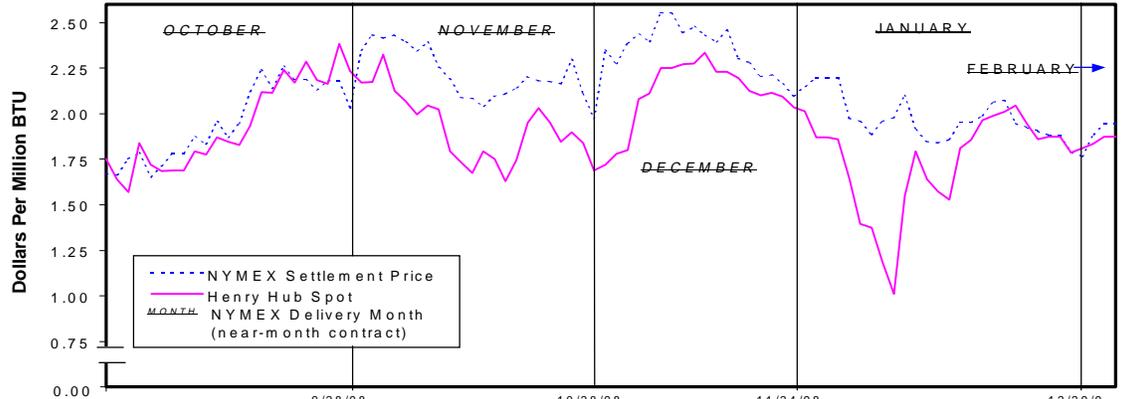
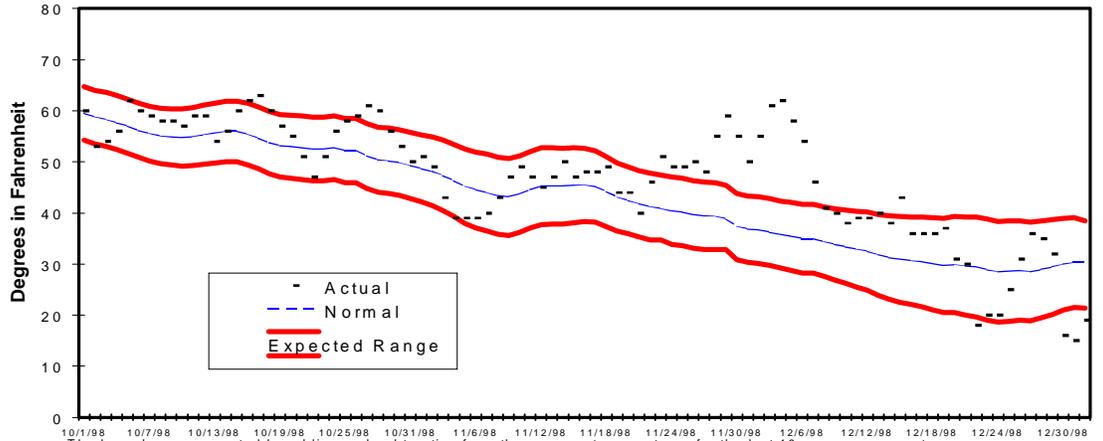


