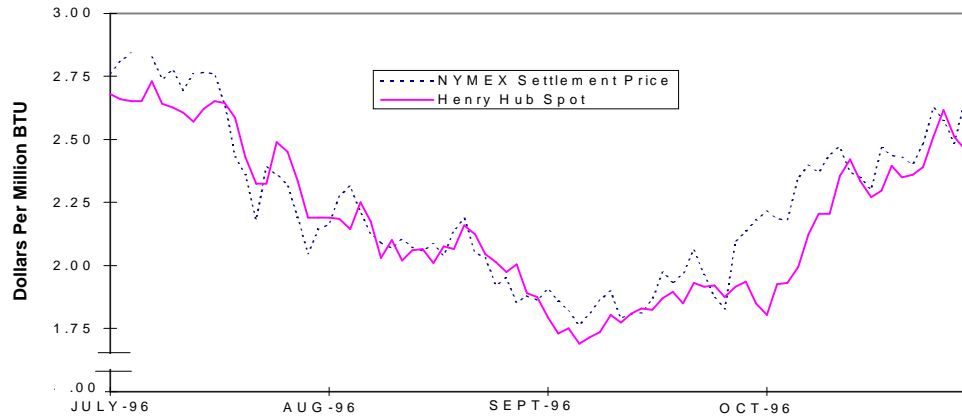


**NYMEX Price Futures vs Henry Hub Spot Price**

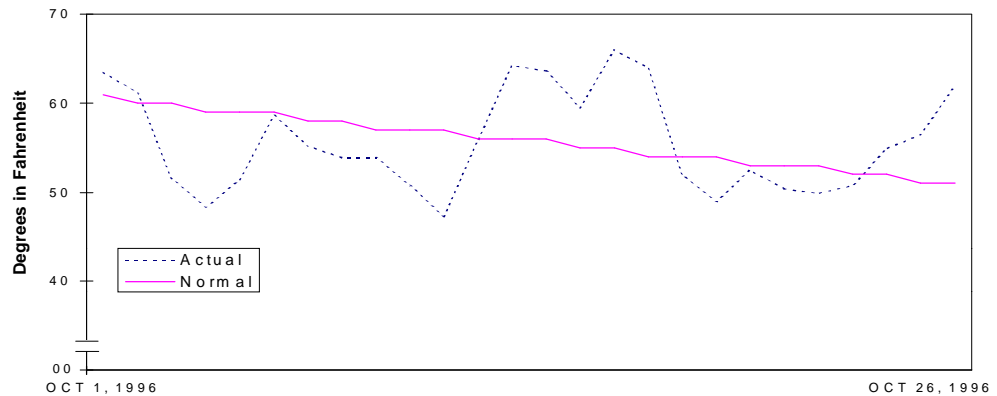
HENRY HUB PRICE		
	CASH	FUTURES
	Oct.	Nov.
	Del	Del
	(\$ per MMBtu)	
10/21	2.37-2.41	2.482
10/22	2.48-2.54	2.625
10/23	2.60-2.63	2.575
10/24	2.48-2.54	2.485
10/25	2.44-2.48	2.652



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 Metro Areas**  
(Chicago, Kansas City, New York, and Pittsburgh)

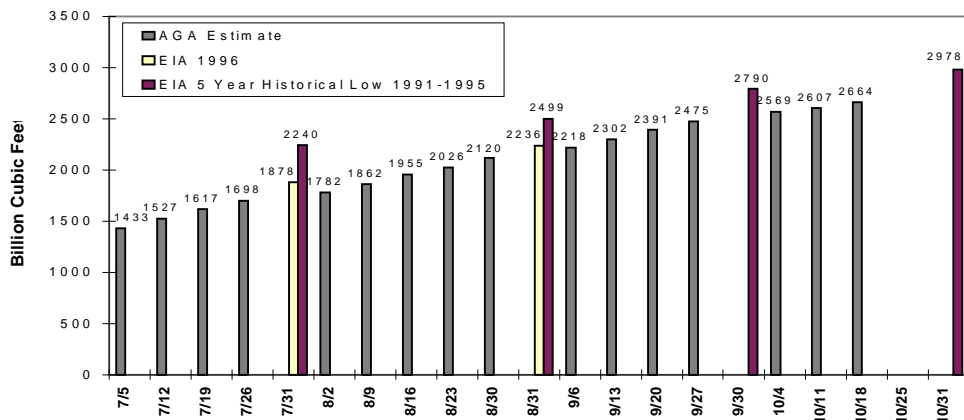
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/20	53	53	0
10/21	50	53	-3
10/22	50	53	-3
10/23	51	52	-1
10/24	55	52	3
10/25	57	51	6
10/26	62	51	11



