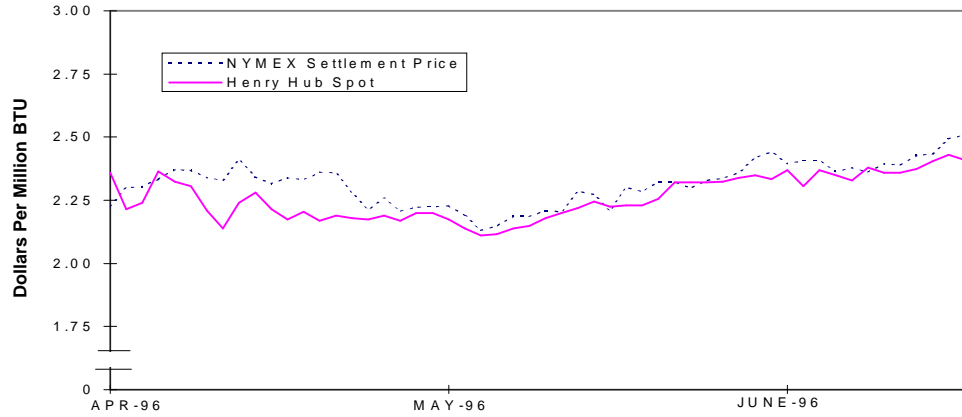


NYMEX Price Futures vs Henry Hub Spot Price

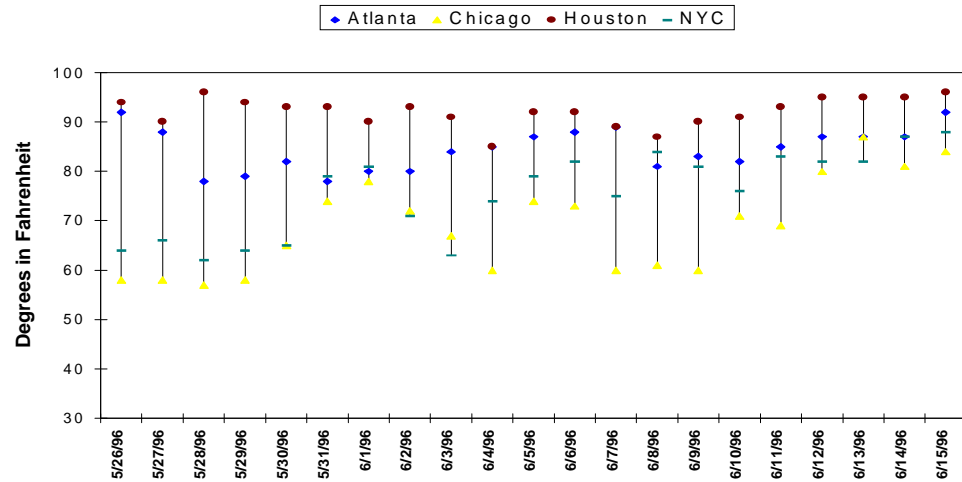
HENRY HUB PRICE		
CASH	FUTURES	
June	July	
Del	Del	
(\$ per MMBtu)		
6/10	2.34-2.38	2.390
6/11	2.36-2.39	2.427
6/12	2.39-2.42	2.434
6/13	2.41-2.45	2.494
6/14	2.39-2.43	2.509



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

High Temperature for Four Selected Cities

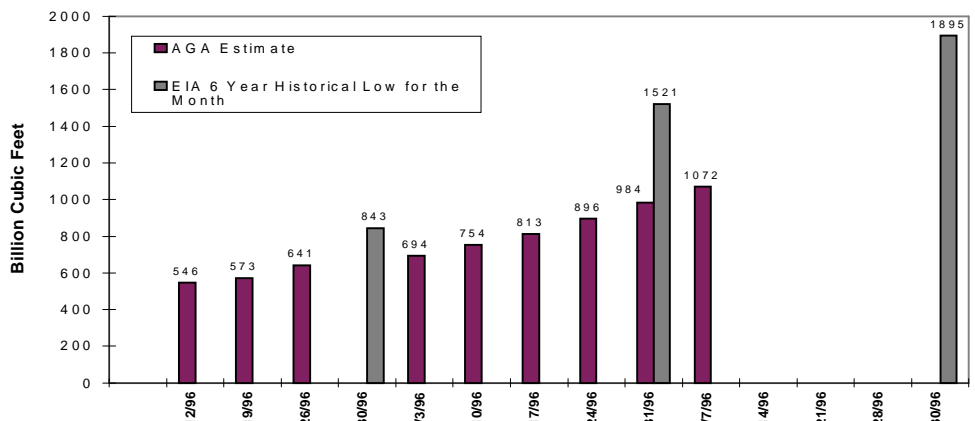
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
6/09	70	73	-3
6/10	71	73	-2
6/11	72	74	-2
6/12	75	74	1
6/13	78	74	4
6/14	79	74	5
6/15	78	75	3



