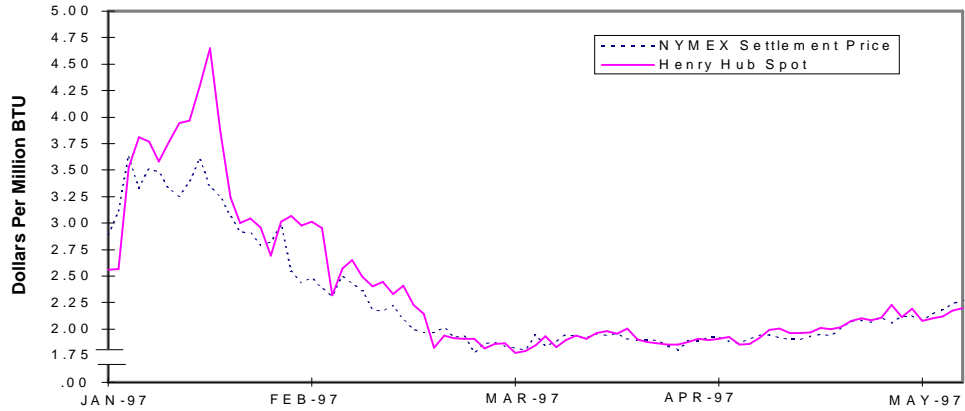


**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
CASH	FUTURES	
Apr/May	Jun	
Del	Del	
(\$ per MMBtu)		
04/28	2.04-2.11	2.081
04/29	2.08-2.12	2.142
04/30	2.09-2.16	2.184
05/01	2.15-2.20	2.243
05/02	2.17-2.22	2.267

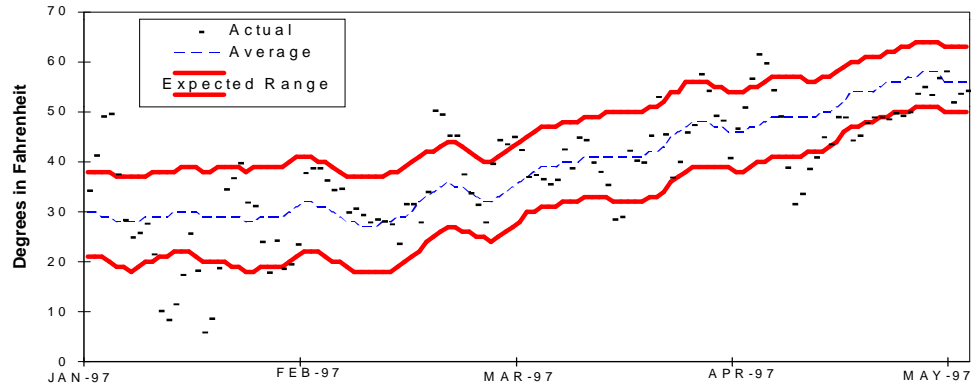


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

**Average Temperature for Four Major Gas Consuming Metro Areas**

(Chicago, Kansas City, New York, and Pittsburgh)

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
04/27	55	58	-3
04/28	53	58	-5
04/29	57	57	0
04/30	58	56	2
05/01	52	56	-4
05/02	54	56	-2
05/03	54	56	-2

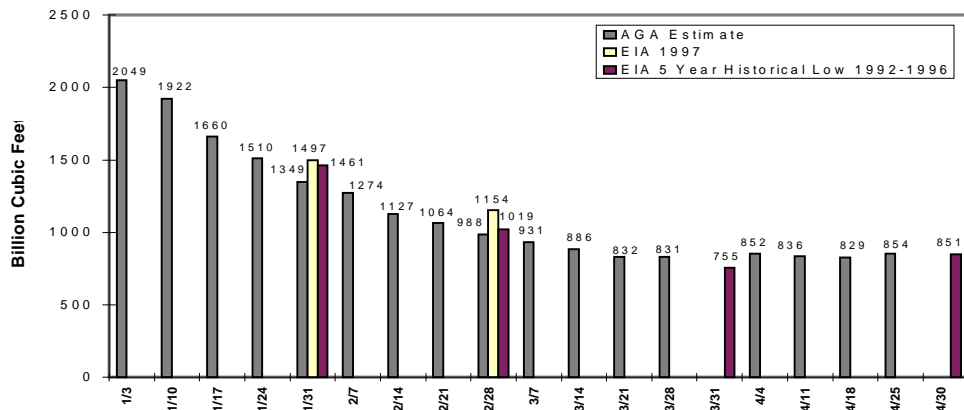


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas In Storage 1997**

Working Gas Volume as of 04/25/97		
	BCF	% Full
EAST	364	20
WEST	179	37
Prod Area	311	34
U. S.	854	27

