

# NATURAL GAS SEASONAL LOW UPDATE WINTER 2010-2011 COSTLESS COLLARS

**July 29<sup>th</sup>, 2010**



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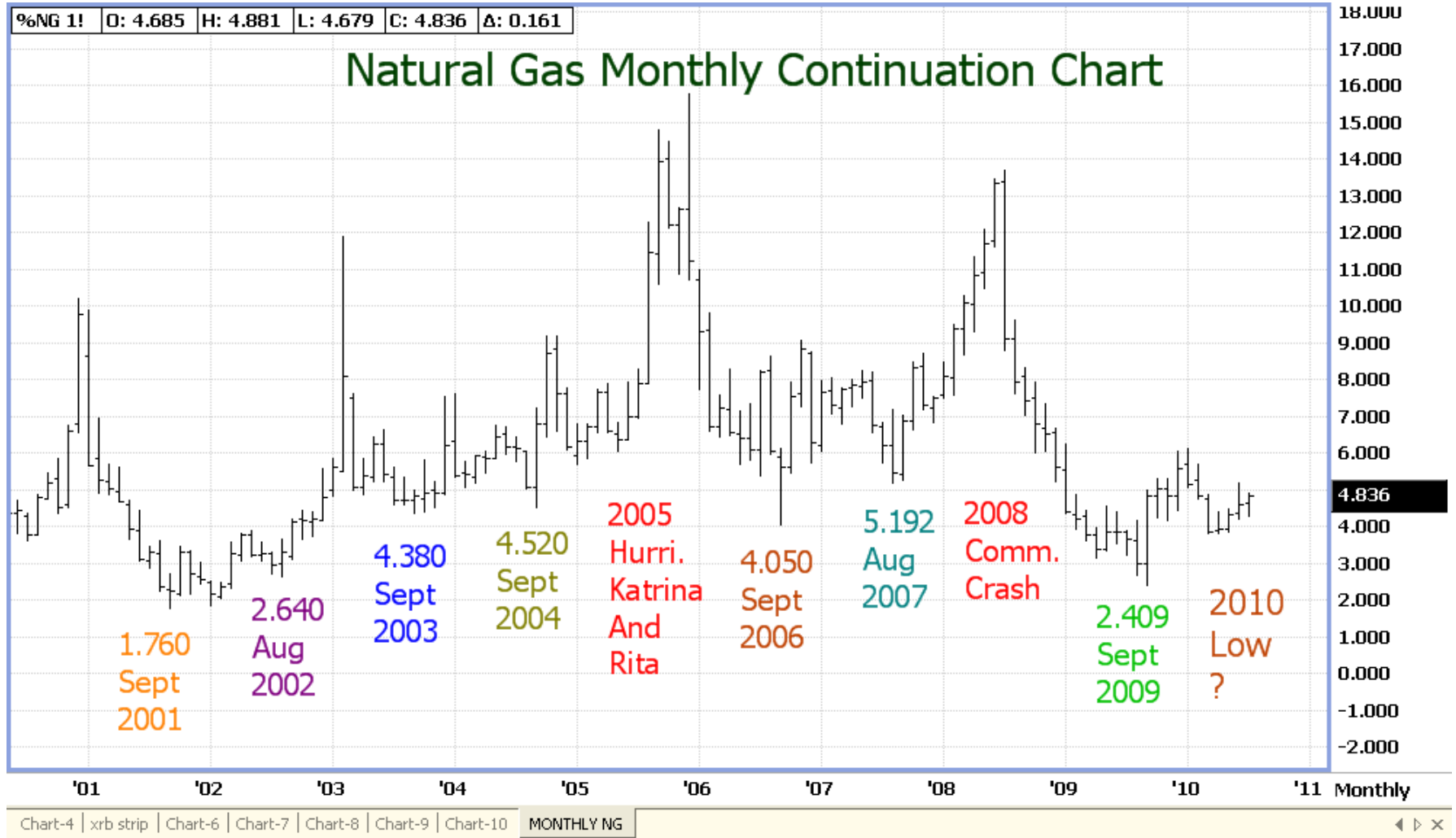
# SEASONAL LOW ANALYSIS

- **Natural gas has a seasonal tendency to bottom for a given year during the August /September time frame.**
- **In seven out of nine years since 2001, spot natural gas has made a low for the year in either August or September.**
- **The two exceptions were in 2005 following Hurricane's Katrina and Rita and in 2008 when nearly every asset class, particularly natural gas, fell sharply lower.**
- **The following chart is a monthly continuation chart showing each year and the date natural gas bottomed for the year.**
- **In the years when the market did bottom in August/September, the low came in September five out of the seven years.**
- **So past history suggests an upcoming low for 2010 in late August to early September.**
- **The next few weeks should be an optimal time to add to existing forward coverage.**



