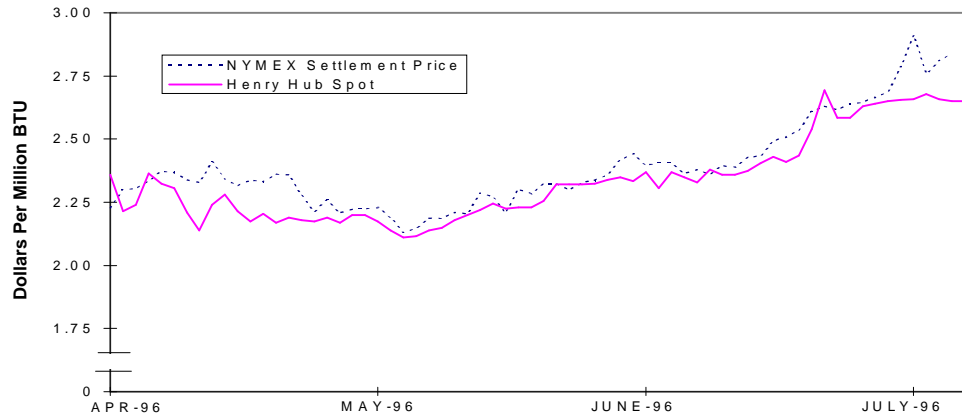


NYMEX Price Futures vs Henry Hub Spot Price

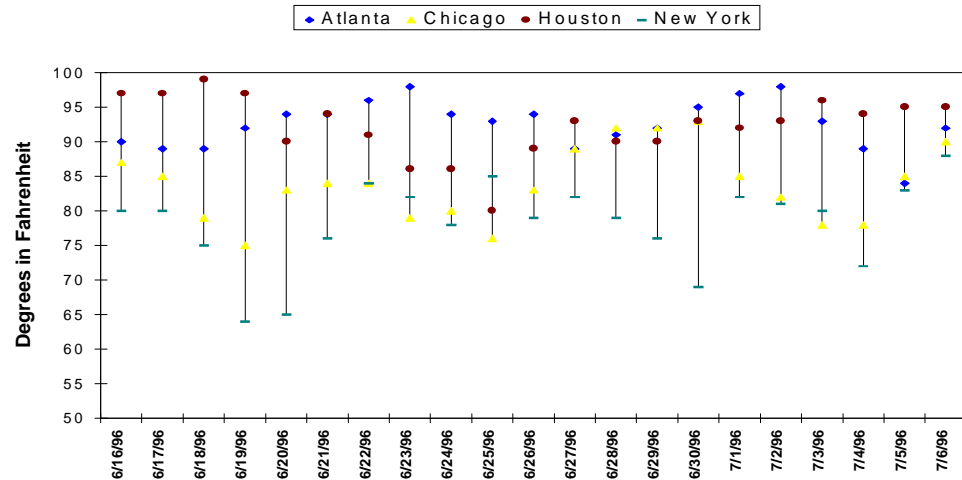
HENRY HUB PRICE		
CASH	FUTURES	
Jul	August	
Del	Del	
(\$ per MMBtu)		
7/01	2.65-2.71	2.760
7/02	2.64-2.68	2.810
7/03	2.63-2.67	2.840
7/04	closed	closed
7/05	2.63-2.67	closed



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

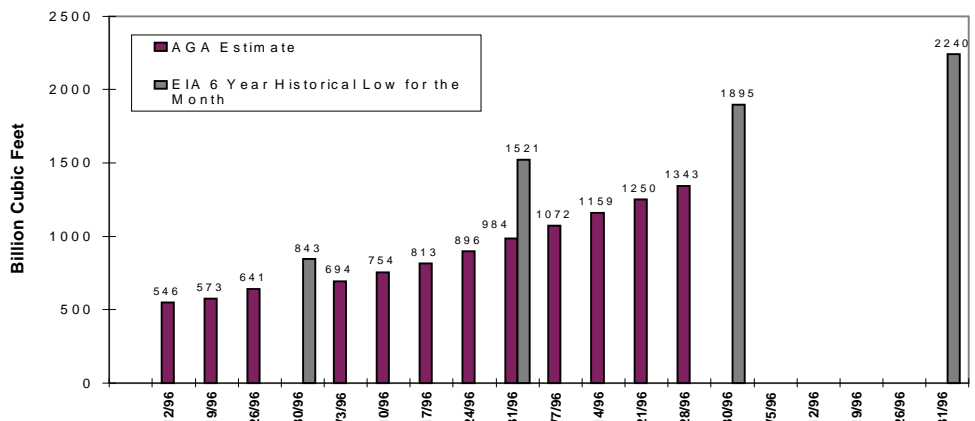
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
6/30	78	77	1
7/01	79	77	2
7/02	80	77	3
7/03	76	77	-1
7/04	73	77	-4
7/05	77	77	0
7/06	80	77	3



