

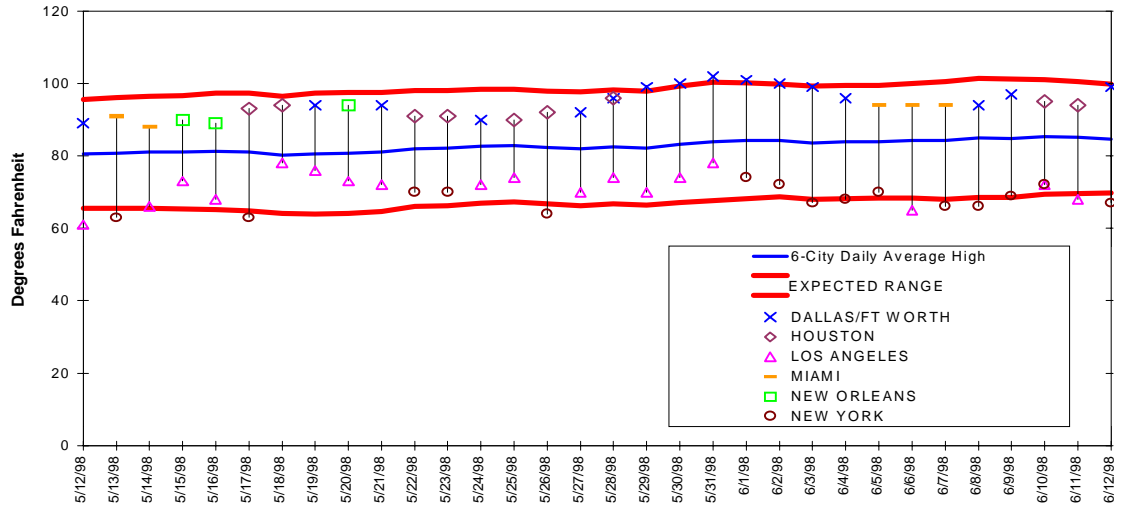
NYMEX Future Prices vs Henry Hub Spot Prices



HENRY HUB PRICE
SPOT FUTURES
May July
Del Del
(\$ per MMBtu)

6/08	1.98-2.02	1.976
6/09	1.98-2.03	1.938
6/10	1.95-1.99	1.930
6/11	1.97-2.01	1.970
6/12	1.95-2.04	2.035

Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)

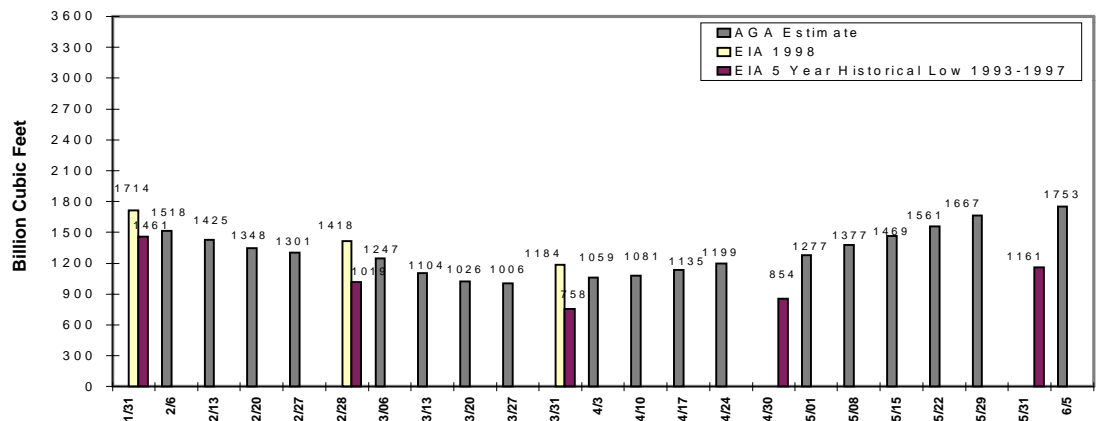


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Average High Temperature for Six Major Electricity Consuming Cities

