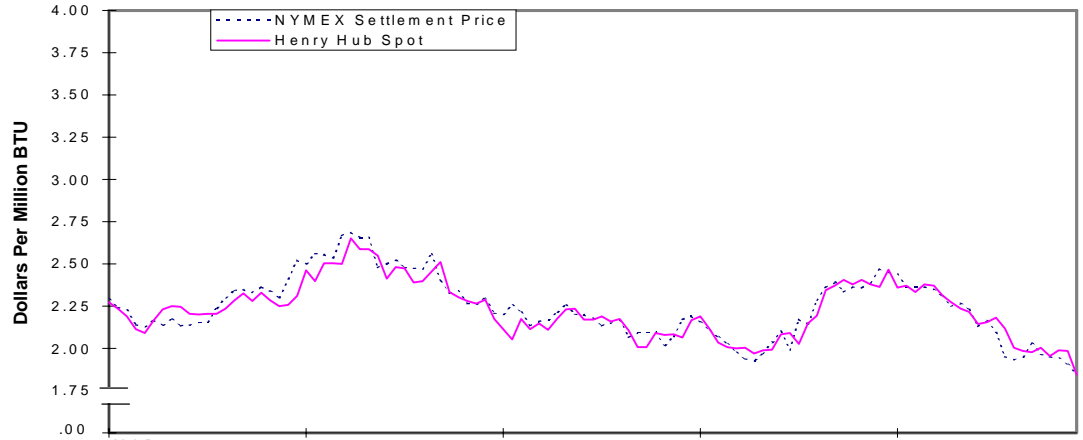


NYMEX Future Prices vs Henry Hub Spot Prices

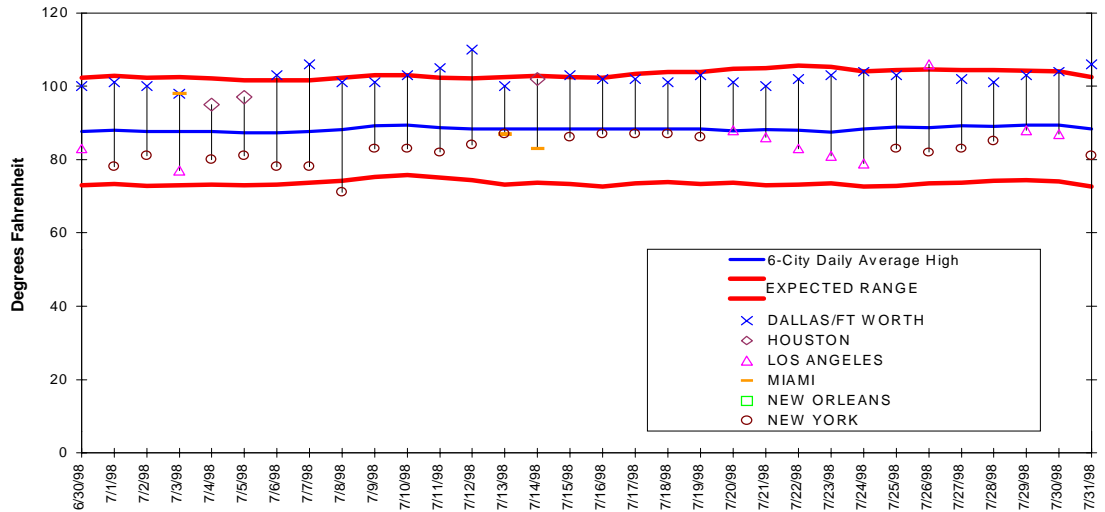


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

HENRY HUB PRICE
SPOT FUTURES
July Aug/Sept
Del Del
(\$ per MMBtu)

7/27	1.97-2.04	1.965
7/28	1.94-1.97	1.952
7/29	1.97-2.01	1.942
7/30	1.96-2.01	1.906
7/31	1.81-1.88	1.844

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)

