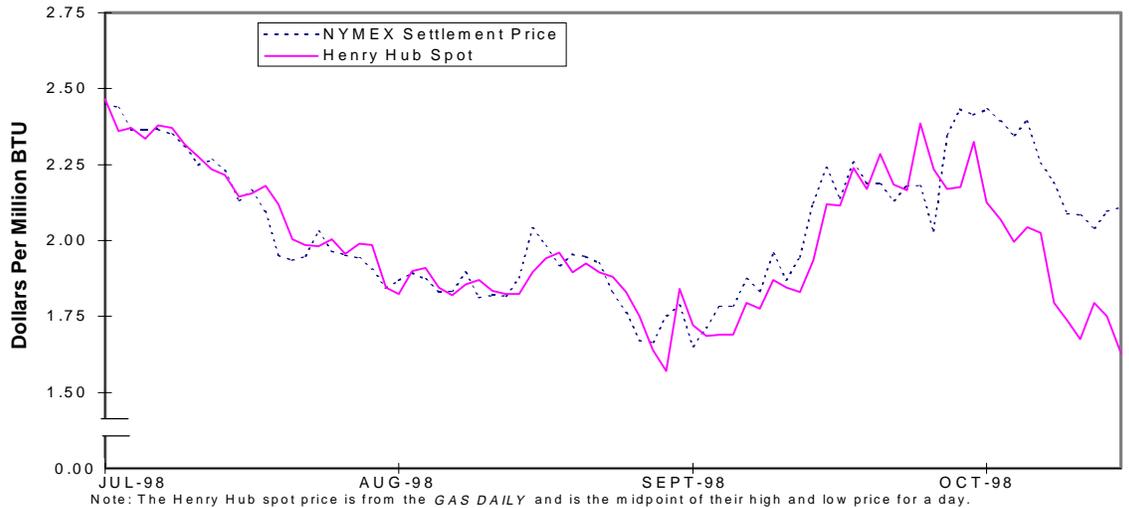
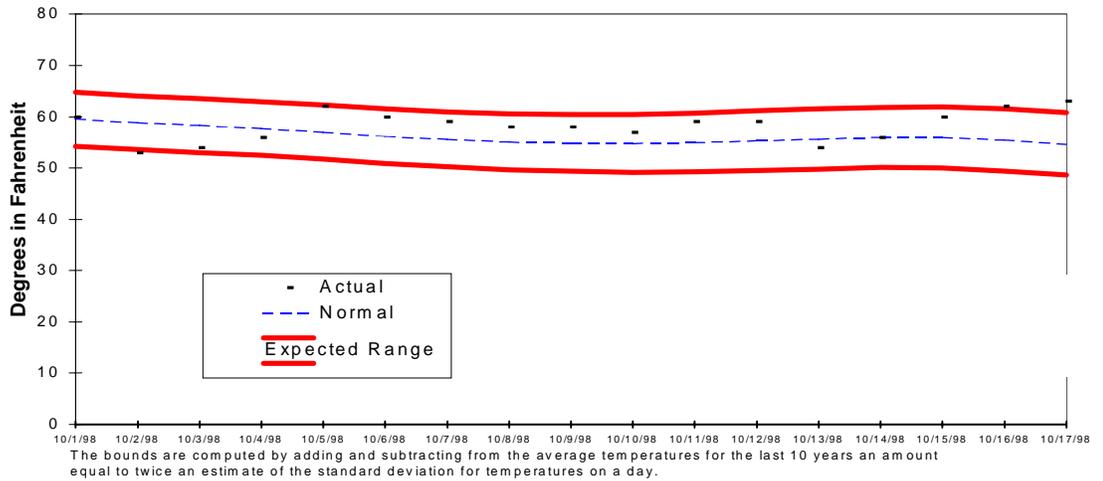


NYMEX Future Prices vs Henry Hub Spot Prices



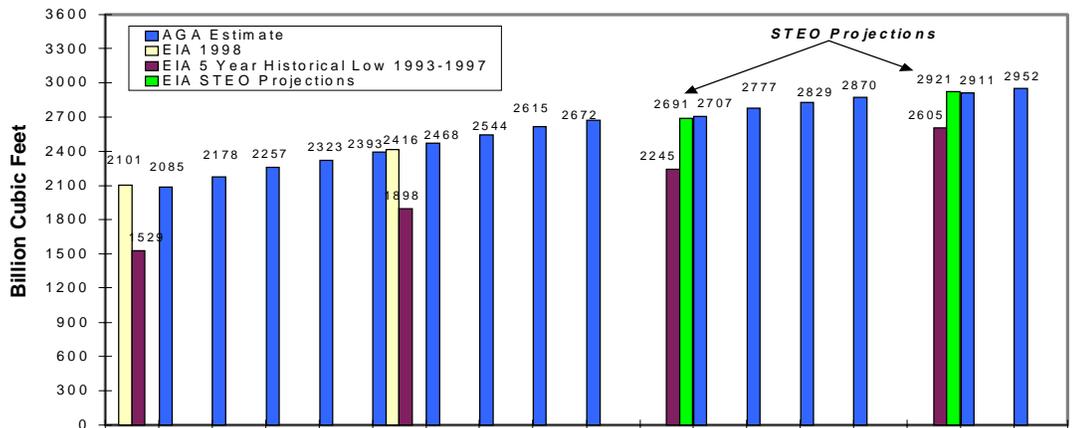
Average Temperature for Four Major Gas Consuming Metro Areas
(Chicago, Kansas City, New York, and Pittsburgh)



