

May 16, 2012

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## Natural Gas: A Week in Review

On Thursday, the Energy Information Administration (EIA) reported that just 30 Bcf was injected into storage for the week ending May 4. This was well below last year's injection of 71 Bcf for the same week and also below the five-year average of 84 Bcf, but it was about what the industry was expecting. As a result, the June 2012 natural gas NY-MEX contract moved just \$.022 per MMBtu higher to settle at \$2.487 per MMBtu. On Friday, Baker Hughes reported that the natural gas drilling rig count fell by 8, taking the total number of active rigs searching for natural gas to just 598, the lowest level since April 2002. This helped the June 2012 natural gas NYMEX contract gain another \$.022 per MMBtu to end the week at \$2.509 per MMBtu. On Monday, however, price momentum reversed, and the June 2012 natural gas NYMEX contract fell \$.083 per MMBtu to settle at \$2.426 per MMBtu. But, prices once again turned higher on Tuesday, and the June 2012 natural gas NYMEX contract erased the majority of Monday's price declines, as it rallied \$.069 per MMBtu to settle at \$2.50 per MMBtu. Tomorrow's storage injection is once again expected to be below historical levels. However, in the bigger picture, there is still a lot of natural gas in storage. In its most recent *Short-Term Energy Outlook*, the EIA projects that even with total injections of just 1,623 Bcf during the 2012 injection summer season, which would be the smallest build since 2002, natural gas storage inventory levels at the end of October 2012 will still reach a new record high of 4,096 Bcf.

### EIA Storage Report

#### Week Ending 5/4/12 (in Bcf)

	+ Injection (Withdrawal)	Total Inventories
This Year	+30	2,606
Last Year	+71	1,807
5-Year Avg.	+84	1,803

Estimates for tomorrow's weekly natural gas storage report are for an injection of 50-70 Bcf. By comparison, 86 Bcf was injected for the same week last year, and the five-year average injection is 91 Bcf.

Source: [Energy Information Administration](http://www.eia.doe.gov)

### Natural Gas Drilling Rig Report

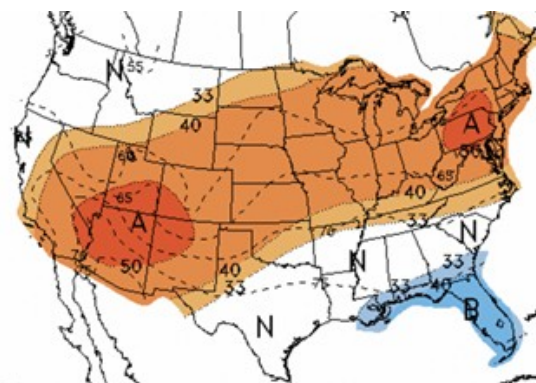
#### Week Ending 5/11/12

	+ / -	Active Rigs
This Year	-8	598
Last Year	-276	874

The natural gas drilling rig count has fallen to below 600 for the first time since April 2002. Analysts expect the decline to continue.

Source: [Baker Hughes](http://www.bakerhughes.com)

### National Weather Service Forecast for May 21-25, 2012



#### Weather Map Color Code

Blue Colors (B): Below normal temperatures

Orange/Red Colors (A): Above normal temperatures

No Color (N): Normal Temperatures

No Color (EC): Equal chance of above normal or below normal

NOTE: Temperature extremes go from lighter (slight variance) to darker (extreme variance)

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### NYMEX Expiration Information

04/12 NYMEX Expiration Price: \$2.191 per MMBtu  
05/12 NYMEX Expiration Price: \$2.036 per MMBtu  
06/12 NYMEX Expiration Date: Tues., May 29