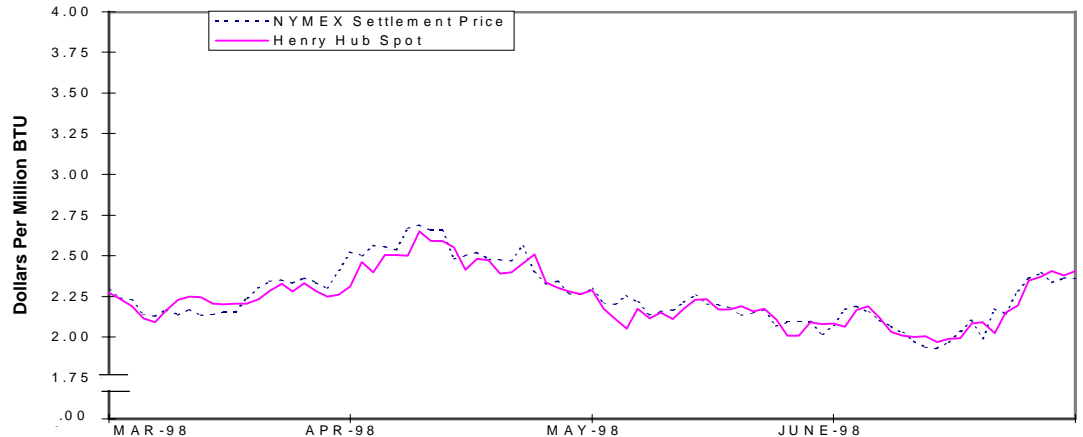


**NYMEX Future Prices vs Henry Hub Spot Prices**

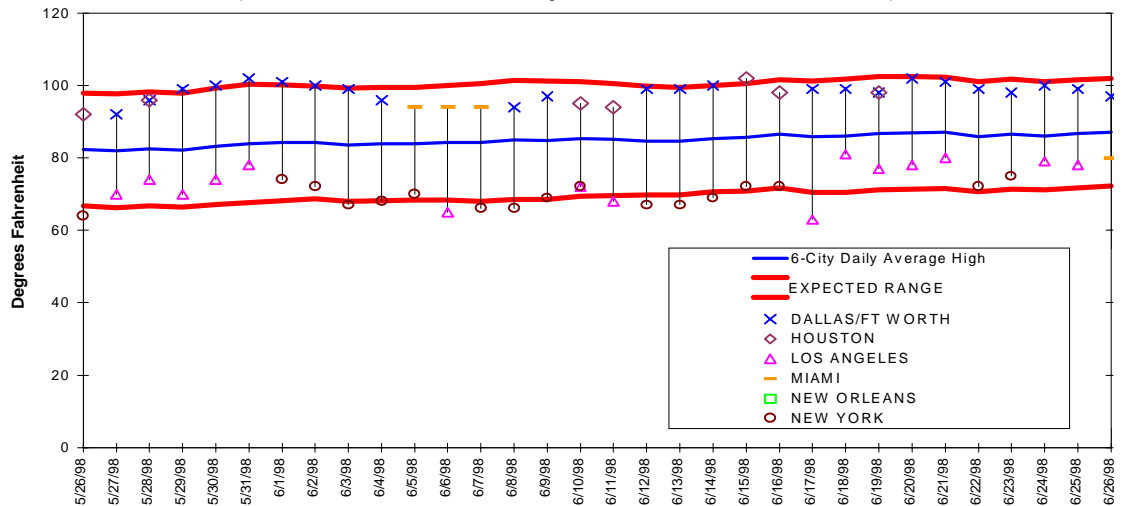


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

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

6/22	2.32-2.37	2.362
6/23	2.35-2.39	2.391
6/24	2.37-2.44	2.336
6/25	2.35-2.41	2.364
6/26	2.38-2.43	2.358

**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)

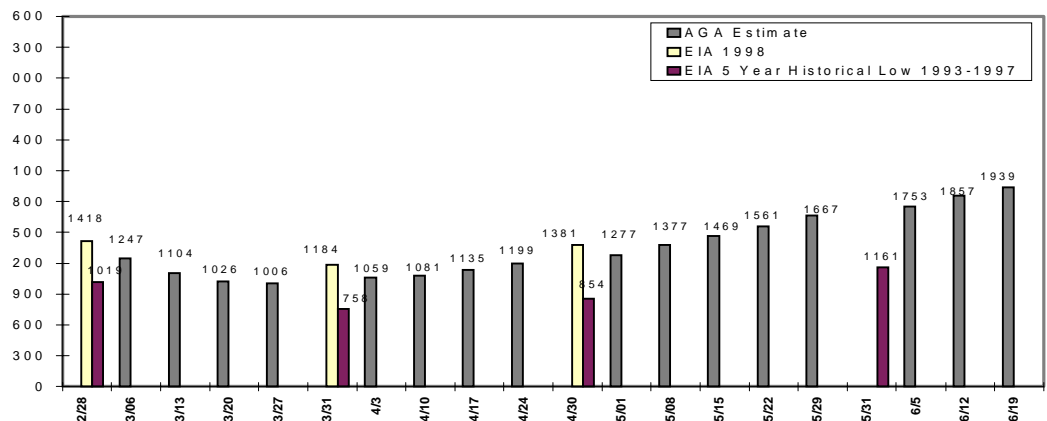


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

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

	Actual	Normal	Diff
6/20	93	87	6
6/21	92	87	5
6/22	89	86	3
6/23	88	87	1
6/24	90	86	4
6/25	90	87	3
6/26	89	87	2

