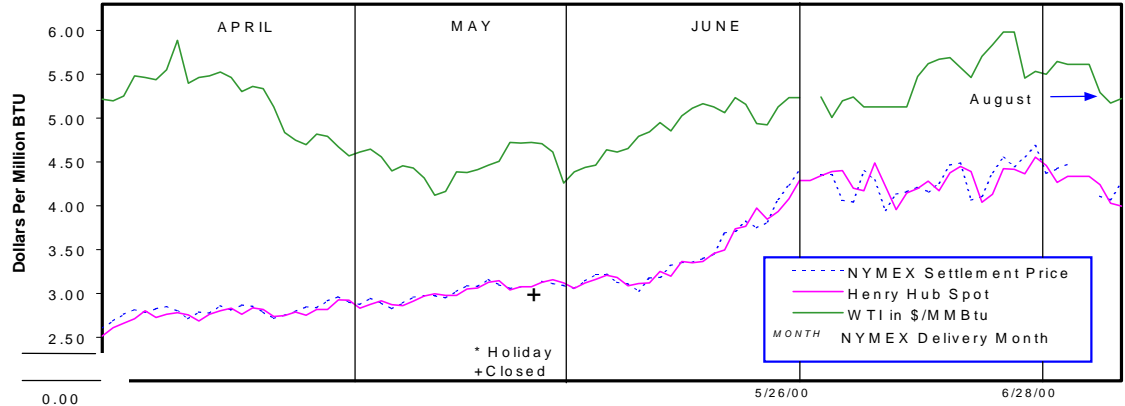
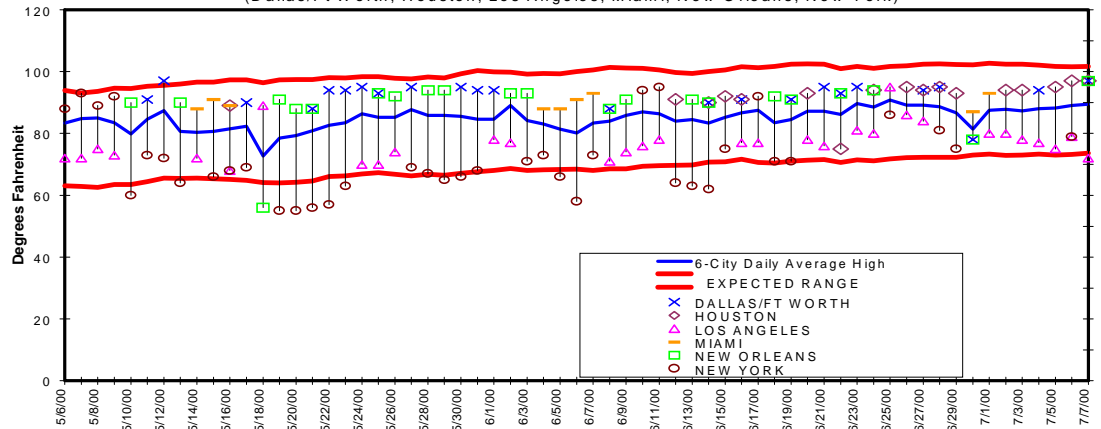


NYMEX Natural Gas Future Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price



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 West Texas Intermediate crude oil price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to \$/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

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



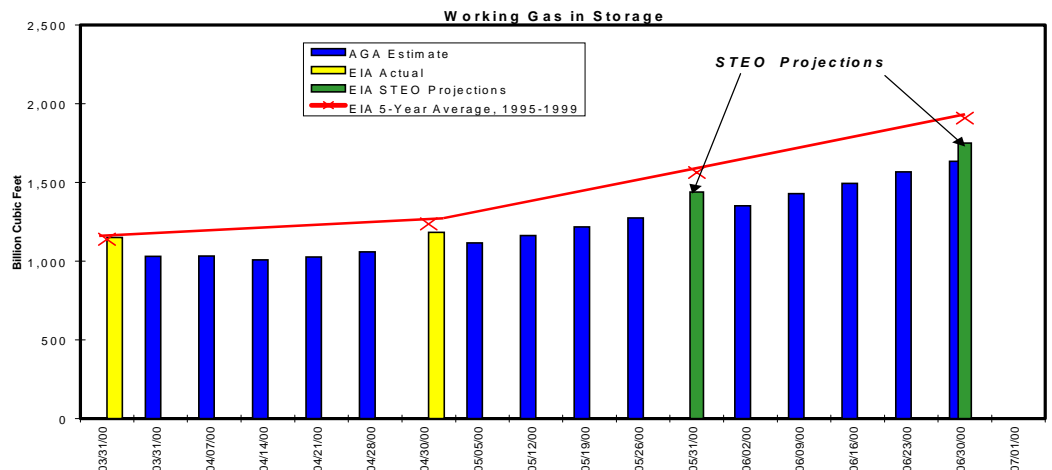
The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Henry Hub Price		
Spot	Futures	
June	July	
Delivery	Delivery	
(\$ per MMBtu)		
07/03	4.29-4.38	Closed
07/04	4.29-4.38	Holiday
07/05	4.18-4.30	4.109
07/06	3.98-4.08	4.066
07/07	3.97-4.02	4.262

