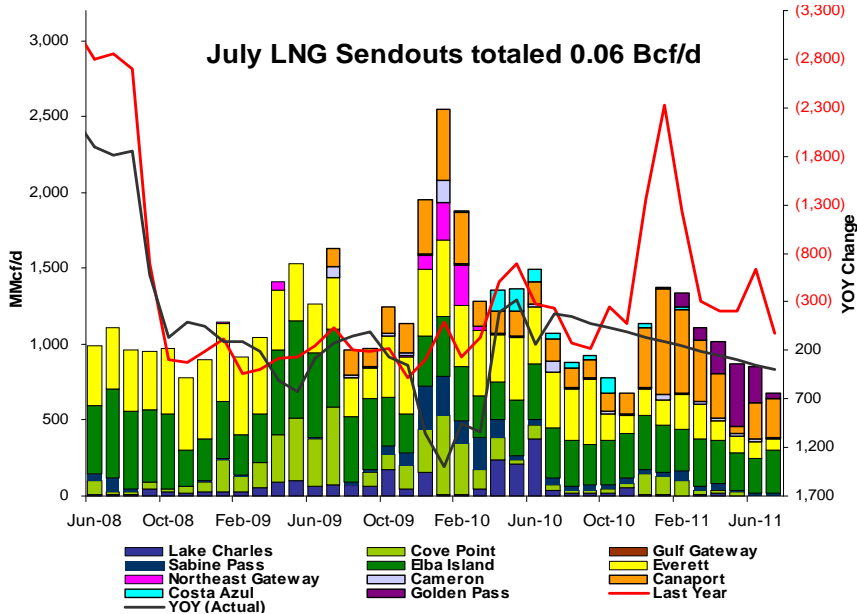


Competing Fuels Prices





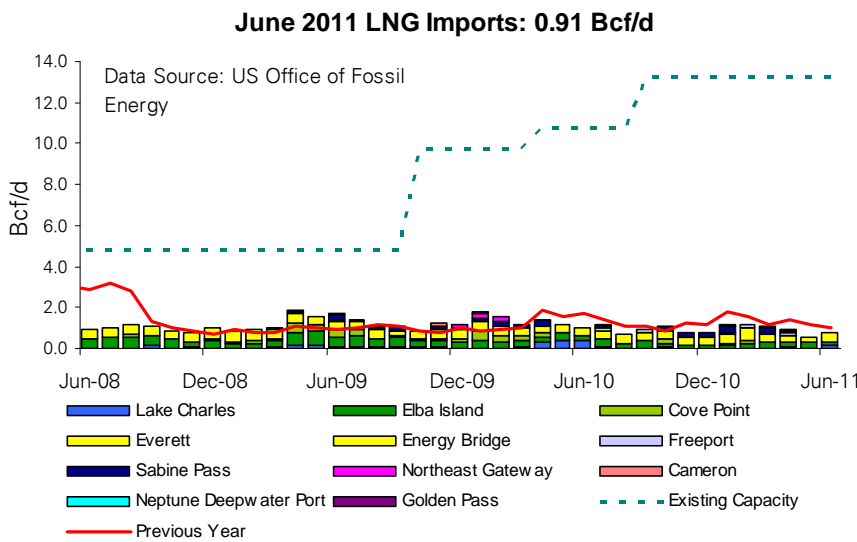
LNG



Average daily LNG imports to the US decreased in June to 0.91 Bcf/d, a drop of 0.22 Bcf/d from last month. Total imports of 27.4 were 0.78 less than May and 5.1 Bcf less than June 2010. LNG sendouts for the month of July averaged 0.06 Bcf/d, 0.17 below June. Source: DOE

