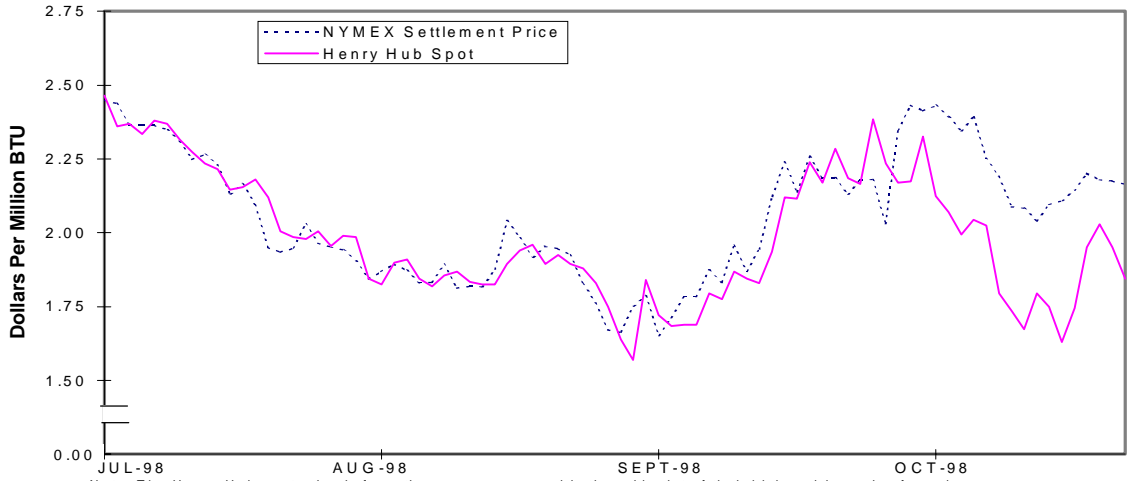


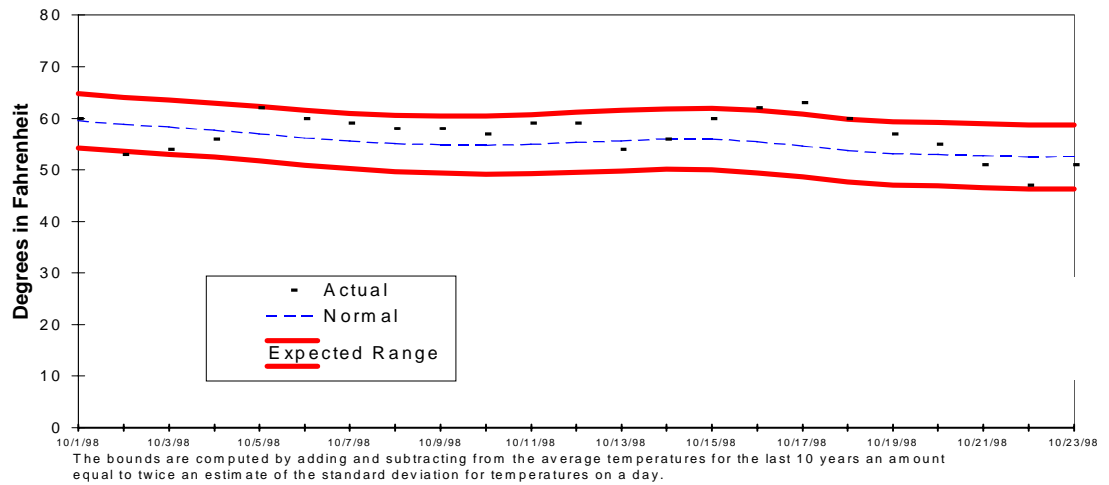
NYMEX Future Prices vs Henry Hub Spot Prices



HENRY HUB PRICE		
	SPOT	FUTURES
	October	November
	Del	Del
	(\$ per MMBtu)	
10/19	1.68-1.81	2.143
10/20	1.88-2.02	2.202
10/21	2.00-2.06	2.180
10/22	1.92-1.98	2.176
10/23	1.78-1.91	2.164

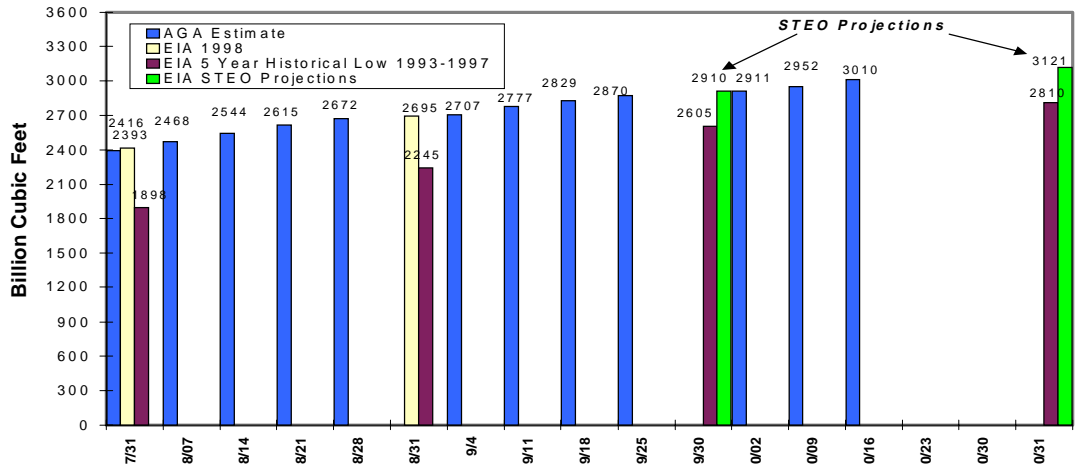
Average Temperature for Four Major Gas Consuming Metro Areas

