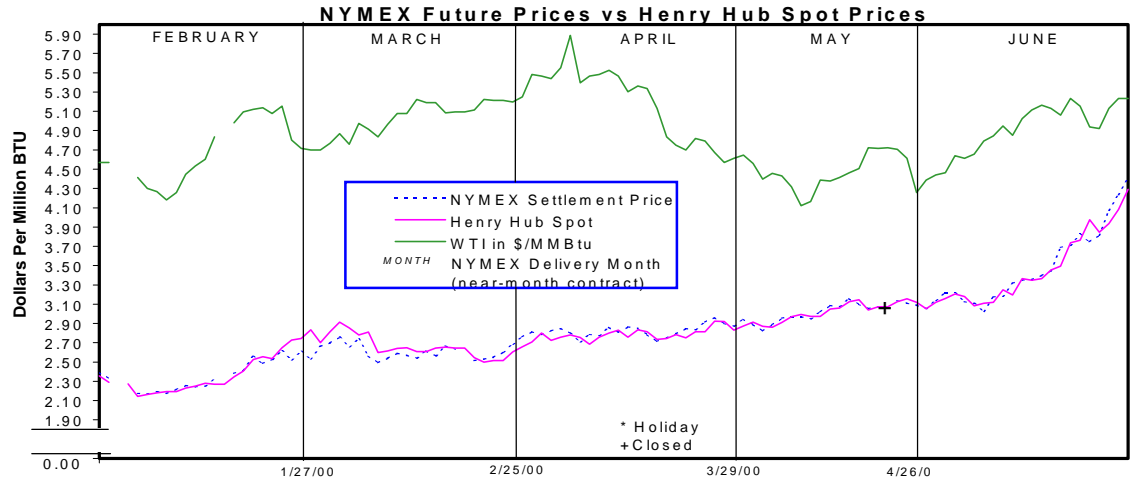
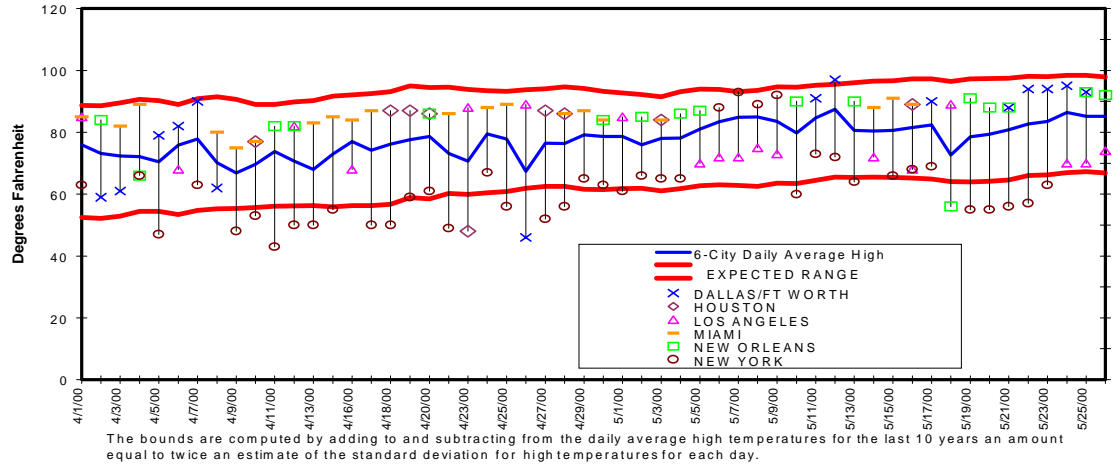


HENRY HUB PRICE		
SPOT	FUTURES	
May	June	
Del	Del	
(\$ per MMBtu)		
05/22	3.94-4.01	3.747
05/23	3.81-3.88	3.814
05/24	3.91-3.96	4.073
05/25	4.15-4.20	4.236
05/26	4.26-4.31	4.408



Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
05/20	79	81	-2
05/21	81	81	0
05/22	83	82	1
05/23	84	82	2
05/24	86	83	3
05/25	85	83	2
05/26	85	82	3

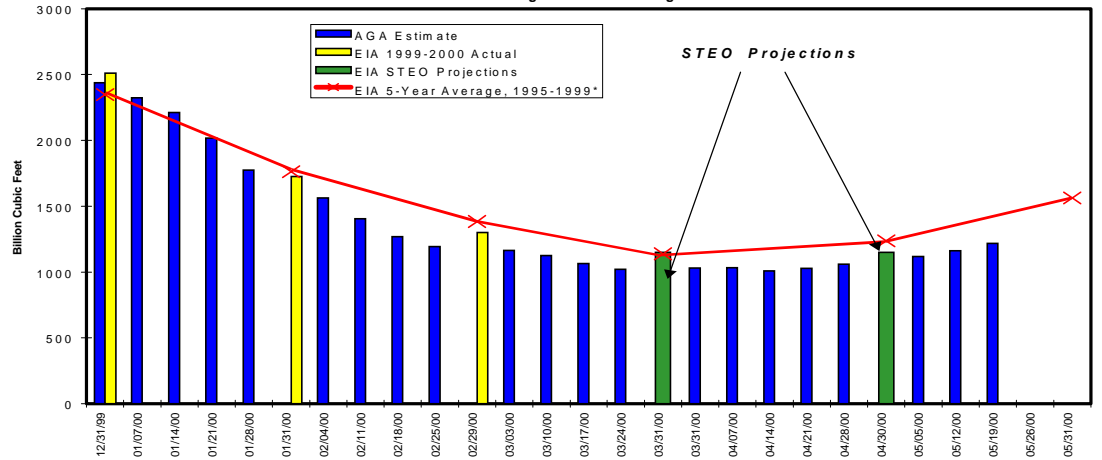
Daily Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