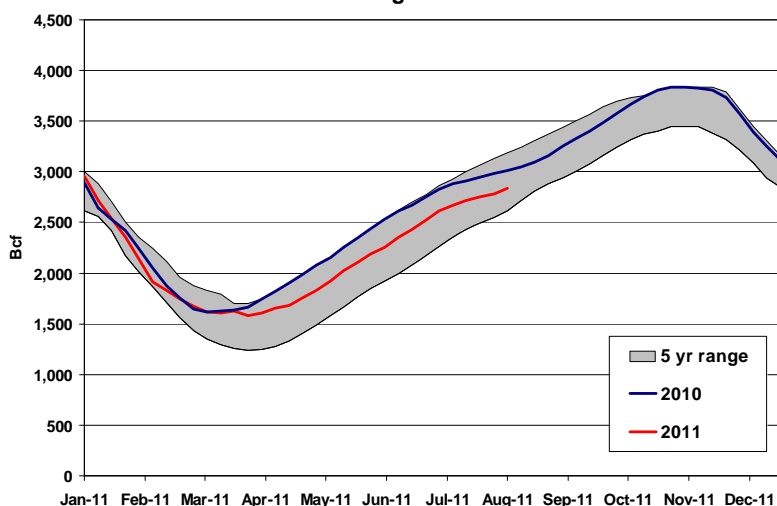
* Projected LNG Landed Prices (\$/bcf)				
Report Date	7/22/2011	7/28/2011	8/4/2011	8/11/2011
Delivery Month	Aug-11	Aug-11	Sep-11	Sep-11
Cove Point	\$4.39	\$4.39	\$3.95	\$4.11
Lake Charles	\$3.96	\$3.89	\$3.55	\$3.70
Altamira	\$4.61	\$4.53	\$4.16	\$4.32
Spain	\$9.56	\$9.18	\$8.61	\$8.63
Belgium	\$8.73	\$8.63	\$8.44	\$8.45
UK	\$8.39	\$8.39	\$7.79	\$7.94
India	\$12.67	\$13.73	\$13.23	\$13.04
Japan	\$13.91	\$14.47	\$14.98	\$15.17
Korea	\$13.79	\$14.38	\$14.98	\$15.77

*Source: Waterborne Energy



US Natural Gas Storage

Total US Storage as of 08/12/11: 2833



Working gas in storage was 2,833 Bcf as of Friday, August 12, 2011, according to EIA estimates. This represents a net increase of 50 Bcf from the previous week. Stocks were 175 Bcf less than last year at this time and 73 Bcf below the 5-year average of 2,906 Bcf. In the East Region, stocks were 120 Bcf below the 5-year average following net injections of 48 Bcf. Stocks in the Producing Region were 50 Bcf above the 5-year average of 903 Bcf after a net withdrawal of 8 Bcf. Stocks in the West Region were 3 Bcf below the 5-year average after a net addition of 10 Bcf. At 2,833 Bcf, total working gas is within the 5-year historical range.

Source: EIA

US Weekly withdrawals for week ending 08/12/11 : 50 Bcf

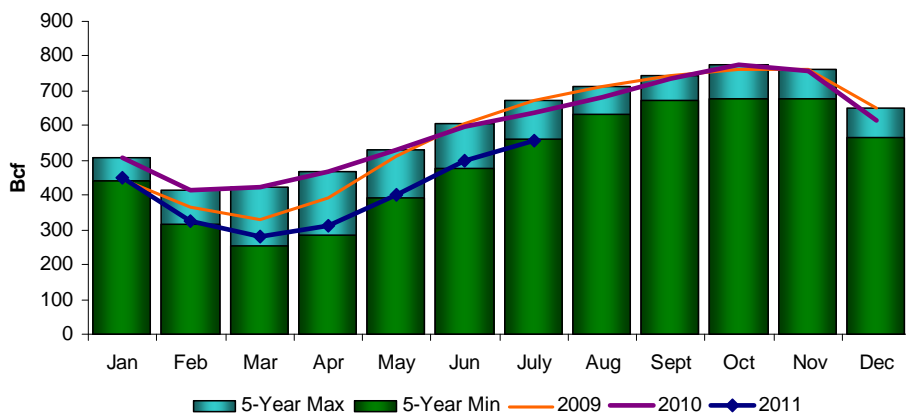
US Storage (Bcf)	Current 08/12/11	Last Week 08/05/11	Change (Bcf)	Last Year* 08/12/10
East Consuming	1466	1418	48	1570
West Consuming	414	404	10	482
Producing	953	961	-8	956
Total	2833	2783	50	3008