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



Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/17	63	55	8
10/18	60	54	6
10/19	57	53	4
10/20	55	53	2
10/21	51	53	-2
10/22	47	53	-6
10/23	51	53	-2

Working Gas In Storage



Working Gas Volume as of 10/16/98		
	BCF	% Full
EAST	1723	96
WEST	418	87
Prod Area	869	94
U. S.	3010	94

Source: AGA

The NYMEX futures price for November delivery at the Henry Hub opened on Monday, October 26, at \$2.190 per MMBtu. \$0.026 more than Friday's settlement price. Several cities in the Midwest and Northeast (Chicago, Cleveland, Pittsburgh, and others) had their first touch of cold weather last week as nighttime temperatures dipped into the low 30s at mid week. Temperatures moderated later in the week and returned to a seasonal pattern in most parts of the country. The spot market reacted to the mid-week drop in temperatures as prices at the Henry Hub moved up more than 20 cents per MMBtu on Tuesday and reached a high of \$2.06 on Wednesday. With forecasts calling for a return of seasonal temperatures, prices declined and by Friday the spot price had fallen to \$1.84 per MMBtu at the Henry Hub. Prices in the West continue to be affected by a reduction in hydroelectric capacity. The disruption is caused by plant shutdowns by Bonneville Power Administration to protect new salmon eggs. The November futures contract, which closes on Wednesday, October 28, also trended down late in the week but still ended the week up 6 cents per MMBtu from the previous Friday. Net additions to storage were estimated by the American Gas Association (AGA) to have been more than 8 Bcf a day during the second week of October. The price of West Texas Intermediate crude oil moved down most days to end the week at \$13.90 per barrel—roughly equivalent to \$2.40 per MMBtu.

Storage: According to the AGA, an estimated 58 Bcf was added to working gas levels during the week ended Friday, October 16. This was the highest amount of weekly additions since the second week of September and put the estimated stock levels at 3,010 Bcf—the highest level in 4 years. Also, during this same week the price difference at the Henry Hub between the spot market and the November futures contract reached almost \$0.40 per MMBtu (\$1.63 vs \$2.109, respectively). This price difference was probably a factor in net injections being 17 Bcf greater than the estimated 41 Bcf seen in each of the preceding three weeks. With more than 2 full weeks remaining in the refill season, it still appears likely that the level of working gas on hand at the beginning of the heating season (Nov. 1) will exceed 3,100 Bcf.

Spot Prices: The season's first hint of low temperatures saw prices move up more than \$0.30 per MMBtu in the first 2 days of the week, and by Wednesday prices at most major markets were above \$2.00. However, when the temperatures rose and the forecasts called for a return to mild weather, the reality of the existing market fundamentals—ample supply, low demand, and elevated stocks—was again dominant. By Friday, prices had moved down to the \$1.70 to \$1.80 per MMBtu level at most locations. The differential between the spot market and the near-month contract at the Henry Hub remained above \$0.30 per MMBtu at the end of last week (\$1.84 vs. \$2.16). The continued size of this difference (it has been above \$0.20 per MMBtu for more than 3 weeks) is another indication of the strength of current supply. Electric utilities in the West continue to use gas-fired generators to replace reductions in hydroelectric capacity. Prices in the Rockies and other Western hubs have moved down from the highs seen 2 weeks ago (\$1.90 per MMBtu at Kern River), but they remain at levels (\$1.70) close to those seen in the Southwest.

Futures Prices: The November contract began bidweek trading for almost 20 cents per MMBtu less (\$2.164 vs. \$2.347) than when it became the near-month contract in late September. The continued softness of the November contract is another indication of the current strength of the existing market fundamentals. Last year at this time, the November contract traded for \$3.548 per MMBtu at the beginning of bidweek as concerns about storage levels, natural gas replacing coal supplies at Texas utilities, and the vagaries of an "El Nino" weather pattern dominated market activity. The November 1997 contract traded in a daily range that exceeded 25 cents per MMBtu near bidweek and ended trading at \$3.266. This year's contract traded in a tight 3 cent per MMBtu range at the end of last week.

Summary: Prices on the spot market jumped early in the week as the season's first cool weather arrived in the Midwest and the Northeast. Temperatures moderated and prices retreated as the dominant market fundamentals continue to prevail. November's NYMEX contract also trended down and may close this week at nearly a \$1.00 per MMBtu below last year's contract. Storage levels already exceed 3,000 Bcf with more than 2 weeks remaining in the refill season.