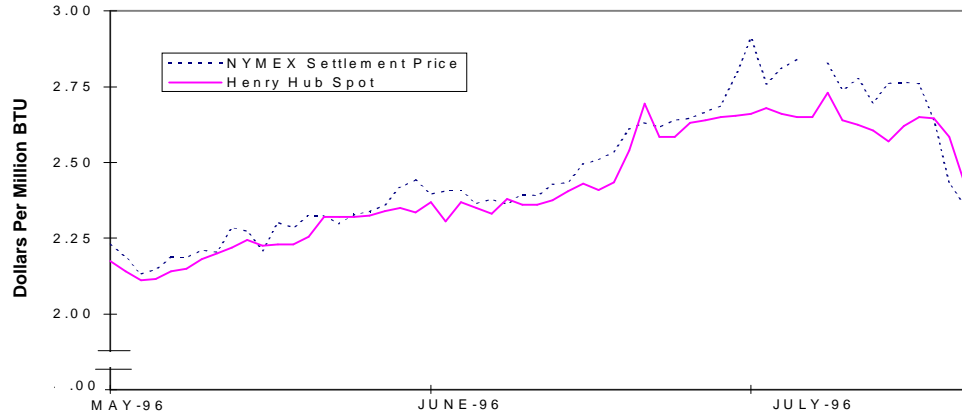


NYMEX Price Futures vs Henry Hub Spot Price

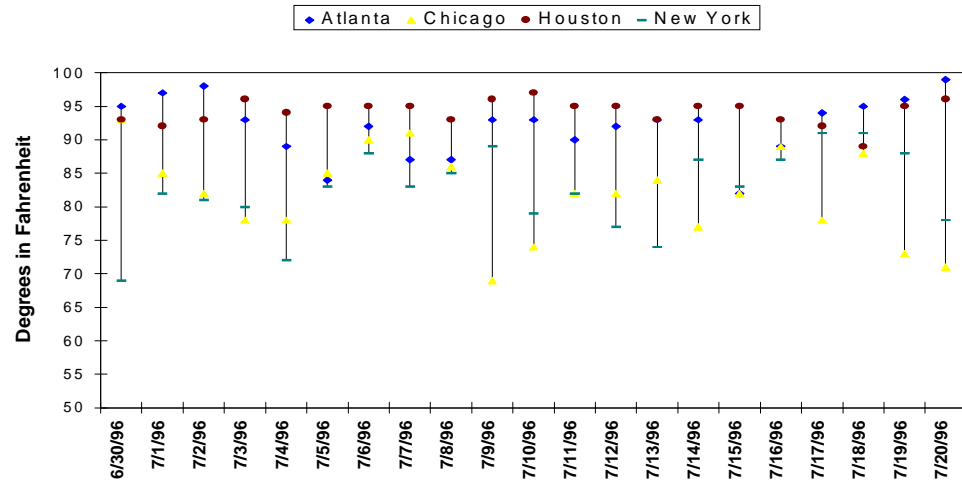
HENRY HUB PRICE		
CASH	FUTURES	
July	August	
Del	Del	
(\$ per MMBtu)		
7/15	2.60-2.64	2.765
7/16	2.63-2.67	2.770
7/17	2.63-2.66	2.638
7/18	2.53-2.59	2.430
7/19	2.40-2.46	2.359



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
7/14	79	78	1
7/15	78	78	0
7/16	80	79	1
7/17	81	79	2
7/18	81	79	2
7/19	80	79	1
7/20	78	79	-1