* Note: Last Year's values are from the closest observable week.
Source: EIA

Avg. Power Prices \$/MWh: Week ending 8/17/2011

ISO	On Peak	Off Peak
Alberta	\$ 72.02	\$ 23.68
PG&E	\$ 40.43	\$ 27.45
ERCOT North	\$ 52.75	\$ 27.21
Palo Verde	\$ 37.53	\$ 25.95

Canadian Storage for July: 558 Bcf



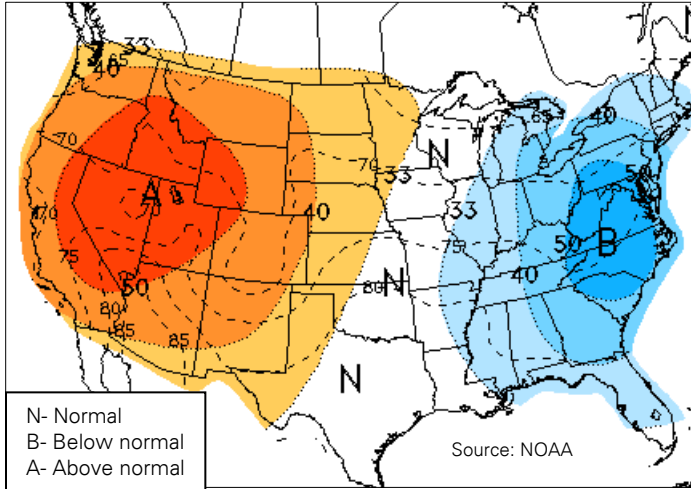
Source: Enerdata/Canada Gas Association

In the month of July, Canadian storage levels increased 60 Bcf from July to a total of 558 Bcf.

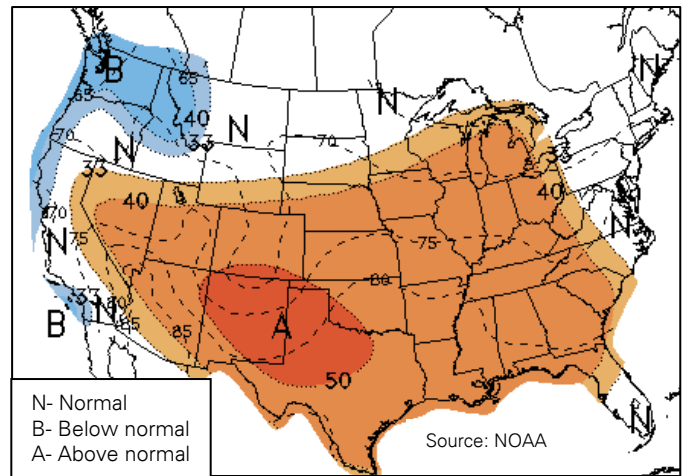


North American Weather

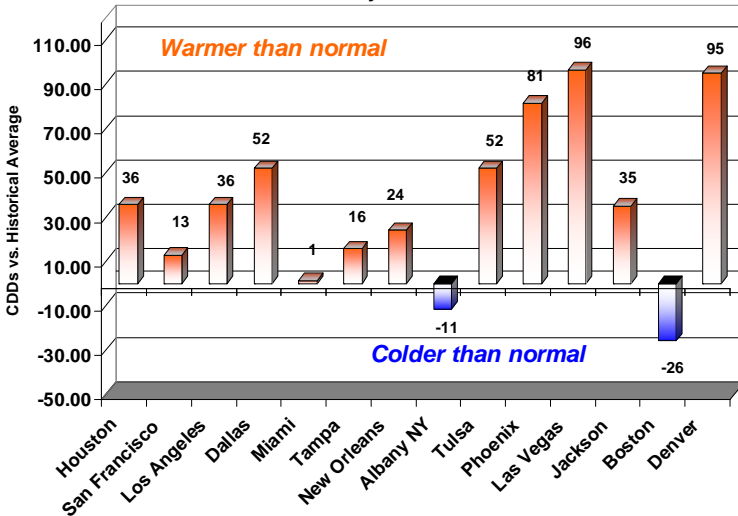
6-10 Day Temperature Forecast Aug 22 – 26, 2011



