Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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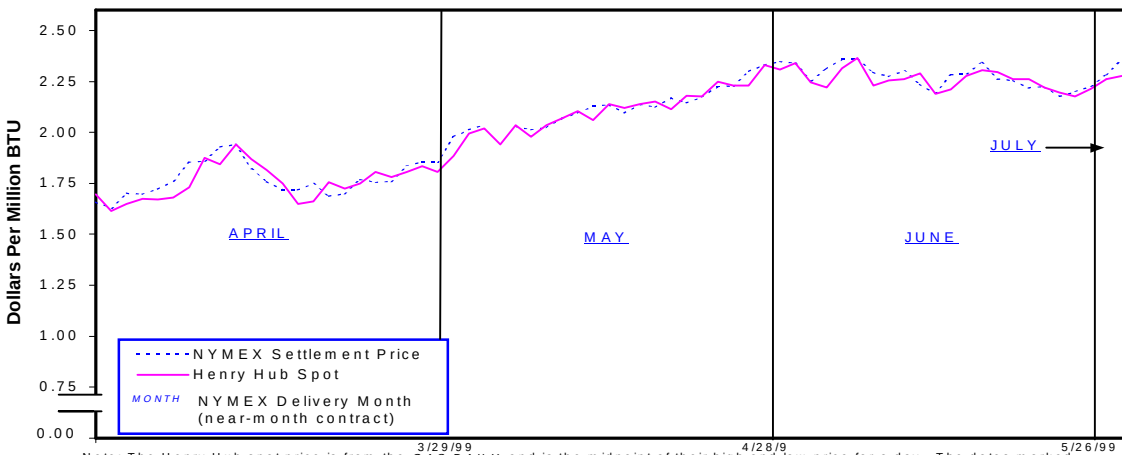
http://www.eia.doe.gov

HENRY HUB PRICE		
	SPOT	FUTURES
	May	June/July
	Del	Del
	($ per MMBtu)	
05/24	2.18-2.21	2.176
05/25	2.17-2.18	2.200
05/26	2.20-2.23	2.226
05/27	2.25-2.27	2.282
05/28	2.24-2.31	2.358

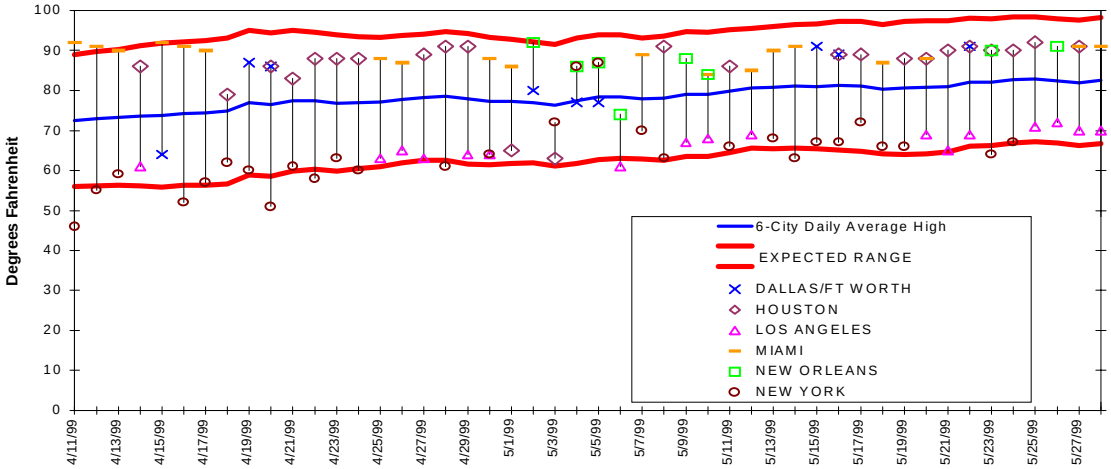
NYMEX Future Prices vs Henry Hub Spot Prices



Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
05/22	84	82	2
05/23	81	82	-1
05/24	82	83	-1
05/25	84	83	1
05/26	82	82	0
05/27	82	82	0
05/28	83	82	1

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)

