STAND ENERGY CORPORATION

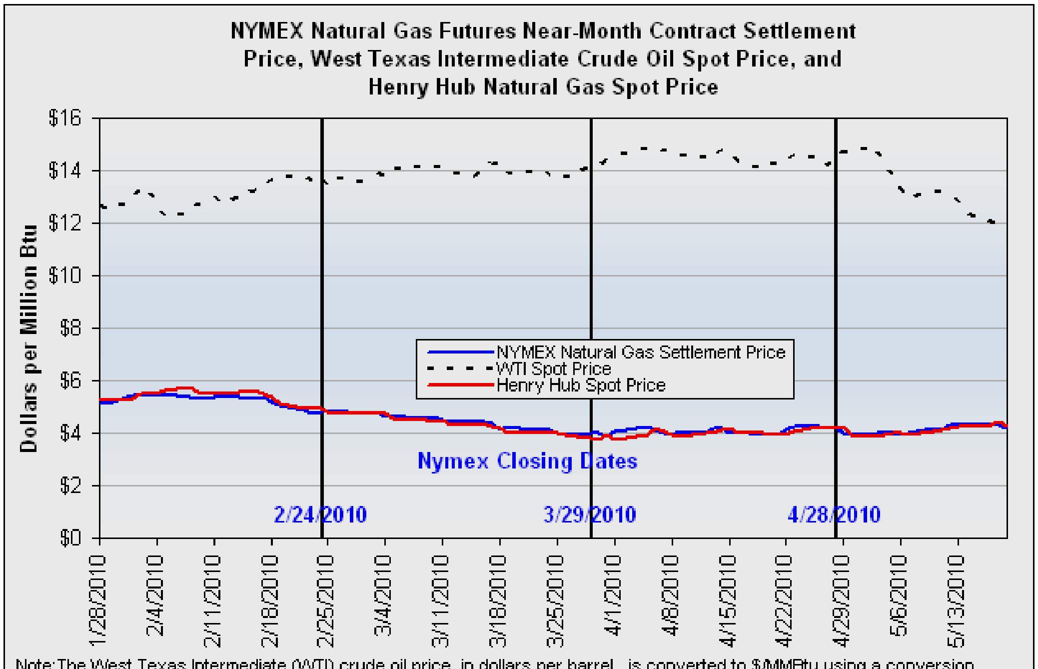
Natural Gas Weekly Update

May 20, 2010

PRICES

At the NYMEX, the June 2010 natural gas contract decreased slightly on the week, with a substantial drop in the last 2 days of the report week. The near-month contract ended trading on May 19 at $4.158 per MMBtu, a nearly 13-cent decrease compared with its closing price of $4.284 per MMBtu the previous Wednesday. The price of the contract fell 24 cents in the last 2 days of trading during the report week, from $4.398 per MMBtu on Monday. The 12-month strip (the average of all contracts from June 2010-May 2011) fell about 5 percent, from $5.084 per MMBtu last Wednesday to $4.847 yesterday. All 12 of the contracts in the strip declined on the week, with the largest drops occurring for December 2010 through May 2011 contracts. The average of the winter contracts (November 2010-March 2011) fell 31 cents, from $5.554 last Wednesday to $5.239 yesterday.

Continuing increases from the previous week, prices rose at all but five trading points. The Henry Hub spot price increased about 10 cents from $4.18 per MMBtu to $4.28 per MMBtu. Price gains generally ranged between 2 and 18 cents on the week. At most market locations, prices reached their high for the report week on Tuesday, when the Henry Hub price jumped to $4.42 per MMBtu before falling 14 cents the next day. Despite price increases, weather was generally mild across the country. Mean temperatures were in the 50s, 60s, and 70s in the majority of the lower 48 States, with some areas of colder weather in the 40s in Wyoming and Colorado. Although natural gas demand fell an estimated 7 percent from the previous week, current levels are an estimated 3 percent higher compared with 1 year ago, according to BENTEK Energy Services, LLC. Residential and commercial consumption of natural gas fell an estimated 34 percent from the previous week, and 12 percent from year-ago levels.



Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates. Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

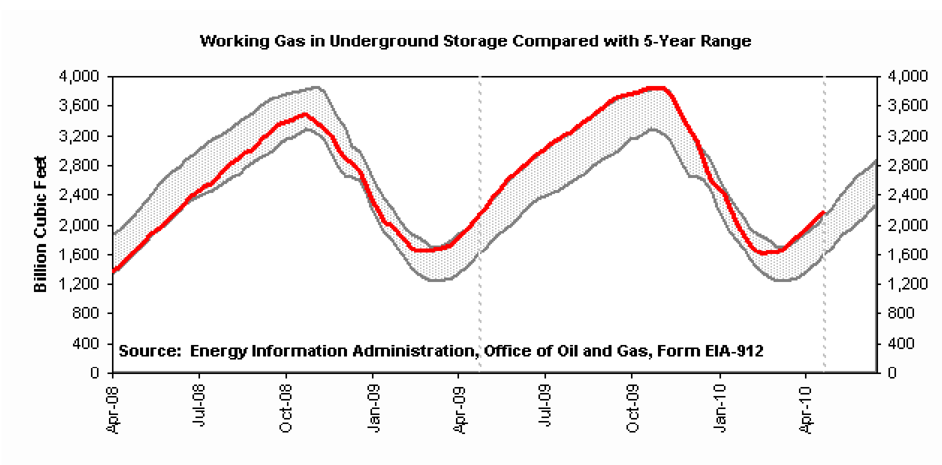
STORAGE

Working natural gas in storage increased to 2,165 Bcf as of Friday, May 14, according to EIA's Weekly Natural Gas Storage Report (see Storage Figure). The implied net injection was 76 Bcf, compared with last year's net injection of 100 Bcf and the 5-year (2005-2009) average injection of 93 Bcf for the report week. Working gas inventories are currently 73 Bcf above year-ago levels and 308 Bcf above the 5-year average. Working gas in storage has exceeded the 5-year average for this time of year in each of the three storage regions for the last 9 weeks. However, the most recent injection ended a 9-week streak of above-average net injections into storage that began with the report for the week ended March 12, 2010. Nevertheless, working gas stocks remain above the record levels established in 2009 and are currently at historical highs for this time of year.

Cooler-than-normal temperatures in the East region likely contributed to the smaller–than-normal net injection into storage. The below-normal net injection into storage on a national basis during the storage report week resulted from the slower-than-normal pace of injections in the East region. While net injections into storage for the week ended May 14 exceeded the 5-year average in the West and Producing regions by 2 and 5 Bcf, respectively, injections in the East region were 25 Bcf below the 5-year average. Nevertheless, working gas stocks in the East region are near record highs for this time of year at 992 Bcf as of May 14, falling about 7 percent below the record levels established for the region in 2006. Significantly cooler-than-normal temperatures in the East storage region, as well as reduced pipeline imports of natural gas from Canada, likely contributed to below-average injections in the region.

All Volumes in Bcf	Current Stocks 05/14/10	One-Week Prior Stocks 05/07/10	Implied Net Change from Last Week	Estimated Prior 5-Year (2005-2009) Average	Percent Difference from 5 Year Average
East Region	992	958	34	872	13.8
West Region	359	344	15	278	29.1
Producing Region	814	787	27	707	15.1
Total Lower 48	2,165	2,089	76	1,857	16.6

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2003 through 2007. Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

