

The Mobius Report

January 3, 2011

Natural Gas

Price Overview

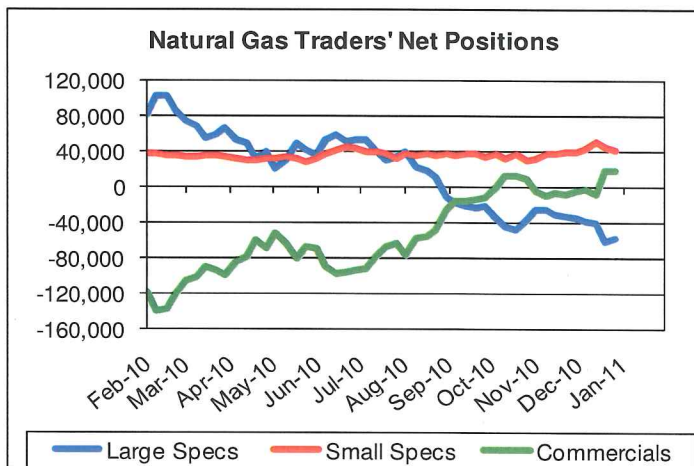
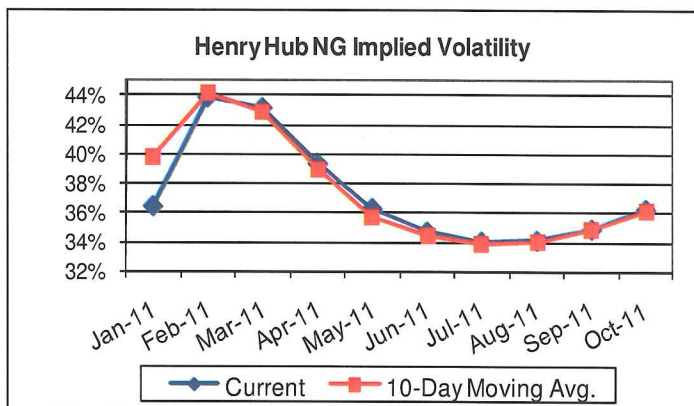
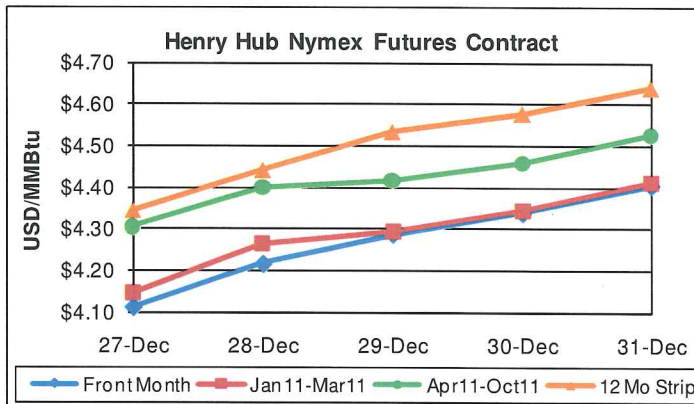
- The January 2011 NYMEX natural gas futures contract expired on Tuesday at a final settlement price of \$4.216.
- The February contract ended the week at \$4.405, up \$0.272 from last Friday's Feb11 settlement price of \$4.133.
- The remaining months of the winter strip (Feb11-Mar11) settled at \$4.414, and next summer's strip (Apr11-Oct 11) ended the week at \$4.525.
- The 12-month forward strip (Feb11-Jan12) ended the week at \$4.64; Bal11 (Feb11-Dec11) settled at \$4.585, and Cal12 (Jan12-Dec12) at \$5.079.
- Cash prices ended the week at \$4.23, up 14½ ¢ from last Friday's price of \$4.085 at Henry Hub.
- Natural gas prices rose on forecasts of frigid weather for the first half of January, following a cold December.
- December 2010 registered the highest number of heating degree days (HDD's) for any December in the past 6 years, and was 10% greater than National Weather Center normals for December.
- Gas markets have not reacted to the cold weather as much as in previous years because of a widely held (and likely accurate) perception of an oversupply of natural gas, supported by continued high rig counts going into the new year and by weekly storage withdrawals that have often been lower than expectations. *Source: Bloomberg, Gas Daily, and NYMEX.*

➤ **PRICE UPDATE:** The February 2011 NYMEX natural gas futures contract settled at \$4.65, up 24¼¢ at the close of Monday's trading session.

