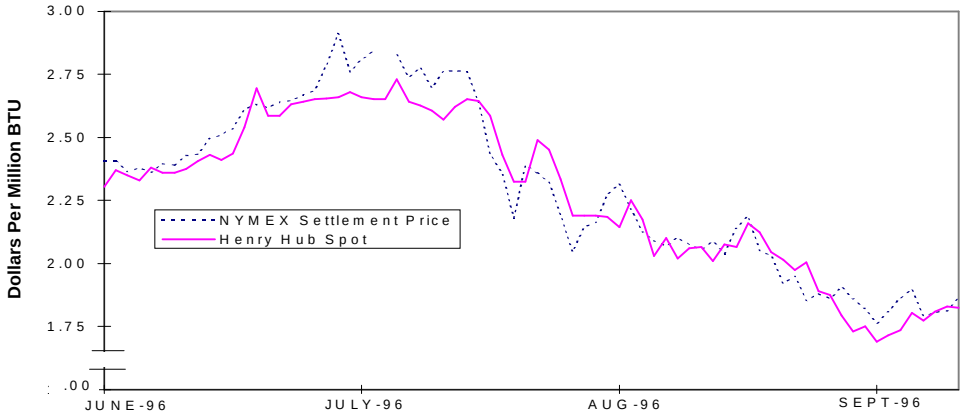
Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
September 16,1996

	HENRY HUB PRICE CASH Sept Del	FUTURES Oct Del
	($ per MMBtu)	
9/09	1.79-1.82	1.898
9/10	1.76-1.79	1.791
9/11	1.79-1.83	1.806
9/12	1.81-1.85	1.813
9/13	1.81-1.84	1.864

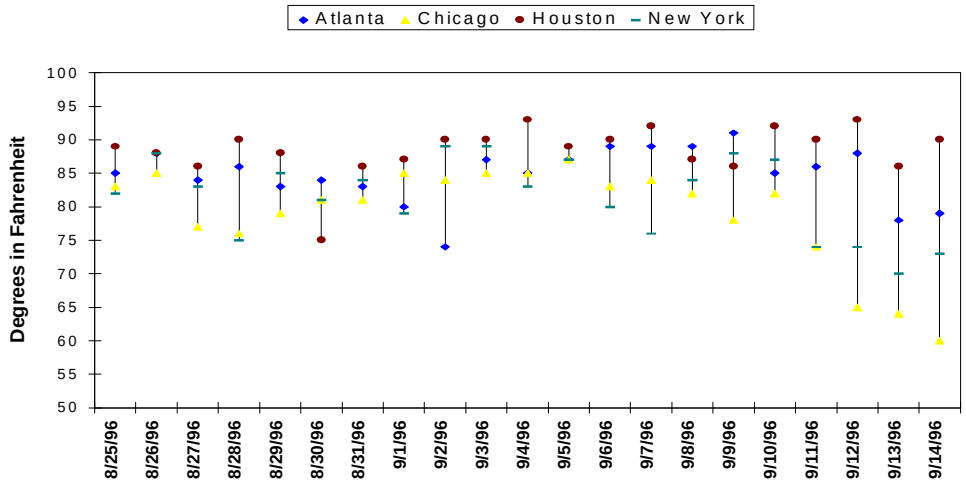
NYMEX Price Futures vs Henry Hub Spot Price



Note: THe Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
9/08	77	74	3
9/09	77	73	4
9/10	78	73	5
9/11	74	73	1
9/12	71	72	-1
9/13	70	72	-2
9/14	66	72	-6

