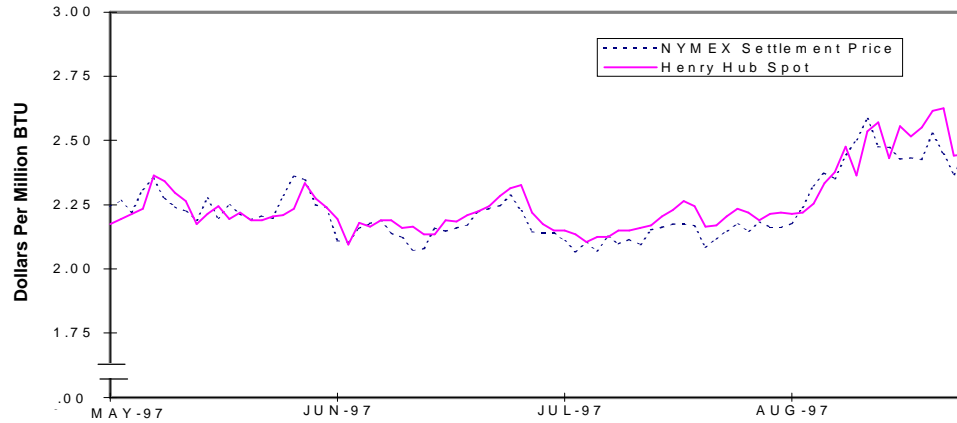


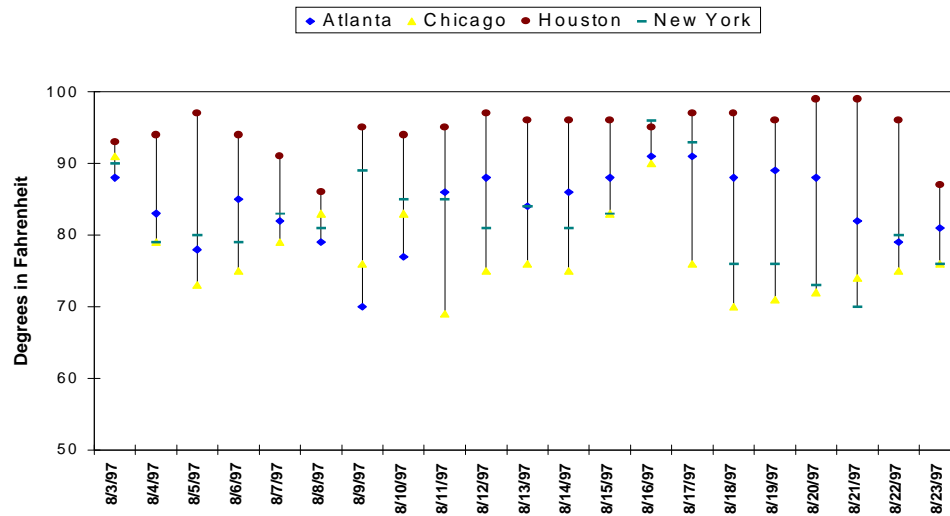
**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
	SPOT	FUTURES
	Aug	Sept
	Del	Del
	(\$ per MMBtu)	
08/18	2.53-2.57	2.426
08/19	2.59-2.64	2.528
08/20	2.56-2.69	2.449
08/21	2.42-2.46	2.367
08/22	2.41-2.47	2.453



**High Temperature for Four Selected Cities**

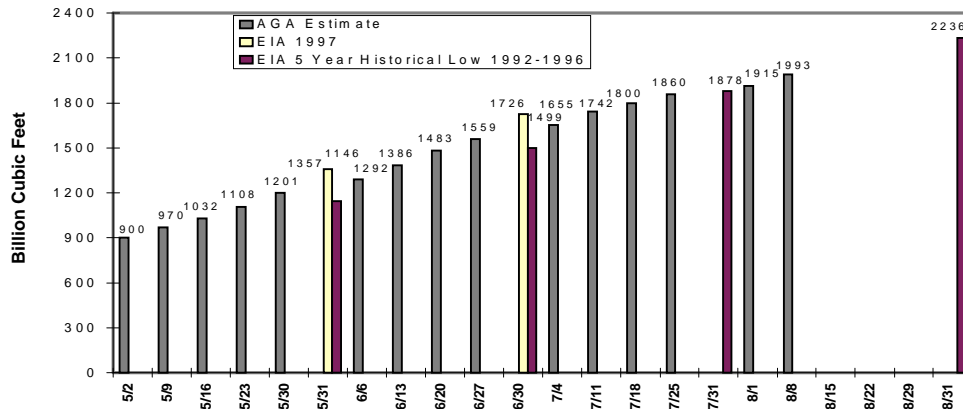
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
08/17	81	78	3
08/18	75	77	-2
08/19	74	77	-3
08/20	76	77	-1
08/21	74	77	-3
08/22	72	77	-5
08/23	71	77	-6