# NATURAL GAS SEASONAL LOW CHART

**This chart shows the low for each year by month from 2001-2010**



# WINTER 2010-2011 COSTLESS COLLARS

- The 2010-2011 winter strip set a new low at 5.027 in mid-July and is currently trading back near the 5.250 level.
- As the expected seasonal low forms over the next few weeks, it should be a good opportunity to complete upcoming winter 2010-2011 coverage.
- According to the RMI Historical Price Matrix over the past four years, the 10-20th decile for winter natural gas is between 4.890-5.250. Therefore, fixed price coverage between those levels should be considered.
- Option collars (buy call and sell put at no cost) may also be used.
- The chart on the next page will show various price strike levels that costless collars could be executed.
- The individual option combinations are colored coded to show which level calls and puts can be combined for no cost.
- A last slide shows the winter strip forward price curve spanning 16 years. All the collars on the next slide have a price floor (put level sold) beneath the 2009 average price for winter gas.
- The values change quickly depending on underlying market movement so please contact RMI by phone or email for real time updates.

NATURAL GAS - NYMEX 4-Year WINTER STRIP	
Mean	6.55
Median	6.68
90% - MAX	8.06 - 9.34
80% - 90%	7.72 - 8.06
70% - 80%	7.38 - 7.72
60% - 70%	7.02 - 7.38
50% - 60%	6.68 - 7.02
40% - 50%	6.20 - 6.68
30% - 40%	5.73 - 6.20
20% - 30%	5.25 - 5.73
10% - 20%	4.89 - 5.25
MIN - 10%	4.39 - 4.89