Commitments of Traders

For the week ending December 24:

- Non-commercial (Large Spec) traders decreased their short positions by 3,967



contracts to a net short position of 58,632.

- Non-commercial traders (Small Specs) decreased their long positions by 3,638 contracts to a net long position of 41,242.
- Commercial traders decreased their long positions by 331 contracts to a net long position of 17,388 contracts.
- The market's overall holdings fell by 36,090 contracts, to end the week with 1,476,737 open contracts.

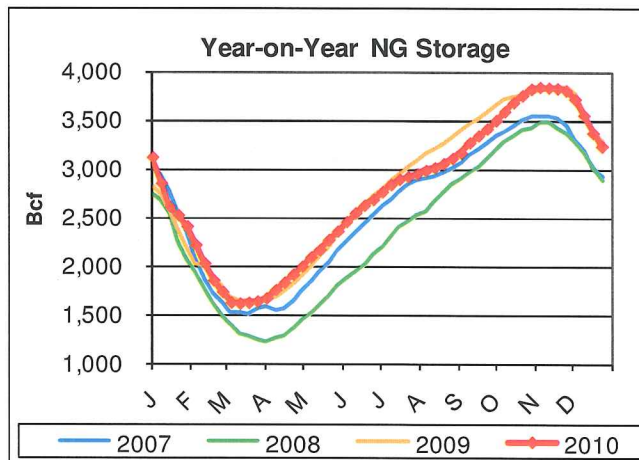
Source: CFTC

	Natural Gas NYMEX Futures and Options Combined with Henry Hub Swaps									
	Large Specs			Small Specs			Commercials			Open Interest
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
28-Dec	295,934	354,565	(58,632)	87,240	45,998	41,242	650,717	633,329	17,388	1,476,737
21-Dec	300,707	363,305	(62,599)	92,640	47,760	44,880	659,744	642,025	17,719	1,512,826
14-Dec	298,560	340,162	(41,602)	96,903	46,780	50,123	663,404	671,925	(8,522)	1,520,551

Natural Gas Storage

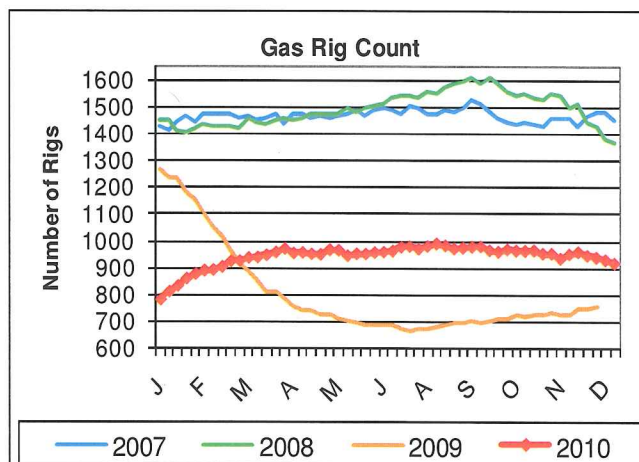
EIA Natural Gas Storage						
Region	12/24/2010 Stocks (Bcf)	12/17/2010 Stocks (Bcf)	Weekly Change (Bcf)	Year Ago Stocks	5 yr. average (BCF)	5 Yr. Comparison (%)
East	1,671	1,774	(103)	1,792	1,669	0.1%
West	444	456	(12)	455	406	9.4%
Producing	1,117	1,138	(21)	1,047	911	22.6%
Total Lower 48	3,232	3,368	(136)	3,294	2,986	4.4%

The Energy Information Administration reported a net withdrawal of 136 Bcf from natural gas storage inventories for the week ending December 24. Inventories ended the week at 3,232 Bcf, which is about 82% full. Natural gas inventories are 246 Bcf over the 5-year average, but are 62 Bcf under the inventory level recorded at this time last year. Source: EIA



