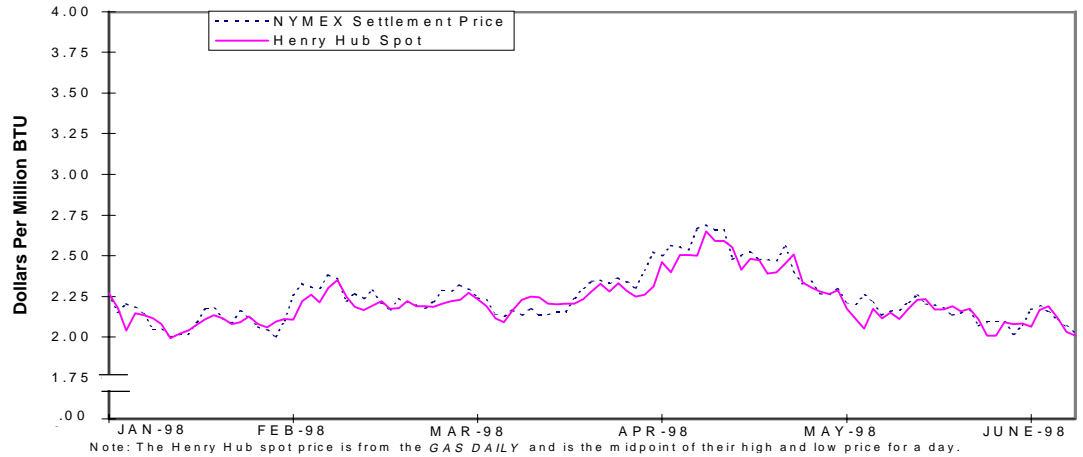


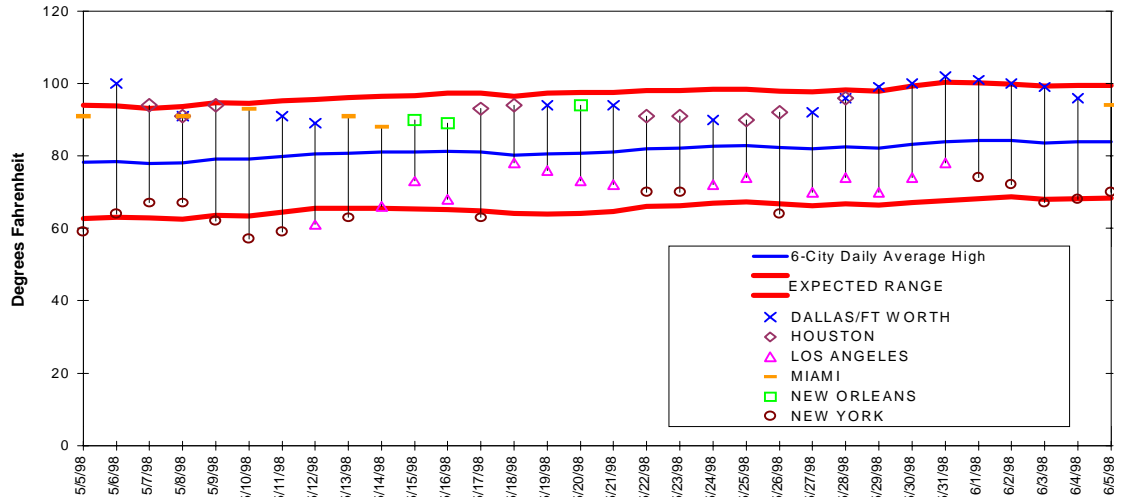
**NYMEX Future Prices vs Henry Hub Spot Prices**



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

6/01	2.13-2.20	2.191
6/02	2.17-2.21	2.156
6/03	2.10-2.14	2.106
6/04	2.02-2.05	2.020
6/05	1.98-2.04	2.027

