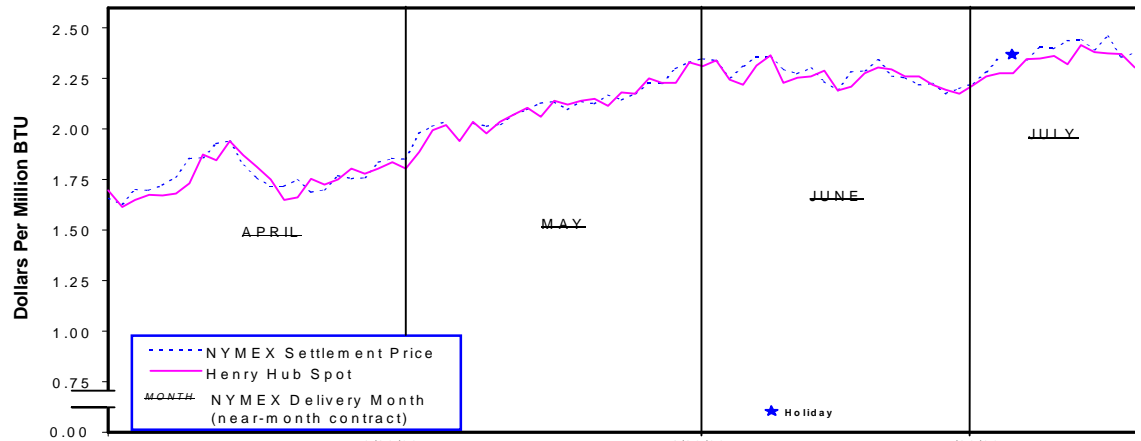


**NYMEX Future Prices vs Henry Hub Spot Prices**

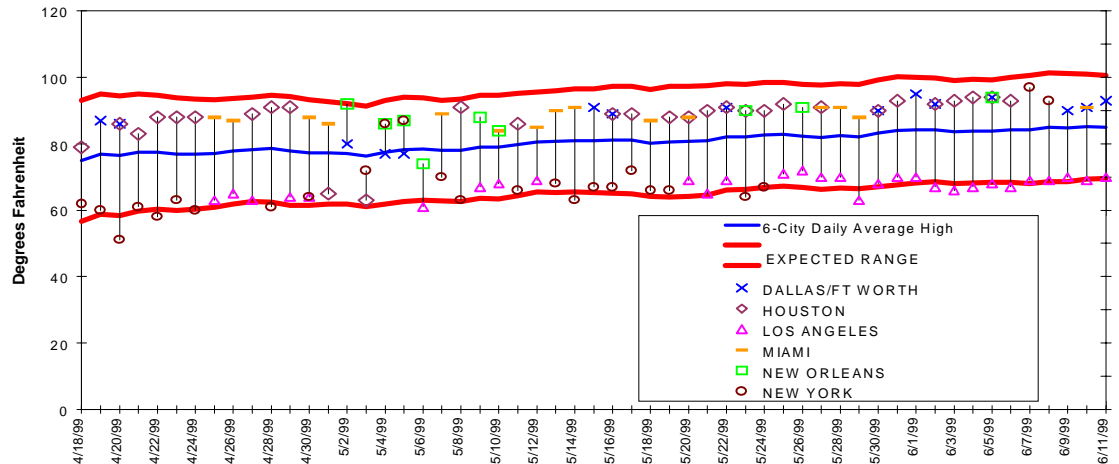
HENRY HUB PRICE		
SPOT	FUTURES	
May	June	
Del	Del	
(\$ per MMBtu)		
06/07	2.40-2.43	2.442
06/08	2.37-2.39	2.393
06/09	2.35-2.40	2.460
06/10	2.35-2.39	2.355
06/11	2.29-2.32	2.378



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

**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)



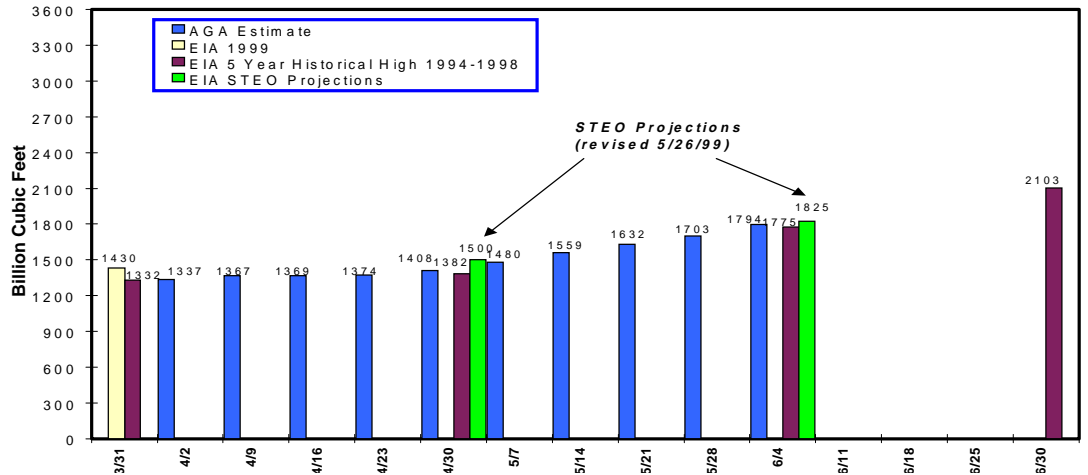
The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
06/05	86	84	2
06/06	84	84	0
06/07	88	84	4
06/08	86	85	1
06/09	85	85	0
06/10	84	85	-1
06/11	83	85	-2

