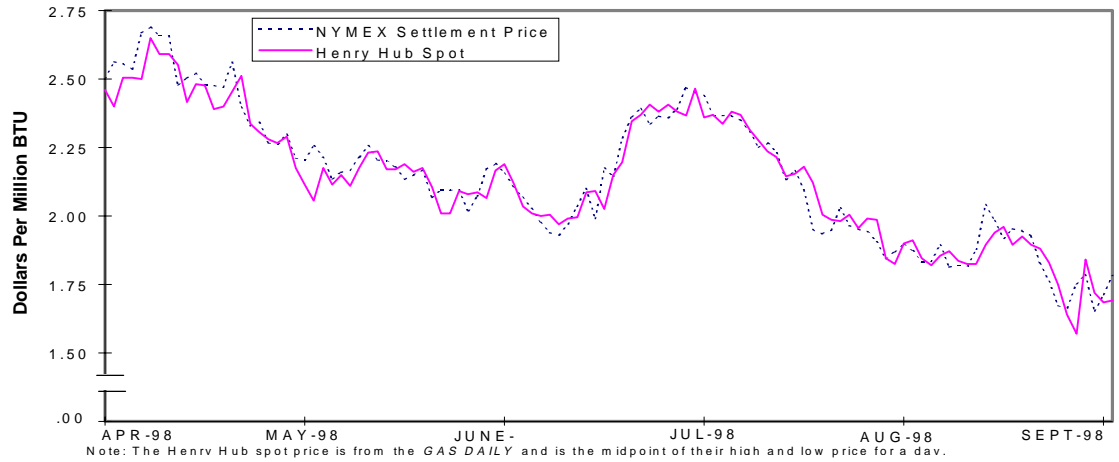


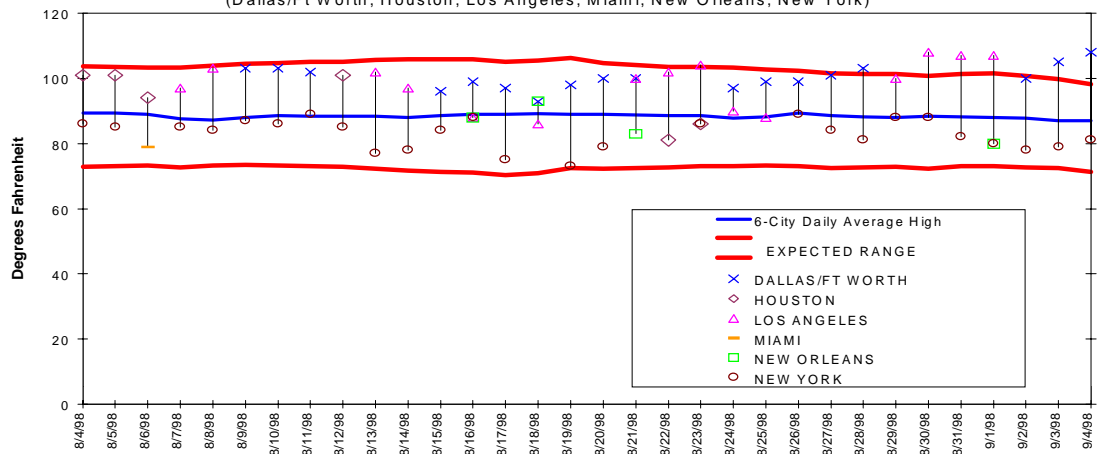
NYMEX Future Prices vs Henry Hub Spot Prices



**HENRY HUB PRICE
SPOT FUTURES**
Aug/Sept October
Del Del
(\$ per MMBtu)

8/31	1.50-1.64	1.752
9/01	1.80-1.88	1.786
9/02	1.66-1.78	1.652
9/03	1.65-1.72	1.712
9/04	1.65-1.73	1.783

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)

