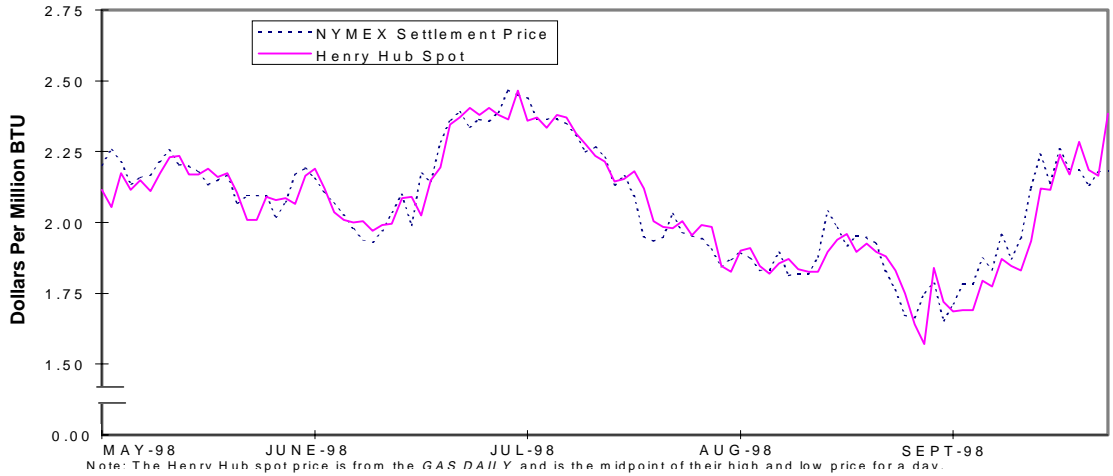
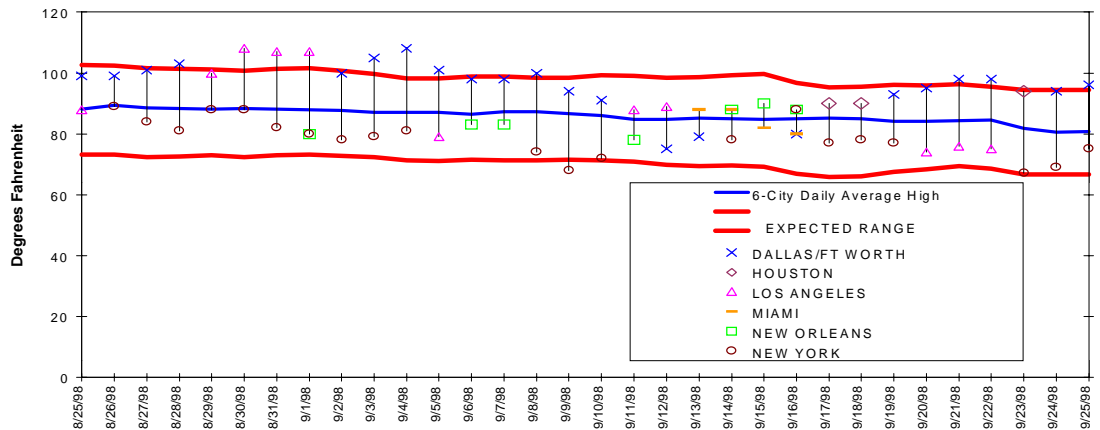


NYMEX Future Prices vs Henry Hub Spot Prices



HENRY HUB PRICE		
	SPOT	FUTURES
	Sept	October
	Del	Del
	(\$ per MMBtu)	
9/21	2.14-2.20	2.187
9/22	2.26-2.31	2.186
9/23	2.15-2.22	2.131
9/24	2.14-2.19	2.179
9/25	2.34-2.43	2.181

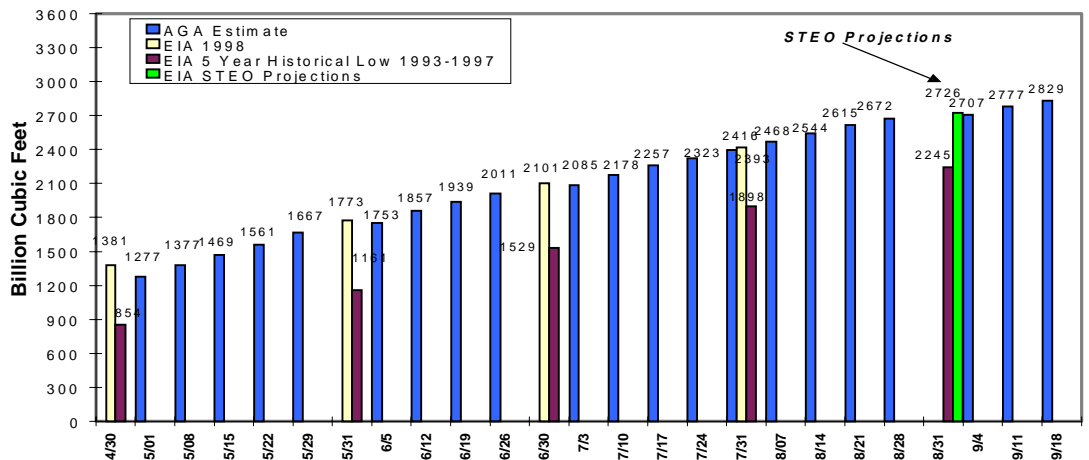
Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
9/19	86	84	2
9/20	87	84	3
9/21	89	84	5
9/22	88	84	4
9/23	84	82	2
9/24	85	81	4
9/25	85	81	4

