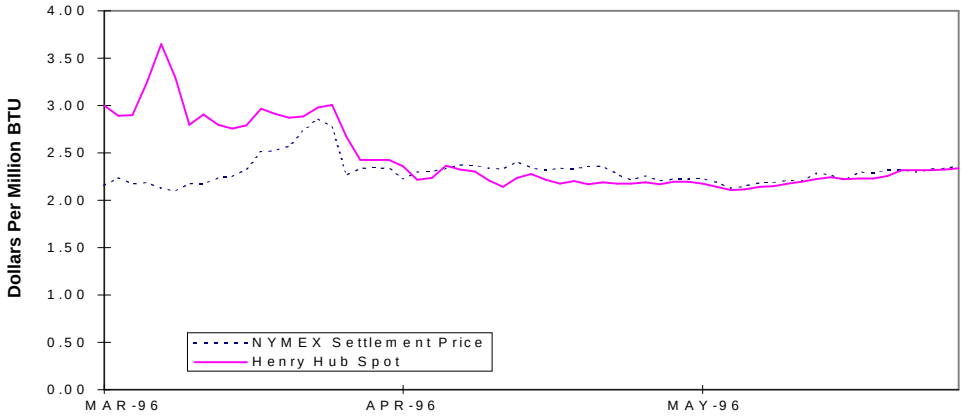
Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
May 28,1996

HENRY HUB PRICE	CASH	FUTURES
	May Del	June Del
	($ per MMBtu)	
5/20	$ 2.23-2.28	$2.324
5/21	2.30-2.34	2.298
5/22	2.30-2.34	2.329
5/23	2.30-2.35	2.337
5/24	2.32-2.36	2.361

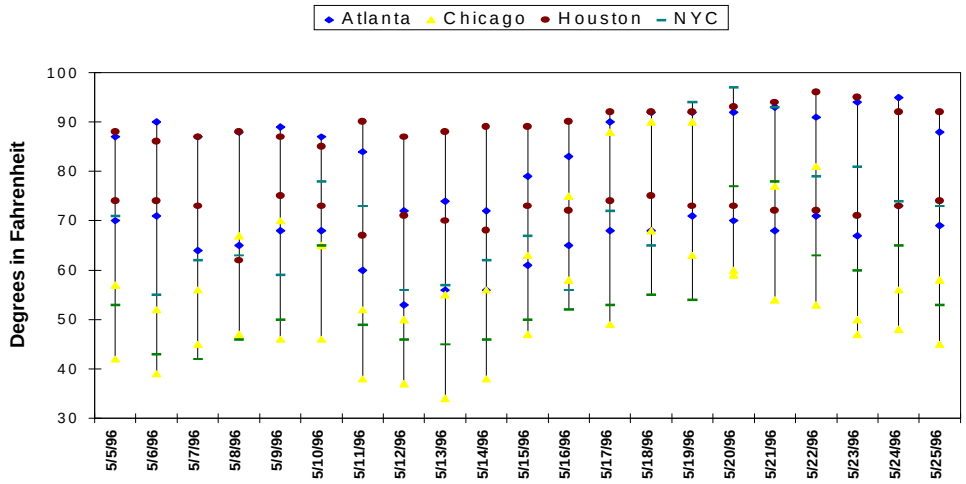
NYMEX Price Futures vs Henry Hub Spot Price



Note: THe Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
5/19	79	68	11
5/20	79	68	11
5/21	79	68	11
5/22	76	68	8
5/23	71	69	2
5/24	72	69	3
5/25	69	69	0