**Working Gas In Storage 1997**

Working Gas Volume as of 08/15/97		
	BCF	% Full
EAST	1217	68
WEST	320	66
Prod Area	526	57
U. S.	2063	65

Source: AGA



The NYMEX futures price for September delivery at the Henry Hub opened Monday, August 25, at \$2.450 per MMBtu, virtually the same as Friday's settlement price. Average temperatures in the four cities monitored by this report (Atlanta, Chicago, Houston, and New York) were cooler than normal all but one day last week. Daytime highs in Chicago, St. Louis, Cleveland, and New York were only in the mid-70s on Thursday and Friday. According to the National Oceanic and Atmospheric Administration (NOAA), overall cooling degree days for the lower 48 States remain 10 percent below normal. The spot market at the Henry Hub displayed some volatility as prices moved up early in the week before dropping sharply (\$0.19 per MMBtu) on Thursday and ended the week at about \$2.45. The futures market at the Henry Hub also had some volatility as daily settlement prices for the September contract moved both up and down between 8 and 10 cents per MMBtu during the week. Additions to storage during the second week of August were again estimated to be at or above 70 Bcf. West Texas crude oil ended the week (August 22) at \$19.60 per barrel - down \$0.50.

**Storage:** The industry recorded another fairly strong week of net storage injections, adding 70 Bcf of working gas to inventories nationwide during the week ended August 15, according to American Gas Association (AGA) data. AGA estimates total inventories to be 2,063 Bcf as of August 15, with Consuming East region storage facilities holding 1,217 Bcf. The Energy Information Administration has revised downward its estimate of working gas in storage as of the end of July, from 2,043 Bcf to 2,033 Bcf. This compares with an estimate of 1,907 Bcf, based on AGA data adjusted for end-of-week reporting. EIA's revised net injection estimate for July of 307 Bcf, if accurate, would rank this July (along with July 1995: 306 Bcf) as having had the lowest net injections since 1992. Based on EIA's end-of-July estimate of stored gas and similar refill rates as last year for the period August, September, and October, the level of working gas on hand on November 1, 1997, will exceed the previous year's level by almost 150 Bcf.

**Spot Prices:** Prices at the Henry Hub reached almost \$2.65 per MMBtu on Wednesday - a level last seen in early February. On Thursday the price decreased sharply by about \$0.20 per MMBtu and remained the same on Friday to end the week at \$2.45. Several industry observers have eluded to some of the factors that may be contributing to these price increases. Among those mentioned have been: lower-than-expected growth in productive capacity given recent increases in drilling activity; natural gas processing plant outages; increase in natural gas demand due in part to the need to refill storage facilities; and overall expanding energy demand owing to 3 to 5 years of strong economic growth in the United States. The only one of these factors not present last year at this time when cash prices were almost \$0.50 less per MMBtu was the processing plant outages. The primary interruption occurred 2 weeks ago when a plant in Venice, LA with a capacity of 450 MMcf/d was down for 3 days.

**Futures prices:** The September futures contract for delivery at the Henry Hub will close on Wednesday, August 27. Over the past 2 weeks, this contract has traded at prices last seen in late January. Last week the September contract displayed a high level of volatility, settling at \$2.528 per MMBtu on Tuesday, falling to \$2.367 by Thursday, and ending the week at \$2.453. Last year at this time, the September contract was trading at \$1.950 per MMBtu before closing at \$1.853.

**Summary:** Recent price increases on both the spot and futures markets have brought prices back to levels last seen in January and February. If injections to storage over the next 10 weeks are similar to those a year earlier, total gas in storage by the beginning of the upcoming heating season will exceed last year's level.