# WINTER 2010-2011 COSTLESS COLLARS

**Costless Collars Colored Coded to Show Long Call /Short Put Combinations**

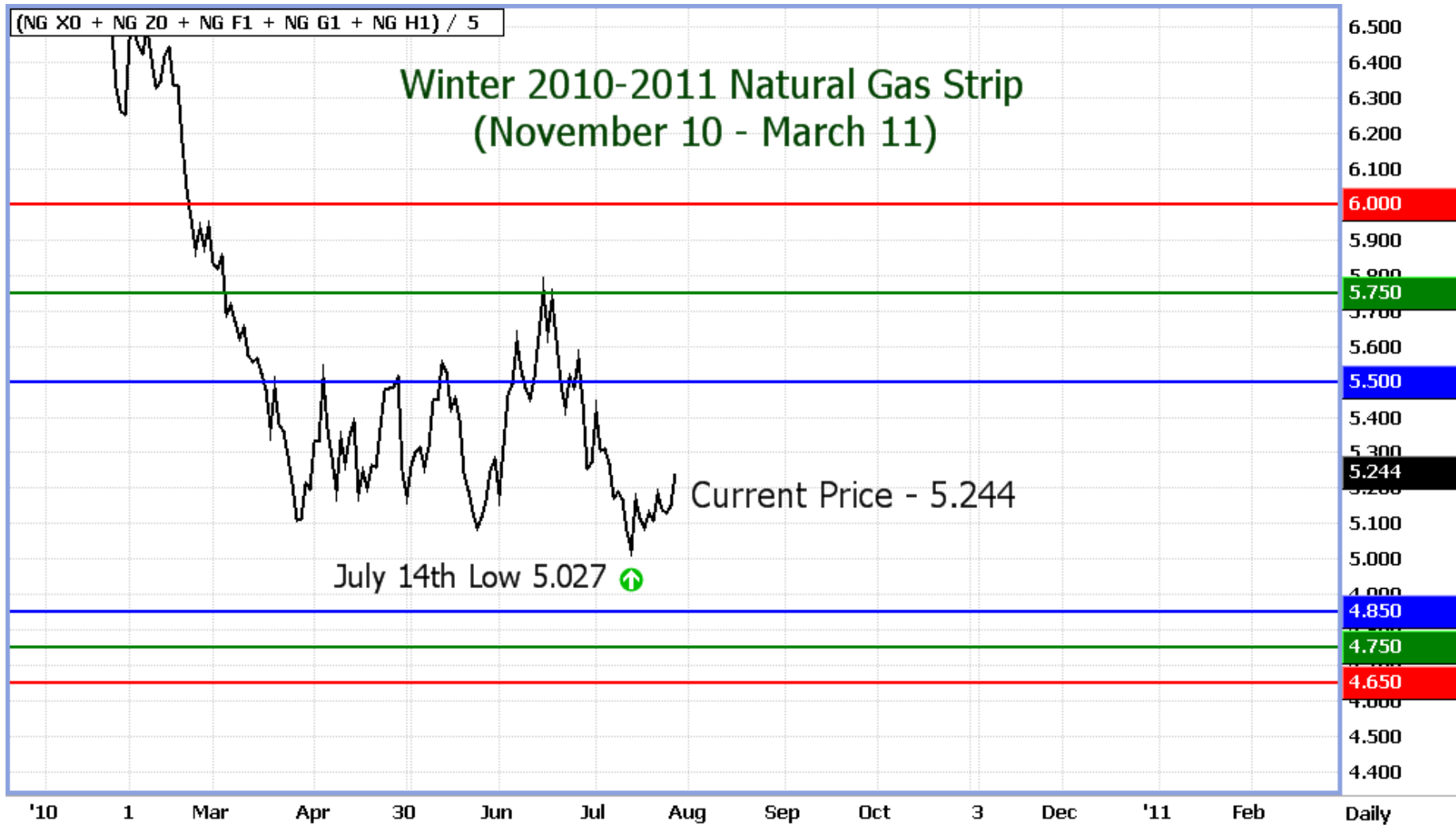
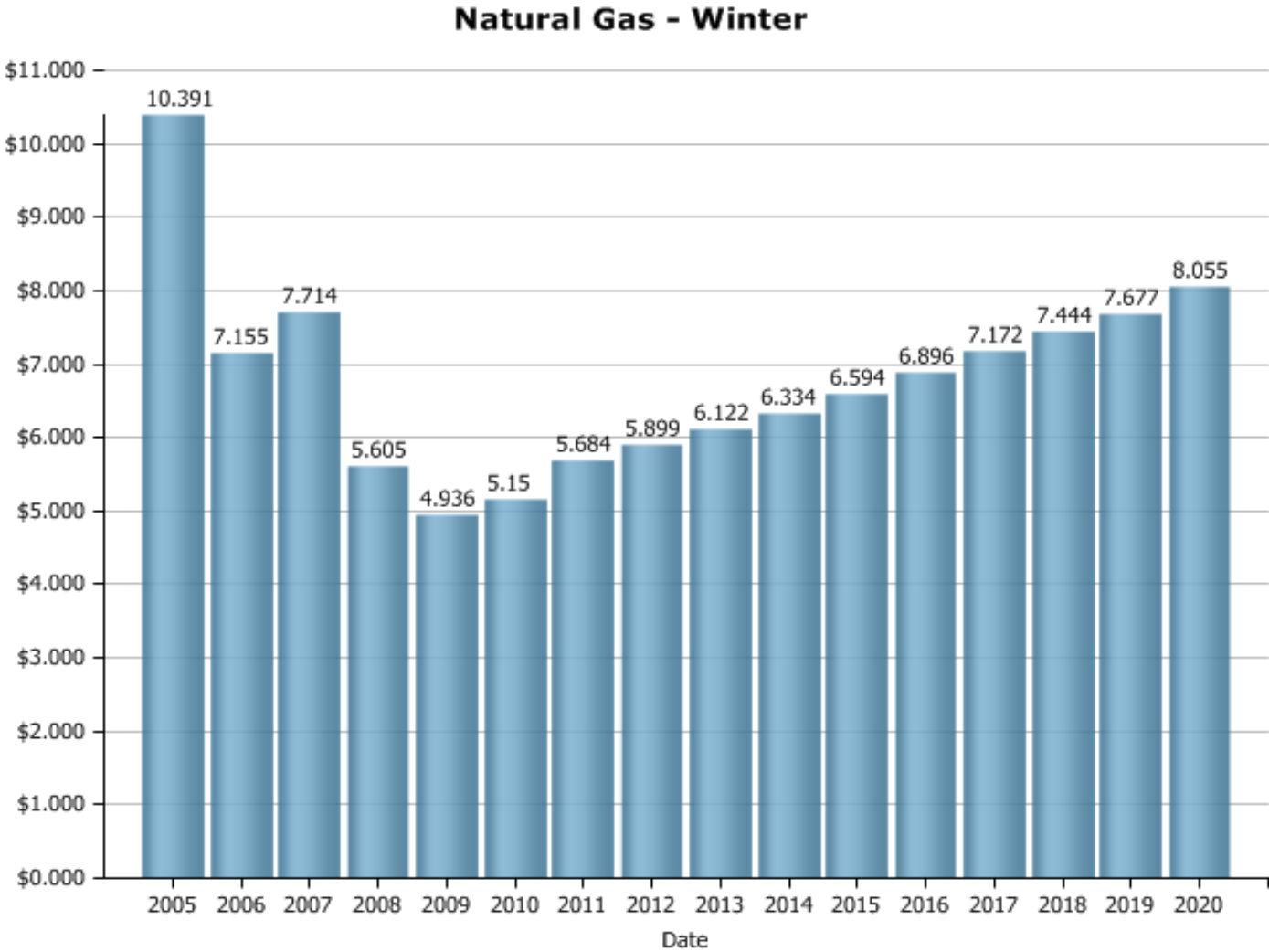


Chart-4 | xrb strip | Chart-6 | Chart-7 | Chart-8 | Chart-9 | Chart-10 | MONTHLY NG

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# NATURAL GAS WINTER STRIP PRICING



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