**Working Gas In Storage**



**Working Gas Volume as of 6/19/98**

	BCF	% Full
EAST	1028	57
WEST	288	60
Prod Area	623	68
U. S.	1939	61

Source: AGA

The NYMEX futures contract for August delivery at the Henry Hub began trading as the near-month contract on Monday, June 29, at \$2.380 per MMBtu. The early-summer heat wave that has been blistering Texas, Oklahoma, and other areas of the Southwest expanded as predicted throughout the week to encompass much of the nation east of the Rockies. By Friday, temperatures in the 90s, generally accompanied by high humidity, prevailed over much of the eastern half of the country, from as far north as Michigan's Upper Peninsula in the Midwest to Boston on the east coast. A band of temperatures in the 100s extended through parts of the Carolinas, Georgia, Alabama, and Florida. Spot prices reacted early, jumping up around 15 cents on Monday, June 22, from the previous Friday's levels at most trading locations east of the Rockies, while a few locations saw gains of 20 cents or more. At the Henry Hub, the spot price reached about \$2.35 per MMBtu, up from about \$2.20 on Friday. Spot prices were able to hold their higher levels for the most part through the week, giving up only a few cents in some locations by week's end. The exception was in the Rockies, where prices slid throughout the week as maintenance-related supply outages were resolved and demand slackened. The July futures contract also moved up to begin bid week, settling Monday at \$2.362 per MMBtu, about 8 cents above the Friday, June 19, closing price. The contract traded in a narrow range for the rest of the week, and closed out trading on Friday, June 26, at \$2.358. The American Gas Association (AGA) estimated net injections for the week ended Friday, June 19, at 82 Bcf. The June 24 announcement by OPEC of a planned oil production cut—the second in three months—to remedy a world oil glut had little immediate effect on the price of West Texas Intermediate crude oil, which moved up modestly to \$14.15 per barrel.

**Storage:** The AGA estimated that net injections of working gas were 82 Bcf for the week ended June 19, down 22 Bcf from the previous week's level. Injections into Consuming East region storage facilities amounted to 55 Bcf, bringing the total in this region to 1,028 Bcf, while the national total stands at an estimated 1,939 Bcf. Since the first week of May, injections in the Consuming East region have averaged a little over 56 Bcf per week, while nationally, additions to working gas have averaged almost 95 Bcf per week. Weekly net injections need only average between 48-60 Bcf for the balance of the injection season to reach a beginning-of-heating-season working gas level of 2.8-3.0 Tcf. Likewise, weekly net injections in the Consuming East region need only average between 37-43 Bcf to reach 1,700-1,800 Bcf, which would put the region's storage inventories at the beginning of the heating season at their typical proportion of about 60 percent of the national total.

**Spot Prices:** Spot prices on Monday, June 22, were significantly higher than on the previous Friday as the Southwestern heat wave continued to drive electric utilities' demand for air-conditioning load and forecasts called for the heat wave to expand north and east. At many locations, prices continued to edge up a few pennies throughout the week. Henry Hub prices followed this pattern, jumping 15 cents on Monday to \$2.35 per MMBtu, before ending the week up 21 cents at \$2.41. Sample Friday-to-Friday price increases at other locations are: Waha, up 0.195 to \$2.335 per MMBtu; Katy, up 0.19 to \$2.39; NGPL (OK-Midcont.), up 0.185 to \$2.290; and Columbia (Appalachia), up 0.25 to \$2.515. In the Rockies, prices fell throughout the week, ending up in the \$1.50s per MMBtu, as the downed processing plant at Opal, Wyoming, became partially operational by Monday and was back on line by Wednesday. Prices for San Juan Basin gas tumbled sharply on Friday, by 20 cents or more, largely because of weak demand going into the weekend and reported anticipation of a possible operational flow order on Southern California Gas. California prices were soft late in the week as mild weather curtailed electric-utility demand.

**Futures Prices:** The July futures contract closed on Monday, June 22, at \$2.362 per MMBtu, almost 8 cents higher than the previous Friday. But the price volatility of the previous week was absent as the July contract settled each day within a narrow  $\pm$  3 cent range throughout the week, expiring on Friday, July 26, at \$2.358 per MMBtu. Last year, the July contract expired at \$2.145 per MMBtu. The August contract, now the spot or near-month contract, reached \$2.438 per MMBtu on Tuesday before ending the week at \$2.423.

**Summary:** Hot weather throughout much of the nation prompted price increases in futures prices and in spot prices at virtually all locations east of the Rockies. By contrast, temperatures from the Rockies westward were generally mild, causing softening prices in California and at Rocky Mountain locations, where the resolution of a maintenance-related supply disruption added to the downward price pressure. Net additions to storage for the week preceding last week continued to be fairly strong, despite the heat-driven demand that was beginning to build.