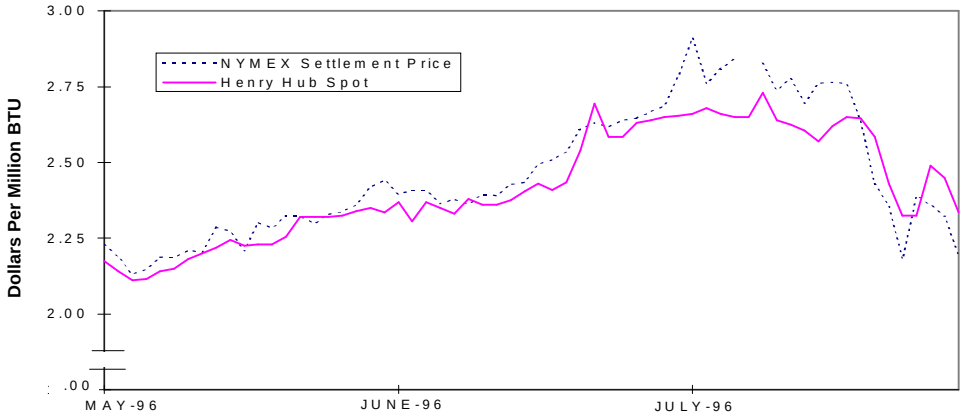
Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
July 29,1996

	HENRY HUB PRICE	
	CASH	FUTURES
	July/Aug	Aug/Sept
	Del	Del
	($ per MMBtu)	
7/22	2.27-2.38	2.181
7/23	2.28-2.37	2.390
7/24	2.47-2.51	2.359
7/25	2.41-2.49	2.322
7/26	2.29-2.38	2.192

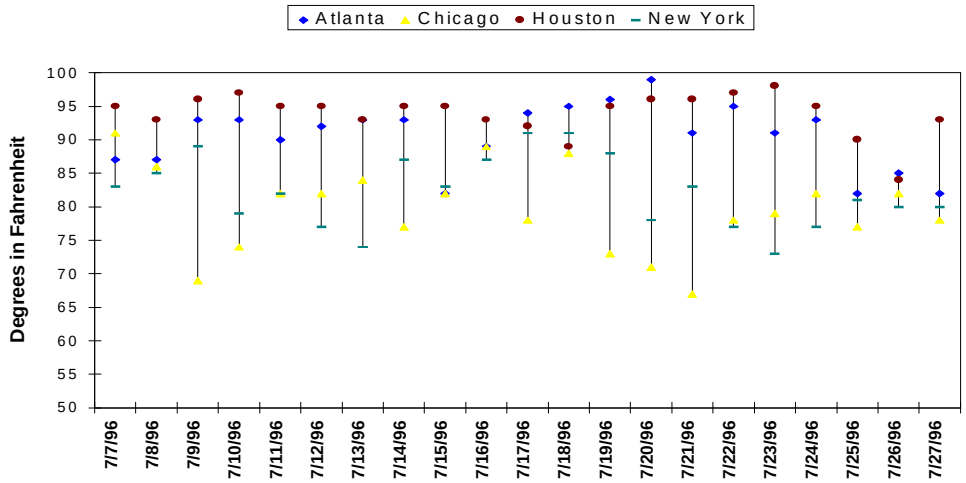
NYMEX Price Futures vs Henry Hub Spot Price



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
7/21	76	79	-3
7/22	76	79	-3
7/23	77	79	-2
7/24	78	79	-1
7/25	76	79	-3
7/26	75	79	-4
7/27	75	79	-4

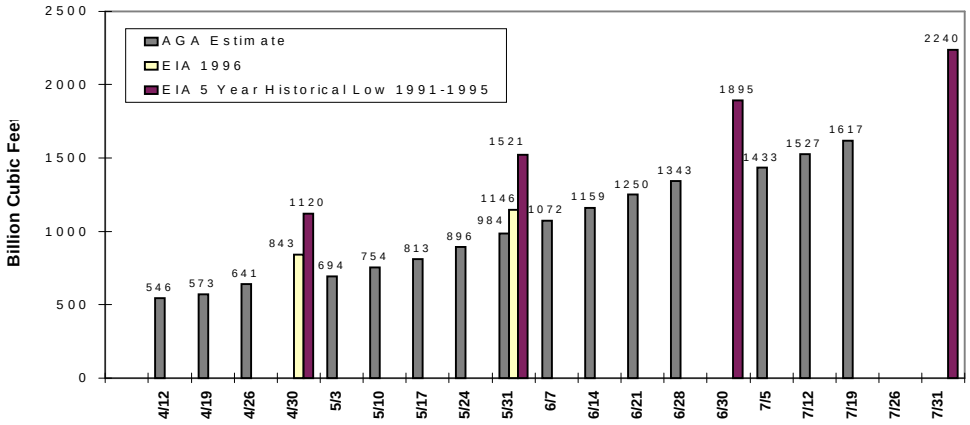
High Temperature for Four Selected Cities