Rig Count

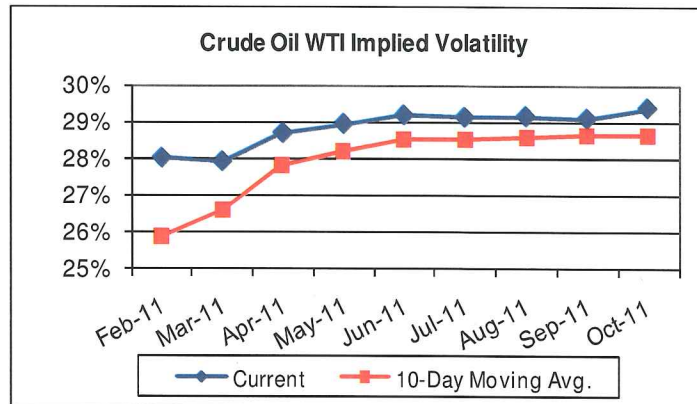
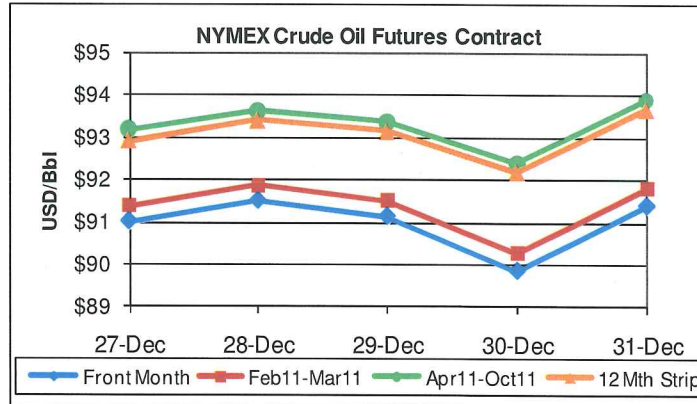
Baker Hughes reported a gas rig count of 919 rigs active on December 31, down 12 rigs from last week. The number of rigs drilling for oil fell by 6 rigs to 765, while the total rig count was down by 20 rigs to 1,694. At this time last year, the overall U.S. rig count was 1,189, with 759 rigs targeting natural gas, and 410 rigs targeting crude oil. Source: Baker Hughes



Petroleum

Price Overview

- The February 2011 NYMEX crude oil futures ended the week at \$91.38, down \$0.13 from last Friday's settlement price of \$91.51.
- The remaining months of the winter forward strip (Feb11-Mar11) settled at \$91.84, and next summer's forward strip (Apr11-Oct11) ended the week at \$93.879.
- The 12-month forward strip (Feb11-Jan12) settled at \$93.682; Bal11 (Feb11-Dec11) at \$93.614, and Cal12 (Jan12-Dec12) ended the week at \$93.946.
- Crude oil prices backed off two-year highs as the weekly DOE supply and inventory report showed that inventories are keeping up with demand in the face of an early start to frigid winter temperatures in both the U.S. and Europe.
- It is likely that most fuel purchasing has been done for the winter and only drastically cold weather will create fuel shortages that will push heating oil prices higher.
- However, rising gasoline prices at the pump, now around \$3 nationally, could lower demand going into the spring and the summer driving season and reduce demand expectations for crude. *Source: EIA, Bloomberg, NYMEX, Reuters*

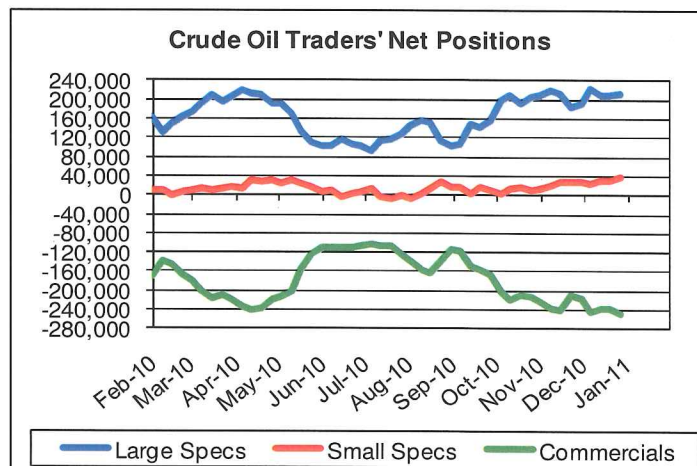


PRICE UPDATE: The February 2011 NYMEX crude oil futures contract settled at \$91.55, up 17¢ at the close of Monday's trading.

Commitments of Traders

For the week ending December 24:

- Non-commercial (Large Specs) traders increased their long positions by 5,621 contracts to a net long position of 212,790 contracts.
- Small Spec non-commercial traders increased their long positions by 4,744 contracts to a net long position of 36,292 contracts.
- Commercial traders increased their overall short positions by 10,364 to a net short position of 249,082 contracts.
- Market open interest totaled 2,464,805 contracts, up 63,414 contracts from the previous week. *Source: CFTC*



