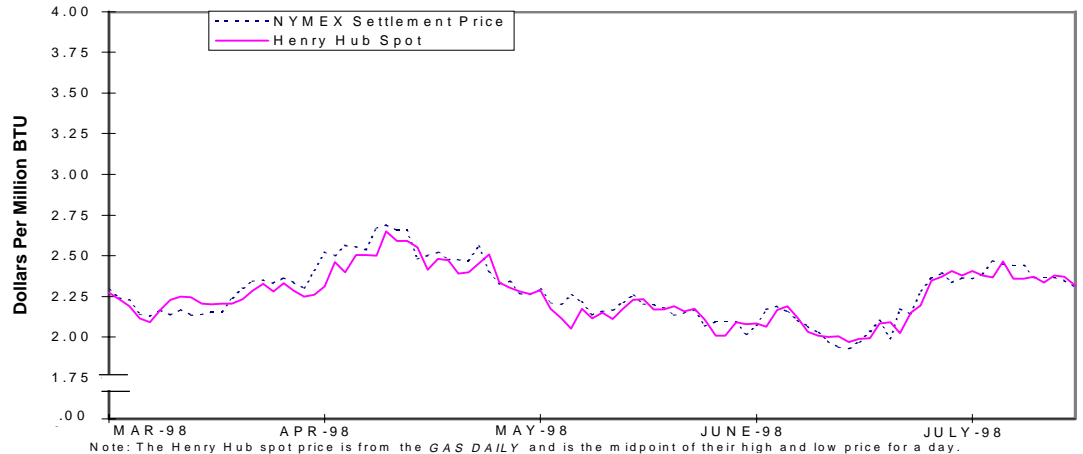


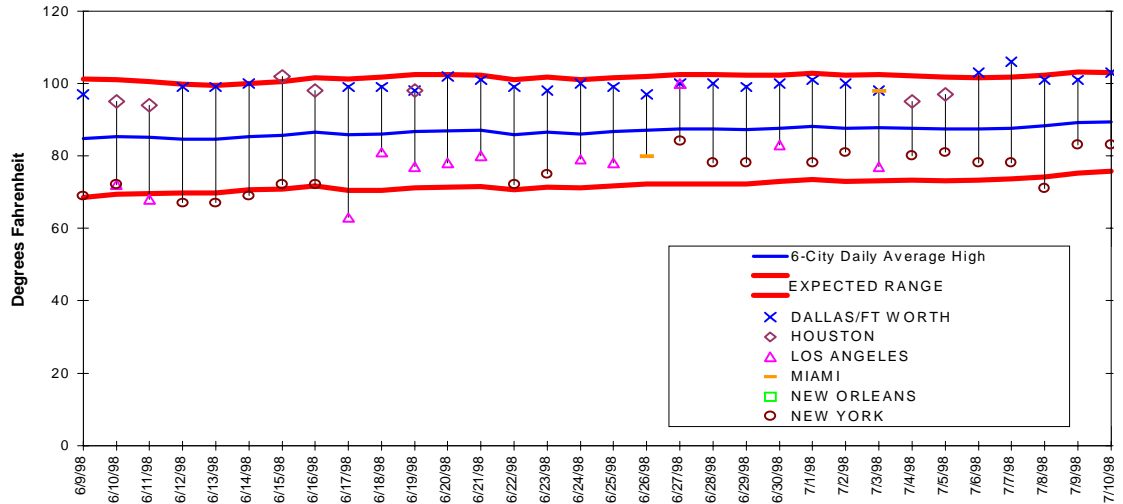
**NYMEX Future Prices vs Henry Hub Spot Prices**



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

7/06	2.35-2.39	2.365
7/07	2.32-2.35	2.365
7/08	2.36-2.40	2.366
7/09	2.35-2.39	2.349
7/10	2.30-2.33	2.309