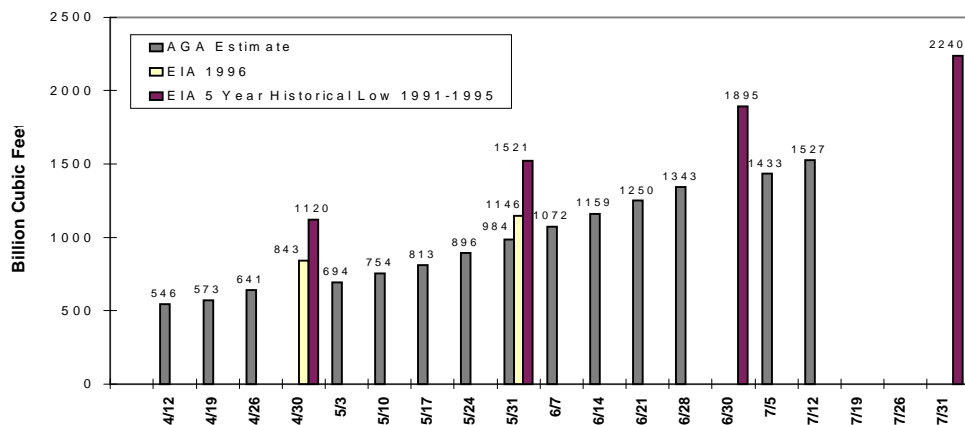
High Temperature for Four Selected Cities



Working Gas Volume as of 7/12/96		
	BCF	% Full
EAST	873	49
WEST	312	65
Prod Area	342	38
U. S.	1527	48

Source: AGA

Working Gas In Storage 1996



Estimated storage levels at the beginning of the week are still low by historical standards and continue to create great price uncertainty in gas markets. Yet, high temperatures in key urban areas have generally declined in the past week along with futures prices. The NYMEX futures price for August delivery at the Henry Hub opened Monday, July 22, at \$2.28 per MMBtu, \$0.48 lower than the previous Monday. Futures prices continue to be much more volatile than spot prices, as indicated by the much larger changes in futures prices between days and the wider range of futures prices for a day. Futures prices ranged from \$2.76 to \$2.52 per MMBtu on Wednesday, July 17, from \$2.61 to \$2.43 per MMBtu on Thursday, July 18, and from \$2.50 to \$2.35 per MMBtu on Friday, July 19. Although futures prices declined significantly during the week, they are still about \$0.90 per MMBtu above the price for August 1995 deliveries. Moreover, prices paid by residential gas consumers continue to increase. Most recent EIA statistics for April 1996 indicate that average national residential prices were \$6.24 per MMBtu, 11 percent higher than January 1996 levels.

Futures Prices: After several days of price stability not seen in months, there was an increased level of price volatility starting Wednesday, July 17. Closing prices on Thursday, July 18, were \$0.25 per MMBtu less than Tuesday's level (a 9-percent change in two days). Large price changes are much more common for natural gas than for other commodities and the effects of the changes are less likely to persist. On Tuesday, July 17, the closing price for a forward month delivery was generally successively less than the previous month's delivery price. This type of pattern where forward prices decline over time is very uncommon for a commodity with significant storage costs during its major production/storage season.

Spot Prices: Spot prices for July delivery finally converged with futures prices for August delivery on Wednesday, July 17, after being about \$0.10 per MMBtu less than futures prices for the past 3 weeks. Convergence of these prices was expected sometime before the August futures contract finished trading on Thursday, July 25, but the timing and swiftness at which it occurred surprised many. Many more were surprised when both futures and spot prices fell sharply on Thursday, July 18, and the spot price was about \$0.10 per MMBtu **greater** than the futures closing price. The June consumer price index was reported by the Bureau of Labor statistics on Tuesday, July 16, showing an overall decline in energy prices. Electricity prices were down 1.1 percent. Yet, natural gas prices were up 0.7 percent, about a 9 percent change when annualized.

Storage: According to AGA statistics for the week ending July 12, net injections were 94 Bcf, which is similar to the injection rate for the past 6 weeks. Both AGA and EIA working gas statistics are now available for May 31, 1996. AGA estimates that working gas levels were 964 Bcf on this date, while EIA estimates a level of 1,146 Bcf, a difference of 180 Bcf or 21 percent. Moreover, the EIA estimate is 478 Bcf less than the **5 year EIA** historical low.

Summary: Futures prices settled below \$2.50 per MMBtu for the first time during the past month as price volatility for natural gas continues. Strong levels of weekly net injections to storage persist but working gas remains below recent levels for this time period. If net injections continue at their current norm of 90 Bcf, storage operators will begin the next heating season with less than 3.0 Tcf of working gas in storage.