**Working Gas In Storage 1996**

Working Gas Volume as of 10/18/96		
	BCF	% Full
EAST	1,672	93
WEST	341	71
Prod Area	651	72
U. S.	2,664	84

Source: AGA



The NYMEX futures price for December delivery at the Henry Hub opened Monday, October 28, at \$2.720 per MMBtu. This was \$0.068 higher than the final price for the November contract, which closed on Friday, October 25, at \$ 2.652 per MMBtu. This year's November contract price is almost \$0.90 per MMBtu higher than last year's at the Henry Hub. Net injections to storage rebounded to 57 Bcf to return to above average refill rates for October. Natural gas and distillate oil spot prices and the nearby future price have tended to increase since early September. This positive correlation is similar to price behavior seen last year when these price series tended to move together throughout the fall and early winter months. One reason these prices tend to move together is that oil and natural gas can substitute for one another at electric generators and at manufacturing plants. These prices, along with the price of crude oil and propane are, however, higher than they were last year. On Thursday, October 24 natural gas spot prices at the Henry Hub, distillate oil spot prices at New York Harbor, crude oil intermediate spot prices in West Texas, and propane spot prices at Mount Belview, Texas were 52, 38, 39 and 72 percent, higher respectively than last year at this time. The percentage change in propane, which is a product extracted from wet natural gas at processing plants and a product used in the form of propane air for peak demand at distribution companies, is particularly striking. When expressed in million Btu, the spot price of propane is \$5.94 per MMBtu and the spot price of natural gas is \$2.62. The difference between these two prices is sometimes called the "frac spread" and is a rough indicator of the gain possible from producing propane from the natural gas stream. Thus, there are currently very strong incentives to produce more natural gas and more propane.

**Storage:** Additions to storage climbed to 57 Bcf for the week ending Friday, October 18, according to the latest American Gas Association (AGA) estimate. This is almost 20 Bcf more than the previous week's estimate and marks a return to weekly refill rates that exceed-by over 30 percent- EIA's latest 5-year average of 42 Bcf for a 7 day period in October. Most (over 75 percent or 43 Bcf) of the gas injected during the third week of October went to storage facilities located in the East region. This refill pattern has been generally consistent since early May with the result that storage sites in the East are estimated by AGA to have 1,672 Bcf or 93 percent of working gas capacity full. EIA data indicate that as of August 31, the East consuming region storage sites had 1,457 Bcf of working gas in the ground. Using AGA estimates over the last 7 weeks, more than 340 Bcf have been added to East region storage sites, leaving these facilities with an estimated level of almost 1,800 Bcf in storage. During the previous heating season, based on EIA data, net withdrawals of gas from eastern storage resources totaled more than 1,460 Bcf. The other storage regions, Producing and the West, which both currently have close to 70 percent of their capacity full, are still low compared to recent historical levels. Both regions could continue to make additions to storage into November due to their proximity to producing areas and compared to the East can have a longer storage refill time period because of the later start of their heating seasons.

**Spot Prices:** Spot prices displayed a high degree of volatility during the week. Prices moved up \$0.10 per MMBtu or more at the Henry Hub each day through Wednesday. Prices then moved down at the end of the week leading up to the closing of the November contract on Friday. At the close of business on Friday, the spot and futures price for November delivery were about \$0.19 per MMBtu apart at the Henry Hub and this could provide some incentive for a continuation of elevated additions to storage. The spot price was more than 50 percent greater than at the same time last year at the Henry Hub and prices at other major market locations also increased significantly compared to last year. For example; Waha,W.Texas-\$2.31 (54 percent), Katy, E.Texas- \$2.44 (45 percent), and Chicago, Citygate-\$2.70 per MMBtu (46 percent).

**Futures Prices:** The settlement price for the November contract at the Henry Hub closed at \$2.652 per MMBtu on Friday, October 25. Futures prices were very volatile this week especially on Friday when the settlement price ended the day almost \$0.17 per MMBtu higher than the previous day's closing. The high price for November delivery during the week was \$2.700 per MMBtu, recorded on Friday and the low price of \$2.380 occurred on Monday.

**Summary:** Currently high prices for natural gas on spot and futures markets are supported by high oil prices and increased demand. With most of the country experiencing moderate weather recently,

a continuation of above average injections to storage appears to be contributing to upward price pressure.