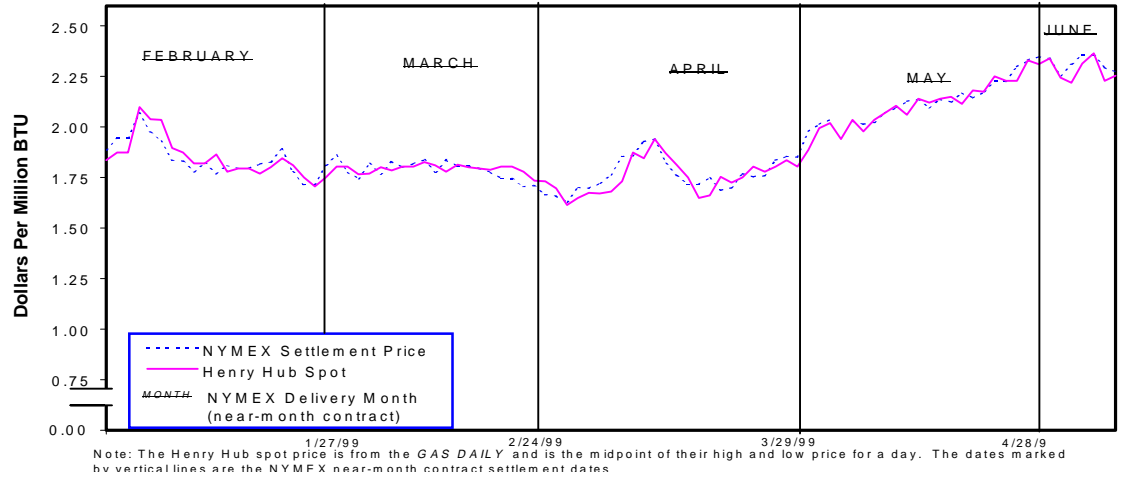


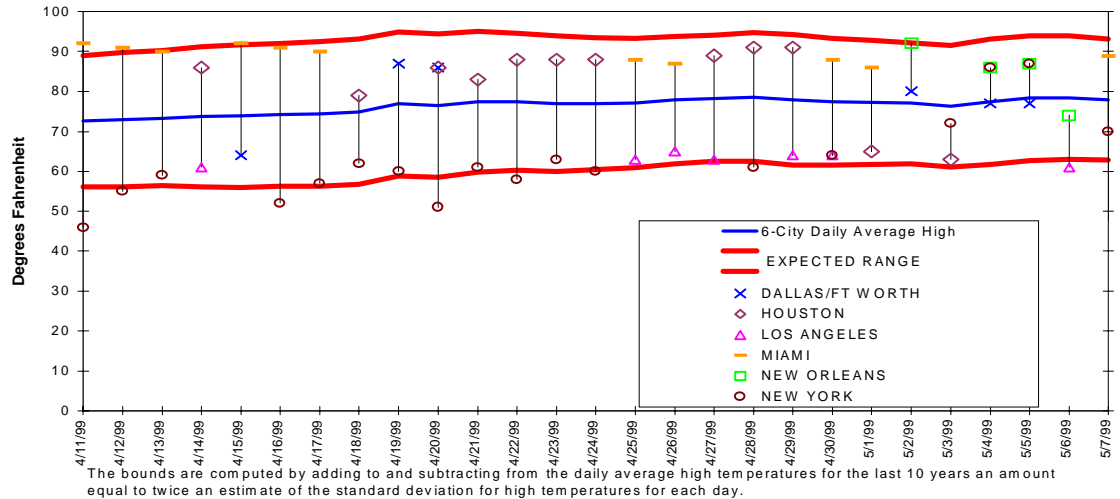
NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
SPOT	FUTURES	
May	June	
Del	Del	
(\$ per MMBtu)		
05/03	2.20-2.24	2.311
05/04	2.29-2.34	2.359
05/05	2.35-2.38	2.359
05/06	2.22-2.24	2.295
05/07	2.23-2.28	2.273



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)

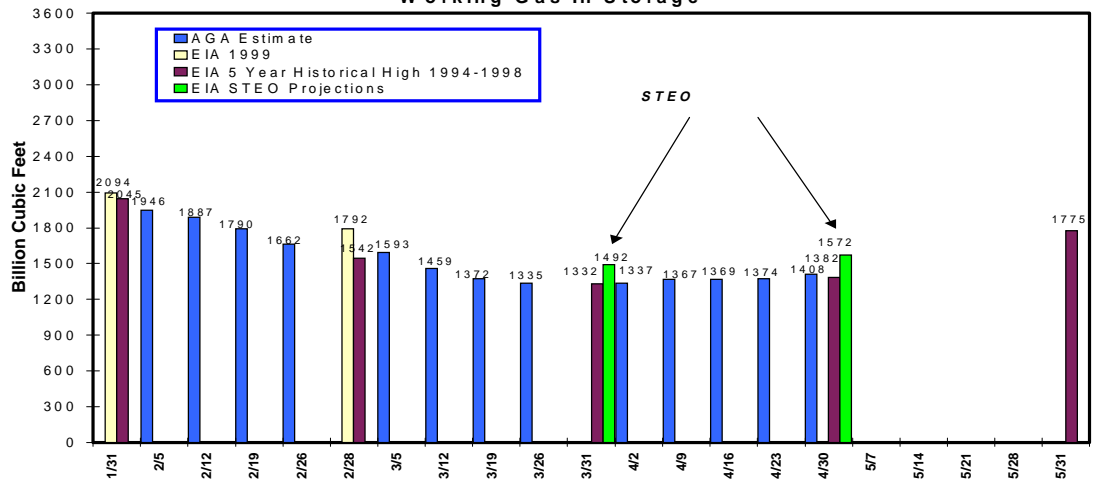
Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
05/01	77	77	0
05/02	84	77	7
05/03	67	76	-9
05/04	83	77	6
05/05	82	78	4
05/06	66	78	-12
05/07	81	78	3