	Crude Oil NYMEX Futures and Options Combined									Open Interest
	Large Specs			Small Specs			Commercials			
	Long	Short	Net	Long	Short	Net	Long	Short	Net	
28-Dec	344,309	131,519	212,790	98,475	62,183	36,292	1,262,133	1,511,215	(249,082)	2,464,805
21-Dec	331,214	124,045	207,169	93,005	61,457	31,548	1,240,139	1,478,857	(238,718)	2,401,391
14-Dec	330,447	122,188	208,259	102,172	72,082	30,090	1,243,180	1,481,530	(238,350)	2,479,732

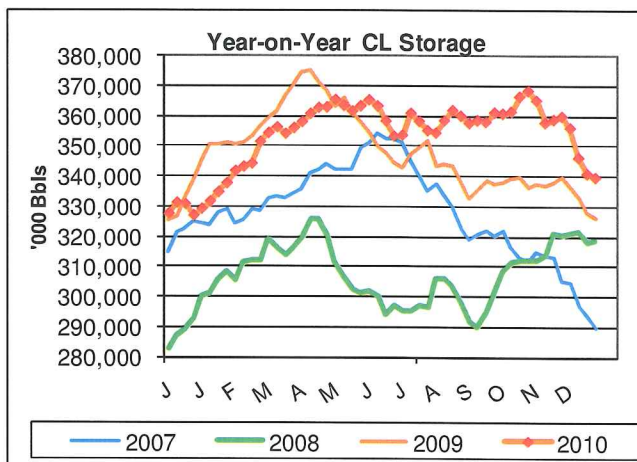
Storage, Imports, & Refining

Crude Oil & Petroleum Products Storage								
	12/24/2010		12/17/2010		Weekly Change		Weekly Change (%)	
	DOE	API	DOE	API	DOE	API	DOE	API
Crude Oil	339,427	345,072	340,685	342,014	(1,258)	3,058	-0.37%	0.9%
Gasoline	214,857	216,374	217,173	219,513	(2,316)	(3,139)	-1.1%	-1.4%
Distillate	160,959	162,640	160,716	161,257	243	1,383	0.2%	0.9%
Residual	39,933	40,945	40,907	41,541	(974)	(596)	-2.4%	-1.4%

Crude Oil & Petroleum Products Storage				
	Annual Change (%)		5 yr. Comparison (%)	
	DOE	API	DOE	API
Crude Oil	4.1%	4.2%	6.3%	7.8%
Gasoline	-0.5%	9.3%	-4.0%	5.0%
Distillate	1.1%	0.6%	13.6%	16.9%
Residual	7.4%	12.7%	3.0%	6.4%

For the week ending December 24, 2010:

