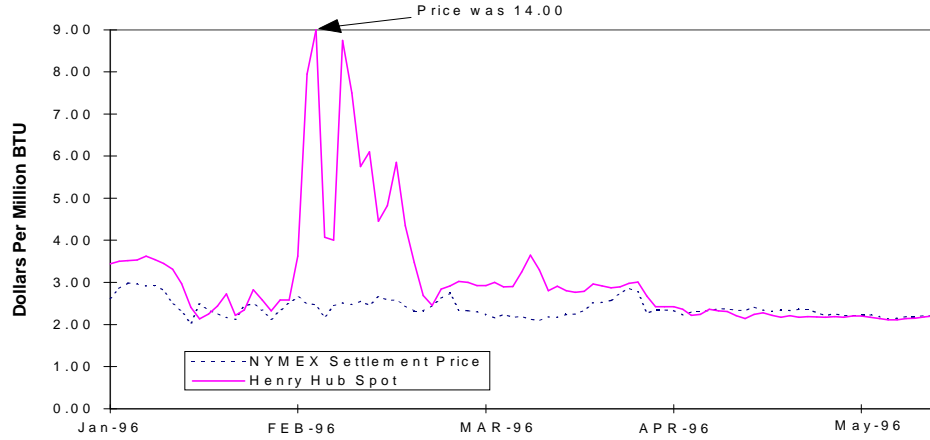


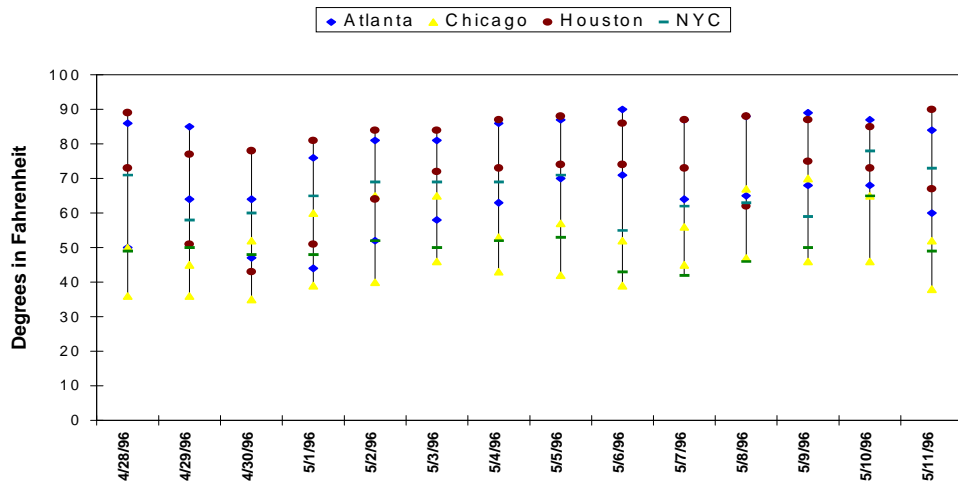
NYMEX Price Futures vs Henry Hub Spot Price



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

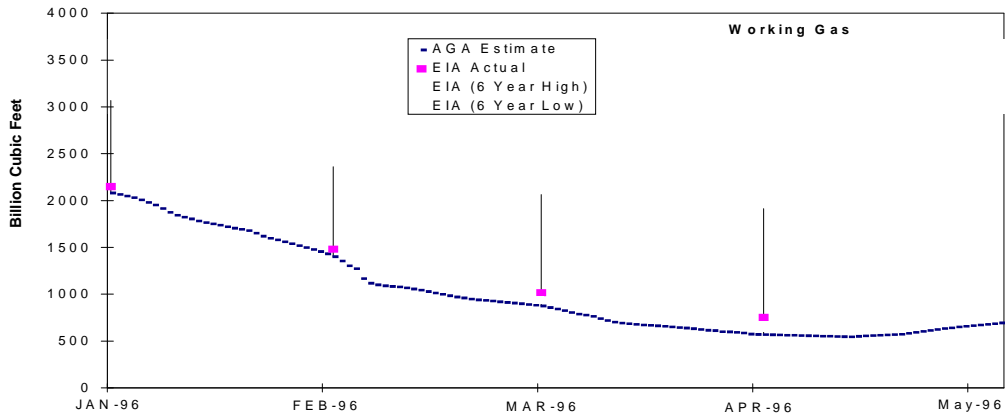
HENRY HUB PRICE		
	CASH	FUTURES
	May	June
	Del	Del
	(\$ per MMBtu)	
5/06	\$ 2.09-2.14	\$ 2.148
5/07	2.12-2.16	2.187
5/08	2.14-2.16	2.186
5/09	2.16-2.20	2.210
5/10	2.18-2.22	2.204

