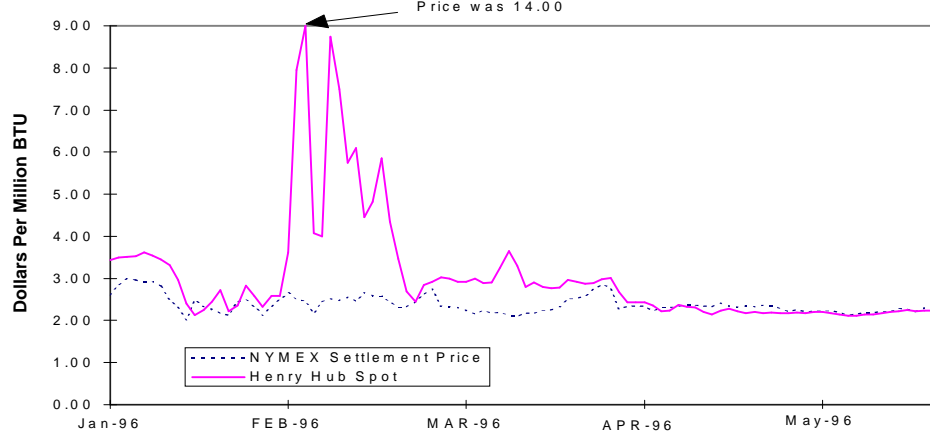


NYMEX Price Futures vs Henry Hub Spot Price

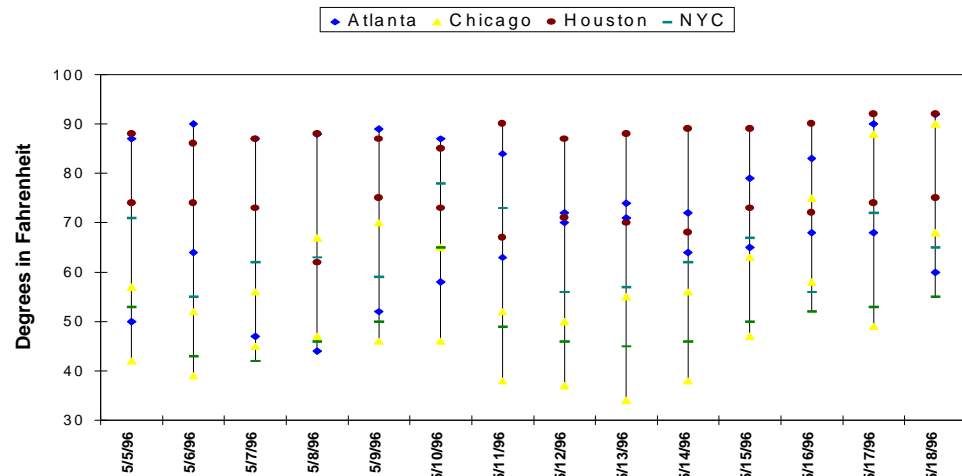
HENRY HUB PRICE		
	CASH	FUTURES
	May	June
	Del	Del
	(\$ per MMBtu)	
5/13	\$ 2.20-2.24	\$2.286
5/14	2.22-2.27	2.273
5/15	2.20-2.25	2.299
5/16	2.21-2.25	2.302
5/17	2.21-2.25	2.284