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.

Working Gas In Storage



Working Gas Volume as of 9/18/98		
	BCF	% Full
EAST	1609	90
WEST	390	81
Prod Area	830	90
U. S.	2829	89

Source: AGA

The NYMEX futures contract for October delivery at the Henry Hub opened Monday, September 28, at \$2.180 per MMBtu, virtually the same as Friday's settlement price. Hurricane "Georges" received most of the weather related attention last week as it roared through the Caribbean Ocean and took a path that brought it into the Gulf of Mexico (GOM) . With early forecasts on Friday calling for the hurricane to turn north and make land somewhere between New Orleans and Pensacola, FL, natural gas production facilities in the Mobile Bay area off the coast of Alabama began to shut down some operations and evacuate personnel from offshore platforms. The level of production interrupted was estimated to have been 1 Bcf per day on Friday and increased to more than 1.4 per day over the weekend. The October futures contract, which closes today (Sept.28), opened the week, Sept. 21, down 8 cents at \$2.187 per MMBtu and remained generally flat the next four days ending the week down slightly at \$2.181. Spot market prices at the Henry Hub and other major market locations also remained flat most of the week then moved up sharply on Friday as reports of lost production due to the hurricane began to circulate. Prices in East Texas and Louisiana rose 15 to 25 cents per MMBtu, respectively, and ended Friday trading for about \$2.40 at the Henry Hub. The stability in the October futures contract and the expectation that any supply impacts will be of very short duration could be a reflection of the low to moderate demand at this time. Also, contributing to the strong supply situation is the elevated stock level which had net additions of about 7.5 Bcf per day in the third week of September and remained well ahead of last year's refill level. The price of West Texas crude oil again traded above \$15.00 a barrel most days and ended the week at \$15.65 - roughly equivalent to \$2.72 per MMBtu.

Storage: According to the AGA net injections to storage were 52 Bcf for the week ended Friday, September 18. This brings the level of working gas on hand at that time to 2,829 Bcf and overall working gas capacity is estimated to be almost 90 percent full. As storage reservoirs get closer to their capacity, it does become more difficult to keep injecting gas. This is especially true at conventional facilities which make up more than 80 percent of U.S. storage capacity. Due to this, the rate of net injections is expected to slow as we approach the end of the refill season. But with almost six full weeks remaining, net additions to storage need to average less than 30 Bcf a week to reach 3,000 Bcf by the end of October. EIA data indicates that last year weekly injections in September averaged 78 Bcf then slowed to 48 in October. Production disruptions caused by hurricane "Georges" may also slow net injections in late September and early October this year.

Spot Prices: At the close of trading on Thursday, prices at the Henry Hub were about \$2.15 per MMBtu-down almost 10 cents from the previous Friday. On the heels of weather forecasts calling for hurricane "Georges" to enter the GOM and pose a threat to the eastern production areas in Mobile Bay, prices at major markets began to move up. Following reports of shut-in production of more than 1 Bcf per day, prices at Katy in East Texas, the Houston Ship Channel and the Henry Hub in Louisiana rose sharply and were trading for \$2.30 to \$2.43 per MMBtu-up as much as 25 cents from Thursday. Based on the price stability displayed by the October futures contract and, assuming production levels return to normal following hurricane "Georges", spot market prices should begin to trend down later this week.

Futures Prices: The continued flatness of the October contract at the opening of the market on its last day of trading again appears to reinforce the view of many market observers that current supply and stock levels are ample. Also based on Monday's opening price for the October near month contract, it seems likely that it will close today for more \$1.00 per MMBtu less than last year's October contract (\$3.472). The volume of contracts entered into late last week for the October contract totaled more 150,000. The November contract also opened flat on September 28 at \$2.390 per MMBtu and is currently trading almost \$1.00 below its closing price for last year (\$3.266)

Summary: Spot market prices rose sharply on Friday as hurricane "Georges" shut-in an estimated 1.4 Bcf per day of gas production in the eastern Gulf of Mexico. However, the futures contracts for October and November remained unchanged, indicating the relative strength of current supply and the continued high storage levels at this time.