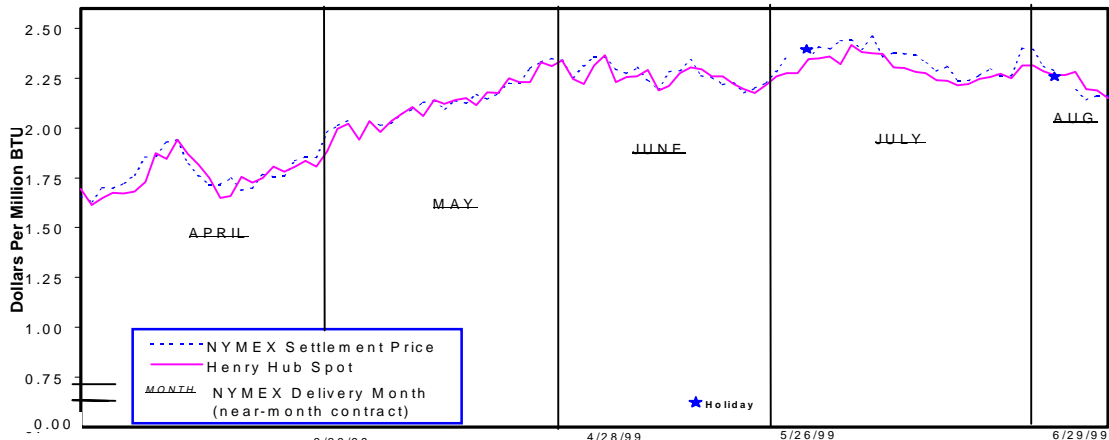


HENRY HUB PRICE

SPOT FUTURES
July August
Del Del
(\$ per MMBtu)

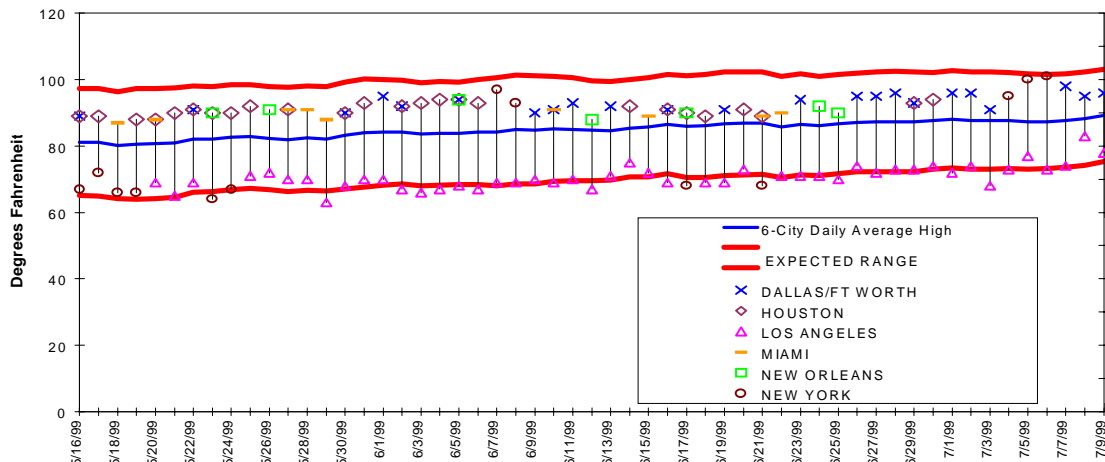
07/05	Holiday	Holiday
07/06	2.25-2.31	2.191
07/07	2.18-2.21	2.141
07/08	2.18-2.20	2.162
07/09	2.14-2.16	2.163

NYMEX Future Prices vs Henry Hub Spot Prices



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)