Source: AGA



The NYMEX futures contract for June delivery at the Henry Hub opened Monday, May 5, at \$2.235 per MMBtu, \$0.032 less than Friday's settlement price. Spring-like temperatures seemed finally to be taking hold across most of the country last week. The average temperature for the four cities tracked for this report, while below normal for 5 of 7 days, was only slightly so. Throughout the week, daytime high temperatures in many mid-continent, midwestern, and northeastern locations ranged from the upper 50's through the 60's and even up to the upper 70's on some days; daily lows in the freezing range were conspicuous by their scarcity in most major cities. Prices on the spot market at the Henry Hub, after ratcheting down 11-12 cents on Monday from Friday's trading range, strengthened throughout the week and ended Friday trading in the same range: \$2.17-\$2.22 per MMBtu, as on the previous Friday. Similarly, the futures price for contracts for June delivery rose steadily, closing on Friday at \$2.267 per MMBtu, nearly 19 cents above Monday's close. Spot prices for West Texas crude oil, which had held in the range of \$19.00 to \$20.00 per barrel for three weeks, edged up to \$20.45 on Tuesday before falling back to \$18.70 on Friday. Natural gas storage operators reported net injections nationwide of 25 Bcf for the week ending Friday, April 25.

**Storage:** The week ending Friday, April 25 saw net injections in each of the three regions used by the American Gas Association (AGA) to track storage activity. AGA's estimates showed injections of 8 Bcf in the Producing region, 10 Bcf in the Consuming East region, and 7 Bcf in the Consuming West region for a national total of 25 Bcf. It is likely that the "injection season" is now underway. Total working gas inventories stood at 854 Bcf on April 25, per AGA. This is well above both the 641 Bcf reported for this week last year, and the 694 Bcf estimated by AGA one week later on May 3, 1996. Likewise, recent EIA estimates of month-ending inventory levels confirm that the industry's storage position is significantly ahead of last year's. EIA's estimates (which generally tend to be in the range of 100-200 Bcf greater than AGA's estimated levels) are for 999 Bcf and 1,131 Bcf of working gas at the end of March and April, respectively. This compares with last year's end-of-month levels of 755 Bcf and 851 Bcf, respectively. An end-of-April storage level of 1,131 Bcf would be only 88 Bcf (or about 7%) less than EIA's average working gas in storage for the previous 5 years.

The injection season appears to be underway in Canada, too. The Canadian Gas Association reported total net injections of 3.7 Bcf for the week ended April 25, following net injections of 2.6 Bcf during the previous week. This puts Canadian working gas storage capacity at an estimated 12.3% full, compared to the estimated 27% full for the U.S.

**Spot Prices:** Prices at the Henry Hub traded above \$2.00 per MMBtu all week, climbing steadily from a range of a few cents around \$2.08 on Monday, April 28 to around \$2.17-2.22 by Friday, May 2. At many other market locations, prices softened mid-week, then by Friday recovered to levels equal to or slightly above Monday trading ranges. For example, at the Katy hub, prices that had begun the week trading in a narrow range around \$2.09 fell to around \$2.05 and below by Tuesday, then recovered to the \$2.10-\$2.14 range by Friday. Waha prices, while following a similar pattern, ended 10-11 cents above their Monday range, trading Friday in a 7-cent range centered on \$2.03. Interestingly, for the most part, spot prices in most locations are very near their levels for last year this time, despite the fact that last year the industry faced replacing storage inventories that had reached a record low level, while this year, storage inventories, while still below their 5-year average, are considerably higher. A notable exception are prices in the Rockies, which are 50-60 cents above prices for the same period one year ago, reflecting increased market access for these supplies caused by expansion of transmission capacity.

**Futures Prices:** The price for the June-delivery contract slipped almost 5 cents from the Friday, April 25--and its first day of trading--closing of \$2.126 per MMBtu to \$2.081 on Monday, April 28. However, from this point on it showed remarkable strength throughout the week, adding almost 19 cents to Monday's closing price to close Friday at \$2.267. The somewhat cooler-than-normal April temperatures, and delayed start of the industry's heavy injection schedule, may be contributing support to the futures price levels. During this same week last year, the June-delivery futures price was softening, closing Friday, May 3, 1996 at \$2.131 per MMBtu.

**Summary:** Warmer, more nearly "Spring-like" temperatures during the past week displaced the unseasonably cool weather of earlier in April. Nevertheless, both spot and futures prices showed strength. It appears that the storage refill process is poised to begin in earnest. It remains to be seen how near-term prices will respond to warmer weather on the one hand, contrasted with the need at some point to replenish storage inventories on the other.