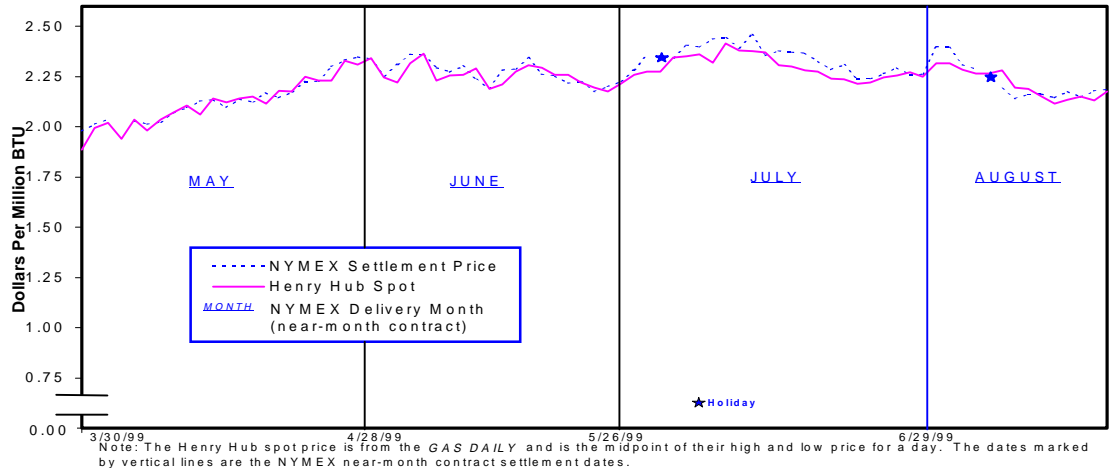


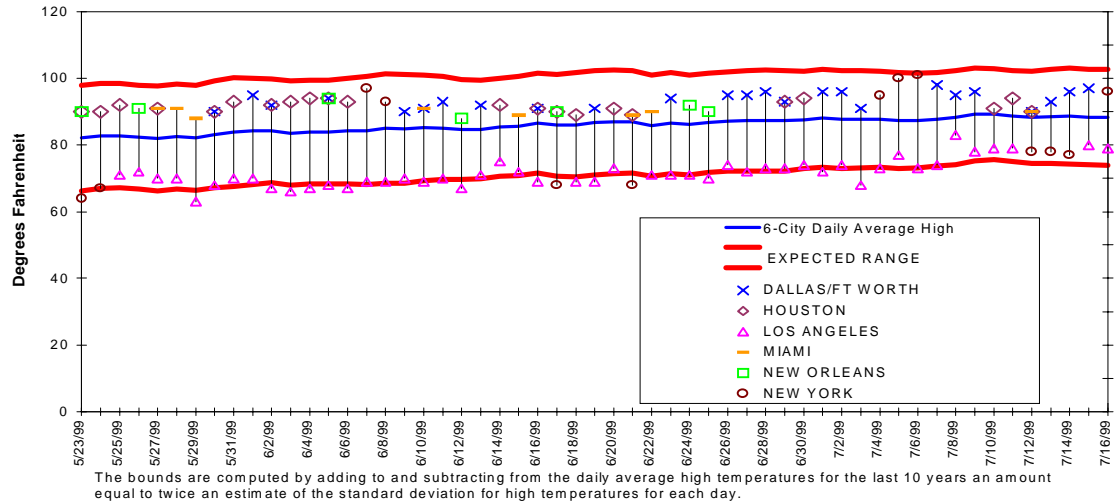
**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
SPOT	FUTURES	
July	August	
Del	Del	
(\$ per MMBtu)		
07/12	2.10-2.13	2.144
07/13	2.12-2.15	2.176
07/14	2.14-2.16	2.146
07/15	2.11-2.15	2.179
07/16	2.16-2.19	2.187



**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)

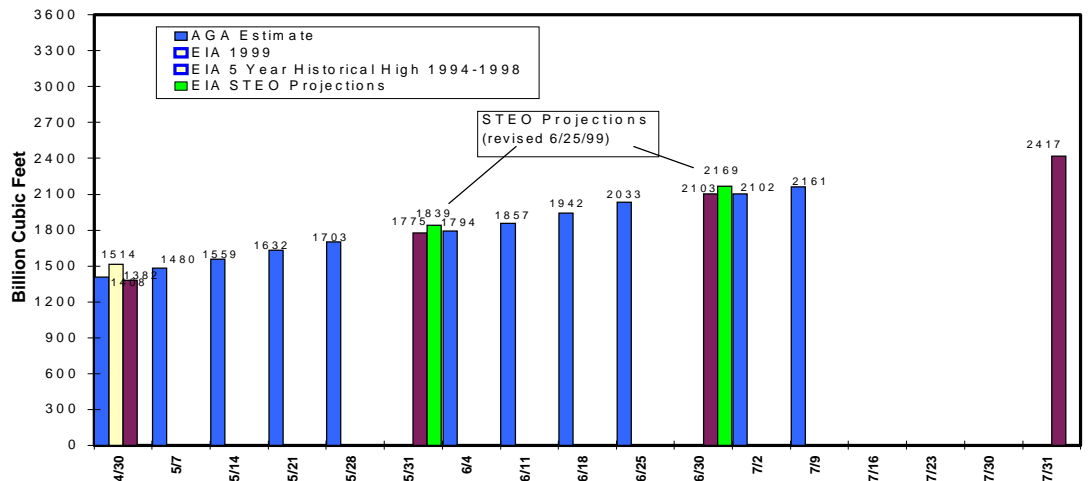
Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
07/10	87	89	-2
07/11	88	89	-1
07/12	86	88	-2
07/13	87	89	-2
07/14	88	89	-1
07/15	90	88	2
07/16	90	88	2