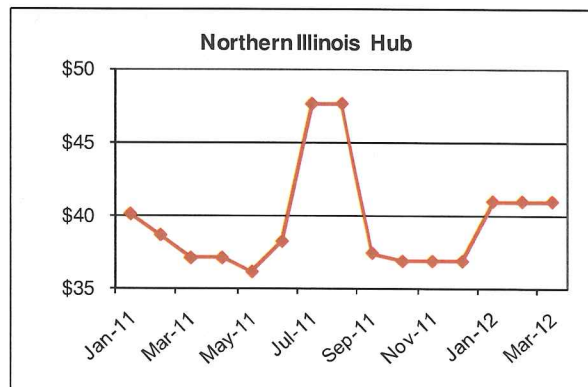
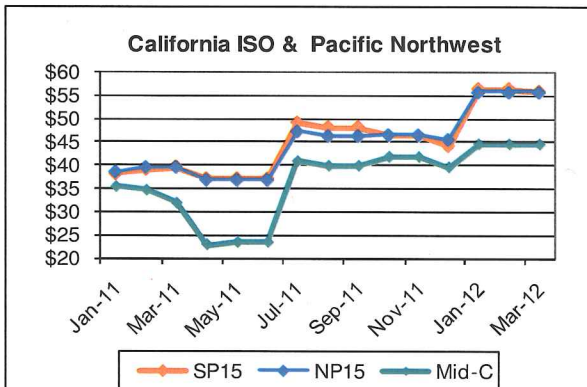
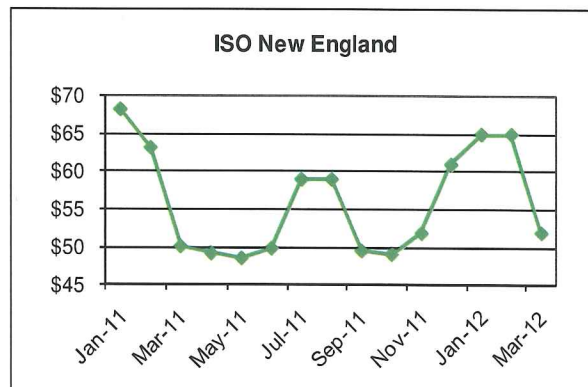
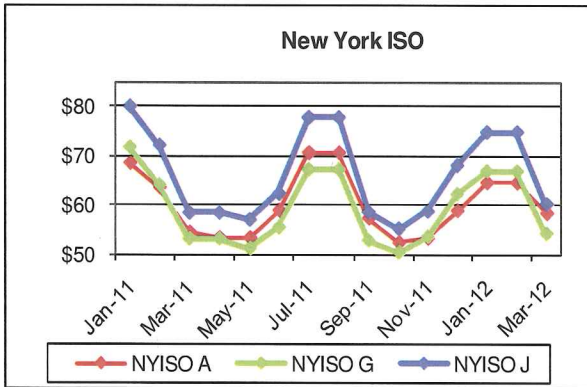
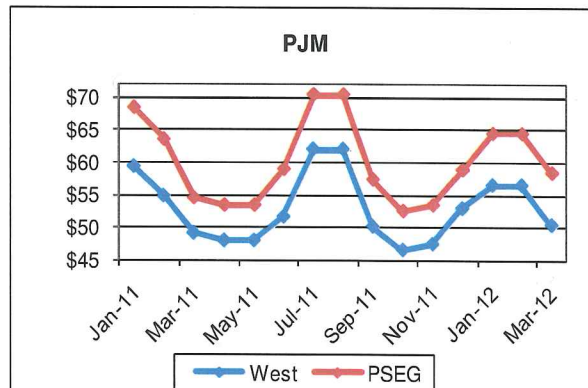
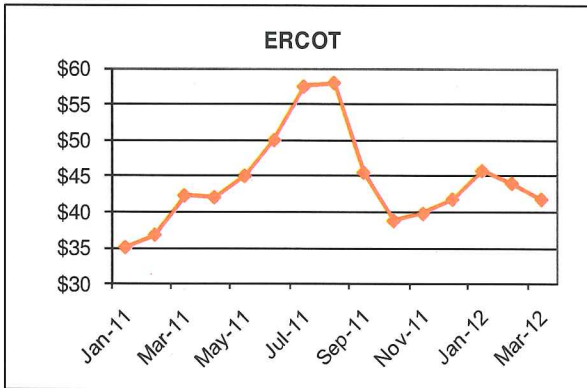
- Inventories of crude oil fell by 1.3 million barrels to end the week at 339.4 million barrels.
- Motor gasoline stocks fell by 2.3 million barrels, to 214.9 million barrels.
- Distillate fuel oil inventories rose by 0.2 million barrels, to 163.9 million barrels.
- Residual fuel oil stocks fell by 1.0 million barrels to 40.9 million barrels.
- Strategic Petroleum Reserve (SPR) stocks were unchanged at 726.5 million barrels.
- Refinery inputs averaged 14.9 million barrels per day, up 3,000 barrels per day from last week.
- Refineries operated at 87.8% capacity, up 0.1% from last week.
- The U.S. imported 8.8 million barrels of crude oil per day, up by 72,000 barrels per day from last week.
- Motor gasoline imports averaged 775,000 barrels per day, down from 1.0 million barrels last week.
- Imports of distillate fuels averaged 251,000 barrels per day, up from 217,000 barrels per day from last week. *Source: EIA*



Electricity

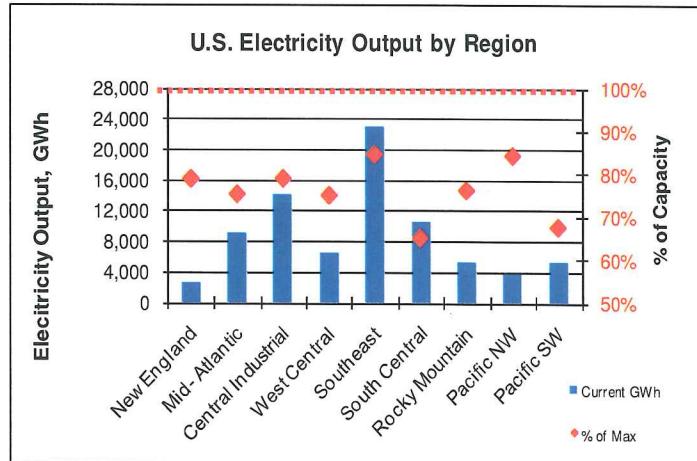
Prices

Northeast daily power prices were lower on the week on a mild spell that is sandwiched between last week's blizzards and next week's forecast for more very cold weather. Midwest dailies were mixed on changing weather. ERCOT dailies were flat in choppy trading on the week. Western dailies were higher going into the weekend, while Northwest dailies dropped as bitter cold temperatures subsided. Forward prices were higher on rising NYMEX gas futures prices.



