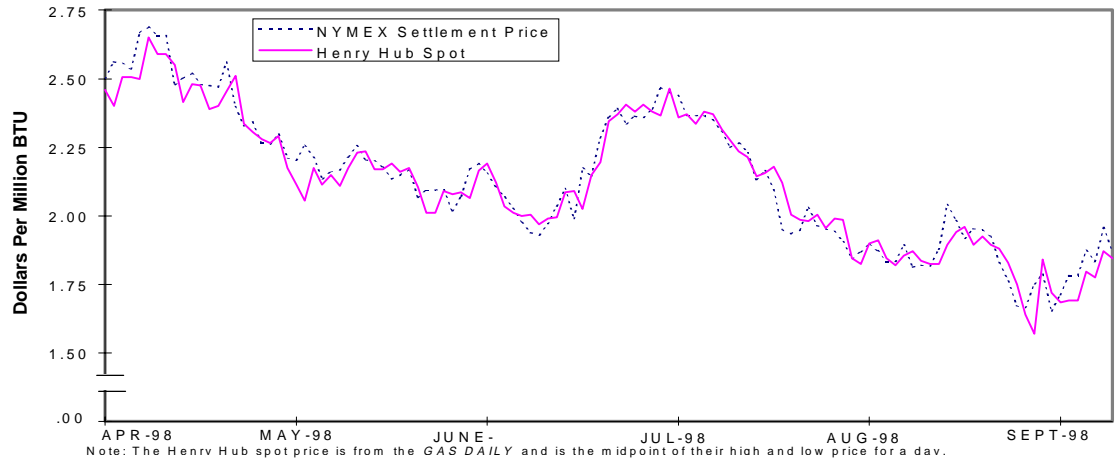


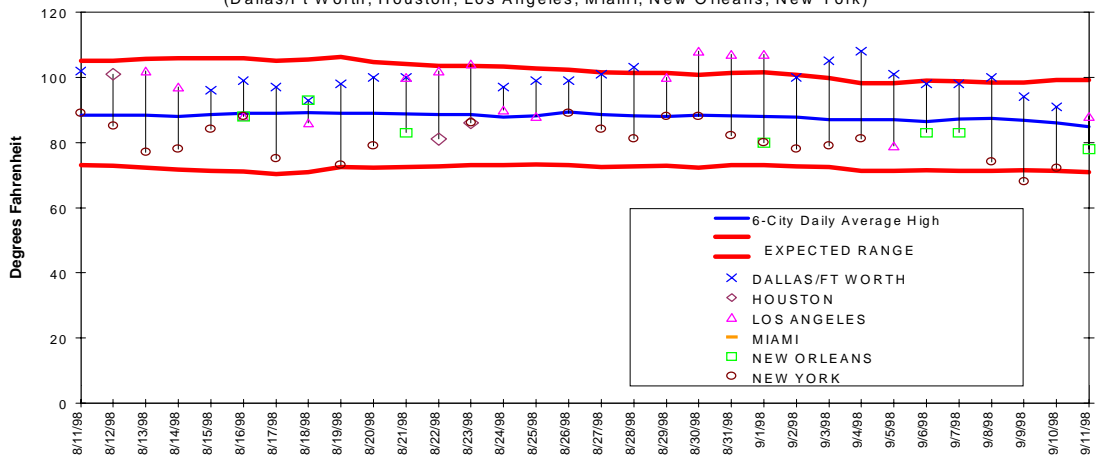
**NYMEX Future Prices vs Henry Hub Spot Prices**



**HENRY HUB PRICE**  
SPOT FUTURES  
Sept October  
Del Del  
(\$ per MMBtu)

9/07	Holiday	Holiday
9/08	1.77-1.82	1.874
9/09	1.76-1.79	1.833
9/10	1.85-1.89	1.958
9/11	1.82-1.87	1.870

