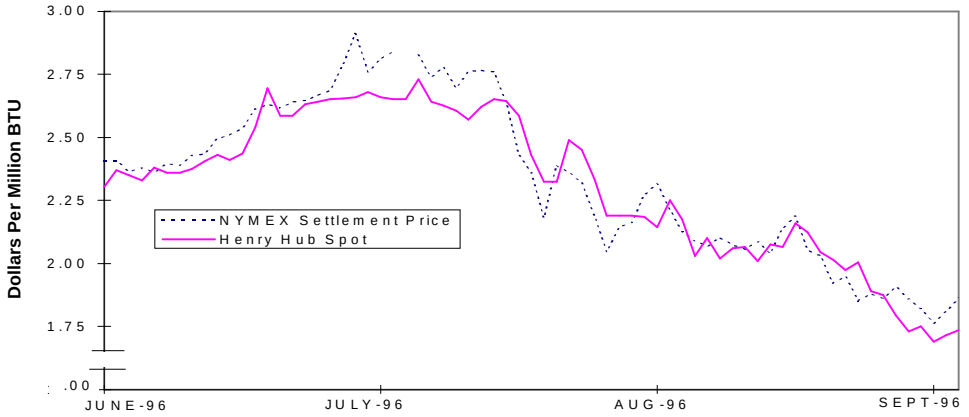
Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
September 9,1996

	HENRY HUB PRICE	
	CASH	FUTURES
	Sept	Oct
	Del	Del
	($ per MMBtu)	
9/02	holiday	
9/03	1.72-1.78	1.821
9/04	1.67-1.71	1.764
9/05	1.69-1.74	1.809
9/06	1.71-1.76	1.863

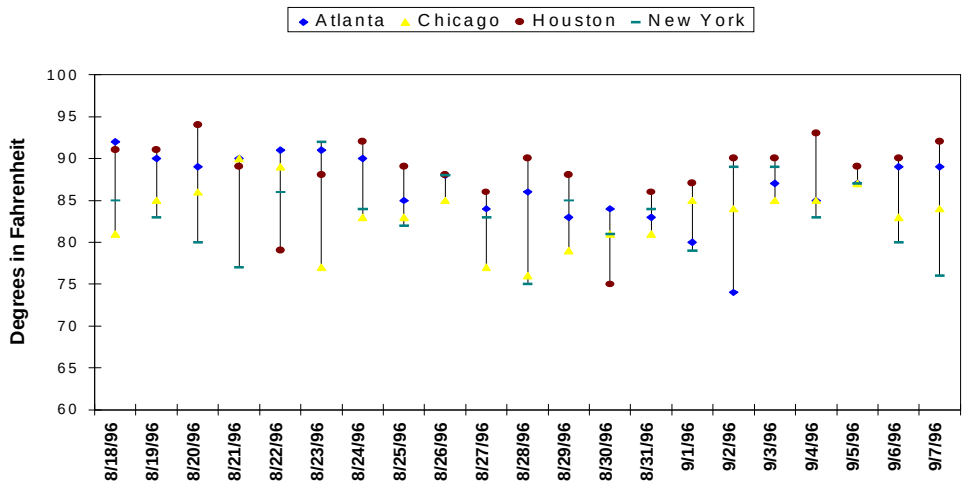
NYMEX Price Futures vs Henry Hub Spot Price



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
9/01	75	75	0
9/02	76	75	1
9/03	79	75	4
9/04	78	75	3
9/05	80	74	6
9/06	77	74	3
9/07	77	74	3

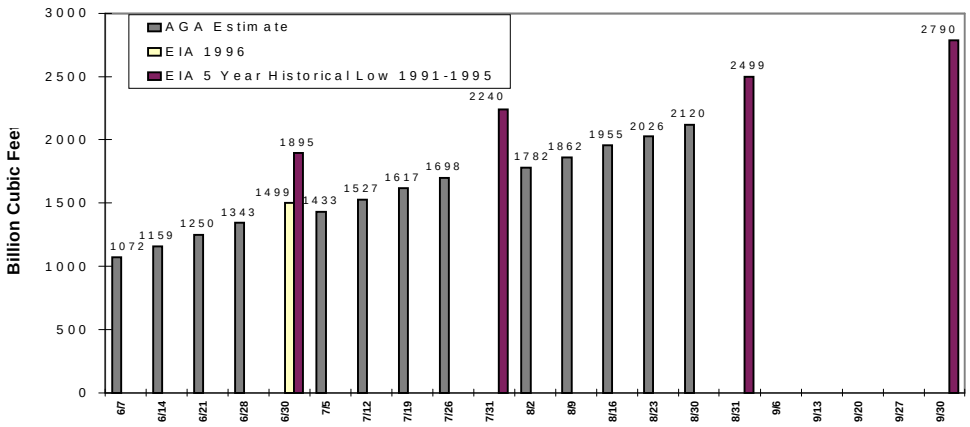
High Temperature for Four Selected Cities



Working Gas Volume as of 8/30/96		
	BCF	% Full
EAST	1,315	73
WEST	314	65
Prod Area	491	54
U. S.	2,120	67

Source: AGA

Working Gas In Storage 1996



Futures prices at the Henry Hub were $1.890 per MMBtu for October delivery at the beginning of trading on Monday, September 9. On Friday, September 6, both spot and futures prices were similar to those seen at the end of the previous week. Net injections to storage increased to 94 Bcf for the week ending August 30. Recently, natural gas prices have fallen almost to year-ago levels, when they were considered low. Current prices for natural gas are also much less than a few months ago and much less than expected prices for January 1997. This provides additional incentive for storing natural gas. In response to the U.S./Iraqi situation, oil prices rose last week to almost $24.00 a barrel in Texas - close to the highest price it has been all year. If oil prices continue high, gas demand is likely to increase because some electric, industrial and commercial customers that can use both fuels will increase their use of natural gas. This could tend to dampen any additional price declines or increase prices.

Storage: Based on American Gas Association (AGA) estimates for the week ending Friday, August 30, net injections into storage were 94 Bcf - an increase of 23 Bcf from injections the previous week. This increase brings the refill rate back to the level seen in 11 of the last 15 weeks and reinforces the view that the industry is committed to returning its storage resources to a dependable level by the start of the next heating season (Nov.1). According to AGA estimates, storage sites in the East received almost 80 percent of the latest injections and working gas levels in the East are now within 6 percent of levels at the same time last year. Again using AGA estimates, additions to storage for the August totaled more than 360 Bcf, which was 30 percent greater than the last 5-year average for August injections. If storage injections during the remaining two months of the refill season are only 15 percent higher than the previous 5-year average for those months (298 Bcf for September and 170 Bcf for October), total available working gas by November 1, will be somewhere between 2.6 and 2.7 Tcf.

Spot Prices: Spot prices ended the week on Friday, September 6, at just about the same level they were on the previous Friday. To date, the recent upswing in oil prices as a result of the U.S./ Iraqi military actions has had no apparent impact on natural gas prices. This could change, however, in that gas prices are often affected by significant movements in the price of oil. The relationship between these two markets, however, varies depending on the time of the year.

Futures Prices: At the close of the market on Friday, September 6, futures prices for October delivery were almost identical to those of a week earlier after being down almost $0.10 per MMBtu at mid-week. Futures prices for January delivery have recently been about $0.40 per MMBtu higher than prices for October delivery, which could provide an incentive for storing additional amounts of gas.

Summary: Prices on both the spot and futures market ended the week at virtually the same level as a week earlier. The rate of storage refill continues to exceed the pace seen over the past 5 years. Recent price increases for oil, to date, have had no evident effect in the natural gas markets.