Working Gas In Storage

Working Gas Volume as of 6/07/96		
	BCF	% Full
EAST	532	30
WEST	278	58
Prod Area	262	29
U. S.	1072	34

Source: AGA



Futures prices at the Henry Hub opened Monday, June 17, at \$2.510 per MMBtu and by 11 AM had increased to \$2.546, which is \$0.045 per MMBtu more than the settlement price of \$2.509 on Friday, June 14. This change in price is in part traceable to the increase in temperatures this past weekend. The average monthly price of gas to residential consumers this past heating season (November through March) displayed a new pattern. Preliminary data indicate that prices were virtually the same for the first three months and then rose substantially, from \$5.60 per MMBtu in January to \$5.80 in February and \$5.87 in March. This change reflects the increased responsiveness of prices to market forces. In unregulated markets, when supplies are relatively scarce, as they were this past winter, the cost of a commodity should rise to promote efficient use. The new price pattern is just one more indication of the degree to which natural gas markets have changed in recent years.

Storage: According to American Gas Association (AGA) estimates, 1,072 Bcf of working gas was in storage the week ending June 7. Estimated additions to storage during the week were 88 Bcf, the same as during the previous week. Although these injection rates are the highest thus far this season, they are still less than the 6-year high of about 100 Bcf. Based on EIA storage data for the past 6 years, the lowest working gas level at this time of year was about 1,500 Bcf. The low level of working gas and the below-maximum refill rate thus far continues to be a prime concern for those in the natural gas market.

EIA Data: EIA's survey covering monthly storage activities reports that 843 Bcf of working gas was in storage on April 30. This total is 173 Bcf more than AGA's estimated level of 670 Bcf at the end of April. The data differences mainly occur in estimates for the East consuming region, where EIA reported 400 Bcf in storage and AGA reported a level near 245 Bcf. If EIA's storage estimate at the end of April is combined with AGA's estimated additions to storage in May (843 Bcf plus 290 Bcf), working gas levels at the end of May were 1,133 Bcf, or almost 400 Bcf less than the lowest level for May in the past 6 years.

Futures Prices: Futures prices for July delivery at the Henry Hub rose to an all-time high of \$2.515 per MMBtu on Thursday, June 13. As emphasized last week, this change is not surprising given the price of futures options, which implied a higher volatility than day-to-day changes in price at that time. Since early May, prices for the July contract have risen about \$0.35 per MMBtu as uncertainty about current storage levels continues to grip the industry. It is hard to believe that a year ago, futures prices for July 1996 delivery were near \$1.75 per MMBtu. Yet, by early March 1996, prices for July delivery were almost \$2.00 per MMBtu.

Spot Prices: After hovering around \$2.36 per MMBtu for more than a week, cash prices rose above \$2.40 on Thursday, June 13, but still several cents below the futures price for July delivery. Prices throughout Louisiana have been very similar, which indicates how efficient the gas industry can be at moving gas between markets when plenty of pipeline space is available. Moreover, the fact that changes in cash prices at the Henry Hub appear to precede changes in futures prices indicates the importance of the cash market at the Henry Hub.

Summary: Prices rose dramatically this past week as higher temperatures drove up demand for natural gas. Nonetheless, the price of the July futures contract may change significantly by the time it finishes trading one week from today as futures prices tend to be most volatile near the close of trading.

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Report also available with 3 graphs on the Internet at, <http://www.eia.doe.gov/fuelnatgas.html>