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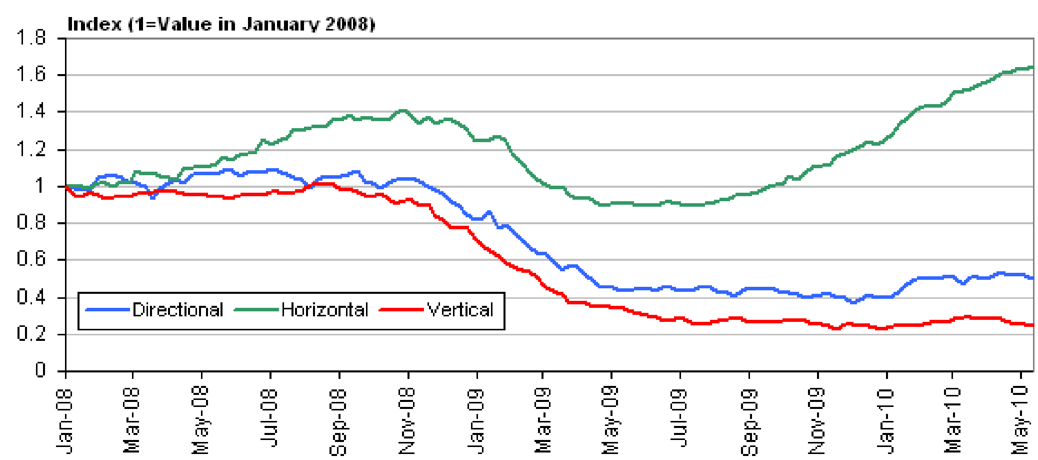
OTHER MARKET TRENDS

FERC Highlights Drop in Demand and Technological Advances in Natural Gas Market in 2008. In its State of the Markets report released last month, the Federal Energy Regulatory Commission (FERC) highlighted major trends in the natural gas and electricity markets. The global recession reduced demand, softened prices, and slowed investment. During the year, natural gas prices moved closer to parity with coal prices. As a result, sales of natural gas to power generators increased as more gas-fired power plants moved to baseload service. The shift from coal to natural gas that occurred in 2009 also likely contributed to declines in emissions of sulfur oxides and nitrous oxides, which fell 25 and 30 percent, respectively. Despite the recession, FERC noted that technological innovation still allowed for robust natural gas production. For example, production lead times have decreased, giving producers greater flexibility to drill for gas. According to FERC, in the past, lead times from start of drilling to initial production could be several months. In 2009, the average lead time was 20 days. Additionally, the robust production in 2009 is likely sustainable, as evidenced by an expanding resource base. The Potential Gas Committee raised its estimates of supply at more than 2 quadrillion cubic feet, which could meet more than 90 years of demand at current consumption levels. FERC's report is available here: http://www.ferc.gov/market-oversight/st-mkt-ovr/som-rpt-2009.pdf

Horizontal Natural Gas Rigs Reach 2½ -Year High. The number of horizontal natural gas rigs totaled 605 as of May 14, 2010, according to Baker Hughes Incorporated data. This level is the highest over the last roughly 2½ years for which data are available. Currently, horizontal rigs comprise 64 percent of the natural gas rig count, which totaled 951 as of May 14. Vertical and directional rigs account for 20 percent and 16 percent of this total, respectively. The vertical rig count has fallen in terms of percentage share as well as absolute value during the period for which data are available. The increase in horizontal rigs is largely attributable to efficiency gains in drilling and production of natural gas in shale formations. Key growth areas include the Appalachian Region (Marcellus Shale), and the Louisiana-Mississippi Salt Basins Region (Haynesville Shale). Since 2008, the natural gas rig count in these basins has grown overall, in contrast to most other basins. As of May 14, rigs have grown 34 percent in the Appalachian Basin, since January of 2008 to 115 as of May 14, while in the Louisiana-Mississippi Salt Basins, rigs have grown 116 percent to 147.

Changes in Natural Gas Rigs Relative to January 2008



Note: The index represents the weekly value of rigs divided by their level on January 4, 2008. The index indicates the weekly value relative to a January 4, 2008 benchmark.
Source: Baker Hughes

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