**Working Gas In Storage**

Working Gas Volume as of 06/04/99		
	BCF	% Full
EAST	872	48
WEST	288	59
Prod Area	634	67
U. S.	1,794	55

Source: AGA



The NYMEX futures contract for July delivery at the Henry Hub opened Monday, June 14 at \$2.350 per MMBtu, \$0.028 less than Friday's settlement price. The year's first bout of hot weather early in the week sent cash prices sharply upward, by around 10 to nearly 20 cents at some locations, on Monday. Meanwhile, the July contract rallied to a 7-month high on Wednesday, settling at \$2.460. For the rest of the week, for the most part both cash and futures tumbled as moderating temperatures promised slackening demand. The American Gas Association (AGA) reported net injections of 91 Bcf for the week ended Friday, June 4, the first time thus far this refill season that net injections have exceeded the level for the same week last year. West Texas Intermediate crude oil prices hovered near \$18.00 per barrel most of the week before adding \$0.55 on Friday to end trading at \$18.45, or about \$3.35 per MMBtu.

**Storage:** Net additions to storage were estimated by the AGA to have been 91 Bcf for the week ended Friday, June 4, or an average of 13 Bcf per day. This brings the AGA estimate for net additions in May to about 335 Bcf (see storage graph for previous weeks in May). EIA's most recent assessment of storage volumes, appearing in the April issue of the *Natural Gas Monthly*, estimates that 1,825 Bcf was available at the end of May-50 Bcf more than the previous 5-year high. Using the EIA estimate, it will take about 235 Bcf per month of net additions during the June-through-October period to reach a typical November 1 inventory level of 3,000 Bcf. Last year, net additions over this 5-month period averaged 280 Bcf per month. The total on hand on November 1 was 3,145 Bcf.

**Spot Prices:** Spot market prices moved up sharply on Monday, as temperatures across much of the nation shot up, sending electricity generators looking for swing gas to meet increased air conditioning demand for the population centers along the East Coast and in the Midwest. Several cities in the Northeast experienced record temperatures one or more days early in the week, with temperatures of 100 degrees or higher seen in Washington, DC, New York, and Boston. At the Henry Hub, Monday's midpoint price, at \$2.415 per MMBtu, was \$0.095 higher than Friday's. The Chicago citygate price was up \$0.13, while Transco Zone 6 for New York service jumped \$0.17. However, for most points Tuesday could not sustain Monday's prices, and by Wednesday, with the heat beginning to break amid forecasts of moderating temperatures, cash prices in many locations slipped a bit further. Meanwhile a countertrend was playing out in the Rockies, as cold weather in western Canada and lagging snow-melt for hydro generation helped prices gain through the middle of the week. Most Rockies points were above \$2.00, with Denver-Julesberg Basin reaching \$2.08 on Wednesday and Thursday. However, on Friday prices throughout the nation fell significantly, with most locations ending the week lower than the previous Friday. Henry Hub ended the week at \$2.305, down \$0.015 from Friday, June 4.

**Futures Prices:** While cash prices were soaring, the July contract merely held its own on Monday, gaining only \$0.005 from Friday, to close at \$2.442 per MMBtu. After slipping 5 cents on Tuesday, the July contract rose strongly on Wednesday on the tail-end of the heat wave, and just before AGA's bearish storage report, to \$2.460. The July contract began to lose ground almost immediately after the release of the AGA report in after-hours trading. The slide continued on Thursday, with the July contract losing over \$0.10 to close at \$2.355. However, again countering the cash trend, the near-month contract gained a couple of cents over Thursday to end the week at \$2.378.

**Summary:** Cash prices, boosted strongly by the heat early in the week, failed to hold Monday's levels and by Friday had fallen back to or below last week's end-of-week prices. The near-month futures contract price had its run-up on Wednesday before ending the week 6 cents lower than the previous week's close. Contributing factors were: moderating temperatures and a near-term forecast for below-average temperatures in Texas, along the Gulf coast, and up the East Coast; and net injections of 91 Bcf into storage.