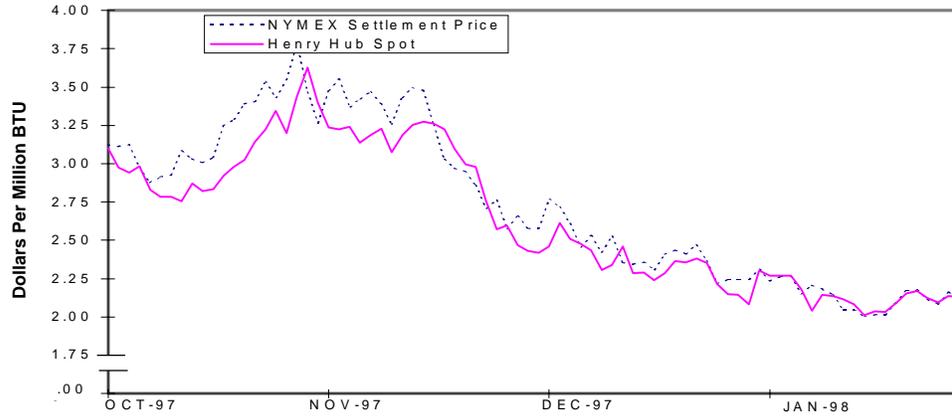


NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
	SPOT	FUTURES
	Jan	Feb
	Del	Del
	(\$ per MMBtu)	
1/19	2.11-2.16	N/A
1/20	2.10-2.13	2.115
1/21	2.05-2.11	2.084
1/22	2.07-2.11	2.160
1/23	2.10-2.15	2.115

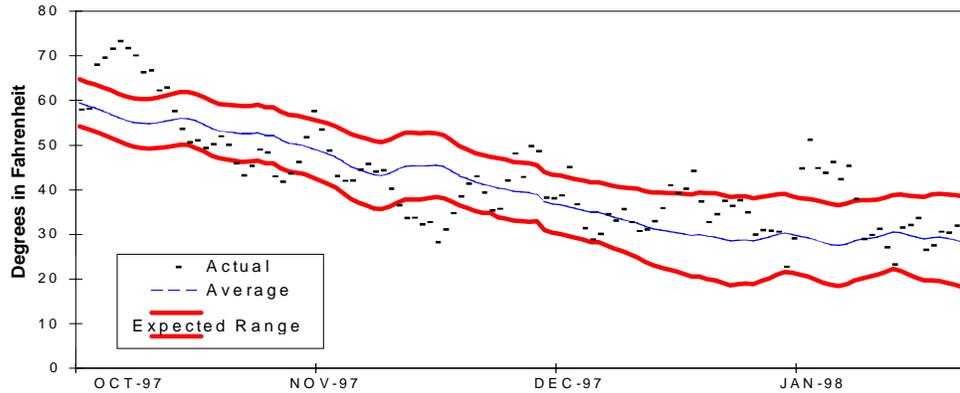


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

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
1/17	34	29	5
1/18	27	29	-2
1/19	28	29	-1
1/20	31	29	2
1/21	30	29	1
1/22	32	29	3
1/23	34	28	6

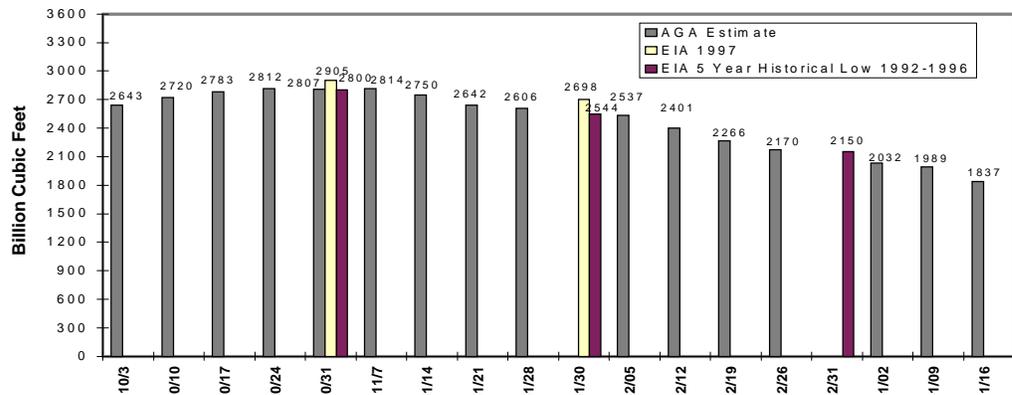


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage 1997

Working Gas Volume as of 1/09/98		
	BCF	% Full
EAST	1157	65
WEST	229	48
Prod Area	451	49
U. S.	1837	58