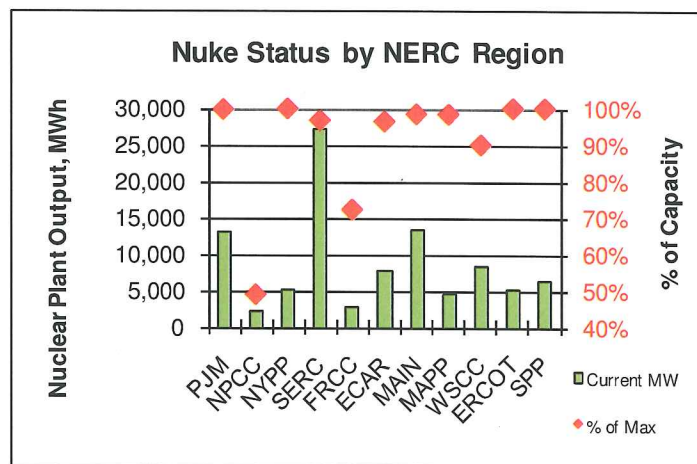
U. S. Electric Output and Capacity

For the week ending December 24, total U.S. electric output was 80,221 Gigawatt hours, or 76.6% of combined maximum regional capacity. Last week, U.S. electric output was 84,813 GWh, and last year at this time, 77,254 GWh.



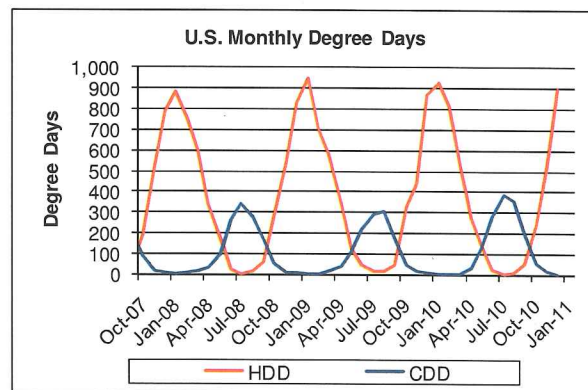
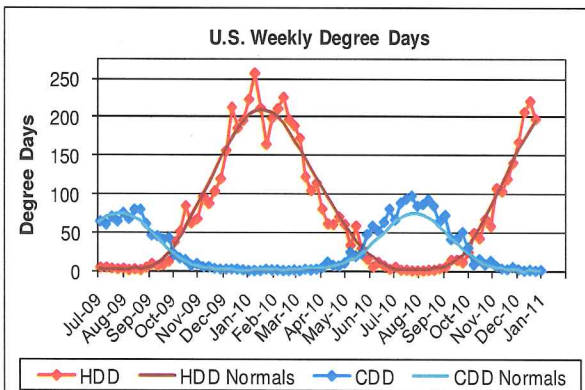
Nuclear Facilities Status

Nuclear plant outages total 5,932 MW, or 6.1% of U.S. capacity, with 96,531 MW of nuclear generation capacity presently available nationwide. *Source: Nuclear Regulatory Commission*



Degree Days

For the week ending January 1, 2011, heating degree days (HDD) totaled 199, which is **2% below normal**, and is **7% under last year**. Year-to-date seasonal HDD's (reset July 1) are **1% below normal and 1% under last year**. For the week, cooling degree days (CDD) totaled one. For the 2010 cooling season (April 1 to October 31), total CDD's were **21% above normal** and **19% over last year**.

