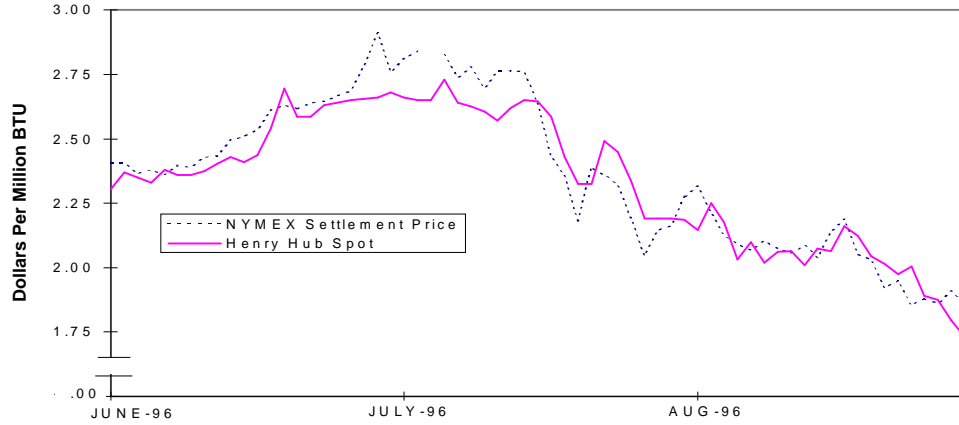


	HENRY HUB PRICE	
	CASH	FUTURES
Aug/Sept	Sept/Oct	
Del	Del	
(\$ per MMBtu)		
8/26	1.98-2.03	1.853
8/27	1.87-1.91	1.882
8/28	1.86-1.89	1.865
8/29	1.75-1.84	1.907
8/30	1.69-1.77	1.859

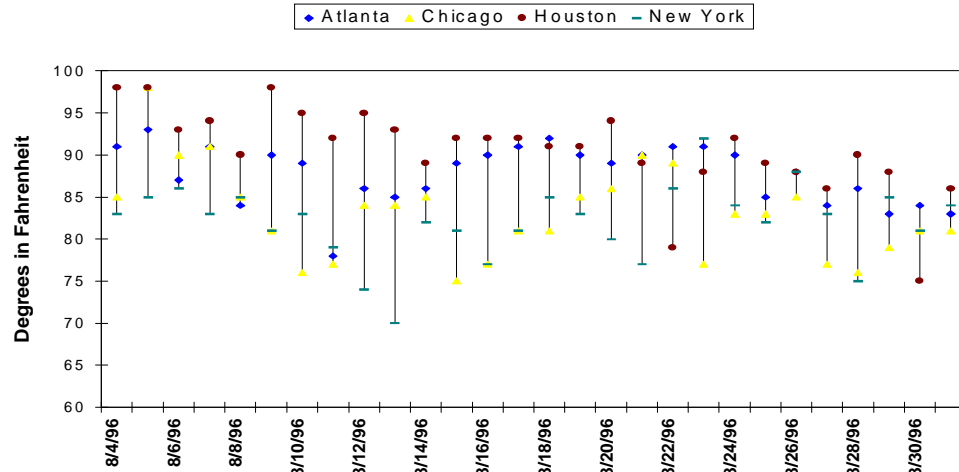
NYMEX Price Futures vs Henry Hub Spot Price



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
8/25	76	76	0
8/26	78	76	2
8/27	76	76	0
8/28	75	76	-1
8/29	75	76	-1
8/30	74	76	-2
8/31	76	75	1

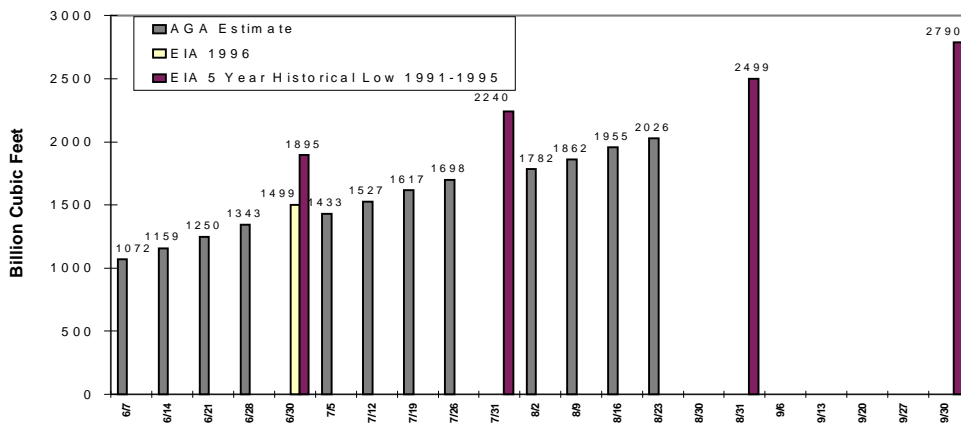
High Temperature for Four Selected Cities



