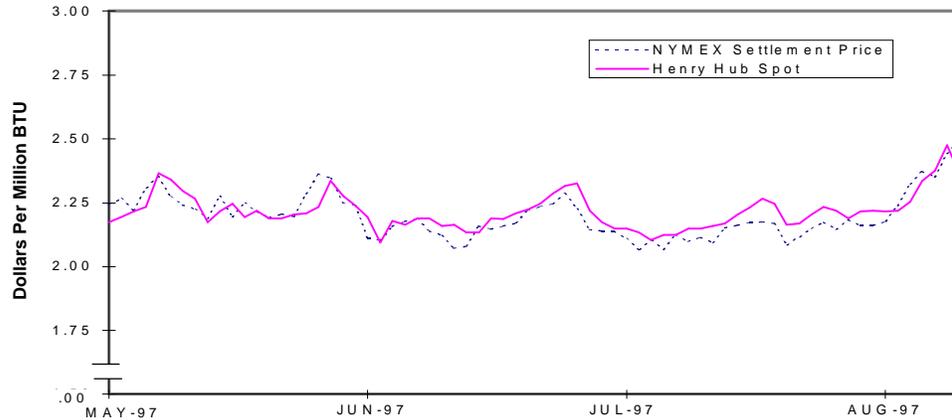


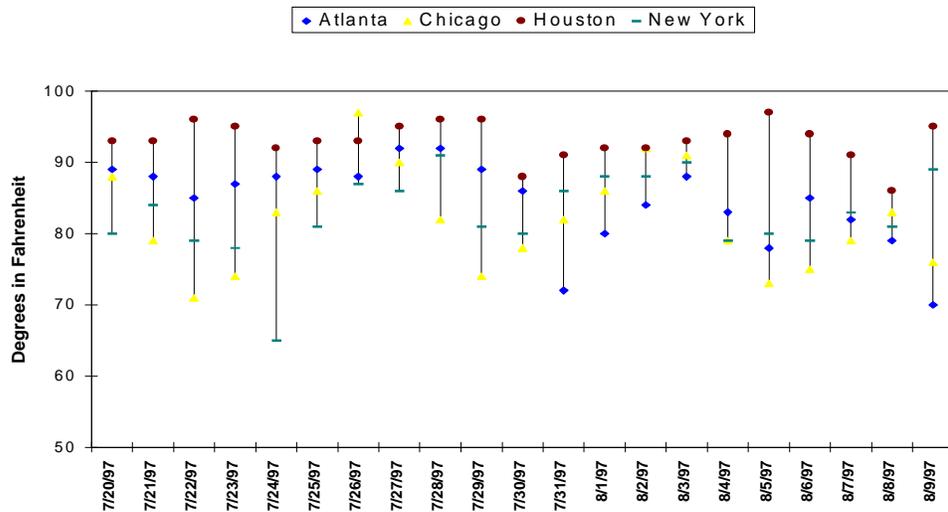
NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
	SPOT	FUTURES
	Aug	Sept
	Del	Del
	(\$ per MMBtu)	
08/04	2.22-2.29	2.324
08/05	2.32-2.35	2.374
08/06	2.36-2.39	2.351
08/07	2.42-2.53	2.444
08/08	2.33-2.40	2.503



High Temperature for Four Selected Cities

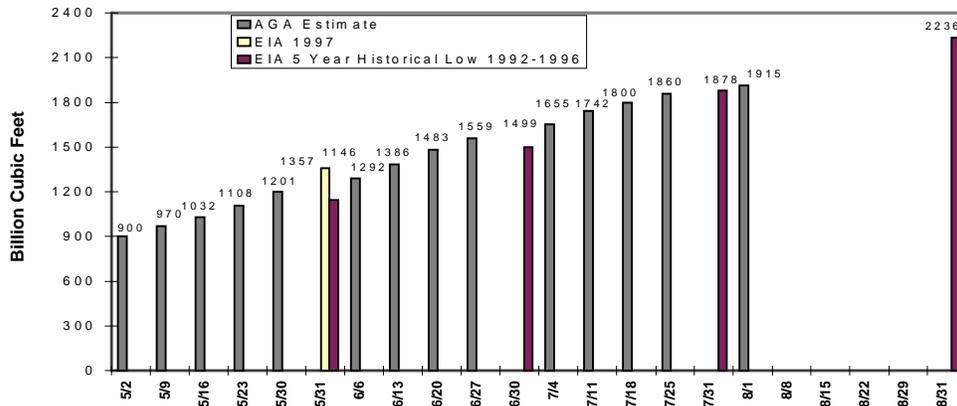
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
08/03	80	78	2
08/04	76	78	-2
08/05	73	78	-5
08/06	74	78	-4
08/07	75	78	-3
08/08	74	78	-4
08/09	76	78	-2



