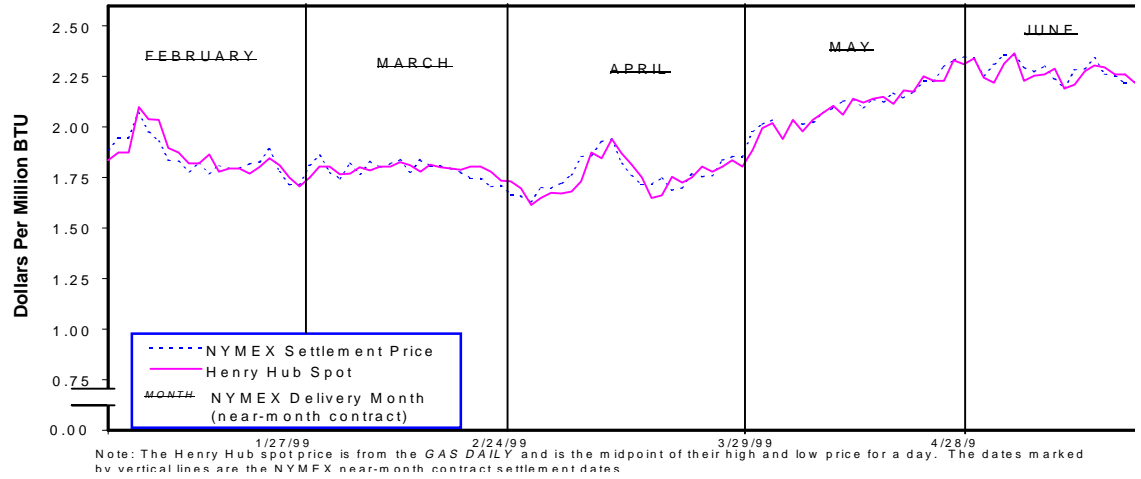
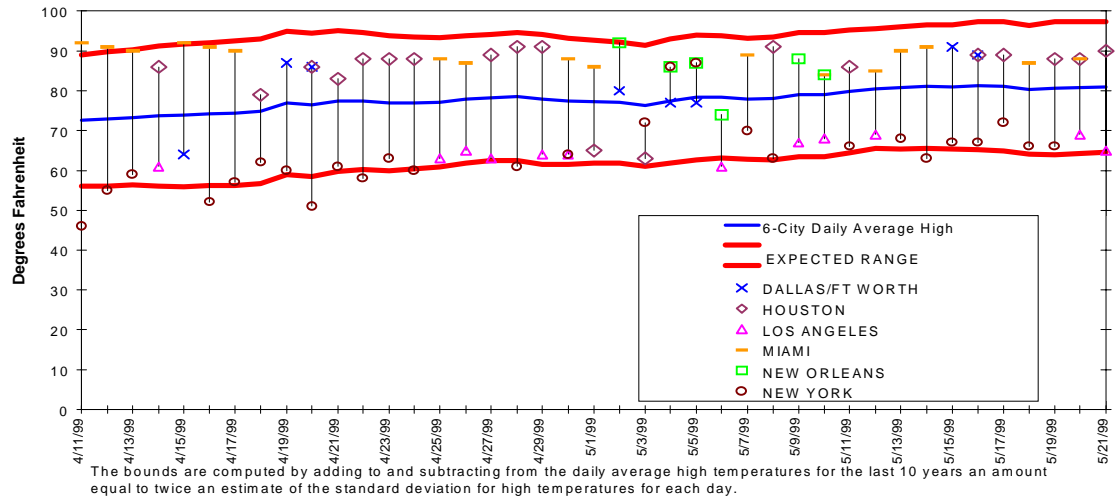


**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
SPOT	FUTURES	
May	June	
Del	Del	
(\$ per MMBtu)		
05/17	2.29-2.32	2.343
05/18	2.28-2.31	2.262
05/19	2.25-2.27	2.254
05/20	2.24-2.28	2.218
05/21	2.20-2.24	2.225



**Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September**  
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)

