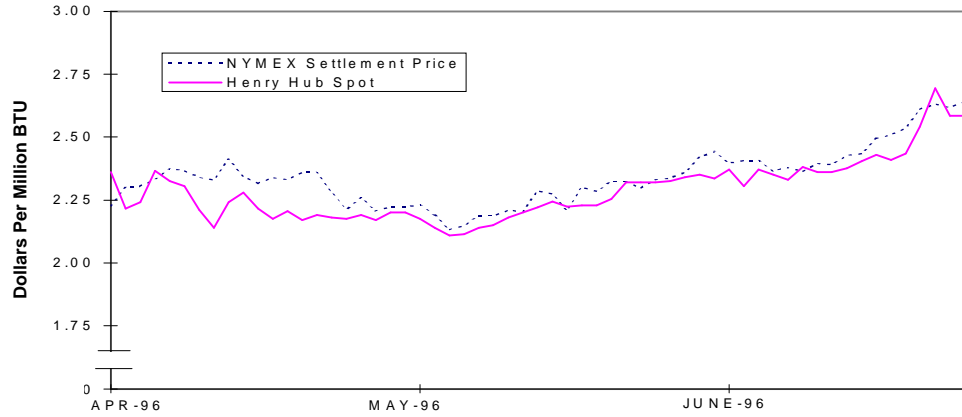


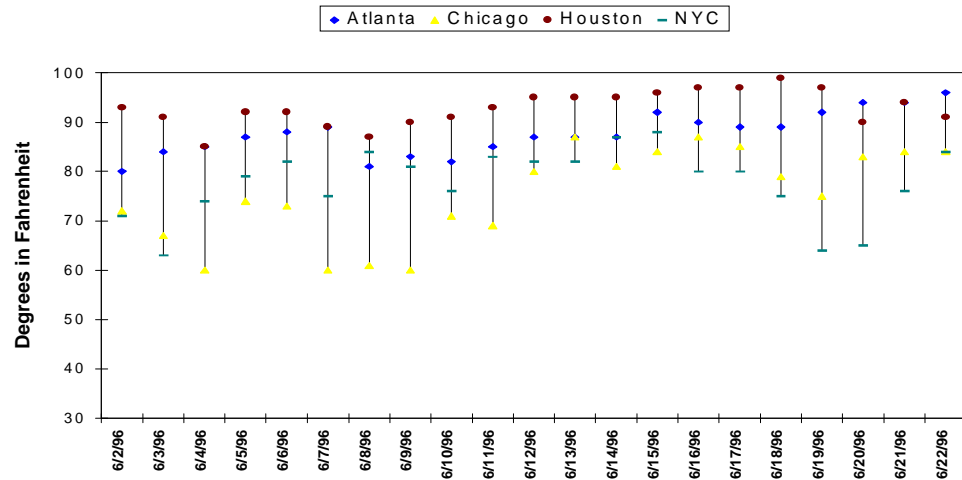
**NYMEX Price Futures vs Henry Hub Spot Price**

| HENRY HUB PRICE |           |       |
|-----------------|-----------|-------|
| CASH            | FUTURES   |       |
| June            | July      |       |
| Del             | Del       |       |
| (\$ per MMBtu)  |           |       |
| 6/17            | 2.41-2.46 | 2.536 |
| 6/18            | 2.52-2.56 | 2.610 |
| 6/19            | 2.67-2.72 | 2.631 |
| 6/20            | 2.56-2.61 | 2.617 |
| 6/21            | 2.56-2.61 | 2.640 |