NYMEX Future Prices vs Henry Hub Spot Prices



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

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

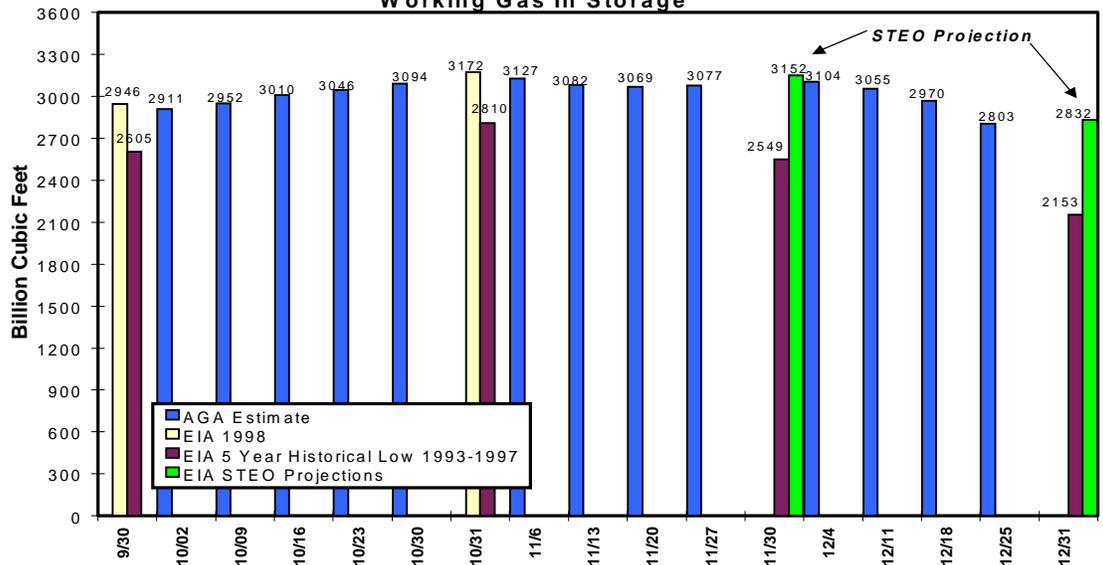


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

HENRY HUB PRICE (\$ per MMBtu)		
SPOT		FUTURES
Dec./Jan. Del	Jan./Feb. Del	
12/28	1.76-1.81	1.788
12/29	1.79-1.83	1.765
12/30	1.81-1.86	1.886
12/31	1.81-1.94	1.946
1/01	Holiday	Holiday

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
12/26	31	29	2
12/27	36	29	7
12/28	35	29	6
12/29	32	29	3
12/30	16	30	-14
12/31	15	30	-15
1/01	19	30	-11

Working Gas In Storage



Working Gas Volume as of 12/25/98		
	BCF	% Full
EAST	1564	86
WEST	392	80
Prod Area	847	89
U. S.	2803	86

Source: AGA

After reaching a bidweek high of \$1.925 per MMBtu on December 22, the NYMEX futures contract for January delivery at the Henry Hub fell more than \$0.15 during the next four days of trading to its final settlement price of \$1.765 on Tuesday, December 29. This is the lowest price for a January contract since 1995 (\$1.639), and almost \$0.55 per MMBtu lower than last year's price of \$2.307. The winter's first serious storm dropped more than a foot of snow on most areas of the Midwest. The storm was accompanied by several days of cold weather as temperatures in Chicago, St. Louis, Cleveland, Pittsburgh, among other locations did not get above the mid 20s for most of last week. Forecasts are calling for the cold temperatures to continue to dominate weather in the Midwest and the East through the first half of this week. The National Weather Service long range forecasts predicting warmer-than-normal weather for the January through March time period probably contributed to softness of the January contract prices. Spot prices have remained well below \$2.00 per MMBtu for more than 2 weeks at most major market locations. On Thursday, December 31, posted prices at the Henry Hub were generally less than \$1.90. The February contract began trading at \$1.886 per MMBtu on Wednesday, December 30 and moved up 6 cents on Thursday. The snow and low temperatures prompted the first period of typical winter storage withdrawals as an average of almost 24 Bcf per day were taken out of storage during the third week of December. The price of West Texas Intermediate crude oil trended up most days and ended the week at \$12.10 per barrel- roughly equivalent to \$2.10 per MMBtu. Also, low sulfur residual oil was trading for about \$1.80 per MMBtu in New York City and for less than \$1.20 along the Gulf Coast.

Storage: According to the American Gas Association (AGA) an estimated 167 Bcf were withdrawn from storage in the week ended Friday, December 25. This is by far the largest level of withdrawals this season. The next highest level of weekly withdrawals-only 49 Bcf- occurred in the previous week ending Friday, December 18. Even with this recent increase in withdrawal activity, there still remain over 630 Bcf more working gas in storage than at the same time last year (2,803 vs 2,170). This continuing elevated level of gas stocks also is contributing to the relatively low level for gas prices. Given the recent weather, the last week of December probably had withdrawals approaching 200 Bcf. If that occurs, and end of December stock levels are near 2,600 Bcf, this would still be the highest end-of-the year total in 7 years. Based on EIA data, the level of working gas remaining in storage on December 31, 1991 was 2,824 Bcf. Last year's end-of-December stock level was 2,165 Bcf.

Spot Prices: At most major market locations, prices have remained below \$2.00 per MMBtu for 2 weeks and for most days posted prices were generally in the mid \$1.80s. In response to the low winter temperatures of last week, spot prices at the Henry Hub were about 5 cents higher than the final closing price of the January contract (December 29) (\$1.81 vs \$1.765 per MMBtu). The spot price last traded for more than the near month contract in September. Since then, as testimony to the robust level of the supply of gas and expectations of more normal winter conditions, the spot price has been generally \$0.30 to \$0.40 per MMBtu below the near month contract's price. The differential reached a high of almost \$1.00 per MMBtu in early December.

Futures Prices: The near month contract for January closed below the December contract (\$1.765 vs \$1.967 per MMBtu). This was the third consecutive month this has occurred. A descending price trend is not expected during the first months of the heating season. The market continues to be dominated by fundamentals consisting of: ample supply, near record stock levels for the end of December, late arriving winter temperatures, and the continued depressed level of petroleum prices. The NYMEX futures contract for February delivery at the Henry Hub opened Monday, January 4, at \$2.02 per MMBtu.

Summary: With the continued ample level of gas supply, the low temperatures and the accompanying heavy snows of last week appear to have had no impact on price levels. The January NYMEX contract closed near \$1.75 per MMBtu. Stocks remain well above levels held at the same time in recent heating seasons, despite the season's first week of significant storage withdrawals.