High and Low Temperature for Four Selected Cities



Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
5/05	68	64	4
5/06	64	64	0
5/07	65	64	1
5/08	67	65	2
5/09	68	65	3
5/10	71	65	6
5/11	64	65	- 1

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



Working Gas Volume as of 5/03/96		
	BCF	% Full
EAST	262	15
WEST	234	49
Prod Area	198	21
U. S.	694	22

Source: AGA

May 13, 1996

Prices on both the spot and futures market at the Henry Hub have moderated along with the arrival of consistently warm weather throughout most of the country. These prices are still more than a third or \$0.60 per MMBtu higher than those seen on both markets at this time last year. For much of last year prices were trending down due to a warmer than normal winter and the seasonally high level of gas in storage on March 31- almost 575 Bcf more than this year.

Storage: Injection activity slowed somewhat during the week ending Friday, May 3, as 53 Bcf of gas was added to storage, 15 Bcf less than the previous week. This, according to American Gas Association (AGA) estimates, brought April's natural gas injections close to 130 Bcf. This level indicates a significant commitment to storage refill as EIA storage data indicates that over the last 5 years net injections in April have averaged 103 Bcf. Still this level, which is 26 percent higher than the average, is far below the 5-year high net injections of 218 Bcf added in 1994. AGA estimates 100 of the approximately 130 Bcf injected in April has gone into storage facilities located in the East. The East consuming region saw storage withdrawals continuing into the first two weeks of April and, according to AGA estimates, ended the season with less than 10 percent of working gas or only 160 Bcf remaining in storage. Preliminary EIA data for this year indicate that 752 Bcf of working gas remained in storage on March 31, and of that amount over 340 Bcf was in Eastern storage sites. The natural gas industry will need to devote a significant amount of both supply and transportation resources over the next 6 months in order to have close to 3.1 Tcf of working gas in storage on November 1. Based on EIA data, the overall rate of injections will need to be almost 12.5 Bcf a day for this period with more than 7.5 Bcf a day of this amount directed to storage sites in the East.

Spot Prices: Prices in early May are near \$2.20 per MMBtu, 1 to 2 cents below futures prices for June delivery. Prices are changing only a few cents between days and are not volatile by natural gas market standards. Since oil price volatility has been great recently, this further indicates the relative independence of oil and gas markets at this time of the year. However, as temperatures heat up and as oil and gas peaking units are used to satisfy sudden shifts in demand, some correlation between these prices may appear once more depending on the magnitude of the shift in demand.

Futures Prices: All eyes in the industry are on the forward curve for futures prices for the next 8 months, that is the futures price between June 1996 and January 1997 delivery months. The largest spread for different delivery months is only \$0.12 per MMBtu. The spread occurs for the January 1997 and October 1996 contracts. This series currently does not display a seasonal pattern such as January prices exceeding June prices by an amount greater than the cost of storage and the cost of money. This type of pattern would support increased injections of gas since it would support locking in a profit for the stored gas and also suggest prices are likely to rise over time.

Production and Supply: Natural gas production is expected to be almost 19.5 Tcf in 1996. This is an increase of more than 4 percent (Re: 2nd Qtr. STEO) from 1995 and is a response to higher prices at the wellhead and to increased demand. A key ingredient in the demand growth is the need to replenish natural gas storage resources prior to next winter. Since January the number of drilling rigs in operation has increased steadily and, according to Baker Hughes, Inc., totaled 741 at the end of April. Of these, more than 60 percent (446) are identified as gas exploration efforts. In the last five years, this is the largest proportion of exploration wells targeted for gas compared to those in search of petroleum.

Summary: The country has not yet experienced intense heat over several days. In fact rising temperatures in Atlanta and Houston between the 4th and 6th of May were coupled with falling temperatures in New York and Chicago and other key locations. Prices are moving similar to temperatures - up one day and down the next several days with no discernable trend. As more

summer-like temperature trends manifest themselves and as the information about such factors as increases in supplies from new production improves, the recent relative calm may disappear.

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