Working Gas In Storage 1997

Working Gas Volume as of 08/01/97		
	BCF	% Full
EAST	1103	62
WEST	311	65
Prod Area	501	55
U. S.	1915	60

Source: AGA



The NYMEX futures price for September delivery at the Henry Hub opened Monday, August 11, at \$2.540 per MMBtu, \$0.037 more than Friday's settlement price. Average temperatures in the four cities that are monitored by this report (Atlanta, Chicago, Houston, and New York) were cooler than normal 6 out of 7 days last week. Thus far this year, the major exception to this weather pattern has been in southern California where cooling degree days have been 70 percent greater than normal (421 vs. 246 in Los Angeles). To a lesser extent, several cities in the Northeast Albany, Boston, and Providence have also recorded warmer-than-normal temperatures thus far this year, but according to the National Oceanic Atmospheric Administration (NOAA), overall cooling degree days remain about 10 percent below normal for the Lower 48 States. Both spot and futures prices at the Henry Hub, which had been generally stable since July 15, moved up sharply last week. At the end of the week, the spot price was up more than \$0.20 per MMBtu while the futures price was \$0.26 higher than the previous Friday's level. One of the factors contributing to these price increases, which have surprised most market observers, was the relatively low volume of gas estimated to have been injected into storage during the last half of July (173 Bcf).

Storage: The American Gas Association (AGA) reported net injections of 55 Bcf for the week ending August 1, the lowest level since the week ending May 2, when 46 Bcf was reported to have been placed in storage. AGA estimates, adjusting for end-of-week reporting, show that approximately 307 Bcf of working gas was added to inventories in July, compared with EIA's recently published estimate (*Natural Gas Monthly*, July 1997) of 335 Bcf. The 335 Bcf estimate would be the second-lowest net injection level for July in the past 5 years the lowest was 306 Bcf in July 1995. Based on EIA's estimate of 2,043 Bcf of working gas in storage at the end of July, net injections would have to average about 75 Bcf per week during the months of August through October to reach the previous 5-year (1992-96) average of 3,018 Bcf. To reach last year's record low level of 2,800 Bcf at the beginning of the heating season, weekly injections would only have to average 58 Bcf. According to AGA estimates, net injections into Consuming East region storage facilities continue to be satisfactory, if not robust, averaging over 58 Bcf per week during the last 8 weeks, and almost 55 Bcf per week during the last 4 weeks. To reach EIA's 5-year average of 1,815 Bcf of working gas, in the Consuming East operators would need to continue net injections of about 55 Bcf per week in August through October.

Spot Prices: From mid-July to Friday, August 1, the spot price of natural gas at the Henry Hub was about \$2.20 per MMBtu. However, last week the price moved up sharply and by Thursday, August 7, was near \$2.50 per MMBtu before moving down to end the week at \$2.38. In addition to the reduced additions to storage, many observers held the view that the spot price moved up in reaction to last week's upward price trend on the NYMEX September futures contract at the Henry Hub.

Futures Price: The futures price for September delivery moved up most days last week and by Friday, August 8, settled at \$2.503 per MMBtu up more than \$0.26 from the previous Friday. Many market observers have noted that numerous institutional buyers (mutual funds, pension funds, etc.) have recently been very active in the natural gas commodity markets, bidding prices up during trading last week. This buying activity could have been triggered by the recent decline in net injections to storage and the perception that this may contribute to price increases later in the year. Last year the September contract, which closed at \$1.853 per MMBtu, was trading near \$2.10 at the end of the first week of August in 1996.

Summary: Institutional buyers were active in the natural gas commodity market causing prices on both the spot and futures markets to move up sharply last week. For the third consecutive week, net injections to storage continued to be significantly lower than in the previous 2 months.