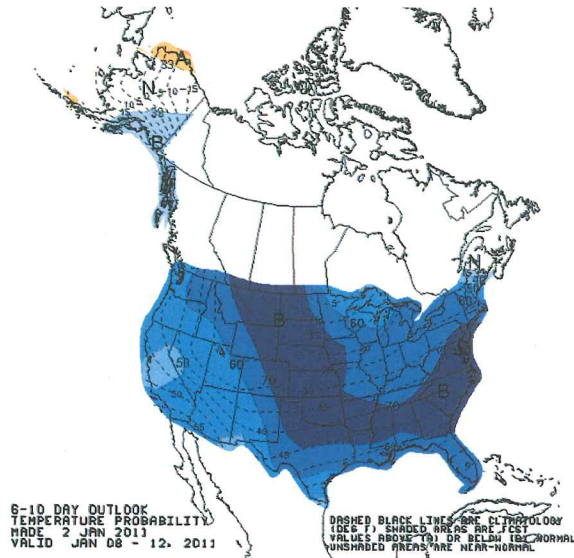


For **December 2010**, a total of 898 HDD's were recorded, which is **10% above normal**, and is **4% over last year**. Year-to-date winter season HDD's (Nov10- Mar11) are **1% below normal and about the same as last year**. December 2010 monthly CDD's totaled 2, which is **below normal** and also under last year by 5 degree days. For the 2010 summer season (Apr10-Oct10), cumulative CDD's recorded were **21% above normal** and are **19% over last year**. *Source: NOAA*

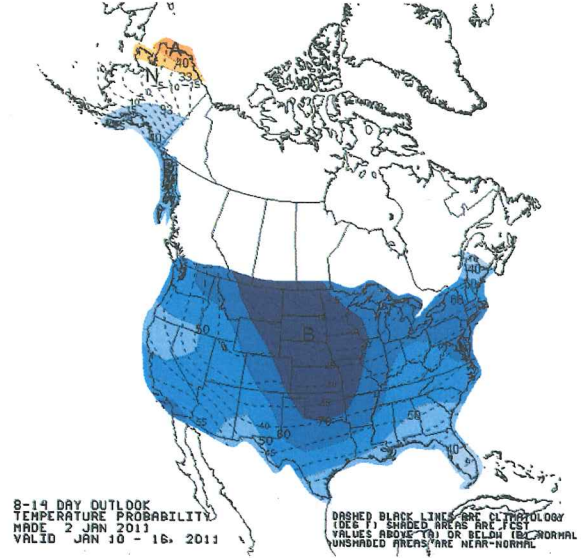
Weather

1-5 day summary: The entire country will be plunged into a deep freeze by the weekend as two consecutive fast-moving "Clipper" storm systems move in from Canada. Early in the week, the storms will bring lake effect snowfall to the Midwest and single digit high temperatures to the Northern Tier. The Northeast will be next in line for cold temperatures and lake effect snow beginning Wednesday. Temperatures in the South will be dry and seasonable, but will begin to cool off by the weekend. Temperatures in the Northwest will be colder than normal but warmer than last week's bitter chill. Temps in California and the Southwest will be seasonable, with snow in the higher elevations.

6-10 Day Outlook



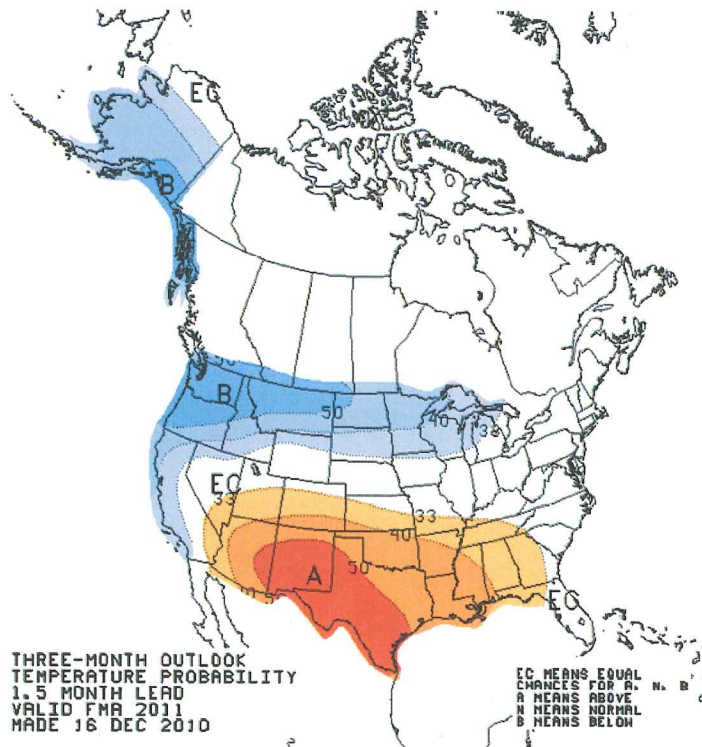
8-14 Day Outlook



Source: NWS and private forecasts

NOAA Three-Month (January, February, and March) Temperature Outlook issued 12/16/2010