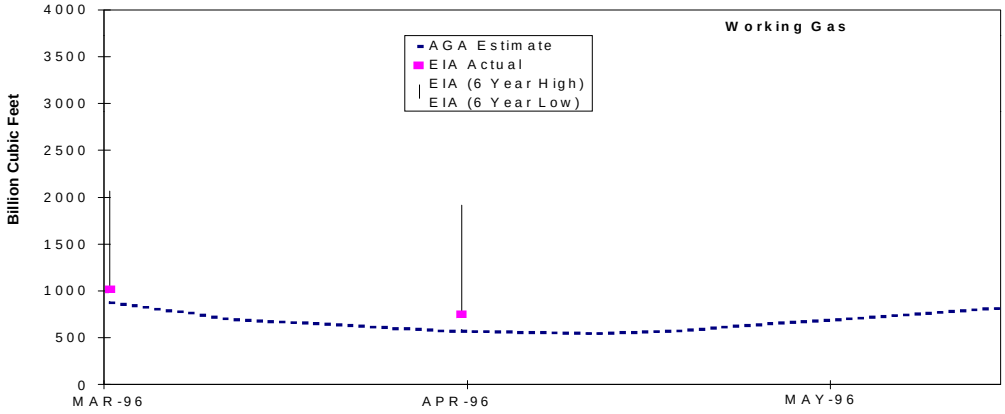
High and Low Temperature for Four Selected Cities



Working Gas Volume as of 5/17/96		
	BCF	% Full
EAST	349	20
WEST	250	52
Prod Area	214	24
U. S.	813	26

Source: AGA

Natural Gas Storage Volumes (EIA Data:191 survey and Estimates from AGA Weekly Data.)



The futures price for June delivery closed on Friday, May 24, at $2.361 per MMBtu, which was $0.08 per MMBtu higher than on the previous Friday. During the week daily spot prices for May delivery were also higher and not much different from the futures prices. These higher prices were supported by expected increases in demand for electricity generation from natural gas as temperatures rose in Houston and New York throughout much of the week.

Storage: The American Gas Association's (AGA) estimate of additions to storage for the week ending May 17, was 59 Bcf. This was almost the same as the previous week, bringing their current estimated total of working gas in storage to 813 Bcf. If injections continue at the same rate during the next two weeks, AGA working gas estimates would be less than 1,000 Bcf at the end of May. EIA's six year average for working gas in storage at the end of May is 1,839 Bcf. As noted before on this page, many in the industry currently utilize new methods to manage storage resources while others have made some significant investments in developing fast cycle salt dome storage and improving existing conventional facilities. In theory, both approaches require less gas in storage at the beginning of the heating season (Nov.1) and have the goal of providing more efficient and economical gas service for customers. However, a continued low level of working gas in storage remains a cause for concern for many within and outside the industry.

Temperature: Temperatures stayed high during most of the past two weeks in cities such as Houston and Atlanta representing temperature sensitive incremental gas demand in the South. Thus, the top of the bar in the temperature graph remained high. Most importantly, the bottom of the bar in the graph increased as temperatures rose consistently for more than a week in northern cities such as Chicago and New York. These incremental demands are driven primarily by electricity usage which increases during the spring and summer when temperatures rise. As temperatures rose, the center of the temperature bar rose and the length of the bar became much smaller, especially on Monday, May 20. In particular, historically high daily temperatures were recorded in New York on May 23, which was coupled with cutting off electricity to some customers in New York City and the Northeast.

Spot Prices: Spot prices rose along with the center of the temperature bar, increasing about $0.10 per MMBtu during the week. The rise in price suggests that incremental supplies are not keeping pace with incremental demands.

Futures prices: Prices for the June delivery futures contract, which closed Friday, May 24, were near the historical high of $2.40 per MMBtu. June futures prices were also more than $0.60 higher than values for the same contract near the beginning of the year when daily cash prices were regularly more than $3.00 per MMBtu. Similar results are observable for the July contract, which are indicative of increasing support for higher prices since the beginning of the year.

Production: Recent preliminary EIA data indicate that dry natural gas production for March 1996 and for the first quarter of 1996 was only 0.6 percent higher than year-earlier levels. This increase in production is much less than the estimated increase in consumption for the same time period between years and is surprising in light of the significant increase in natural gas rig count for the same period.

Summary: Uncertainty about desirability of relatively low storage levels, pipeline constraints on increased imports from relatively low-priced Canadian gas, and modest production increases relative to increased demand have all contributed to higher prices.

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This report along with three graphs is available on the Internet at:

http://www.eia.doe.gov/fuelnatgas.html