Working Gas Volume as of 7/19/96		
	BCF	% Full
EAST	941	53
WEST	318	66
Prod Area	358	39
U. S.	1617	51

Source: AGA

Working Gas In Storage 1996



NYMEX Henry Hub futures prices were $2.12 per MMBtu at the beginning of trading on Monday, July 29. The futures price for August delivery closed at $2.322 per MMBtu on Thursday, July 25, the final day of trading for the contract. On the same day, the September futures contract settled at $2.249 per MMBtu and the spot price at the Henry Hub was $2.43 per MMBtu. These prices suggest that current supplies are tight relative to futures supplies. During the past week, cash and futures prices at the Henry Hub moved down significantly from week-earlier levels as temperatures moderated in the eastern part of the country. AGA working gas storage estimates increased by 90 Bcf for the week ending Friday, July 19, which is very similar to net injections for the past 7 weeks.

Future Prices Futures prices continue to be extremely volatile. The August contract traded near $2.10 in early May, rebounded to around $2.90 in early July (a 38-percent increase), and just this past week declined to near 2.10 per MMBtu once more. Futures prices for August delivery were as low as $2.165 per MMBtu on Monday, July 22, shifting downwards along with temperatures in much of the United States.

Storage: Recent AGA statistics indicate that working gas levels for the week ending July 19 were 1,617 Bcf, with 941 Bcf of this total in Eastern storage facilities. The latest EIA survey data indicate that as of May 31, the approximately 255 storage facilities located in the East consuming region had 614 Bcf of working gas on hand. This level is lower than at this date in any of the previous 5 years. Working gas levels at the end of May have generally declined during the 5-year period as the industry's management of storage resources has evolved along with the other changes in the nation's gas markets. Working gas levels in eastern storage sites at the end of May were 1,151 Bcf in 1991, 832 Bcf in 1994, and 842 Bcf in 1995.

Canadian Storage: Working gas storage levels in Canada were estimated to be 257 Bcf as of July 19, according to data from the Canadian Gas Association (CGA), the AGA equivalent in Canada. This total represents 51 percent of an estimated working gas capacity of 505 Bcf. Similar to the United States, storage facilities in eastern Canada (located in Ontario) were at their lowest level in recent history at the end of the 1995-96 heating season. As of July 19, levels were still at less than 44 percent of working gas capacity or 101 Bcf. However, in contrast to the United States, most of the Canadian storage capacity is located in the West producing area rather than the East consuming area (55 percent vs. 45 percent).

Nuclear Shut Down: Northeast Utilities shut down its Connecticut Yankee nuclear generating plant on July 22, because of safety concerns, leaving the state without any of its four nuclear power plants. The earlier closing of the Millstone 1,2, and 3 sites, which represented half of the state's electrical generating capacity, was the primary cause of some rolling brown outs during an unusual hot spell in mid-May. As part of southern New England's effort to secure alternate sources of electricity, several actions are now complete, including: reactivation of several dormant conventional generating plants, installation of four or more gas turbine generators, and increased purchases of power from neighboring states and Canada. These latter two have the potential of placing additional demand on the East region's gas supplies, which could affect ongoing efforts to refill the region's storage resources. To date, southern New England has experienced a cooler-than-normal summer.

Spot prices: Spot prices at the Henry Hub ranged between $2.27 and 2.51 per MMBtu during the week and were very volatile, which is not uncommon near the last day of trading of a particular futures contract. It appears that the rising trend in price which began in May was finally broken. Spot prices at the Henry Hub as well as other locations were exhibiting some surprising behavior. West Texas prices were similar to San Juan New Mexico prices. Several months ago, the San Juan price was about $1.00 less than West Texas prices. This is a striking example of the influence of high temperatures on prices in the West, which is currently experiencing very high temperatures as distinct from other parts of the United States.

Summary: Price volatility continued in the spot and futures market with daily price swings of close to $0.20 per MMBtu not uncommon. The August delivery price closed on Thursday, July 25, $0.345 per MMBtu below what it was in June. A potential electric utility supply problem in southern New England continued and intensified, and the steady increase in storage levels in both the United States and Canada continues.