Working Gas Volume as of 8/23/96		
	BCF	% Full
EAST	1,250	70
WEST	315	65
Prod Area	461	51
U. S.	2,026	64

Source: AGA

Working Gas In Storage 1996



The NYMEX futures price for October delivery at the Henry Hub opened Tuesday, September 3, at \$1.860 per MMBtu, slightly higher than the final price for the September contract which closed on Monday, August 26, at \$1.852 per MMBtu. Net injections into storage for the week ending August 23, slowed to 71 Bcf but remain at a vigorous rate when compared with EIA storage refill data for the previous 5 years. Spot prices still continue to fall. By midweek, spot prices at the Henry Hub were below \$1.90 per MMBtu and fell to \$1.69 on Friday, August 30. Cash prices at other major market hubs have also decreased with many in the \$1.55 to \$1.65 per MMBtu range. A key factor in the downward trend in spot prices has been the recent mild weather, especially in the East where many metropolitan areas have experienced consistently cooler-than-normal temperatures throughout this summer. Even with the warmer temperatures that were prevalent in the West during much of June and July, the National Oceanic and Atmospheric Administration reports that the United States is 2 percent cooler than normal thus far this year and more than 10 percent cooler than last year at this time. The cooler weather in the East has contributed to the 30 percent drop in electric utility consumption of natural gas for peaking generation to meet air-conditioning demand during June and July of this year compared to the same 2 months in 1995. Most weather forecasting organizations are reporting that the cooler-than-normal weather in the East should continue through the remainder of the summer.

Storage: Net storage injections during the week ending August 23, slowed to 71 Bcf, 22 Bcf less than the previous week. According to American Gas Association (AGA) estimates, this is the lowest weekly total since mid-May, but it is still near the upper bound of EIA's 5-year range of 45 to 77 Bcf for weekly injections in August. As has been the refill pattern since April, most of the injections (53 Bcf) went to eastern sites as storage operators continued to take advantage of the unseasonably cool temperatures this summer. Estimated additions to storage during August total about 270 Bcf with more than a week of refill activity remaining. EIA data indicate that the average storage additions during August for the past 5 years were less than 275 Bcf. The AGA estimates indicate a significant commitment by the industry to refill its storage resources. With the recent softening of prices on both the spot and futures markets, this refill rate could increase above historical levels over the next several weeks.

Exports to Mexico: The supply problem in Mexico has improved somewhat with the completion of some repairs to its damaged gas processing plant. Mexico initially lost almost 550 MMcf per day of gas supply as a result of the recent explosion at a major gas processing plant and had increased gas imports from the United States to 300 MMcf per day during much of August. However, with the completion of some repairs at the damaged plant, PEMEX indicates that imports may now be reduced to 200 MMcf per day. U.S. exports to Mexico during the first half of the year averaged 2.0 Bcf per month or about 70 MMcf per day.

Futures Prices: The futures price for September delivery at the Henry Hub closed on Monday, August 26, at \$1.852 per MMBtu—\$0.473 lower than the price for August delivery but still \$0.285 per MMBtu higher than the price at the same time last year. Over the past 2 weeks, the prevailing cool summer temperatures continue to have an impact on prices. On August 15, futures prices for October 1996 through January 1997 deliveries closed at \$2.104 per MMBtu (October), \$2.205 (November), \$2.280 (December), and \$2.290 (January). By August 30, all these future month prices had decreased an average of \$0.16 per MMBtu. Nonetheless, the December contract price (\$2.159 per MMBtu) was still significantly higher than the October contract price (\$1.859), which is the normal pattern.

Spot Prices: During bid week (August 26-28), spot prices for September delivery serving eastern markets were about \$0.10 per MMBtu less than spot prices for August delivery. This suggests that future supplies are expected to be even more robust than current supplies of gas. The recent decline in spot prices at the Henry Hub from above \$2.00 per MMBtu to below \$1.70 also indicates that current supplies appear to be ample.

Summary: The 3 months of cooler-than-normal weather in the East, along with forecasts of continued cool weather into September, appears to have been a key factor in the recent decline in

prices. Storage additions slowed last week but remain strong, and with current prices they could return to their earlier levels.