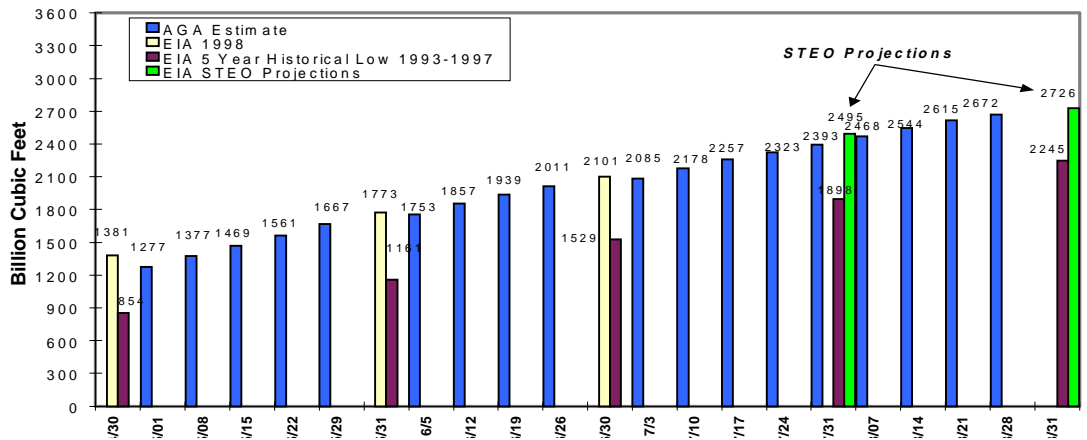


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

**Average High Temperature for
Six Major Electricity
Consuming Cities**

	Actual	Normal	Diff
8/29	95	88	7
8/30	95	88	7
8/31	94	88	6
9/01	92	88	4
9/02	92	88	4
9/03	95	87	8
9/04	92	87	5

Working Gas In Storage



**Working Gas Volume
as of 8/28/98**

	BCF	% Full
EAST	1500	82
WEST	386	75
Prod Area	804	86
U. S.	2672	82

Source: AGA

The NYMEX futures contract for October delivery at the Henry Hub opened on Tuesday, September 8, at \$1.805 per MMBtu, \$0.023 more than Friday's settlement price. Tropical storm "Earl" reached hurricane status last week as it moved into the Gulf of Mexico and appeared headed to the oil and gas production areas of coastal Louisiana. It temporarily curtailed more than 5 Bcf a day of natural gas production. This threat gave prices on both the spot and futures markets a temporary "bounce" of about 15 cents per MMBtu early last week. When the storm's course turned eastward toward Florida at midweek, prices retreated to the previous Friday's levels of close to \$1.65 per MMBtu. The near-month futures contract did move up as trading activity picked up going into the long holiday weekend and finished the week at \$1.783 per MMBtu. Temperatures in Dallas and Los Angeles exceeded 100 degrees most days last week, while other areas of the country again had moderate to seasonal weather. Forecasts are calling for moderate to below-normal temperatures to dominate in most areas this week. Additions to storage slowed to about 8 Bcf a day during the last week of August, but seasonal totals remained well ahead of last year. The price of West Texas crude oil moved up more than \$1.00 a barrel and ended the week at \$14.60—roughly equivalent to \$2.55 per MMBtu.

Storage: According to the American Gas Association (AGA), estimated net additions to storage for the week ended Friday, August 28, were 57 Bcf—the lowest weekly level since early in the refill season. The total level of working gas continues to be more than 20 percent ahead of last year at the same time (2,672 Bcf vs. 2,212). A combination of EIA survey data and the *Short-Term Integrated Forecasting System* (STIFS) indicate that storage stocks at the end of August were close to 2,725 Bcf, substantially ahead of the 2,336 Bcf in storage last year at the same time. With 2 months remaining, it appears that only 300 Bcf or less is needed to reach a level of 3,000 Bcf by the start of the heating season.

Spot Prices: For the second consecutive week, the spot price at the Henry Hub and most other major market locations ended the week trading below \$1.70 per MMBtu. The threat posed by Hurricane "Earl" did provide a brief jump as prices reached a high of \$1.88 per MMBtu on Tuesday, September 1. On Wednesday, prices began to revert back to the previous week's level and remained flat going into the long weekend. The return of triple-digit temperatures in the Southwest and in the Los Angeles area may have kept spot prices from trending even lower late in the week. The increase in storage levels along with this summer's generally moderate demand are the two primary conditions contributing to the relative softness of gas prices at this time.

Futures Prices: In response to the hurricane and reports of buyers covering "short positions," the October futures contract displayed its first period of volatility, as daily settlement prices moved both up and down between 3 and 13 cents per MMBtu last week. The near-month contract, as well as the November and December contracts, moved up more than 7 cents per MMBtu on Friday and the number of contracts almost doubled between Thursday and Friday (63,000 vs. 34,000). The November contract ended the week just above \$2.00 per MMBtu, but, like the October contract, is trading about \$1.40 below last year's final settlement price. The October contract will close on September 28.

Summary: Prices reacted to the presence of the season's first Gulf of Mexico hurricane with a short-lived increase early in the week. The October futures contract did end the week up as traders covered their positions but prices for the early months of the heating season remain well below those of last year. Additions to storage slowed in late August but stock levels remain high.