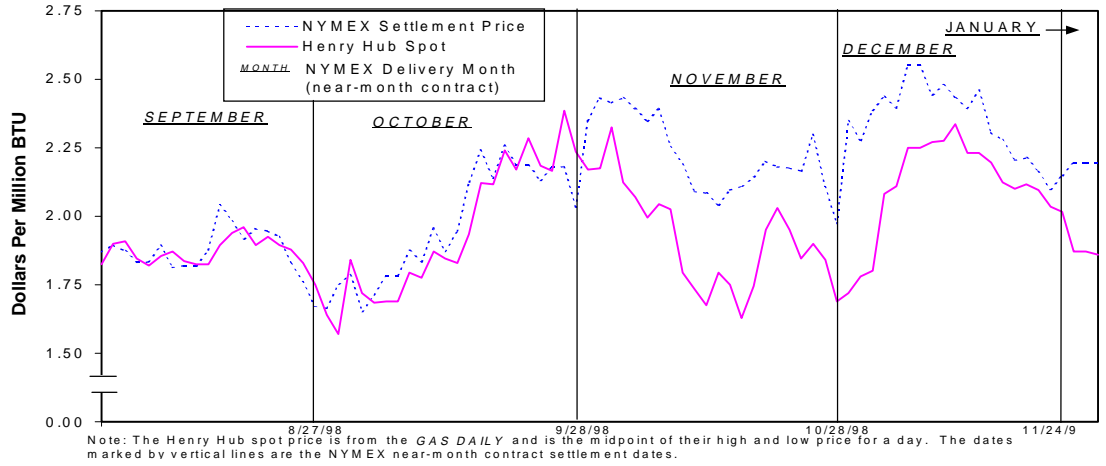


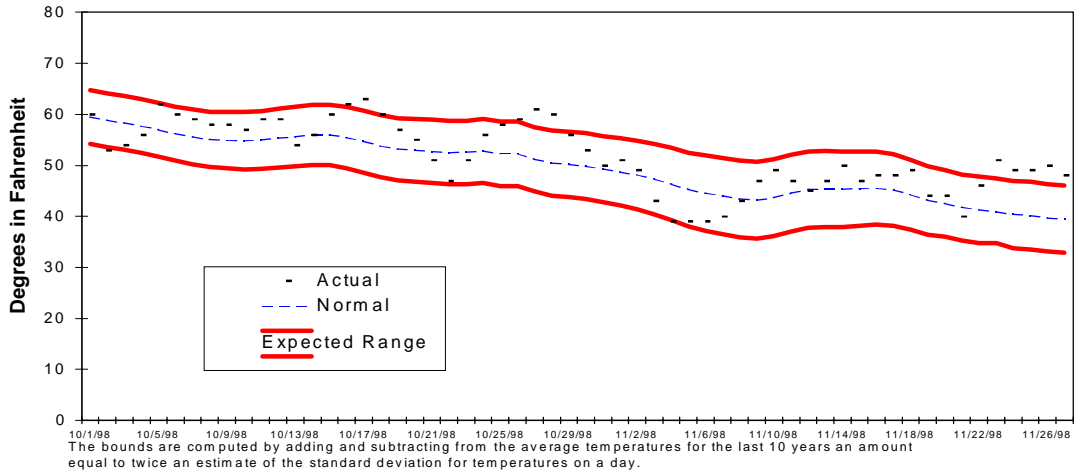
**NYMEX Future Prices vs Henry Hub Spot Prices**



HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	November Del	Dec/Jan Del
11/23	2.01-2.06	2.097
11/24	1.99-2.04	2.149
11/25	1.80-1.94	2.196
11/26	Holiday	Holiday
11/27	1.78-1.94	Closed

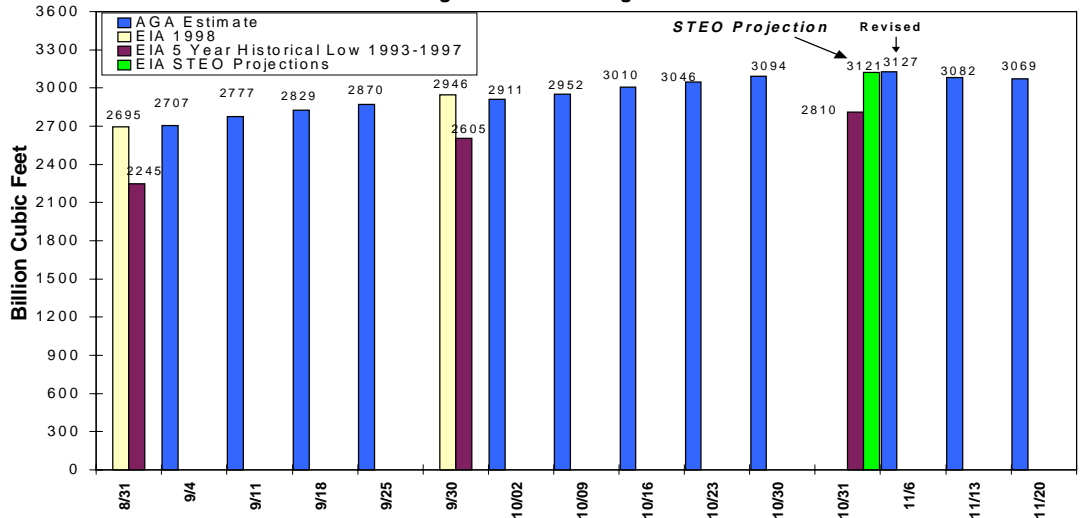
**Average Temperature for Four Major Gas Consuming Metro Areas**