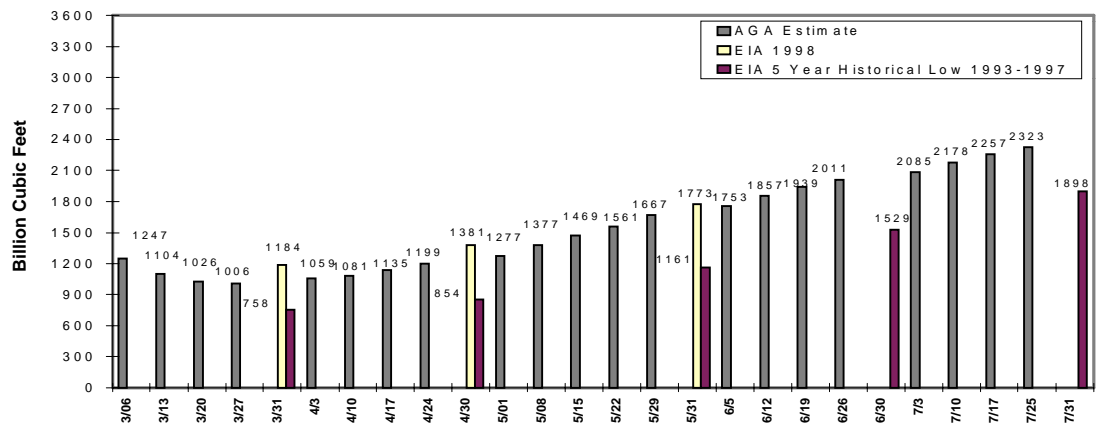


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Average High Temperature for Six Major Electricity Consuming Cities

	Actual	Normal	Diff
7/25	94	89	5
7/26	96	89	7
7/27	93	89	4
7/28	93	89	4
7/29	94	89	5
7/30	94	89	5
7/31	94	88	6

Working Gas In Storage



Working Gas Volume as of 7/24/98

	BCF	% Full
EAST	1281	72
WEST	331	69
Prod Area	711	77
U. S.	2323	73

Source: AGA

The NYMEX futures contract for August delivery at the Henry Hub closed on Wednesday, July 29, at \$1.942 per MMBtu—the lowest final settlement for a near-month contract in over a year. The relative softness of the August contract provides some indication of the generally abundant gas supplies in today's market. The weather in the Southwest remained hot for the fifth consecutive week, with daytime highs in most parts of Texas and Oklahoma exceeding 100 degrees most days last week. In Dallas, the temperature reached 107 degrees last Friday. Austin, Houston, San Antonio, and Oklahoma City all had triple-digit temperatures most days last week. Forecasters continue to call for this weather pattern to remain dominant in the Southwest through mid-August. Meanwhile, temperatures in the Midwest and the East were generally moderate most days last week. Spot prices at the Henry Hub traded below \$2.00 per MMBtu all of last week and on Wednesday were about 4 cents more than the final price for the August futures contract. The NYMEX contract for September began trading as the near-month contract on Thursday at \$1.906 per MMBtu and ended the week at \$1.844. It opened on Monday, August 3, virtually unchanged at \$1.842. Net injections to storage slowed to an average of less than 10 Bcf per day in the third week of July—their lowest level in 2 months. The price of West Texas crude oil began the week up almost 50 cents a barrel and remained generally stable, ending the week at \$14.25—roughly equal to \$2.45 per MMBtu.

Storage: The American Gas Association estimated that additions to working gas storage for the week ended Friday, July 24, were 66 Bcf, marking the second consecutive week of a drop in the estimated refill rate. Even with the slowing of weekly additions, the overall level of working gas in storage continues to be more than 460 Bcf greater than last year at this time (2,323 Bcf vs. 1,860). In what thus far has been a robust refill season, the Producing region of the Southwest has over 40 percent more gas in storage than at the same time last year (711 Bcf vs. 503). The continued elevated level of working gas in storage in the region of the country that has seen almost 2 months of above-normal temperatures and increased electric utility air-conditioning load is another indication of adequate gas supplies at this time. Canadian storage facilities are also reporting working gas levels that are considerably ahead of last year. For the week ending July 24, the Canadian Gas Association estimates that working gas capacity was 73 percent full compared with 53 percent last year at this time (366 Bcf vs. 258).

Spot Prices: Last week, for the first time in more than 18 months, trading prices at the Henry Hub were lower most days than those seen at other major producing-area markets. Prices at three large markets in Texas—Carthage, Katy, and Waha—traded between \$1.99 and \$2.06 per MMBtu, 4 to 6 cents higher than those posted at the Henry Hub. The extended heat wave in the Southwest appears to be contributing to this price differential. Spot gas at markets in the Midcontinent and the Rockies traded for about \$1.80 per MMBtu at most locations at the end of last week. Some market observers hold the view that, given current levels of gas available from stocks and pipeline supply, gas would be trading in the \$1.70s per MMBtu in many markets if it were not for the persistent hot weather in the Southwest.

Futures Prices: The August contract expired last week at \$1.942 per MMBtu, almost \$0.45 lower than trading levels in early July. Factors that contributed to this price decline were: increasing storage levels, the moderate summer temperatures in the Midwest and the East resulting in low demand, and the industry's ability to meet increased demand in the Southwest with pipeline supply.

Summary: The NYMEX August contract expired below \$1.95 per MMBtu and spot prices at most market locations were trading between \$1.75 and \$1.95 per MMBtu last week. Storage levels remained more than 460 Bcf ahead of last year.