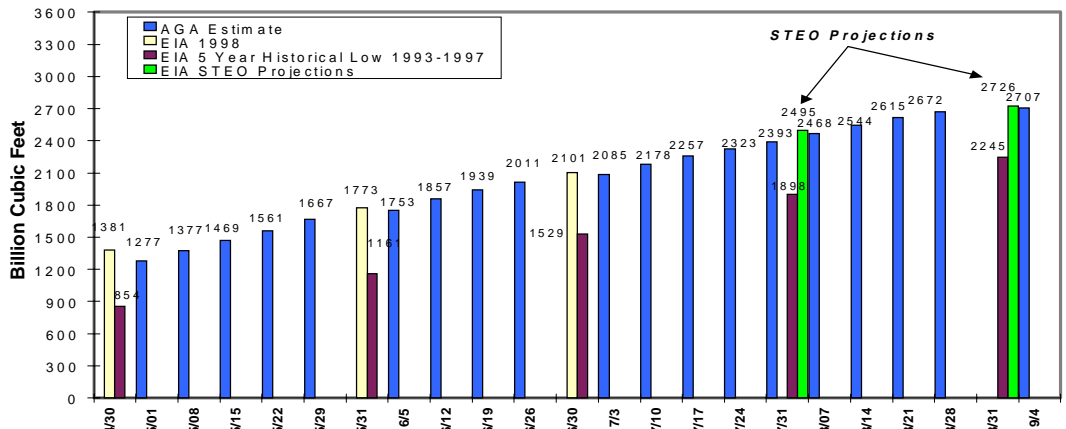
**Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September**  
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



**Average High Temperature for Six Major Electricity Consuming Cities**

	Actual	Normal	Diff
9/05	88	87	1
9/06	91	87	4
9/07	90	87	3
9/08	88	87	1
9/09	85	87	-2
9/10	82	86	-4
9/11	83	85	-2

**Working Gas In Storage**



**Working Gas Volume as of 9/04/98**

	BCF	% Full
EAST	1536	86
WEST	369	77
Prod Area	802	87
U. S.	2707	85

Source: AGA

The NYMEX contract for October delivery at the Henry Hub opened on Monday, September 14, at \$1.840 per MMBtu, \$0.034 less than Friday's settlement price. The weather was generally moderate in most parts of the country last week but tropical storm "Frances" brought high winds and heavy rains to the western portion of the Gulf of Mexico that disrupted production facilities located in off-shore Texas. Some estimates indicated that between 1 and 2 Bcf per day of production was interrupted. Prices moved up in response to the storm as both the spot and near-month futures prices increased about 10 to 12 cents per MMBtu on Thursday and were trading at \$1.88 and \$1.958 per MMBtu, respectively. However, as with hurricane "Earl" the previous week, after "Frances" moved on and the interrupted production began to return on Friday, prices retreated closer to levels seen earlier in the week. Net injections to storage were estimated to be at their lowest level since early April as an average 5 Bcf per day was added in the first week of September. The price of West Texas crude oil was relatively stable and ended the week at \$14.40 per barrel—roughly equivalent to \$2.50 per MMBtu.

**Storage:** According to American Gas Association estimates, net storage additions were 35 Bcf for the week ended Friday, September 4. Production disruptions in early September caused by hurricane "Earl" appear to have contributed to the reduced injection activity as the Producing region reported net withdrawals of 2 Bcf for the week. Last week's production interruptions resulting from tropical storm "Frances" may have a similar impact on storage activity in the second week of September. The recent drop in weekly net injections has reduced the differential in working gas inventory compared with the year-earlier level to just below 400 Bcf (2,707 vs. 2,308 Bcf). With more than 8 full weeks remaining in the refill season, it still appears likely that, barring any unforeseen events, the working gas level will reach 3,000 Bcf by the end of October. EIA data indicate that storage additions totaled almost 550 Bcf during September and October of last year. In Canada, the working gas level through September 4 is estimated to be more than 16 percent higher than the year-ago level (432 vs. 372 Bcf).

**Spot Prices:** Prices were again affected by stormy weather in the Gulf of Mexico where production at offshore locations was temporarily reduced. This time the interruption was estimated to be larger: 1.5 Bcf/d last week compared with less than 1 Bcf/d a week earlier. Prices at the Henry Hub, as well as most other large markets, reached a weekly high on Thursday of \$1.89 per MMBtu. However, by close of trading on Friday, prices trended down more than 5 cents per MMBtu as the interrupted production began to be restored. Several market observers view this price activity as an indication that overall supply remains ample and that prices may trend down to the \$1.60 to \$1.70 per MMBtu range of 2 weeks ago when production returns fully.

**Futures Prices:** After the long Labor Day holiday weekend, prices for the October futures contract were up on Tuesday, settling at \$1.874 per MMBtu on forecasts of tropical storm "Frances." The reports of reduced production volumes saw the October price move up to \$1.958 per MMBtu on Thursday. By the close of trading on Friday, the price was again \$1.874 per MMBtu on news that the interrupted production was returning.

**Summary:** For the second consecutive week, stormy weather in the Gulf of Mexico caused a reduction in offshore production, contributing to price increases in both the spot and futures markets. Additions to storage were also affected by the reduced production as they slowed to 35 Bcf in the first week of September. However, gas supply remains ample and gas in storage should continue well ahead of last year's level.