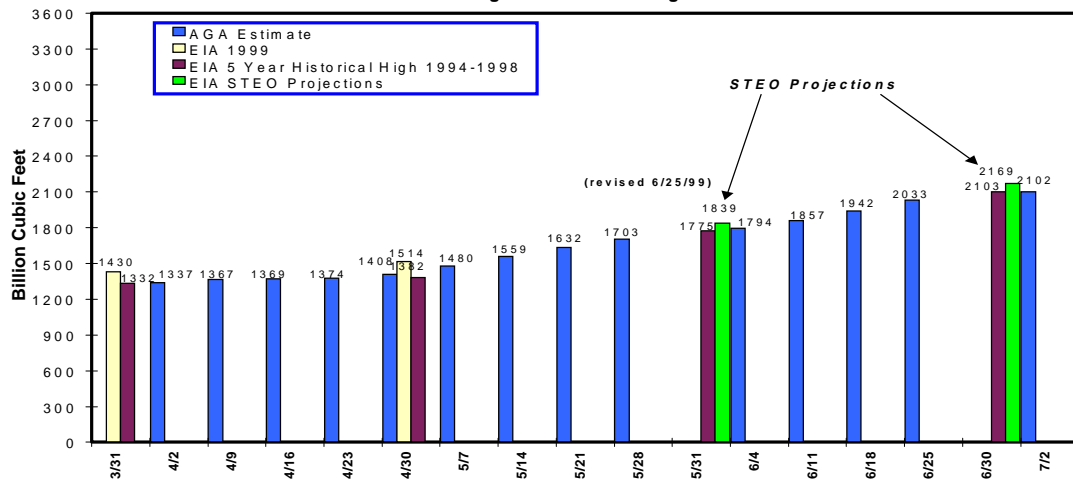


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Average High Temperature for Six Major Electricity Consuming Cities

	Actual	Normal	Diff
07/03	83	88	-5
07/04	89	88	1
07/05	89	87	2
07/06	90	87	3
07/07	89	88	1
07/08	90	88	2
07/09	88	89	-1

Working Gas In Storage



Working Gas Volume as of 07/02/99

	BCF	% Full
EAST	1057	58
WEST	333	68
Prod Area	712	75
U. S.	2,102	65

Source: AGA

The NYMEX futures contract for August delivery at the Henry Hub opened on Monday, July 12, at \$2.135 per MMBtu, \$0.028 less than Friday's settlement price. Many areas of the Midwest and the Northeast sweltered under the season's first heat wave last week as temperatures in St. Louis, Baltimore, Philadelphia, and Boston were near or above 100 degrees through Wednesday. Electric utilities in most areas east of the Mississippi River reported record demand for power to meet the increase in the air-conditioning load. Still the composite daily average temperatures for the six cities monitored for this report (Dallas, Houston, Los Angeles, Miami, New Orleans, and New York) have been at or below the 10-year normal most days recently. This is primarily due to the moderate temperatures in the Los Angeles area, where daytime highs have only been in the low 70s most days for over two weeks. Despite the recent high temperatures in the Midwest and the East, posted prices at the Henry Hub ended the week near \$2.15 per MMBtu on Friday, down about 10 cents. Spot prices in the West moved down even further as prices at most of the region's major market locations were down 15 to 20 cents per MMBtu on Friday. The near-month (August) futures contract began the week down about 9 cents per MMBtu and by Friday was off over 12 cents at \$2.163. Net injections to storage slowed to less than 10 Bcf per day in the last week of June. The price of West Texas Intermediate crude oil remained at \$19.95 per barrel--near a 2-year high.

Storage: According to the American Gas Association (AGA) estimates, net additions to storage were 69 Bcf for the week ended Friday, July 2—a drop of 22 Bcf from the previous week. Even with the decline, total working gas inventories are estimated by AGA to be 2,102 Bcf, the largest stock level at this point in the year for the more than 5 years of AGA estimates and 17 Bcf higher than last year at the same time. EIA estimates of storage levels for the end of June indicate that stock levels ended the month at 2,169 Bcf—also a 5-year high.

Spot Prices: At the Henry Hub and most other market locations, spot prices moved down each day last week. By Friday, prices at most major markets that serve the Eastern United States were trading between a low of \$2.05 per MMBtu in Oklahoma to a high of \$2.17 in Louisiana. The summer's first heat wave did increase demand for gas in most major gas-consuming markets but apparently not enough to alter the current market fundamentals. These consist of: ample supply, a 5-year high in stock levels, and a 20-percent increase in nuclear power generating capacity since last summer which has probably reduced the utilization of some gas-fired “peak demand” generating units. In the West, where moderate summer temperatures have been the rule for several weeks, surplus supply continues to grow and the big California pipelines report high inventories and increases in the level of “linepack.” All this excess supply has resulted in sharp drops in the price of gas. On Friday, prices at most major markets that serve the West were all well below \$1.95 per MMBtu.

Futures Prices: Since the August contract began trading as the near-month contract in late July, it has declined more than \$0.20 per MMBtu (\$2.40 vs. \$2.196). The existing market fundamentals along with the recent growth in drilling rig activity—up 21 percent since April—have contributed to the softness of the August NYMEX contract.

Summary: Prices on both the spot and futures markets continue to decline as the current fundamentals consisting of ample supply and record storage stocks dominate the market. Also, this summer's additional nuclear electric generating capacity may have reduced natural gas use during peak demand periods.