Working Gas In Storage

Working Gas Volume as of 6/28/96		
	BCF	% Full
EAST	736	41
WEST	300	62
Prod Area	307	34
U. S.	1343	42

Source: AGA



The NYMEX Henry Hub futures price for August delivery opened Monday, July 8, at \$2.92 per MMBtu. This was \$0.08 higher than the closing price at the end of trading last week and largely reflects concerns about Hurricane Bertha, the first Atlantic hurricane of the season. On July 3, the NYMEX price for August delivery continued to exceed prices for future delivery up to June 1999 as well as spot prices for July 1996 delivery. Thus, a peculiar situation exists where the spot price for July delivery is significantly less than the futures price for August delivery and the futures price for August delivery is significantly higher than all other futures prices. This suggests that current supplies for eastern markets are more than adequate, though expensive, and future supplies for August delivery are viewed as tight relative to all other forward months. Of course, prices are likely to decline if concerns about the adequacy of August supplies are resolved within the next few weeks before the August contract terminates.

Storage: Storage injections continue at the steady, robust pace established more than a month ago. According to AGA statistics, net storage injections for the week ending June 28, were 93 Bcf with 77 percent of net injections occurring in the East consuming region.

Spot Prices: Daily spot prices at the Henry Hub for July delivery to eastern and northern markets were generally near \$2.66 per MMBtu for the entire week. In sharp contrast, some prices for July delivery to western markets increased dramatically as a heat wave coincided with an unexpected power outage affecting several million customers. Prices in New Mexico at San Juan along El Paso Pipeline increased by about 20 percent during the week. When the supply problem is resolved and the heat wave subsides, prices are likely to decline dramatically since pipe space and supplies serving western markets are plentiful.

Futures Prices: Futures prices for August delivery at the Henry Hub settled on Monday, July 1, at \$2.76 per MMBtu, \$0.15 less than the settlement price on the previous Friday. Prices continued to vary throughout the short trading week as natural gas price volatility continues to be a fact of life. The futures market is a valuable source of information on price variability or volatility because it lists prices for all trades completed in a day while prices reported for spot markets often do not capture all trades. A useful measure of price volatility is the percentage difference between the high and low prices for a day. This measure of volatility often exceeds 2 percent on the Henry Hub contract market, but only rarely on other commodity markets. Price volatility on July 1st, 2nd, and 3rd was 2.7 percent, 4.2 percent, and 2.8 percent, respectively, for the Henry Hub contract.

Consumption: Total consumption of natural gas is very likely to reach an all-time high this year, exceeding the record set in 1972 of 21.1 trillion cubic feet. Recently released EIA estimates for the first 6 months of 1996 indicate significant increases in deliveries to residential and commercial customers of 15 percent and 10 percent, respectively, from 1995 levels. On the other hand, deliveries to the industrial sector grew only slightly while deliveries to the electric utility sector declined by 20 percent. Since the electric and industrial sectors have greater capabilities to switch energy sources and to conserve on energy use, high prices in the first 6 months of this year may explain the overall lack of growth in these sectors. Residential and commercial customers will continue to see these higher prices in their bills for the next several months.

Summary: Summer is usually the season of declining natural gas prices. Yet, prices are more than \$0.60 per MMBtu higher than expected a few months ago. While price volatility on futures markets has declined from winter levels, it is still higher than in most, if not all, other commodity markets. Such facts indicate the great uncertainty in the current natural gas marketplace.