Working Gas Volume as of 04/30/99		
	BCF	% Full
EAST	623	34
WEST	242	49
Prod Area	543	57
U. S.	1408	43

Source: AGA

Working Gas In Storage



With this issue, the *Natural Gas Weekly Market Update* switches to its nonheating season temperature graph, wherein it tracks the highest and lowest daily high temperatures from among six major gas-consuming cities (Dallas, Houston, Los Angeles, Miami, New Orleans, and New York) and provides an expected range for the daily average of the high temperatures for these six cities, based on 10 years of daily temperatures recorded by the National Weather Service. These cities were chosen for their potential for large air-conditioning loads during the summer. The associated graph is intended to give some indication of how temperature-driven space-cooling requirements in selected electricity markets might affect electric utilities' incremental demand for natural gas.

The NYMEX futures contract for June delivery at the Henry Hub opened on Monday, May 10, at \$2.255 per MMBtu, \$0.018 less than Friday's settlement price. Seasonal temperatures prevailed in most parts of the country last week with daytime highs generally in the 70s and 80s. The violent tornadoes that occurred in Kansas, Oklahoma, and Texas did interrupt local gas service but had little or no impact on natural gas production or transmission. For the first time this refill season, all three storage regions had estimated net additions during the last week of April. Spot prices at the Henry Hub began the week below \$2.25 per MMBtu, reached a high of \$2.36 on Wednesday, then ended the week at \$2.26. The June futures contract traded at \$2.359 per MMBtu at midweek before moving down to end the week at \$2.273. The price of West Texas Intermediate crude oil reached \$19.00 per barrel last week then trended down and by Friday the posted price was \$18.25—roughly equivalent to \$3.18 per MMBtu.

Storage: According to the American Gas Association (AGA), net storage injections for the week ended Friday, April 30, were 34 Bcf. This was almost seven times the previous week's estimate of 5 Bcf but less than half the level for the same week last year when 78 Bcf was added. The latest AGA estimate brings total net additions to storage in April to about 75 Bcf, well below last year's robust level of 199 Bcf. This trend toward a reduced refill rate will probably continue into May, which, along with June, is usually the busiest month in the refill season. Based on EIA data for the past 5 years, net injections during May have averaged 354 Bcf, ranging from a low of 321 Bcf in 1997 to a high last year of 393 Bcf. EIA has estimated that working gas inventories at the end of April were 1,572 Bcf—their highest level in 7 years. Therefore, over the next 6 months, less than 1,450 Bcf, or an average of about 240 Bcf per month, needs to be added between May and October to reach a pre-winter level of 3,000 Bcf.

Spot Prices: With most of the country enjoying typical spring-time weather during the past week, spot prices at the Henry Hub appeared to be influenced by price movements in the trading of the near-month (June) NYMEX futures contract. This pattern, called "following the screen," had spot prices at the Henry Hub and at other major markets peaking at midweek then trending down to end the week at about the same level as the previous Friday. One of the lowest posted prices on Friday, May 7—about \$1.89 per MMBtu—was reported at Opal in the Rockies. On Wednesday, at the same location, the spot price was above \$2.00 per MMBtu. Prices at the Katy Hub in East Texas traded for about \$2.19 per MMBtu on Friday—8 cents less than at midweek.

Futures Prices: The near-month June contract was trading for a high of almost \$2.40 per MMBtu at midweek but then trended down to settle at near \$2.27 on Friday. Some of the factors that may have led to reversal in the upward price trend in the near-month pricing are the recent weather forecasts calling for generally normal to cooler-than-normal summer temperatures in many parts of the country and the expected expansion of pipeline capacity from Canada to the Midwest next fall, which could reduce the level of storage inventories needed prior to next winter.

Summary: Mild spring-time temperatures were prevalent in most parts of the country last week. Prices for the near-month futures contract trended down late in the week as the potential for expanded supply into the Midwest may result in a reduction in the level of storage inventories needed. The rate of weekly net additions to storage was at its highest in 3 weeks but still significantly below last year.