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

High and Low Temperature for Four Selected Cities

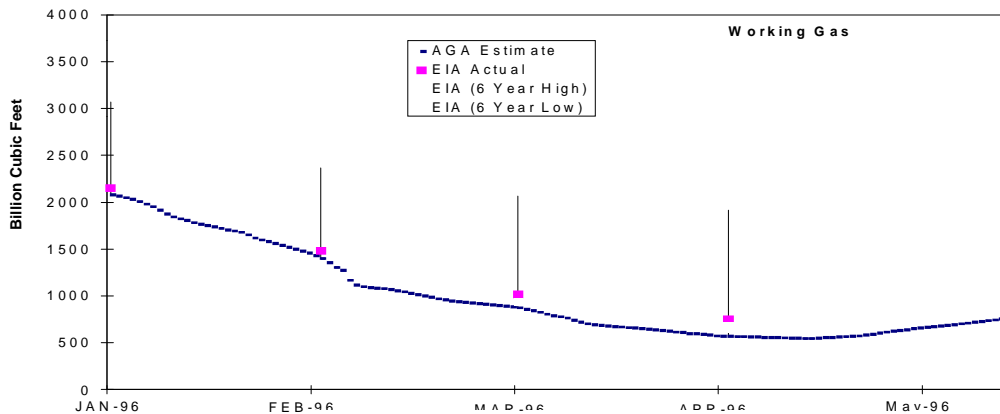
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
5/12	59	65	-6
5/13	60	66	-6
5/14	61	66	-5
5/15	66	66	0
5/16	69	67	2
5/17	73	67	6
5/18	76	67	9



Natural Gas Storage Volumes (EIA Data:191 survey and Estimates from AGA Weekly Data.)

Working Gas Volume as of 5/10/96		
	BCF	% Full
EAST	311	17
WEST	241	50
Prod Area	202	22
U. S.	754	24

Source: AGA



Natural Gas Weekly Market Update

Although gas prices seem to be relatively calm by recent gas market standards, implied price volatility, as computed from futures options and as reported by Bloomberg's financial reporting system, was 36.5 percent on May 15. For most other commodities this percentage is half as large. This volatility also exceeds other commodities such as gasoline, soybeans and corn which have been in the news lately because their price has been increasing. The comparable price volatility for gasoline was 31.0 percent. The high volatility for natural gas is related to low storage levels and the need to refill storage. The first period of widespread hot weather arrived mid-week as temperatures were 10 to 30 percent warmer than normal from Texas to New York over the last two days of the week and was forecasted to extend into the first part of next week.

Storage: According to the American Gas Association's (AGA) estimate, the working gas level for the week ending Friday, May 10, was 754 Bcf. Net injections for the week were 60 Bcf. EIA monthly net injections data for this month indicate that the average for May over the last 6 years has been 323 Bcf or more than 80 Bcf a week. Although current levels of storage appear low it is important to note some recent important changes in the way the industry operates storage. For example, the industry has increased it's capability to inject more gas during the heating season. Thus, it is possible they can inject less gas during the non-heating season and still obtain the same withdrawal capability during the heating season.

Spot Price: Spot prices are currently about \$0.05 per MMBtu less than the price for the futures contract for June delivery. These prices have generally settled in a range of \$2.20 to \$2.25 MMBtu in the last week. This is much different from several months ago when spot prices were considerably greater than the futures price.

Futures Prices: Futures contracts for June delivery were trading near \$2.30 MMBtu on Friday, May 17 and on Monday, May 20. This is about \$0.10 MMBtu greater than at the same time in the previous week. This change surprised many who expected prices to remain relatively constant yet is indicative of the uncertainties still underlying the market for natural gas.

Consumer Prices: Increases in the overall US price of gas, as reported last week by the Bureau of Labor Statistics, began to ease in the last several months. After increasing by more than 6 percent between November and February, the price has stabilized in the last 2 months. It rose modestly in April after falling by 3 percent from February levels in March. However, the price of gas has consistently increased in the significant gas consuming area around Chicago, where it increased by 31 percent since September 1995. Gas prices varied throughout the country this past heating season with prices being greatest in the urban Northeast where the price per million Btu increased from \$7.42 to \$8.30 between September 1995 and April 1996. For the entire United States the price of natural gas per million Btu averaged \$6.23 in April 1996, compared with \$6.05 in September 1995.

Summary: Storage refill rates are lagging behind the recent historical pattern. Price volatility continues as storage refill programs remain uncertain.

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This report along with three graphs is available on the internet
<http://www.eia.doe.gov/fuelnatgas.html>