	Actual	Normal	Diff
6/06	79	84	-5
6/07	80	84	-4
6/08	84	85	-1
6/09	86	85	1
6/10	85	85	0
6/11	85	85	0
6/12	86	85	1

Working Gas In Storage



Working Gas Volume as of 6/05/98

	BCF	% Full
EAST	914	51
WEST	258	54
Prod Area	581	63
U. S.	1753	55

Source: AGA

The NYMEX futures price for July delivery at the Henry Hub opened Monday, June 15, at \$2.075 per MMBtu, \$0.040 more than Friday's settlement price. Dallas and Houston had highs in the 90s most days last week with some other cities in Texas, such as Austin and San Antonio, reporting temperatures at or above 100. Forecasts are calling for the hot weather in the Southwest to continue into the first half of this week. Temperatures in the West, Midwest, and the East continue to be moderate, especially in the Northeast where daytime highs were 10 to 15 degrees below normal in several cities including Boston, Philadelphia, New York, and Washington, DC. Spot prices at the Henry Hub were generally trading most days last week between \$1.98 and \$2.02 per MMBtu. The futures contract for July delivery moved down most days last week before gaining 6.5 cents during Friday's trading to end the week at about the same price as the previous Friday at \$2.035 per MMBtu. The soft spot prices continue to contribute to the accelerated rate of storage refill. Estimated net additions to storage in the first week of June slowed somewhat but still averaged well above 10 Bcf per day. The price of West Texas crude oil lost \$2.00 per barrel and ended the week at \$12.60, roughly equivalent to \$2.17 per MMBtu.

Storage: The American Gas Association (AGA) reported that an estimated 86 Bcf of natural gas was added to the industry's working gas storage level during the week ended Friday, June 5. This brings estimated stocks of working gas on hand to 1,753 Bcf or 55 percent of available capacity. All storage regions are estimated to have stock levels that are well ahead of last year's levels. The Consuming East has the largest additional stocks compared with last year, almost 280 Bcf more. The Producing and the Consuming West regions have 165 and 18 Bcf of additional stocks this year, respectively. Overall, the AGA-estimated storage level is 461 Bcf more than last year at the same time (1,753 vs. 1,292 Bcf). EIA is estimating that more than 1,800 Bcf was on hand at the end of May. With almost 5 months remaining in the refill season, it appears that, barring any unforeseen supply or distribution disruption, the industry is well positioned to have close to 3,000 Bcf of working gas on hand in November. According to EIA, the average monthly refill rate over the last 3 years for the months of June through October has been 305 Bcf. An average monthly rate of about 225 Bcf would result in a working gas level of between 2,900 and 3,000 Bcf on November 1.

Spot Prices: The spot market price at the Henry Hub and at most other major market locations traded at or below \$2.00 per MMBtu most days last week. The current level of pricing could be motivating some market participants to increase their storage inventories at an aggressive rate at this time. The demand for natural gas by electric utilities in order to meet air-conditioning requirements remains low in most of the country with the exception of the Southwest, especially Texas. The lowest prices for gas last week were again in the West, where prices at most Rocky Mountain sites remained in the mid \$1.30s and prices at Canadian import points in the West were about \$1.25 (US) per MMBtu at both Kingsgate in Idaho and Sumas in Washington.

Futures Prices: The NYMEX July contract for delivery at the Henry Hub settled below \$2.00 per MMBtu four out of five days last week and at mid-week traded between \$1.93 and \$1.96. If the moderate weather pattern continues to be dominant in most parts of the country, many market observers believe the July contract could close below \$2.00 per MMBtu.

Summary: Prices remain soft as the dominant moderate weather pattern in most parts of the country has reduced the demand for gas. Storage refill slowed somewhat in the first week of June but stocks continued to be replenished at an above-average rate.