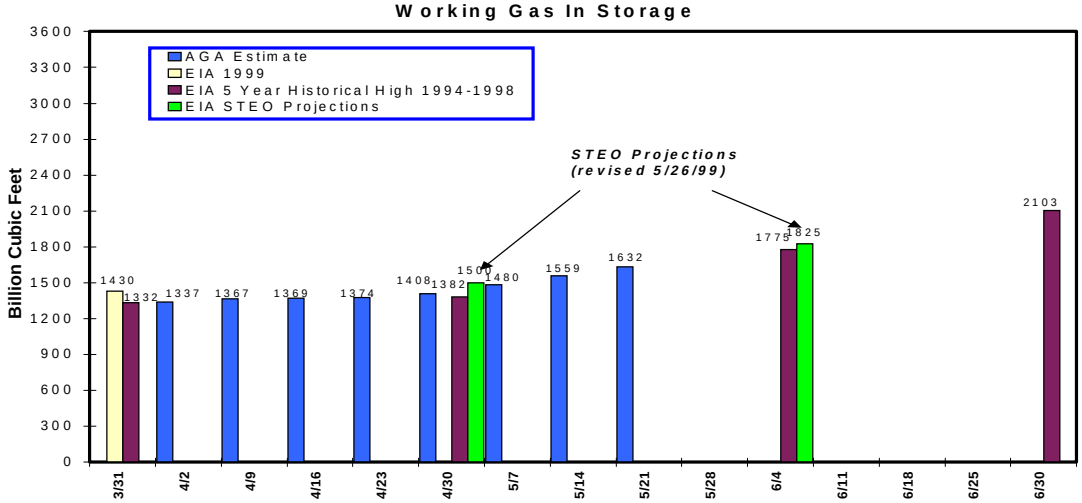


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Working Gas Volume as of 05/21/99		
	BCF	% Full
EAST	771	43
WEST	262	54
Prod Area	599	63
U. S.	1,632	50

Source: AGA

Working Gas In Storage



The NYMEX futures contract for June delivery at the Henry Hub reversed its downward slide that had begun the previous week and closed on Wednesday, May 26, at $2.226 per MMBtu. Temperatures remained generally seasonal through Friday in most parts of the country. The average high temperatures for the six cities monitored for this report (Dallas, Houston, Los Angeles, Miami, New Orleans, and New York) were close to normal most days last week. Over the long holiday weekend, some areas, such as the Mid-Atlantic states, did see their first consecutive days of 90+ temperatures. Forecasts for the first week of June are calling for near normal temperatures to continue in most parts of the country. The July NYMEX futures contract moved up more than 13 cents late last week, settling at $2.358 per MMBtu on Friday. The upward price trend in the new near-month (July) futures contract appeared to affect spot market prices as they ended the week near $2.30 per MMBtu at the Henry Hub. Net injections to storage slowed somewhat in the third week of May but still averaged more than 10 Bcf per day. The price of West Texas Intermediate crude oil ended the week down $0.40 per barrel at $16.85—roughly equivalent to $3.05 per MMBtu.

Storage: For the week ending Friday, May 21, the American Gas Association (AGA) estimated that net injections to storage were 73 Bcf—6 Bcf less than the previous week. This brings the AGA estimate of net storage additions thus far in May to 224 Bcf and the total level of working gas on hand to 1,632 Bcf—71 Bcf more than last year at the same time (1,561). Last week EIA announced that 47 Bcf of natural gas in underground storage has been reclassified from working gas to base gas. Taking into account this reclassification, EIA's measure of working gas at the end of March is 1,430 Bcf, a 3-percent reduction from the 1,477 Bcf level without reclassification. This revised end-of-March working gas level is 245 billion cubic feet higher than the working gas level at the end of March 1998 and indicates that net withdrawals for February 1999 were 362 Bcf. Operators of underground storage facilities are required to report gas storage information each month to EIA. Periodically, underground storage companies may evaluate the physical operation of their facilities and these evaluations can result in the reclassification of gas. The March 1999 reclassification is a result of such an engineering evaluation.

Spot Prices: With little or no change in market fundamentals, spot prices at the Henry Hub began the week down about 3 cents per MMBtu from the previous Friday at $2.19 per MMBtu. Then, in what has been a familiar pattern this spring, the spot price proceeded to move up, primarily influenced by pricing activity for the near-month futures contract. On Wednesday, spot gas traded for about $2.21 per MMBtu, within 1 or 2 cents per MMBtu of the final price for the June futures contract of $2.226. It then "followed the screen," moving up in reaction to the trading level of the new near-month contract for July, and ended the week at close to $2.30 per MMBtu at the Henry Hub.

Futures Prices: During its last two days of trading, the June contract was able to reverse the price decline that had begun a week earlier as it closed at $2.226 after a price drop of almost $0.17 per MMBtu ($2.343 to $2.176). Interest in the June contract in the last week of trading was strong as an estimated 150,000 contracts were entered into. The July contract also garnered strong interest early in its trading as almost 90,000 contracts were written in the first two days of trading. The July NYMEX contract opened Monday, June 1, at $2.375 per MMBtu, $0.017 more than the previous Friday's settlement price.

Summary: Seasonal spring weather again dominated most of the country. The NYMEX contract for June delivery rebounded at the end of trading but still closed about $0.12 below the May contract's $2.348 per MMBtu. Spot prices at the Henry Hub again reacted to trading for the near-month futures contract, moving up in a similar pattern. Net additions to storage continued at about 10 Bcf per day for the third consecutive week.