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
07/01	88	88	0
07/02	88	88	0
07/03	87	88	-1
07/04	88	88	0
07/05	88	87	1
07/06	89	87	2
07/07	90	88	2

Working Gas Volume as of 06/30/00		
	Bcf	% Full
East	856	47
West	348	69
Prod Area	432	45
U. S.	1636	50

Source: AGA



With the resumption of trading on the NYMEX on Wednesday, July 5, the futures contract for August delivery took the second largest one-day settlement-price plunge ever for any near-month contract. The nearly 37-cent drop to \$4.109 per MMBtu seemed a reaction to Saudi Arabia's announced willingness to increase crude oil production by 500,000 barrels per day to manage crude oil prices. The spot price for West Texas Intermediate (WTI) crude oil experienced a one-day drop on Wednesday of \$1.85 per barrel, followed by a \$0.70 loss on Thursday, and ended the week down \$2.25 to \$30.30 per barrel, or \$5.22 per MMBtu. This event also reverberated throughout gas markets, pulling spot prices down significantly on Thursday. Additionally, cooler temperatures in much of California eased electricity demand in the West, which put downward pressure on gas prices there, while moderating temperatures early to midweek in the Northeast had a similar effect on cash prices in that region. However, the futures gas market once again recovered by week's end, as the August contract gained almost 20 cents to settle at \$4.262 per MMBtu, narrowing the decline from the previous Friday to \$0.214.

Storage: According to the American Gas Association, estimated net additions were 69 Bcf for the week ended Friday, June 30. EIA estimates cumulative net additions for June at 306 Bcf and the level of working gas at the end of June at 1,750 Bcf. This level is 8 percent below EIA's 5-year (1995-99) average of 1,909 Bcf for the end of June and 412 Bcf, or 19 percent, below last year's figure for the end of June. However, the 2,157 Bcf in storage in 1999 was the largest volume for that point since the 2,553 Bcf in 1991. Although June net injections were only 12 percent off the historical average for the month, continued additions at a comparable level through the next 4 months would result in working gas stocks of only 2,695 Bcf by November 1.

Spot Prices: Cash prices in all market locations were down for the week, with Friday-to-Friday losses ranging from 20 to 60 cents or more per MMBtu. While *Gas Daily's* reported prices for Friday, 6/30, through Tuesday delivery showed prices above \$4.00 per MMBtu at most of the 99 locations outside the Rockies, by last Friday, 72 percent of those locations had prices below \$4.00. Price declines were led initially by the futures market's dramatic drop on the first day of the holiday-shortened week, but the key influence behind the price decreases was the cooler weather in much of the country. In California, moderating temperatures over the weekend continued into the week, causing demand for electricity, and in turn for natural gas, to drop significantly, pulling prices down. High-inventory operational flow orders (OFOs) on Pacific Gas & Electric (PG&E) for 3 days in a row magnified the drops, sending the price at its citygates down \$1.14 per MMBtu by Friday to \$3.60. The OFOs also resulted in some market disruptions, as the daily price range at PG&E widened to as much as 61 cents. Prices at locations for delivery into the Northeast were influenced downward by slackening weather-related demand (e.g., Friday-to-Friday, Transco Zone 6 (NY) dropped 54 cents to \$4.23, and Algonquin citygates fell 35 cents to \$4.20). Prices in the Rockies, the San Juan Basin, and some western import points for Canadian gas bucked the downward trend on Wednesday as a maintenance outage for the Fort Nelson processing plant took at least 600 MMcf/d offline until mid-July.

Futures Prices: Volatility continued in the futures market, as evidenced by the day-to-day changes and the expanding price range for trades of the August contract during any single day, which grew from 21 cents on Wednesday to 34 cents on Friday—between \$3.97 per MMBtu and \$4.31. When trading occurred Thursday as low as \$3.98 per MMBtu, it was the first time the near-month contract has traded for less than \$4.00 since June 20. Wednesday's precipitous drop of \$0.367 was followed on Thursday by a loss of \$0.043, which might have been even larger, except an unusual accident occurred when a tugboat ruptured a 14-inch pipeline offshore Louisiana that temporarily interrupted up to 400 MMcf/day of production, sending the price of the August contract up to \$4.20 before settling down to \$4.066 on Thursday. On Friday, the August contract managed to gain \$0.196, settling at \$4.262, despite slackening demand in the West and the Northeast and a National Weather Service 6-to-10-day forecast for normal to below-normal temperatures for the eastern third of the nation and for most of California.

Summary: Spot and futures prices declined from the previous week, but remain unusually high. Expected price competition from petroleum markets and forecasted below-normal temperatures along the eastern seaboard and eastern Gulf of Mexico for next week, if realized, could provide downward pressure on prices and induce more storage injections.