Working Gas Volume as of 07/09/99		
	BCF	% Full
EAST	1093	60
WEST	347	71
Prod Area	721	76
U. S.	2161	67

Source: AGA

**Working Gas In Storage**



The NYMEX futures contract for August delivery at the Henry Hub opened on Monday, July 19 at \$2.185 per MMBtu, \$0.002 less than Friday's close. Temperatures in the West and East generally moved in opposite directions throughout the week. As temperatures in the East moderated early in the week after a sweltering weekend, the weather heated up on the West Coast. Overall, composite average high temperatures for the six cities monitored by this report were 1 to 2 degrees below normal for the first 5 days of the week. But as this past weekend approached, these patterns flip-flopped, with temperatures soaring again in the East and Midwest and weather turning more pleasant in the West. Similarly, regional spot prices tended to respond in different directions reflecting their respective prevailing demand conditions, with prices generally down in the East early in the week, then moving up by week's end, and vice versa in the West. Estimated net injections to storage for the previous week were 59 Bcf, just shy of prevailing expectations given the record-breaking heat wave of that week. Both Henry Hub spot and near-month futures prices moved in fairly narrow ranges of no more than 5 cents either side of \$2.15 per MMBtu. Each price ended the week slightly higher than its Monday level, with Henry Hub spot gas gaining 6 cents to about \$2.18, and the August contract up about 4 cents to \$2.187. The price of West Texas Intermediate crude oil gained 70 cents to settle on Friday at \$20.65 per barrel.

**Storage:** It appears that the recent heat wave in the eastern parts of the country has had a direct impact on weekly additions to storage. The American Gas Association (AGA) estimated that net injections for the week ended Friday, July 9, were 59 Bcf. This is 10 Bcf below the week-earlier level and also the lowest weekly level since April. Net injections to storage in the Producing and East Consuming regions during the first week of July were estimated to have been 9 Bcf and 36 Bcf, respectively. During the previous 5 weeks, based on AGA estimates, weekly net additions averaged 20 Bcf in the Producing region and almost 50 Bcf in the East Consuming region. Even with these recent declines in the weekly refill rate, the level of working gas in inventory is estimated to be only 17 Bcf below last year at the same time (2,161 vs. 2,178 Bcf).

**Spot Prices:** Prices in the West were boosted early in the week by hot weather and production area outages in the Southwest. By midweek, prices at points in the San Juan Basin had increased 7 to 10 cents to over \$2.10 per MMBtu, while Rockies prices generally moved above \$2.00 and gas into SOCAL and PG&E at various points reached nearly \$2.40. Meanwhile, an unusual summer cold front brought high temperatures down into the 70s in many gas-consuming areas in the East, bringing prices down early in the week by 3 to 7 cents at many of the markets serving the East. However, by midweek, temperatures in the West began to fall just as hot weather began to return in the East. By Friday, with some of the Southwestern production area outages restored and both SOCAL and PG&E issuing operational flow orders (OFOs) for the 3rd straight weekend owing to high system inventories, prices in the West fell significantly. Conversely, prices in the East and Midcontinent shot back up. Chicago city-gate prices, in the low \$2-teens on Monday, were over \$2.20 per MMBtu on Friday. TRANSCO Zone 6 supply for New York City, in the \$2.30s on Monday, reached \$2.45 and above.

**Futures Prices:** The August NYMEX Henry Hub contract traded in the nearly identical narrow range of about \$2.140 to \$2.190 per MMBtu for the second week in a row. Even the low net storage injection estimate for the previous week, which some might have seen as bullish, drew only a limited response, as Thursday's closing price inched up a little over 3 cents to \$2.179. The August contract gained an additional penny on Friday, closing at \$2.187, perhaps reacting to the return of hot temperatures in the East.

**Summary:** Primarily weather-driven demand caused spot prices to see-saw in the East and West. Net storage injections were down for the second straight week, but the market seemed to have discounted this information, given the prevailing hot weather during this period. The futures market appears to be waiting for a noticeable shift in fundamentals to determine a clear direction.