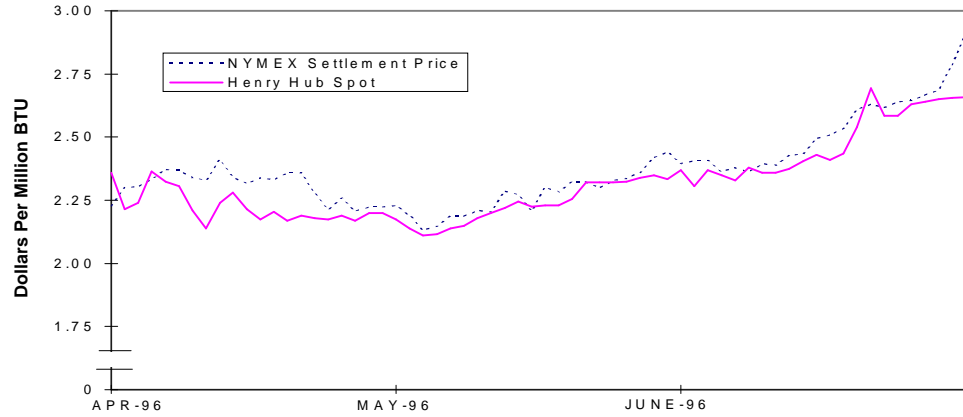


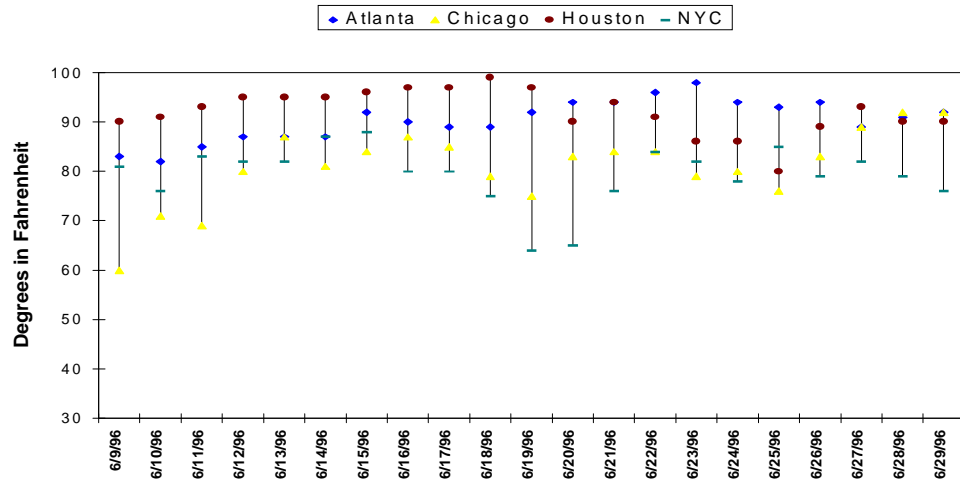
**NYMEX Price Futures vs Henry Hub Spot Price**

HENRY HUB PRICE		
CASH	FUTURES	
Jun/Jul	Jul/Aug	
Del	Del	
(\$ per MMBtu)		
6/24	2.61-2.65	2.646
6/25	2.62-2.66	2.667
6/26	2.64-2.66	2.687
6/27	2.65-2.66	2.787
6/28	2.65-2.67	2.911



Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
6/23	77	76	1
6/24	77	76	1
6/25	76	76	0
6/26	76	77	-1
6/27	78	77	1
6/28	78	77	1
6/29	79	77	2