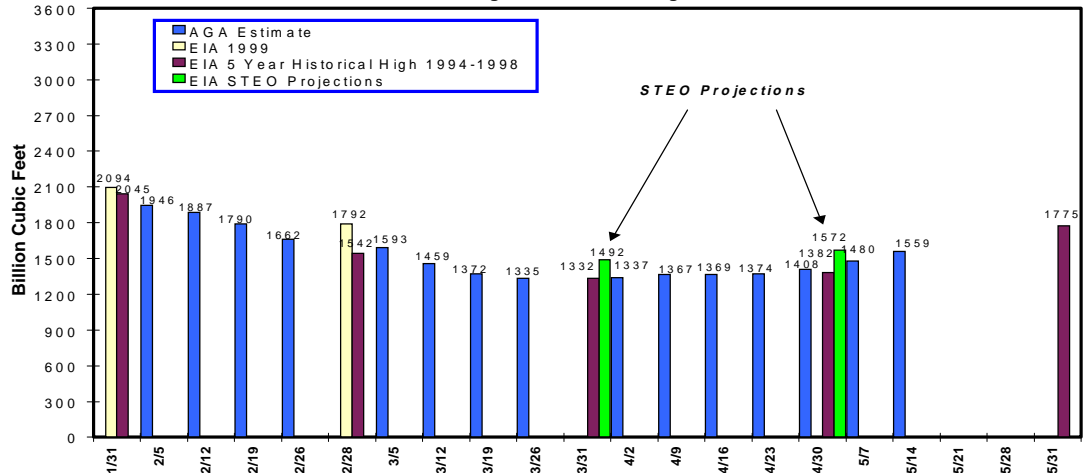


Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
05/15	82	81	1
05/16	81	81	0
05/17	82	81	1
05/18	80	80	0
05/19	79	81	-2
05/20	82	81	1
05/21	82	81	1

**Working Gas In Storage**

Working Gas Volume as of 05/14/99		
	BCF	% Full
EAST	716	40
WEST	255	52
Prod Area	588	62
U. S.	1559	48

Source: AGA



At the beginning of bid-week, the NYMEX June futures contract for delivery at the Henry Hub opened on Monday, May 24 at \$2.221 per MMBtu, virtually the same as Friday's settlement price. Normal spring-time weather continued to prevail in most parts of the country last week as daytime temperatures were in the 70s and 80s most days. The average high temperatures for the six cities monitored for this report (Dallas, Houston, Los Angeles, Miami, New Orleans, and New York), were near normal most days last week. Forecasts are calling for this weather pattern to continue through the end of May. The price of the June futures contract moved down most days and ended the week at \$2.225 per MMBtu, 6 cents lower than the previous Friday. Spot market prices at Henry Hub also trended down and gas was trading for about \$2.22 per MMBtu at week's end. Net additions to storage increased to over 11 Bcf per day during the second week of May. The price of West Texas Intermediate crude oil moved down to end the week at \$17.25 per barrel-roughly equivalent to \$3.10 per MMBtu.

**Storage:** According to the American Gas Association (AGA), net injections for the week ended Friday, May 21, were estimated to be 79 Bcf-the highest weekly total of this refill season. Most of the additions occurred in the Consuming East region, where net injections totaled 45 Bcf, while the Producing and the West regions added 23 and 11 Bcf, respectively. Over the first two weeks of May, AGA estimates that the industry has added 151 Bcf to storage, bringing the level of working gas on hand to 1,559 Bcf which is 90 more than last year at the same time. If this refill rate of 10.8 Bcf per day is sustained, the level of working added to storage inventories in May would be near 335 Bcf. Based on EIA data, this would be 20 Bcf less than the average for the month of May in the previous 5 years and almost 60 less than last year's total of 393 Bcf.

**Spot Prices:** Spot prices continued to trade between \$2.20 and \$2.30 per MMBtu at the Henry Hub last week. In light of the existing market fundamentals: ample supply, moderate seasonal weather, lackluster demand, an absence of problems in the transmission system, and robust stock levels, some industry observers hold the view that spot prices are displaying a high degree of staying power. The only market activity which appears to be supporting these spot prices is the daily trading level for the near-month (June) NYMEX futures contract. This seems to be borne out by the similarity in both these prices. Three out of five days last week the spot price at the Henry Hub traded for within 1 or 2 cents per MMBtu of the June daily settlement price and both prices ended the week at virtually the same level, \$2.22 per MMBtu.

**Futures Prices:** After beginning the week up almost 6 cents per MMBtu at \$2.343 on Monday, the June contract trended down to conclude the week at \$2.225. In early May, the June contract was trading for \$2.359 per MMBtu, its highest level thus far. Absent any expected changes in the near term, market fundamentals appear to be affecting trading for the near-month futures contract and the spot market similarly. These conditions appear to have contributed to the almost \$0.14 per MMBtu decline in futures prices since early May. The June contract will close on Thursday, May 27.

**Summary:** The moderate weather continues and both the spot and futures price trended down last week. Ample supply and low demand have contributed to the decline in the price of the June futures contract which expires this week. During the second week of May, the weekly storage refill rate increased to its highest level thus far and stock inventories remain ahead of last year.