

THE BULL BEAR REPORT

MAY 15, 2006

MARKET VIEW SUMMARY:

CRUDE OIL:

Crude prices are off nearly \$2 this morning due to the IEA's downward revision of demand forecasts. = **Bull (Short-Term), Slight Bull (Long-term)**

HEDGE FUNDS/TECHNICAL FACTORS:

Stochastics and the RSI are oversold but are neutral to bearish signaling that flat to lower prices are still possible. June is poised to test support at 6.13. Closes above the 20-day moving average at 7.096 are needed to confirm that a short-term low has been posted. = **Bear (Short-Term), Neutral (Long Term)**.

NATURAL GAS STORAGE:

The 85 BCF injection was on the high-end of expectations. Over-all levels now stand at 1,989 BCF, which is 488 BCF higher than last year and 714 BCF above the 5-year average. = **Slight Bear (Short-term) Neutral (Long-Term)**

PRODUCTION RIGS:

The number of active drilling rigs is up 1% from a month ago and up 18% from a year ago. The EIA reported that it sees domestic gas production in 2005 & 2006 remaining near the 2004 level (18.83 TCF), despite a 12% annual average increase expected in natural gas well/rig completion. = **Neutral (Short-term) & Bull (Long-term)**

WEATHER:

The 8 – 14 day forecast calls for colder than normal temps in the East and warmer than normal for the West. WSI Corp. temperature forecast is bullish in the near-term with calls for the May-July period to average above normal temps for the majority of the U.S., except the East. Early heat in the summer would provide a bullish push for prices despite the high storage levels. = **Neutral (Short-term), Slight Bull (Long-term)**

ECONOMY:

According to the Commerce Department retail sales rose 0.5% from March and 6.6% from a year earlier. Judging from this report it might take more than \$3/gallon at the pump to make a dent in consumers' spending habits. = **Slight Bull (Short-term), Bull (Long-term)**.

MAVERICK ENERGY



Commitment of Traders (as of 05/09/06)

Long Positions:	74,909
Short Positions:	103,677
Net Long:	-28,768
Net Short:	28,768

Weekly Storage Summary (as of 05/05/06)

For the week ending 05/05/06	+ 85 BCF
Same week last year:	+52 BCF

Weekly Rig Count (as of 05/12/06)

For the week ending:	1,367
Rig Count +/- last week:	2
High Count 5/12/06	1,367
Low Count 4/23/99	362

QUOTE OF THE WEEK:

"What worries you, masters you." – Haddon W. Robinson

Maverick is an energy procurement consulting firm devoted to providing strategy, planning, budgeting, and tracking services to a broad range of providers and end-users. We provide quality procurement strategies that produce bottom line results. We assist in the procurement of supply and prepare hedging strategies to manage energy price volatility.

STRATEGY COMMENTS:

There is high confidence that storage levels will remain at near-record levels this summer, thus prices finally broke through stubborn support levels in the \$6.50 area. Until supportive temps enter this summer and/or hurricanes in the Gulf, the trend will remain bearish for the near month. Our interest lies more towards the winter strip. While the near month is falling the winter strip has held strong. If the near month continues to decline the winter strip should weaken to some extent and allow for an opportunity to hedge open winter positions. In addition, the long-term strips (3 year) could soften to a level worth considering if bearish circumstances are not countered by a bullish event (geopolitical, summer heat, hurricane, etc.).

MAY 2006 FINAL SETTLEMENT: \$7.198

NEAR MONTH JUNE 2006:

Currently \$6.10 (\$6.655 last week). Preliminary trigger targets in the \$6.00 to \$7.10 range or at market if waiting for further price deterioration is within your risk tolerance.

JUNE 2006 – OCTOBER 2006 (Off-Peak):

Preliminary Trigger targets range from \$6.50 to \$7.30. Currently this strip is at \$6.765 (down from \$7.203 last week).

NOVEMBER 2006 – MARCH 2007 (Peak):

Preliminary Trigger targets range from \$9.75 to \$10.50. Currently this strip is at \$10.515 (down from \$10.742 last week).

1-year fixed price starting June 2006 is \$8.709 (last week = \$9.008).

2-year fixed price starting June 2006 is \$9.341 (last week = \$9.483).

3-year fixed price starting June 2006 is \$9.316 (last week = \$9.435).

FUNDAMENTAL SUMMARY			
SHORT-TERM			
Factor	Bullish	Bearish	Neutral
Crude Oil	X		
Technical		X	
Storage			X
Rigs			X
Weather	X		
Economy	X		
LONG-TERM			
Factor	Bullish	Bearish	Neutral
Crude Oil	X		
Technical			X
Storage			X
Rigs	X		
Weather	X		
Economy	X		

