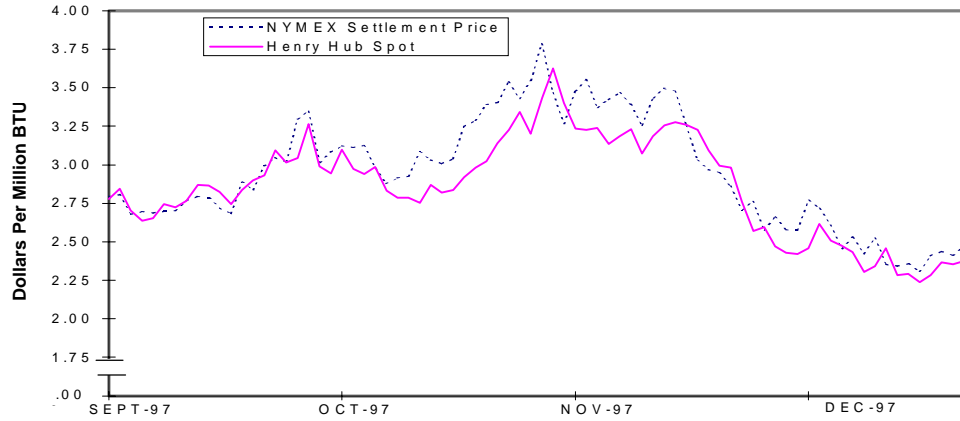


NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
	SPOT	FUTURES
	Dec	Jan
	Del	Del
	(\$ per MMBtu)	
12/15	2.22-2.26	2.307
12/16	2.26-2.31	2.409
12/17	2.32-2.41	2.438
12/18	2.32-2.39	2.412
12/19	2.35-2.41	2.471

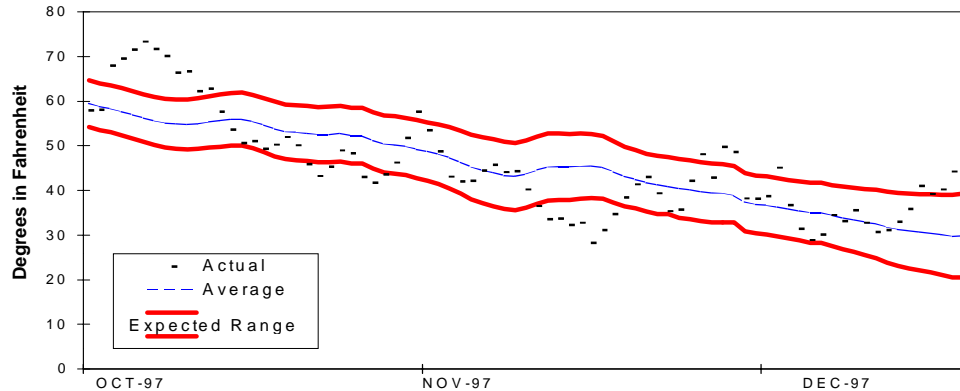


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

Average temperature for Four Major Gas Consuming Metro Areas

(Chicago, Kansas City, New York, and Pittsburgh)

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
12/14	33	31	2
12/15	36	31	5
12/16	41	31	10
12/17	39	30	9
12/18	40	30	10
12/19	44	30	14
12/20	37	30	7

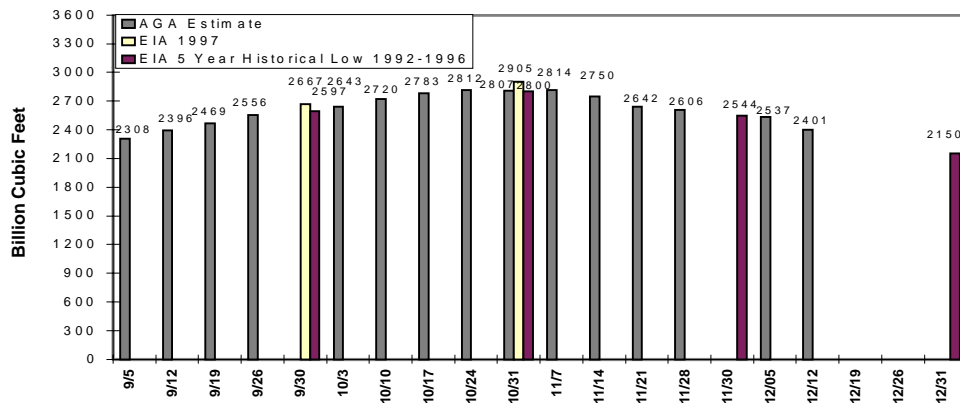


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage 1997

Working Gas Volume as of 12/12/97		
	BCF	% Full
EAST	1473	82
WEST	325	67
Prod Area	603	66
U. S.	2401	75

