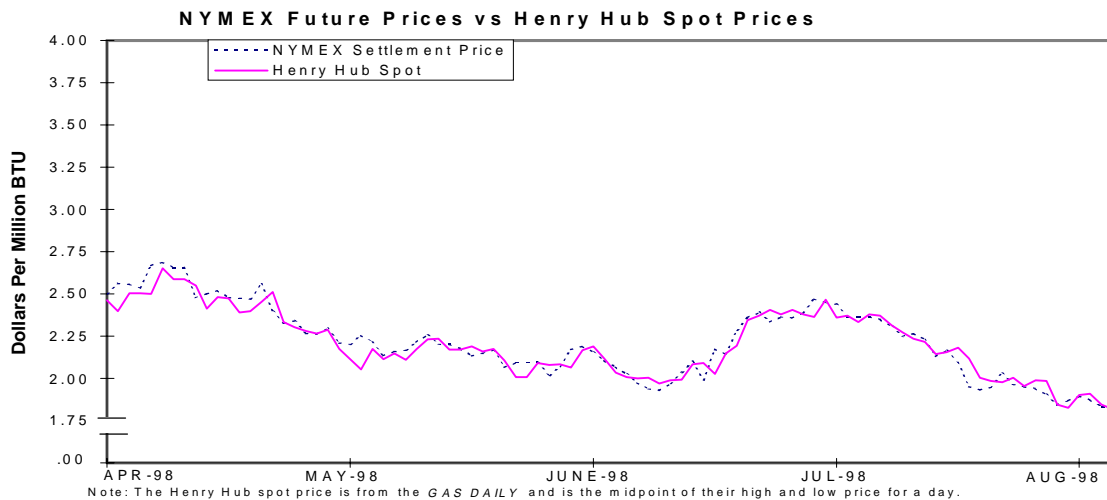
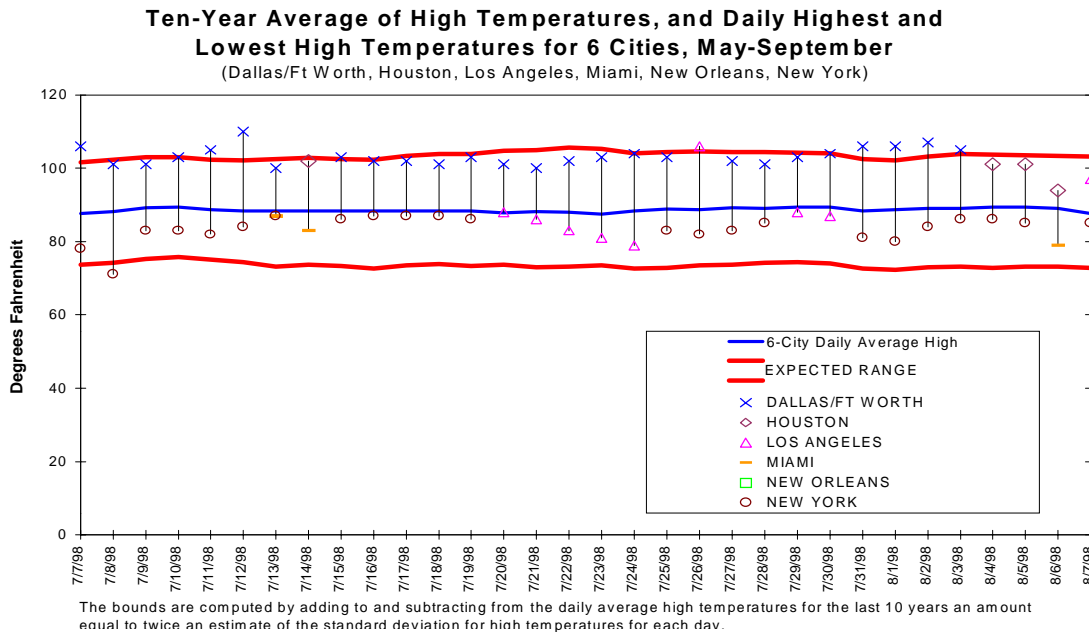


HENRY HUB PRICE		
	SPOT	FUTURES
	August	Sept
	Del	Del
	(\$ per MMBtu)	
8/03	1.80-1.85	1.869
8/04	1.88-1.92	1.895
8/05	1.89-1.93	1.873
8/06	1.83-1.86	1.831
8/07	1.79-1.84	1.833