The National Oceanic and Atmospheric Administration's outlook for December, and January calls for warmer than normal temperatures across southern and central U.S., from Arizona through Texas and into Georgia, with much warmer than normal temperatures in the Southwest. Seasonable temperatures are expected in the Northeast, the Mid-Atlantic and Florida. The northern plains states will be normal to cooler than normal, with cooler-than-normal temperatures also along the Pacific Coast and much of the Northwest. Source: National Weather Service Climate Prediction Center



The Economy

Equities markets had a good year in 2010, despite rocky spells with ups resulting from the Fed's \$600 bond buying program (Quantitative Easing II) and a major tax and stimulus package enacted at the end of the year, and downs from flare-ups of the European debt crisis and the inevitable sovereign bail-outs. For the year, the Dow was up 1,149 points, or 11.0%; the S&P, up 143, or 12.8%, and the NASDAQ, up 384, or 16.9%. For the week, the Dow rose 5 points to end the week at 11,578, up less than 0.1%, while the S&P 500 rose one point to end the week at 1,258, up less than 0.1%. The NASDAQ composite index fell 14 points, ending the week at 2,652, down 0.5%.

Date	Statistic	For	Actual	Market Expects	Prior	Revised From	Next Release
12/7	Consumer Credit	Oct	\$3.4B	-\$2.0B	\$1.2B	-	1/7
12/3	ISM Services	Nov	55.0	53.0	54.3	-	1/5
12/1	Construction Spending	Oct	0.7%	-0.8%	0.7%	-	1/3
12/1	ISM Index	Nov	56.6	57.2	56.9	-	1/3
12/3	Factory Orders	Oct	-0.9%	-2.0%	3.0%	-	1/4
12/3	Nonfarm Payrolls	Nov	39K	150K	172K	-	1/7
12/3	Nonfarm Private Payrolls	Nov	50K	175K	160K	-	1/7
12/3	Unemployment Rate	Nov	9.8%	9.7%	9.6%	-	1/7
12/3	Hourly Earnings	Nov	0.0%	0.2%	0.3%	-	1/7
12/3	Average Workweek	Nov	34.3	34.3	34.3	-	1/7
12/23	Personal Income	Nov	0.3%	0.1%	0.5%	-	1/31
12/23	Personal Spending	Nov	0.4%	0.5%	0.4%	-	1/31
12/30	Chicago PMI	Dec	-	61.5	62.5	-	-
12/28	Consumer Confidence	Dec	52.5	56	54.3	-	-
12/10	Mich Sentiment	Dec	74.2	72.5	71.6	-	1/14
12/22	Existing Home Sales	Nov	4.68M	4.87M	4.43M	-	1/20
12/23	Durable Orders	Nov	-1.3%	-1.8%	-3.4%	-	1/27
12/23	New Home Sales	Nov	290K	290K	283K	-	1/26
12/17	Leading Indicators	Nov	1.1%	1.0%	0.4%	-	1/20
12/16	Housing Starts	Nov	555K	525K	534K	-	1/19
12/14	PPI	Nov	0.8%	0.5%	0.4%	-	1/13
12/14	Core PPI	Nov	0.3%	0.1%	-0.6%	-	1/13
12/15	Industrial Production	Nov	0.4%	0.2%	-0.2%	-	1/14
12/15	Capacity Utilization	Nov	75.2%	75.0%	74.9%	-	1/14
12/15	CPI	Nov	0.1%	0.2%	0.2%	-	1/14
12/15	Core CPI	Nov	0.1%	0.1%	0.0%	-	1/14
12/14	Retail Sales	Nov	0.8%	0.4%	1.7%	-	1/14
12/10	Trade Balance	Oct	-\$38.7B	-\$43.0B	-\$44.6B	-	1/13
12/10	Treasury Budget	Nov	-\$150.4B	-\$142.0B	-\$120.3B	-	-
12/1	Productivity-Rev.	Q3	2.3%	2.2%	1.9%	-	-
12/22	GDP - Third Estimate	Q3	2.6%	2.7%	2.5%	-	1/28
12/22	GDP Deflator - Third Estimate	Q3	2.1%	2.3%	2.3%	-	1/28

Source: MSN Money, Briefing.com

Calendar key: *Actual* refers to the figures as they are released. "*Prior*" represents the last actual for each indicator. In cases where the release is a revision to an earlier estimate, as is possible with GDP, productivity, and University of Michigan sentiment, the last actual refers to the preliminary estimate for the same period. After a report is released, the *Prior* column reflects the prior figure as revised. The *Revised From* column lists the prior number as it was originally reported, i.e. before revision.

Mobius Risk Group

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