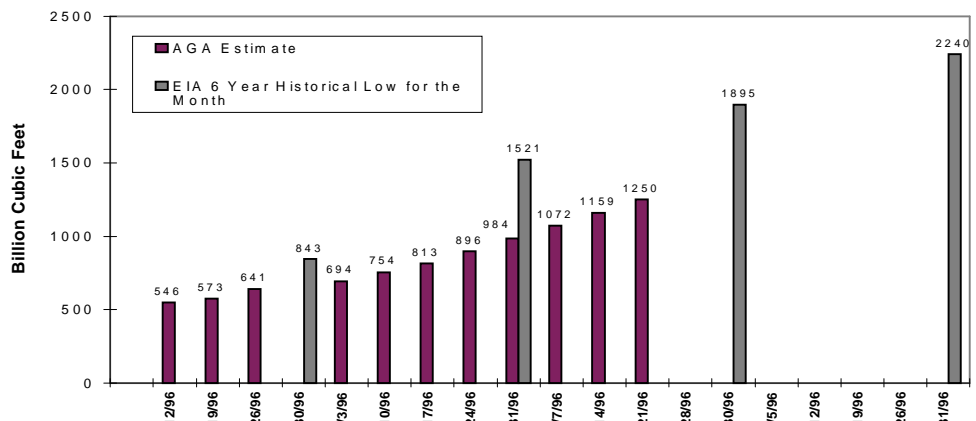
**High Temperature for Four Selected Cities**



Working Gas Volume as of 6/21/96		
	BCF	% Full
EAST	664	37
WEST	290	60
Prod Area	296	33
U. S.	1250	39

Source: AGA

**Working Gas In Storage**



The NYMEX futures price for August delivery at the Henry Hub opened lower this morning, July 1, at \$2.785 per MMBtu on news that about 700 MMcf per day of supplies had been restored in the Gulf. During the first part of last week, prices for the August contract rose despite a decline in high temperatures in many key metropolitan areas and a softening of demand. Then, on Thursday, June 27, prices soared, in large part because of supply problems from equipment failures in the Gulf of Mexico. The low and high prices for the normal trading day were \$2.70 and \$2.81 per MMBtu, respectively, with prices subsequently rising to \$2.86 per MMBtu on Access (after hours) trading. Prices continued to rise during the next trading day to \$2.98 per MMBtu before settling at \$2.91, which was \$0.11 per MMBtu greater than the settlement price for the January 1996 futures contract. The August delivery contract was selling at a premium to all other traded contracts for the next several years. In general, futures prices for the next six delivery months have remained relatively flat. These similar forward prices are partially due to the premium associated with owning gas for release onto the market at a nearby future date. A seller for forward delivery is willing to accept a lower price and also incur storage costs in order to keep the opportunity to release the gas to market if prices rise in the interim. The seller might then replace the gas when prices subsequently fall. Although there is still some risk associated with such strategies, market history has shown there is a high average return from being able to release readily available gas onto the market when prices increase significantly for several days or weeks.

**Futures Prices:** The futures settlement price for July delivery at the Henry Hub was \$2.646 per MMBtu on June 24, the last day of trading for the July contract. The next day the futures price for August delivery opened at \$2.655 per MMBtu and closed at \$2.667. The difference in the high and low price during the day was \$0.065 per MMBtu, which indicates a relatively high daily price volatility. The average of futures prices for the rest of the year was \$2.69 per MMBtu on Tuesday, June 25, but rose to \$2.82 per MMBtu on Friday, also indicating significant volatility.

**Spot prices:** On Friday, June 28, daily spot prices for June delivery were more than \$0.10 per MMBtu greater than spot prices for July delivery. Spot prices are still running shy of futures prices. Moreover, spot prices, as indicated on the Market Update price chart, have risen by more than \$0.50 per MMBtu since early May. This is generally considered an unusually large price change for May and June, barring extraordinary market and weather events such as extensive damage to production property from hurricanes during the time period. Thus, some believe that a large price decline is on the horizon, especially since high prices are likely to boost production and reduce demand from previously expected levels.

**Storage:** According to the most recent AGA statistics, storage levels for the week ending June 21, stood at 1,250 Bcf. More importantly, storage levels for the East consuming region grew by 66 Bcf, or 73 percent of the total U.S. net injections for the week (91 Bcf). This large increase is not surprising because storage levels for the East consuming region at the end of the 1995-96 heating season were near levels for the producing region. Usually, the East consuming region has twice as much gas in storage at the beginning of the heating season as the producing region. The uncertainty as to whether storage levels in the East will reach target levels by the beginning of the next heating season contributes to the relatively high price volatility on gas markets.

**Summary:** It seems that the gas marketplace constantly breaks new ground. Not only do spot prices in producing areas no longer exhibit a marked seasonal pattern but spot prices at the beginning of July can be significantly higher than spot prices at the beginning of December.