Working Gas Volume as of 05/19/00		
	BCF	% Full
EAST	561	31
WEST	304	60
Prod Area	353	37
U. S.	1218	37

Source: AGA

Working Gas in Storage



Cash and futures prices surged yet again last week, reaching unprecedented levels for “shoulder” months, as the West and Southwest got an early taste of summer and continuing light net storage injections reinforced future supply concerns. An intense heat wave early in the week gripped much of California, southern Nevada, and most of Arizona, sending air-conditioning loads—and demand for natural gas-fired electricity generation—soaring. Temperatures rose into the 90s in Sacramento, while Fresno, Phoenix, Tucson, Las Vegas, and other cities recorded highs of over 100 for several days in a row. Even San Francisco was not spared, reaching a high of 92 on Sunday, May 21. The American Gas Association (AGA) reported that net storage injections during the third week of May were only 55 Bcf—the smallest inventory addition for this week in May since AGA began weekly storage reports in late 1993—prompting the NYMEX futures contract for June delivery at the Henry Hub to jump over \$0.25 on Wednesday afternoon; Henry Hub spot prices had a similar increase the next day. For the week, the price for spot gas at the Henry Hub increased by \$0.52 per MMBtu, with Friday's mid-point price of \$4.285 the highest ever in the month of May at this location. The June futures contract extended the string to 3 straight months of record contract-closing prices, as it expired on Friday at \$4.406 per MMBtu. After falling by more than \$1.00 per barrel on Monday, the price of West Texas Intermediate (WTI) crude oil gradually recovered to end the week with a modest \$0.45 Friday-to-Friday gain at \$30.35 per barrel, or \$5.233 per MMBtu.

Storage: AGA estimated that 55 Bcf was added to stocks in the week ended Friday, May 19, 9 Bcf higher than in the previous week. This brings net additions since April 1, 2000, to 187 Bcf. (EIA data indicate that the 5-year averages for net additions to storage in April and May are 155 and 343 Bcf, respectively.) Combining this estimate with EIA's end-of-March estimate of 1,125 Bcf, the working gas on hand on May 19 was 1,312 Bcf. With almost 5-and-a-half months remaining in the refill season (April to October), it appears that the industry needs to have a stock build of more than 1,670 Bcf to reach the EIA 5-year (1995-99) average of 2,985 Bcf of working gas in storage on November 1. The recent unprecedented high prices for spot gas continue to be a hindrance to a more normal refill rate for this time of year. In fact, there have been reports of gas being withdrawn from storage and sold for a profit at these high prices. With spot gas trading at a premium to futures prices, as happened early this week, the incentive to add or keep gas in storage is diminished.

Spot Prices: The past week's spot markets were characterized by rapidly rising prices and increasing price volatility. The heat wave in the West, exacerbated by outages of two major nuclear plants and a large southwestern gas-processing plant, sent prices over \$5.00 per MMBtu at PG&E citygates on Monday and brought price increases in the 35-50 cent per MMBtu range in the Rockies and the Southwest production basins. With the exception of a general pull-back on Tuesday, seemingly in response to Monday's fall in futures prices, cash prices rose strongly throughout the week. As the week progressed, the heat moved eastward into Texas, the Gulf Coast, and the Southeast, sending demand and prices steadily upward. By Thursday, gas prices at Midcontinent locations hovered just below \$4.00 per MMBtu, while prices in east and south Texas ranged from just over \$4.00 to as high as \$4.18. As with the previous week, Thursday's cash-price increases seemed to get an extra boost in response to Wednesday's large price increases in the futures market. By Friday, substantial week-to-week price increases had been recorded at every location tracked by *Gas Daily*, most ranging from 40 to over 60 cents per MMBtu.

Futures Prices: As with spot prices, futures prices recorded a third straight week of significant increases. The June contract closed after 3 straight days of gains of \$0.16 or more per MMBtu, starting with a jump of \$0.259 per MMBtu on Wednesday. It closed on Friday at \$4.406 per MMBtu, up \$0.581 for the week and up \$1.351 per MMBtu, or 44 percent, since becoming the near-month contract on April 27. The NYMEX contract for July delivery, now the near-month contract, opened today at \$4.320 per MMBtu, \$0.052 higher than its Friday settlement. The out-month futures contracts through June 2001 also continued to rise strongly: gas for delivery in January 2001 reached \$4.475 per MMBtu, up \$0.424 from the previous Friday.

Summary: Cash and futures prices incurred increases of over 50 cents per MMBtu this week. A heat wave in the West served as reminder that swing demand for natural gas for electricity generation is a compelling competitor to storage refill demand. With forecasts calling for hotter-than-normal weather, the demand for electricity generation could reduce supplies available for injection through the summer. Furthermore, elevated cash prices caused by brisk demand and high-priced petroleum product alternatives could also reduce injections by narrowing the differential between current and futures prices.