HENRY HUB PRICE		
	SPOT	FUTURES
	October	November
	Del	Del
	(\$ per MMBtu)	
10/12	1.71-1.76	2.089
10/13	1.64-1.71	2.084
10/14	1.76-1.83	2.041
10/15	1.72-1.78	2.095
10/16	1.60-1.66	2.109

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/10	57	55	2
10/11	59	55	4
10/12	59	55	4
10/13	54	56	-2
10/14	56	56	0
10/15	60	56	4
10/16	62	55	7

Working Gas In Storage



Working Gas Volume as of 10/09/98		
	BCF	% Full
EAST	1695	95
WEST	412	85
Prod Area	845	92
U. S.	2952	93

Source: AGA

The NYMEX futures contract for November delivery at the Henry Hub opened on Monday, October 19, at \$2.130 per MMBtu, \$0.021 more than Friday's settlement price. During the past week, average daily temperatures in most parts of the country were generally seasonal to mild. The mild weather and continued ample supply levels have maintained an almost 3-week period of falling prices. Spot market prices at the Henry Hub continued to trend down as the price ended the week at about \$1.63 per MMBtu—down more than 15 cents. The price of the November futures contract also moved down and ended the week off almost 10 cents per MMBtu at \$2.109. During the first full week of October (ending 10/09), estimated net injections to storage averaged almost 6 Bcf per day. The price of West Texas Intermediate crude oil moved down about 40 cents per barrel last week and traded for \$14.20 on Friday—roughly equivalent to \$2.45 per MMBtu.

As the heating season (November through March) approaches, the cities that are monitored for daily temperatures in this report have been changed to Chicago, Kansas City, New York, and Pittsburgh—all major winter gas-consuming locations. A graph of the daily average of the high and low temperatures for those cities are presented along with the National Weather Service historical daily average “normal” temperature. The graph also shows a statistically estimated daily temperature range, based on temperature data for these cities during the past 10 years.

Storage: For the third week in a row, the American Gas Association (AGA) has estimated that additions to storage were 41 Bcf. Almost 70 percent, or 86 Bcf, of the AGA-estimated 123 Bcf that has been added to working gas storage since mid-September has gone into storage facilities in the East Consuming region. This leaves the Eastern storage sites with an estimated working gas total of 1,695 Bcf—44 Bcf more than last year at the same time. According to EIA data, working gas storage capacity in the East is more than 2,120 Bcf. This is double the capacity in the Producing region (1,100 Bcf) and more than three times larger than in the West (600 Bcf). Overall storage is estimated by AGA to be more than 230 Bcf ahead of last year (2,952 Bcf vs. 2,720). If the daily average net additions during the last 3 weeks in the refill season (October 10 to the 31st) equal those seen in the previous 3 weeks, total working gas on hand on November 1 will be more than 3,080 Bcf.

Spot Prices: At the Henry Hub and most other markets in Louisiana, the Southwest, and the Midcontinent, prices moved down for the third consecutive week, with gas trading near or below \$1.60 per MMBtu. Ample supply and low demand continued to be the dominant market fundamentals in most regions of the country. The one exception was in the West, where utility gas was in strong demand as imports of Canadian gas slowed because of pipeline and processing plant maintenance. The availability of hydroelectric power from the Northwest was also reduced, causing California utilities to go to backup gas-fired facilities to meet customer demand. This led to the unusual situation in which gas into the Rocky Mountain market hubs was priced at a premium of 10 to 15 cents per MMBtu over gas into the Henry Hub in Louisiana. On Thursday, the posted price at the Henry Hub was about \$1.75 per MMBtu while on the Kern River pipeline into California it was \$1.90. By Friday, the differential had been reduced to less than 10 cents per MMBtu as the level of gas supplies from Canada improved.

Futures Prices: The price of the November contract at the Henry Hub settled below \$2.05 per MMBtu at mid-week, but moved above \$2.10 by Friday. The November contract continues to trade for almost \$1.50 less than last year's November contract at the same time. In a further indication of current ample supplies of gas, the premium for the November near-month futures contract over the spot market price continued to grow and ended the week at more than \$0.37 per MMBtu. The November contract, which settled last year at \$3.266 per MMBtu, will expire on October 28.

Summary: Ample supply and generally low demand remain the predominant market forces. Spot market prices at most locations continue to trend down, while the November futures contract was stable but well below last year's trading levels. Weekly net additions to storage have held at a moderate pace for 3 weeks that, if maintained, would put beginning-of-heating-season stocks close to 3,100 Bcf