Source: AGA



The NYMEX futures contract for February delivery at the Henry Hub opened Monday, January 26 at \$2.080 per MMBtu, \$0.035 lower than Friday's settlement price. While temperatures in most parts of the Nation have fallen to more seasonal levels, there were few if any instances of extremely cold weather last week. For the four cities monitored by this report, the weekly cumulative difference between last week's daily average temperatures and normal temperatures was +8° F. In the week before last, according to the American Gas Association (AGA), the industry experienced its largest storage drawdown of this heating season at 159 Bcf. While large, this pales in comparison to the estimated 262 Bcf withdrawn during this same week last year, and leaves inventory levels as of January 16 at 177 Bcf above those of the same time last year. Thus, price response to the somewhat colder weather and to the latest storage withdrawal figures was minimal. While up a penny or two at the beginning of the week, by the end of the week, Henry Hub spot gas was trading in a range of \$2.10-2.15, almost identical to the range of the previous Friday. The February futures price displayed modest volatility, falling to \$2.084 per MMBtu on Wednesday, then recovering to \$2.16 on Thursday, before falling back to \$2.115 on Friday. The price of West Texas intermediate crude oil fell 80 cents during the week to close Friday at \$15.65 per barrel. Since the beginning of December, WTI has lost almost 20 per cent of its value.

Storage: The AGA reported estimated net withdrawals of 159 Bcf for the week ended January 16, with 99 Bcf withdrawn in the Consuming East region and 42 Bcf in the Producing region. This was the largest drawdown of working gas so far this heating season, but still considerably less than the 262 Bcf withdrawn during the same week last year. During that week, the average temperature for the four cities monitored by this report was 47 percent colder than normal, compared with just 2 percent colder than normal for this year. According to AGA estimates, total working gas inventories, as of January 16, are 177 Bcf greater than last year, with Consuming East inventories 91 Bcf greater than last year. If the weather returns to normal for the rest of the winter, this storage "surplus" with respect to last year is likely to diminish or disappear. However, if temperatures for the remainder of the heating season return to the warmer-than-normal trend of earlier in the winter, the surplus could continue. In this case, at some point parties with stored gas may face trade-offs between using stored gas or using other gas sources but possibly paying penalties prompted by requirements of storage contracts to meet scheduled draw-down targets throughout the heating season.

Spot Prices: Prices weakened slightly last week at nearly all major spot markets as the market showed little reaction to either the latest AGA storage report or the somewhat colder weather. At the Henry Hub, the mid-point price fell from \$2.135 per MMBtu on Monday to \$2.125 on Friday. Last year at this time, spot prices were also headed downward, but were dropping much more drastically and from a higher starting point. At the beginning of this same week last year, the Henry Hub spot price was more than a dollar higher than this year's price, and by the end of the week had dropped by more than \$0.50 to about \$2.70 per MMBtu. Spot prices at most points along the Canadian border during January of last year were \$1.00 to \$2.00 or more greater than this year's prices. For example, the average price at Emerson in Manitoba was \$3.93 in January 1996, compared with \$1.84 thus far this January.

Futures Prices: With only 4 trading days last week (the NYMEX was closed on Monday), the February futures contract at the Henry Hub showed no net movement during the week, settling on Friday at the identical price as Tuesday's close: \$2.115 per MMBtu, or just over 6 cents less than the previous Friday's closing price. Last year during this same week, the February contract was mirroring the Henry Hub spot price, falling from \$3.070 at the beginning of the week to \$2.824 at week's end. By the last day of its trading, the February contract had recovered to close out at \$2.986. This year's February contract is due to close on Wednesday, January 28. Prices for the March and April futures contracts tracked the February contract price almost identically throughout the week, with no more than 5 cents separating their respective settlement prices on any day.

Summary: Temperatures are settling to more nearly winter-like levels, but there has yet to be a prolonged cold spell anywhere in the country. With nearly half the heating season over, inventories are relatively strong. Both spot and futures price levels, and their relative lack of volatility, seem to reflect an overall confidence in the availability of supplies relative to expected demand.