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



Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
11/21	40	42	-2
11/22	46	41	5
11/23	51	41	10
11/24	49	40	9
11/25	49	40	9
11/26	50	40	10
11/27	48	39	9

**Working Gas In Storage**



Working Gas Volume as of 11/20/98		
	BCF	% Full
EAST	1726	95
WEST	444	91
Prod Area	899	95
U. S.	3069	95

Source: AGA

The NYMEX futures contract for January delivery at the Henry Hub opened Monday, November 30, at \$2.06 per MMBtu, \$0.136 less than Wednesday's settlement price. Last week's holiday-shortened trading saw the December NYMEX contract close on Tuesday at \$2.149 per MMBtu—down more than \$0.40 since early November. Market fundamentals consisting of ample gas supply/storage and unseasonably mild weather continue to dominate the market. Prices moved down going into the long Thanksgiving weekend as weather forecasts were calling for temperatures in the 60s and 70s in many parts of the country. The National Weather Service (NWS) reports that through Friday, November 27, heating degree-days remain below normal in most parts of the country. This is especially the case in major gas-heating markets, such as: Chicago at 20 percent less; Kansas City at 18 percent less; and New York and Philadelphia, each at 14 percent less than normal. In addition, the NWS is forecasting that this weather pattern will continue into this week. The spot market began last week down about 5 cents at the Henry Hub, then continued to trend down, ending the week at about \$1.78 per MMBtu on light trading on Friday. The January futures contract moved down about 8 cents on Wednesday, its first day as the near-month contract, to end the week at \$2.196 per MMBtu. Withdrawals from storage in the third week of November were estimated to have been not quite 2 Bcf per day. Low world demand and the lull in U.S./Iraqi tensions helped to sustain the continued softness in oil prices. In West Texas, the price of crude oil moved down each day and ended the week at \$11.20 per barrel—its lowest level in more than 8 months. At this price, a barrel of oil is equivalent to about \$1.95 per MMBtu. The continued depressed price of oil also is contributing to the current relatively low gas prices.

**Storage:** According to the American Gas Association (AGA), 13 Bcf of working gas was withdrawn from storage during the week ended Friday, November 20. The prevailing mild weather thus far this November has greatly reduced the demand for storage withdrawals. Last year, when temperatures in most parts of the country were colder than normal, almost 110 Bcf of gas was withdrawn in the third week of November. The AGA now estimates that 427 Bcf or 16 percent more working gas is available (3,069 vs. 2,642 Bcf) compared with the same time last year. All storage regions are reporting higher storage levels than last year at the same time. The surplus of stocks over year-earlier levels is nearly 33 percent in the Producing region (899 vs. 677 Bcf), almost 24 percent in the Consuming West region (444 vs. 359 Bcf), and about 7 percent in the East Consuming region (1,726 vs. 1,606 Bcf). Storage levels in Canada are also reported to be well ahead of last year at the same time. The Canadian Gas Association estimates that as of Friday, November 20, 66 Bcf more gas is on hand than at the same time last year (495 vs. 429 Bcf)—a 15 percent increase.

**Spot Prices:** By last Wednesday, Henry Hub spot prices had moved down to \$1.78 per MMBtu, off almost 30 cents from the previous Friday. Prices at other market locations also moved down last week in response to continued ample supply and unseasonably mild temperatures. Prices ranged from \$1.65 per MMBtu in the Rockies to \$1.89 in East Texas at midweek. The price of Canadian gas at major import points also moved down between 15 and 25 cents (US\$) per MMBtu. By Friday, posted prices had fallen to \$1.73 at Sumas, Washington, and to \$2.00 at Waddington, New York.

**Futures Prices:** On November 5, the December NYMEX contract had settled at \$2.553 per MMBtu. But prevailing market fundamentals, coupled with forecasts of warmer-than-normal weather and the continued decline in oil prices, have created a generally depressed energy market in North America. The December contract settled last Monday down about 7 cents at \$2.097 per MMBtu—the 7th consecutive trading day decline. However, on Tuesday, the last day of trading for the December contract, the price reached a high of \$2.215 per MMBtu before closing out at \$2.149. With no change in the market fundamentals, these final-day events appear to be the result of some buyers with short positions waiting until the last day in hopes of having a repeat of the November contract's last trading day, when the price dropped almost 14 cents to close at \$1.977 per MMBtu.

**Summary:** Unseasonably warm temperatures and ample supply continue to dominate the market, as spot prices moved down 15 to 30 cents per MMBtu at most major U.S. and Canadian market sites. Storage levels remain robust and may end November with close to 3,000 Bcf of working gas still available.