Source: AGA



December 17, far exceeded both analysts' expectations and previous withdrawals for this heating season. The large withdrawals of 136 Bcf significantly reduced the spread between this year's working gas levels and last year's, and thus put upward pressure on prices. Still, while Henry Hub futures prices were volatile on Thursday, December 18, with a range of \$0.15 per MMBtu, the settlement price for the January futures contract, at \$2.356 per MMBtu, ended near the lower end of the range for the day and actually down by \$0.04 from the previous day's level. This occurred because temperatures Storage withdrawals for the week ending December 12, reported after the futures market closed on had been warmer than normal in much of the major gas-consuming regions of the United States since December 12. In fact, on December 18, the average temperature of 40 F. for the key cities of Chicago, Kansas City, New York, and Pittsburgh, was 33 percent above normal, with forecasts calling for similarly warm weather the next day. Thus, the market seemed to expect that storage withdrawals for the week ending Friday, December 19 would be modest and total working gas in storage would again be noticeably above year-earlier levels. On Monday, December 22, the January futures prices opened at \$2.43 per MMBtu, virtually unchanged from last Friday's price and only \$0.03 greater than the settlement price on Wednesday, December 17, before the AGA weekly storage numbers were reported.

Coal Deliveries to Texas Utilities: Union Pacific Railroad continues to work at resolving its system-wide operational problems. According to DOE's Office of Emergency Management, no new complaints have been raised by Texas utilities since the Surface Transportation Board (STB) held its most recent hearing on the problem on December 3. At that time, the STB extended the requirement for UP to file weekly, publicly available status reports through March 15, 1998, and required a new weekly report on coal delivery problems. The Coal Report, currently available only to the STB and parties to the UP recovery proceedings, measures coal delivery service in terms of cycle times, sets in service, and carloads from three principal coal origin regions to two receiving regions and four specified States. Meanwhile, the most recent public status report (dated December 15), for the week ended December 12, indicates that conditions are gradually improving: train speed increased to 14.2 from 13.1 and coal cycle days decreased to 5.8 from 6.8. The status report is posted every Tuesday, with the previous day's date, on UP's World Wide Web site (www.uprr.com).

Spot Prices: Spot prices have been flat for the past 2 weeks: the average of the daily midpoints was \$2.32 last week and \$2.34 the week before. Further, spot price volatility as represented by daily price ranges has also been modest, averaging \$0.05 last week with a peak of \$0.09 on Wednesday. However, price levels and volatility could increase, as temperatures are forecasted to drop significantly this week. Moreover, the end of December is often the time when prices are most volatile and can drop or rise significantly depending on the shift in demand for space heating during the major holiday season of the year.

Futures Prices: Futures settlement prices for January deliveries at the Henry Hub are more than \$1.00 below levels of 2 months ago, just before the beginning of the heating season. As the heating season began, prices for January deliveries held near \$3.40 per MMBtu until the end of the second week of the season. January futures prices then dropped until the beginning of December as storage levels in the East Consuming region rose significantly above year-earlier levels. On November 1, storage levels were 30 Bcf less than year-earlier levels, but by December 5, were 41 Bcf more than year-earlier levels. Nonetheless, January futures settlement prices this past week were consistently above median spot prices. Futures price volatilities, as indicated by daily price ranges, were also consistently above spot price volatilities. These market facts indicate that there is still much uncertainty about forward supplies.

Storage: For the week ended December 12, the American Gas Association (AGA) reported net storage withdrawals of 136 Bcf, with 76 Bcf withdrawn from storage facilities in the East Consuming region and 41 Bcf in the Producing region. Even with this moderately large level of storage withdrawals, inventories in the East Consuming region exceed their levels from last year, albeit by a small amount (9 Bcf). More importantly, withdrawals for the week ended December 19 are likely to be fairly moderate because of the unseasonably warm temperatures in many parts of the country since December 13. During this same week last year (week ended December 20, 1996), AGA reported estimated net withdrawals of 130 Bcf, with 62 Bcf withdrawn from East Consuming region facilities. If net withdrawals are in fact relatively light for the week ended December 19, it could keep some downward pressure on prices for at least another week, as ready supplies from storage with respect to expected demand seem to be more than adequate.

Summary: Storage levels are still greater than year-ago levels, despite the largest drawdown of the current season during the week ending December 12. These higher stocks combined with warmer-than-normal temperatures and relatively low prices for oil and propane, the substitute fuels for natural gas, put downward pressure on prices. Nonetheless, especially cold temperatures throughout the next 2 weeks could still increase spot prices. However, if the average temperatures over the next 2 weeks are near or above normal instead, prices are likely to drop significantly. This occurred last year, when the average spot price at the Henry Hub fell from \$4.03 to \$2.75 during the last week of the year.

There will be no weekly update report for the next 2 weeks. The next report will be on January 12, 1998. Happy Holidays!