**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)

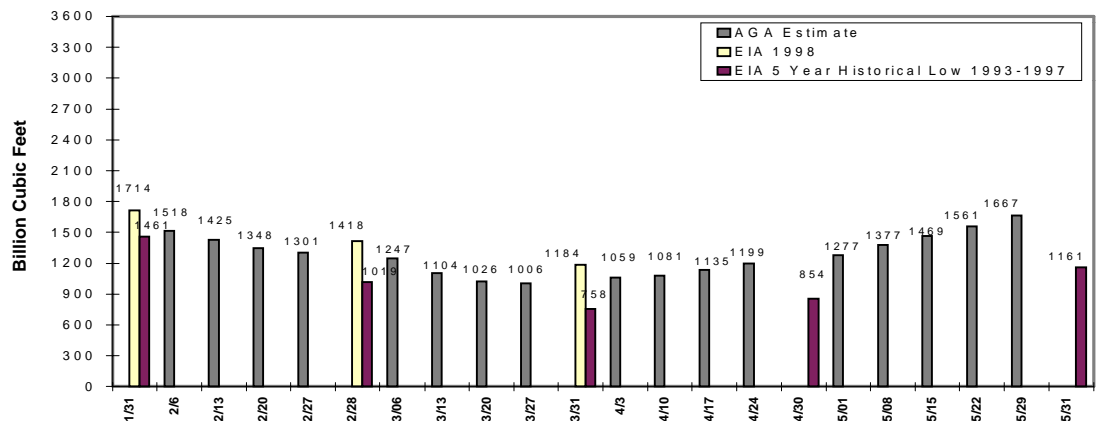


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

**Average High Temperature for Six Major Electricity Consuming Cities**

	Actual	Normal	Diff
5/30	90	83	7
5/31	91	84	7
6/01	90	84	6
6/02	89	84	5
6/03	87	84	3
6/04	86	84	2
6/05	86	84	2

**Working Gas In Storage**



**Working Gas Volume as of 5/29/98**

	BCF	% Full
EAST	860	48
WEST	243	50
Prod Area	564	61
U. S.	1667	52

Source: AGA

The NYMEX futures price for July delivery at the Henry Hub opened on Monday, June 8, at \$1.990 per MMBtu, \$0.037 less than Friday's settlement price. With the official start of summer still 2 weeks away, the Southwest had its first period of hot weather as daily high temperatures in Dallas were 100 degrees or above for 4 consecutive days last week. But in most parts of the country the weather remained moderate, especially in the Midwest and the East where daytime highs in many cities were only in the 60s and 70s most days last week. This generally cooler-than-normal weather contributed to a decrease in prices on both the spot and futures markets. Prices on both markets began the week up about 10 cents per MMBtu at the Henry Hub then moved down as weather forecasts called for continued mild weather in the Midwest and the East and moderating temperatures in the Southwest. At the Henry Hub, spot prices ended the week trading between \$1.98 and \$2.04 per MMBtu, while at most other market locations, prices stayed below \$2.00. The futures price for the near-month July contract also moved down most days and ended the week about 15 cents less than the previous Friday at \$2.027 per MMBtu. These low prices are contributing to an accelerated rate of storage refill, as the AGA estimated that an average of more than 15 Bcf per day was added to working gas levels during the last week of May. The price of West Texas Intermediate crude oil ended the week (June 5) mostly unchanged at \$15.10 per barrel, roughly equivalent to \$2.60 per MMBtu.

**Storage:** According to AGA estimates, net additions to storage were 106 Bcf for the week ended Friday, May 29. This brings the AGA estimate for working gas in storage to 1,667 Bcf at the end of May—more than 50 percent of capacity. The refill rate continues to attain stock levels well ahead of those seen the past 2 years. EIA data indicate that about 1,330 Bcf was in storage at the end of May last year and only 1,160 Bcf was on hand in May 1996. EIA's most recent assessment of storage volumes, appearing in the May issue of the *Natural Gas Monthly*, estimates that more than 1,800 Bcf was available at the end of May. Using the EIA estimate, it will take less than 220 Bcf per month of net additions during the June-through-October period to reach the recent typical November 1 inventory level of 2,900 Bcf. This is about 7.3 Bcf per day over the 5-month period. Last year average daily net additions during the same period exceeded 10 Bcf per day.

**Spot Prices:** At the Henry Hub and most other major market locations, prices declined most days last week following a temporary increase on Monday. Spot prices continued to react to movement in the near-month futures contract as prices again could be viewed as "following the screen." The generally moderate weather, the continued robust rate of storage refill, and the relatively high levels of working gas in storage are all contributing to softness in the prices. At some market locations prices have moved down as much as 60 cents per MMBtu since the middle of May. This is especially the case in the West where cool temperatures have prevailed most of the spring. Prices at Kern River on the California border were about \$1.95 per MMBtu, down 40 cents since May 12, and prices at Rocky Mountain markets were trading in the \$1.30s on Friday, down about 60 cents.

**Futures Prices:** The July futures contract at the Henry Hub continues to move down. It lost more than 16 cents last week and on Friday was trading at \$1.975 per MMBtu for a time before settling at \$2.027. The volume of contracts appears to be at a moderate level, which is typical for this time of the month, with daily activity ranging between 25,000 and 30,000 contracts. The July contract is scheduled to close on June 26. Last year's contract expired at \$2.145 per MMBtu.

**Summary:** The season's first period of high temperatures in the Southwest had little impact on prices. Both spot and futures prices continue to trend down and the storage refill rate remains at robust levels as working gas storage capacity is estimated to be more than 50 percent full at the end of May.