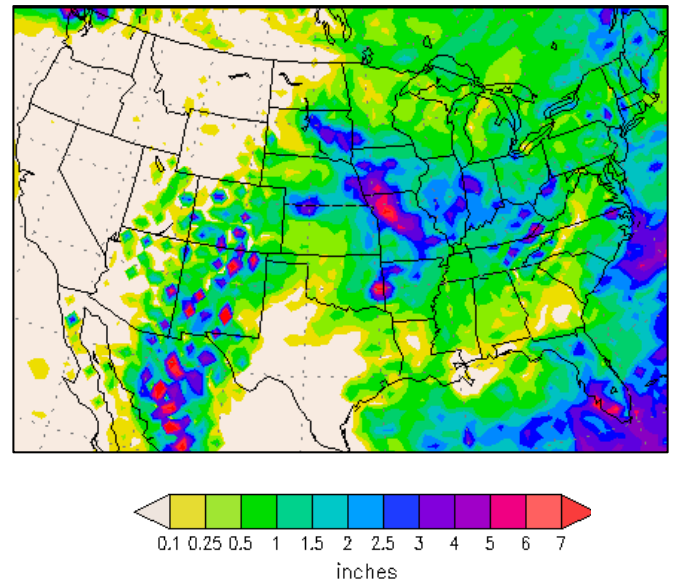
8-14 Day Temperature Forecast From Aug 17 – 23, 2011



Seven Day CDD Delta Forecast



7 Day Precipitation Forecast From Aug 18 - 25, 2011



Source: NCEP

Contacts

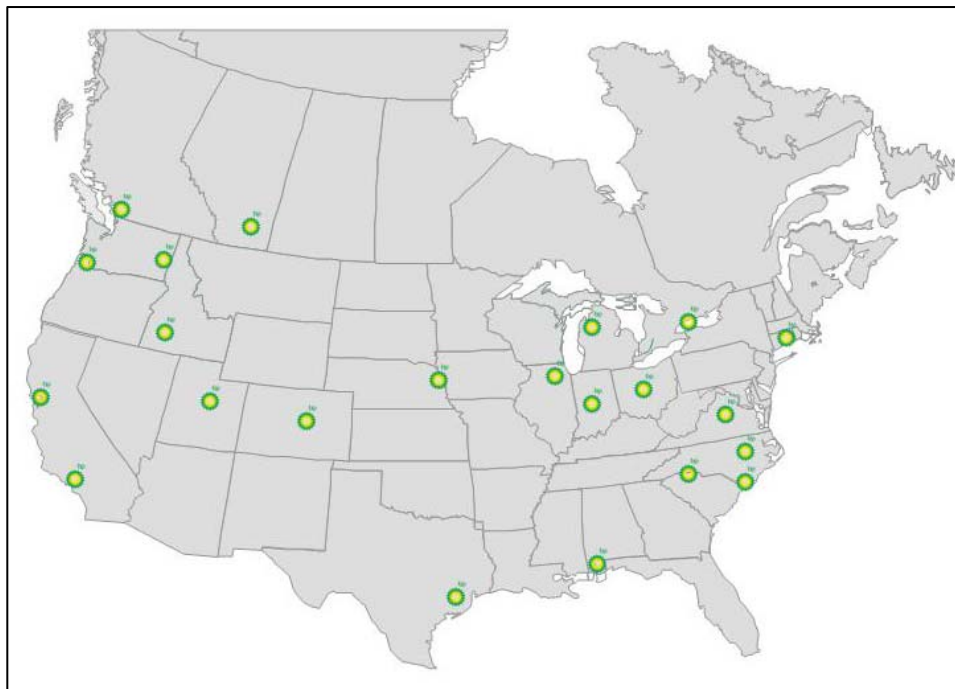
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#1 US Gas Location Options
#1 Overall Gas Broker
(2006, 2008, 2009)



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