**High Temperature for Four Selected Cities**

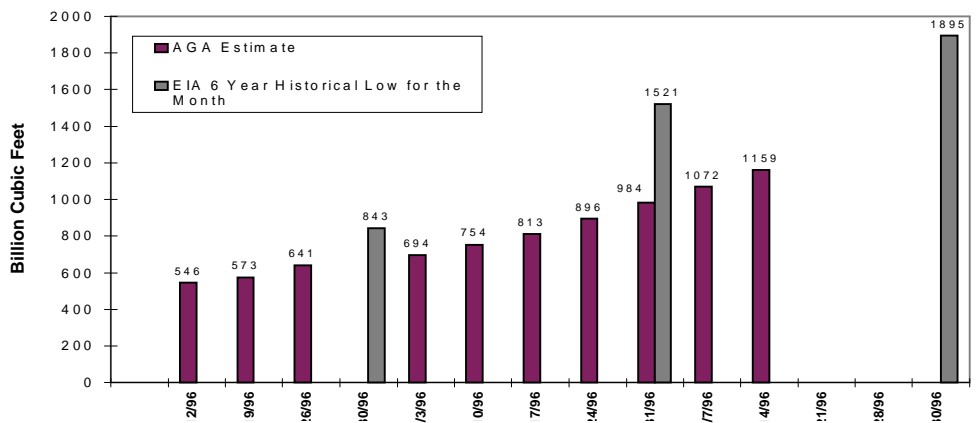
| Average Temperature for Four Major Gas Consuming Areas |        |        |      |
|--|--------|--------|------|
|  | Actual | Normal | Diff |
| 6/16   | 78     | 75     | 3    |
| 6/17   | 78     | 75     | 3    |
| 6/18   | 78     | 75     | 3    |
| 6/19   | 75     | 76     | -1   |
| 6/20   | 75     | 76     | -1   |
| 6/21   | 79     | 76     | 3    |
| 6/22   | 80     | 76     | 4    |



**Working Gas In Storage**

| Working Gas Volume as of 6/14/96 |      |        |
|----------------------------------|------|--------|
|                                  | BCF  | % Full |
| EAST                             | 598  | 33     |
| WEST                             | 280  | 58     |
| Prod Area                        | 281  | 31     |
| U. S.                            | 1159 | 36     |

Source: AGA



NYMEX Henry Hub futures prices opened at \$2.640 per MMBtu on Monday, June 24, the closing day of trading for the July contract. Overall, futures prices have been trending upwards for the past several months. The NYMEX futures price for July delivery has increased by more than \$0.50 per MMBtu since early May. Uncertainty about future supplies and storage supports these higher prices. In particular, there is enormous uncertainty about the target for storage levels at the beginning of the next heating season. This target, when measured per unit of demand, is likely to be less than in previous years. An increasing number of conventional oil and gas storage reservoirs are likely to be retired. The industry is becoming increasingly skilled at using salt storage and market hubs. These resources improve the short-term deliverability capability of the gas industry and enable the industry to reduce conventional storage levels per unit of demand.

**Storage:** According to AGA weekly storage statistics, net injections to storage during the past three weeks have stayed at about 88 Bcf per week, which is higher than the average rate during the same period for the past 6 years. At the current refill rate, working gas storage levels at the beginning of the next heating season could reach 3,000 Bcf, which is 180 Bcf less than the AGA estimated full working gas capacity. The current rate, however, is probably not sustainable in September and October without a change in refilling strategy, as injection rates decline as storage reservoirs approach full capacity.

**EIA/AGA Storage Comparison:** During the past two heating seasons, AGA monthly estimates for the Consuming East region averaged 270 Bcf less than EIA estimates. This difference was about 25 percent of average monthly working gas levels. The difference, however, was not constant over months. In both years, it rose between November and January and then fell between January and March. Thus, it appears that AGA estimates could be adjusted to the more comprehensive EIA estimates before the EIA data became available by using an estimate of the historical relationship between the two series.

**Spot Prices:** On Friday, June 21, spot prices at the Henry Hub were near \$2.59 per MMBtu, which was only a few cents below the NYMEX Henry Hub futures price on that day. Spot prices have been increasing throughout June instead of falling as has traditionally occurred when seasonal effects dominated price behavior. Prices are likely to be higher than they have ever been for June and may even approach December 1995 levels, which were high relative to other Decembers.

**Futures Prices:** Futures prices for July delivery rose significantly throughout much of the week. These prices were also very volatile. On Wednesday, June 19, the difference between the high and low prices was \$0.11 per MMBtu, with the high price reaching \$2.70 per MMBtu. Annualized volatility was estimated to be about 40 percent using these values, which is high for the estimator used (a Garman/Klass estimator).

**Summary:** Temperatures are high, storage levels are low, and information about the size of new production coming on line is scanty. Hence, prices are high and volatile as each new bit of information tweaks prices in this highly uncertain environment.