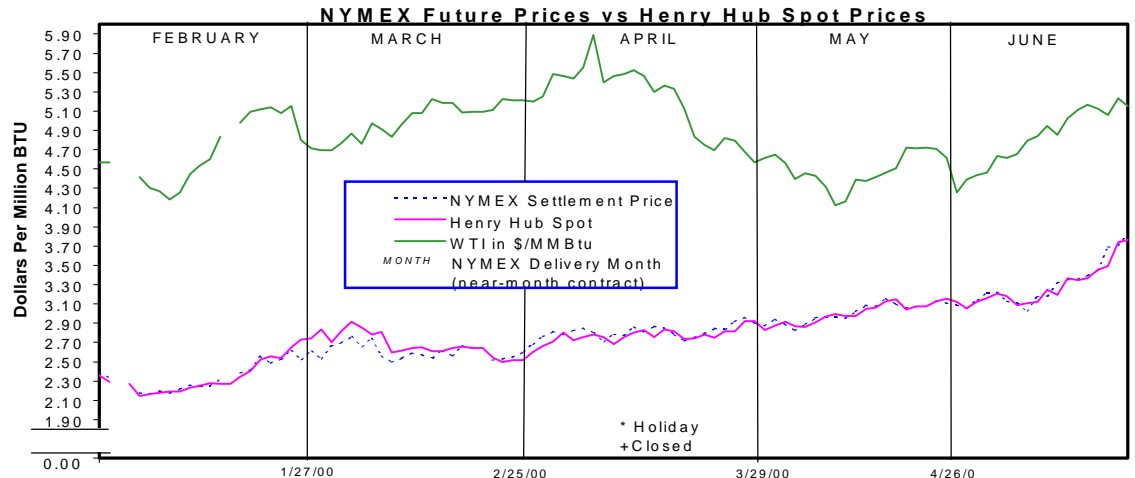
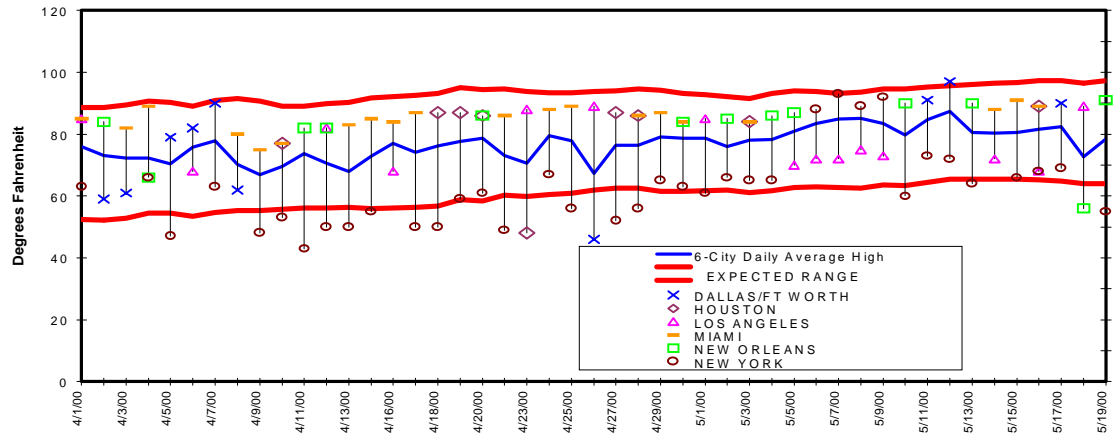


HENRY HUB PRICE		
SPOT	FUTURES	
May	June	
Del	Del	
(\$ per MMBtu)		
05/15	3.34-3.39	3.396
05/16	3.44-3.47	3.448
05/17	3.48-3.51	3.689
05/18	3.71-3.76	3.710
05/19	3.75-3.78	3.825



**Daily 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)

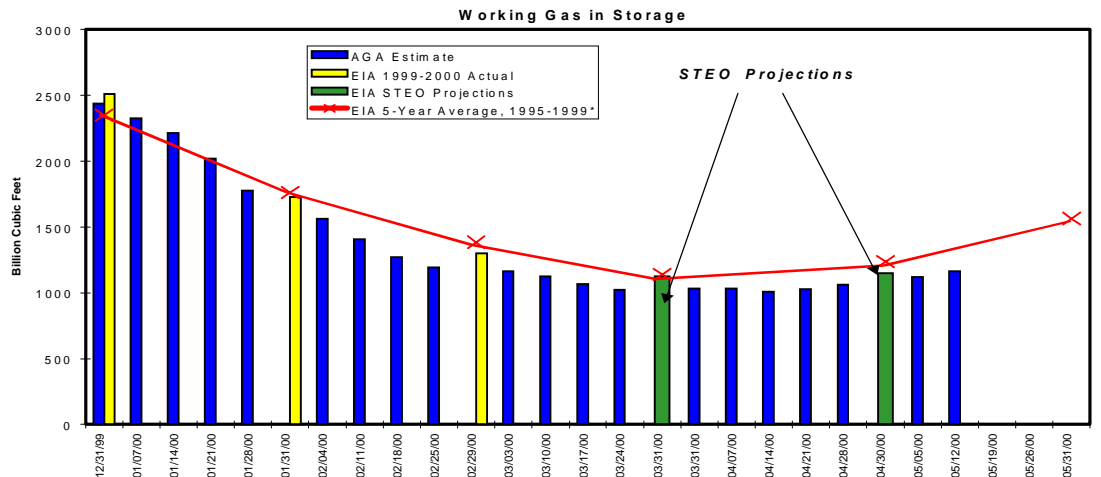
Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
05/13	81	81	0
05/14	80	81	-1
05/15	81	81	0
05/16	82	81	1
05/17	82	81	1
05/18	73	80	-7
05/19	79	81	-2



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.