**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)

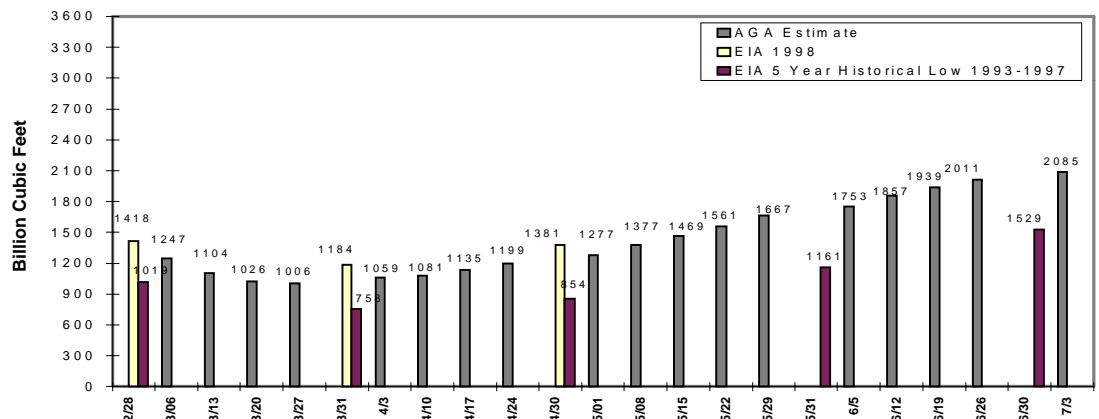


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

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

	Actual	Normal	Diff
7/04	89	88	1
7/05	90	87	3
7/06	94	87	7
7/07	94	88	6
7/08	91	88	3
7/09	94	89	5
7/10	94	89	5

**Working Gas In Storage**



**Working Gas Volume as of 7/03/98**

	BCF	% Full
EAST	1124	63
WEST	310	64
Prod Area	651	71
U. S.	2085	65

Source: AGA

The NYMEX futures contract for August delivery at the Henry Hub opened on Monday, July 13, at \$2.305 per MMBtu, down a fraction of a cent from Friday's settlement price. The month-long heat wave in the Southwest continued as temperatures in Dallas and Houston exceeded 100 degrees most days last week. Other cities in the region, including Austin, Little Rock, Oklahoma City, and San Antonio, also reported highs of above 100 in the middle of the week. Temperatures in Los Angeles also rose as the daily highs topped 93 degrees several days last week. The weather in most other areas of the country remained moderate with the daytime highs in Chicago and New York City ranging between 71 and 85 degrees. Forecasts are calling for the hot weather to remain dominant in Texas through the middle of this week. Prices were generally stable on both the spot and futures markets and traded within 1 to 3 cents per MMBtu at the Henry Hub most days last week before declining on Friday. Similar to the previous week, net additions to storage were estimated by the American Gas Association (AGA) to be about 10 Bcf per day. The price of West Texas crude oil moved down about 50 cents a barrel to end the week at \$13.90—roughly equal to \$2.42 per MMBtu.

**Storage:** The American Gas Association estimated that net injections totaled 74 Bcf for the week ended July 3, 2 Bcf greater than for the previous week. This brings total working gas inventories, according to AGA estimates, to 2,085 Bcf, with 1,124 Bcf in East Consuming region storage facilities. The surplus of working gas over the level of this time last year is 240 Bcf for the Consuming East region, and 430 Bcf in total. The differentials are due in part to the higher inventory levels on hand this year at the start of the injection season (177 Bcf total) and the fact that net injections to storage began 3 weeks earlier this year than last. Although net injections to date are 253 Bcf more than at this time last year, weekly average net injections are very close for the 2 years: about 75 Bcf per week for 1997 and about 77 Bcf per week for this year. Nonetheless, this latest AGA estimate is the highest inventory level at this point in the year ever reported during the 5 years AGA has been publishing estimates. It also exceeds end-of-June working gas levels reported by EIA for the past 5 years (1993-1997). One must look back to June 1992 to find a higher working gas inventory figure, when EIA's end-of-month estimate was 2,153 Bcf.

**Spot Prices:** At the Henry Hub, spot gas traded for about \$2.35 per MMBtu through Thursday—similar to the previous week's level. On Friday the price moved down about 5 cents per MMBtu at most markets, including those affected by the disruption at Amoco's Jayhawk gas-processing plant in Kansas. This facility, which is capable of processing more than 400 MMcf per day, will be out of service for an undetermined length of time because of a minor explosion. Current reports indicate that most of the gas from the facility was going into storage and therefore probably will have only a minor impact on Midcontinent market prices. The high temperatures in Los Angeles last week did apply some upward pressure to prices in the Rockies and at the California border. In the Rockies, prices were up about 25 cents early in the week, and at border points in Southern California, the price reached \$2.50 per MMBtu on Thursday—up almost 20 cents since Monday. Prices in Southern California declined more than 20 cents per MMBtu on Friday as temperatures moderated. In the Rockies, prices dropped about 30 cents to \$1.60 per MMBtu as the cooler weather in Southern California lessened electric utility demand for gas in order to meet air-conditioning use.

**Futures Prices:** During the first 4 days of last week, the settlement price of the August NYMEX futures contract for delivery at the Henry Hub varied by less than 2 cents per MMBtu—\$2.349 to \$2.366. It then declined 4 cents per MMBtu on Friday as the only area with strong demand continues to be the Southwest. The August contract is scheduled to close on July 29.

**Summary:** The high temperatures in the Southwest, especially in Texas, continue to persist. The disruption at a major processing plant in Kansas had no apparent impact on prices as they remained generally stable at most locations last week. Storage volumes at the end of June were at their highest level for that time in 5 years.