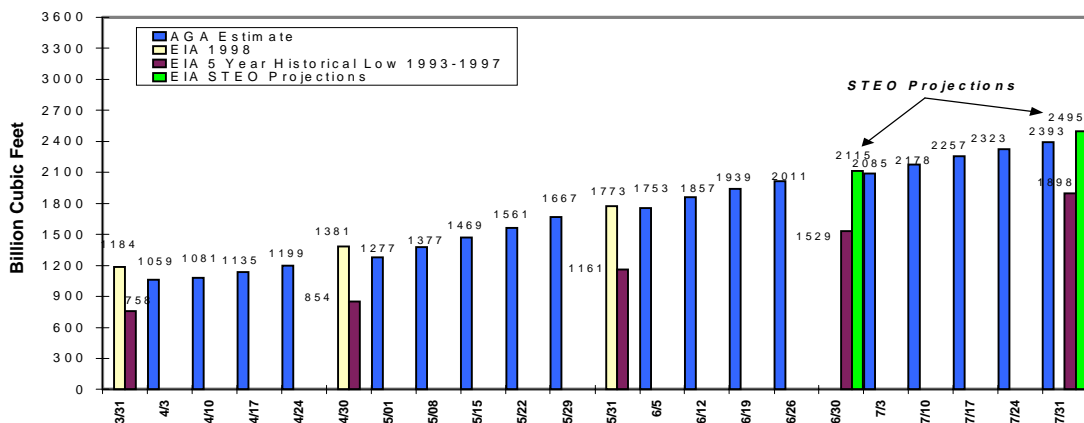
Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
8/01	95	89	6
8/02	97	89	8
8/03	95	89	6
8/04	93	89	4
8/05	90	89	1
8/06	87	89	-2
8/07	91	88	3



Working Gas Volume as of 7/31/98		
	BCF	% Full
EAST	1324	74
WEST	337	70
Prod Area	732	80
U. S.	2393	75

Source: AGA

Working Gas In Storage



The NYMEX futures contract for September delivery at the Henry Hub opened on Monday, August 10, at \$1.830 per MMBtu, virtually unchanged from Friday's settlement price. The Southwest finally saw a break in the heat wave that has dominated the area for more than 6 weeks. Temperatures in Dallas and other cities in Texas had daytime highs in the upper 80s and low 90s during the latter part of last week. The moderating temperatures were accompanied by the region's first significant amount of rainfall in several months. However, forecasts are calling for this period of relief to be short-lived as the return of triple-digit temperatures is expected early this week. Warm weather did return to Southern California as temperatures in Los Angeles were in the upper 90s most days last week. Spot prices at the Henry Hub were in the mid \$1.80s most days then moved down to end the week near \$1.80 per MMBtu—slightly above those at other major markets in the producing area. The futures contract for September moved up at mid week to \$1.895 per MMBtu then retreated to end the week at \$1.833. Net additions to storage were estimated to be 10 Bcf per day during the last week of July. The price of West Texas crude began the week down 50 cents a barrel and ended the week at \$13.85—roughly equal to \$2.40 per MMBtu.

Storage: According to the American Gas Association (AGA), net injections to storage for the week ended Friday, July 31, were 70 Bcf. This brings the estimated amount of working gas in storage to 2,393 Bcf, almost 480 more than last year. The Producing region again added more than 20 Bcf to bring its working gas total to 732 Bcf, which represents 80 percent of the region's 920 Bcf of working gas capacity. Last year at this time, storage facilities in the Producing region were estimated to be only 54 percent full at 501 Bcf. The East Consuming region is also well ahead of last year with almost 1,325 Bcf in storage compared with last year's estimate of 1,103. Through the end of July, the EIA's *Short Term Energy Outlook* (STEO) estimates that 2,495 Bcf of working gas is in storage. Using either one of these estimates, the industry is well ahead of EIA's reported level of working gas on hand at the end of July for the previous 2 years (1997: 2,014 Bcf and 1996: 1,898 Bcf). In order to reach a typical working gas storage level of near 3,000 Bcf at the beginning of the heating season (Nov.1), net additions over the next 3 months need to be between 500 and 600 Bcf. Last year, EIA data indicate that almost 870 Bcf was added from August through October. During the same period in 1996, the industry added 915 Bcf.

Spot Prices: The moderating temperatures in the Southwest appear to have contributed to a general decline in spot prices at most major markets, especially those in Texas. Prices at Carthage, Katy, and Waha all moved down between 5 and 10 cents per MMBtu and ended the week trading below the Henry Hub price of \$1.81. Since early July, prices have dropped almost \$0.60 per MMBtu at most major markets. Contributing to this decline has been: the elevated level of storage, continuing moderate weather in the Midwest and the East, and the accompanying price decline of the NYMEX near-month contract at the Henry Hub. The July contract closed at \$1.942 per MMBtu—the lowest final settlement for a contract in over a year. Prices in the West also moved down late last week, dropping more than 10 cents per MMBtu to about \$2.25 on Friday as temperatures began to moderate in Southern California. In the Rockies, prices were trading for about \$1.65 per MMBtu at several market locations.

Futures Prices: The NYMEX contract for September delivery at the Henry Hub has moved down almost 7 cents since it began as the near-month contract last week at \$1.906 per MMBtu. To date this contract has traded in a tight range of about 5 cents most days, and interest has been moderate with about 18,000 contracts a day. The September contract will settle on August 27. Last year at this time, the September contract was trading for \$2.374 per MMBtu before closing at \$2.515.

Summary: Temperatures in the Southwest moderated as the extended heat wave dissipated for several days last week. Spot prices moved down at most major markets, and the near-month futures contract for September continued to decline. Storage levels are now almost 480 Bcf ahead of last year.