Working Gas Volume as of 05/12/00		
	BCF	% Full
EAST	519	28
WEST	298	59
Prod Area	346	36
U. S.	1163	35

Source: AGA



\*The data showing the EIA 5-year historical high inventory levels have been replaced with the EIA 5-year average inventory levels for 1995-1999

The almost uninterrupted three month increase in natural gas prices that began in late February had its steepest one week gain from Friday 5/12 to Friday 5/19 as both futures and spot prices moved up between \$0.40 and \$0.50 per MMBtu. Last week's increase was highlighted by an almost \$0.25 per MMBtu jump in the June NYMEX futures contract on Wednesday, May 17, that sparked a 2-day run-up in spot market prices at most major market locations. Spot prices at the Henry Hub moved up each day to end the week at \$3.77 per MMBtu. The near-month (June) futures contract ended trading for the week at \$3.825 per MMBtu. The recent sharp price increases occurred during a week that had generally moderating temperatures in most parts of the country (see Temperature graph). However, the National Weather Service's (NWS) most recent 10 day forecast did call for rising temperatures along the Gulf Coast and in Southern California this week. A number of factors are contributing to the ramping up of natural gas prices including the slow start of a normal stock rebuild and resumption of increasing oil prices. The estimated storage refill rate during the first 12 days of May has averaged 7.25 Bcf per day compared to the previous EIA 5-year May average of roughly 11 Bcf per day. The price of West Texas Intermediate crude oil moved up most days to end the week at \$29.90 per barrel or about \$5.15 per MMBtu.

**Storage:** Net additions to storage were estimated by the American Gas Association (AGA) to have been 46 Bcf for the week ending Friday, May 12—a drop of 12 Bcf from the previous week. Estimated net additions thus far in the refill season (April to October) are 132 Bcf, which, when added to the EIA STEO projection for end-of-March inventory (1,125 Bcf), brings the level of working gas on May 12 to 1,257 Bcf, or 38 percent of active working gas capacity (3,294 Bcf). Based on EIA data for the most recent 5-years (1995-99), net additions in May have ranged between 322 and 391 Bcf. Through May 12, estimated net additions to stocks this month have been 87 Bcf. The moderating temperatures during the third week of May (see Temperature graph) should have reduced cooling demand at electric utilities making more gas available for stock refill. However, the steady increase in prices at all major markets seems to be a continuing deterrent to larger net stock injections.

**Spot Prices:** During the first 3 days of last week spot prices at the Henry Hub moved up nearly 15 cents per MMBtu, then on Thursday jumped up another 25 cents. Thursday's increase followed a similar increase in Wednesday's near-month NYMEX contract settlement price that appears to have been the primary factor in the one-day run-up in spot prices. Similar price increases dominated market activity at other major market locations. Some examples of last Friday's regional posted prices, which in most cases were at their highest levels in over 2 years, are: Katy in East Texas—\$3.71 per MMBtu, Waha in West Texas—\$3.63, Midcontinent in Oklahoma—\$3.55, and Chicago—\$3.80. In the West, prices in the Rockies ended the week at \$3.26 per MMBtu while at the California border prices reached \$3.95 on Friday.

**Futures Prices:** The futures market had one of its largest one week increases (\$0.47 per MMBtu) in over a year and the largest weekly gain in trading for the June contract in the prompt-month position since natural gas began trading on the NYMEX in 1991. Contributing to the Friday price increase was the release of the NWS's 30 and 90 day forecasts calling for above normal temperatures in most of the country in June and for this weather pattern to continue through August. The upward price trend for the June contract is continuing into this week as it opened trading today, Monday, May 22, at \$3.94 per MMBtu—up another 11.5 cents from the Friday closing price. If the price of \$3.94 per MMBtu holds up, it will exceed the previous high for the June contract—1997's final price of \$2.346, by almost \$1.60 per MMBtu. As with the June futures contract, which is set to expire on Friday, May 26, prices of all out-month contracts through the end of the year moved up sharply last week. The NYMEX settlement prices on Friday, May 19<sup>th</sup> ranged between \$3.841 per MMBtu for July delivery to \$4.046 for the December contract.

**Summary:** Prices on all markets moved up sharply last week as spot prices traded at their highest levels in well over 2 years. The June futures contract, like this year's April and May contracts before it, is poised to close this week at a record high price. The price of oil continued to trend up and the stock refill rate slowed by 20 percent during the second week of May from an already modest level.