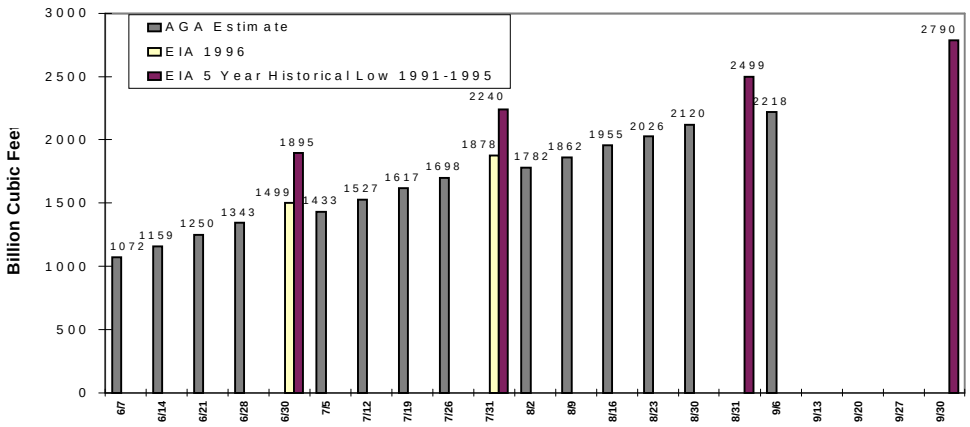
High Temperature for Four Selected Cities



Working Gas Volume as of 9/06/96		
	BCF	% Full
EAST	1,382	77
WEST	321	67
Prod Area	515	57
U. S.	2,218	70

Source: AGA

Working Gas In Storage 1996



The NYMEX futures price for October delivery at the Henry Hub opened today at $1.890 per MMBtu, $0.026 higher than Friday's close. Spot prices rose slowly during the week increasing about $0.08 per MMBtu from Friday, September 6, at the Henry Hub. The futures price after being down $0.10 per MMBtu at mid-week, returned to the previous week's closing price for October delivery. Net injections to storage for the week ending September 6 were 98 Bcf - the highest weekly level this year as storage operators continue to direct large volumes of gas to rebuilding the industry's storage resources. This is in contrast to stock levels of the other two major winter fuels, distillate oil and propane, which are currently 16 and 10 percent, respectively, below normal levels for this time of the year. The unusually robust restocking of natural gas storage can be attributed mainly to the mild summer weather, increased withdrawal and injection capability, and the lower natural gas prices since mid July. The refill activity is especially unusual for early September when the rate of storage injections tend to decline not increase. Furthermore, it is estimated that the storage deliverability capability of the natural gas industry will increase by 31 Bcf this next heating season because of improvements in the capability of delivering gas from salt storage caverns and beds. Moreover, imports of natural gas along with increased liquefied natural gas delivery capability are likely to increase incremental supply by as much as 140 Bcf this heating season.

Storage: According to the American Gas Association (AGA), estimated injections for the week ending Friday, September 6 were 98 Bcf - a weekly high for the current refill season. Nearly 70 percent of the gas was directed to storage sites in the East region. Based on EIA data for the past 5 years, this estimated weekly refill rate is 20 percent higher than for any other week during September. Since May, refill activity has equaled or exceeded prior EIA average monthly refill totals. Based on EIA data, the working gas level at the end of July totaled 1,878 Bcf, with injections during July of over 400 Bcf. AGA's estimate for the same time period had about 1,760 Bcf of working gas in storage.

Spot Prices: During the past week, spot prices rose steadily and ended the week within $0.02 per MMBtu of the October futures price. The convergence of prices on the spot and futures markets at this time may indicate that supplies are good and are expected to continue into the next month. Spot prices are currently about $0.20 per MMBtu higher than last year at this time. Many in the industry think that prices may decline somewhat since the pace of production and import capability has probably exceeded the pace of aggregate demand growth.

Futures Prices: Prices of natural gas futures contracts continue to be much more volatile than most other futures contracts. The daily range of prices for the October futures contract has been between $0.05 to $0.10 per MMBtu. In fact, the settlement price for the October contract at the Henry Hub decreased $0.10 per MMBtu on Tuesday, September 10 in response to forecasts of reduced temperatures for the next several days. The October settlement price then increased more than $0.05 per MMBtu on Friday, September 13 to end the week virtually unchanged from the previous week. For the past several weeks, the October futures settlement price has been more than $1.00 per MMBtu below its historical high and close to its historical low. Since price volatility for the natural gas futures contract is still large, record lows could be achieved before the contract closes trading on Tuesday, September 24.

Summary: Spot prices moved-up slowly and concluded the week very close to the futures prices for October delivery which ended unchanged from the previous Friday. This could be an early signal that the supply of natural gas is more than adequate at this time. Barring unforseen events such as major hurricanes and a September cold spell, prices are likely to remain relatively stable and may perhaps decline in the second half of September.